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THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

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

SECTOR	NO.	ENTITY
WATER COMPANY	1	KAPENGURIA WATER COMPANY LIMITED
MUNICIPALITY	1	KAPENGURIA MUNICIPALITY
HOSPITALS	4	KAPENGURIA REFERRAL HOSPITAL
		CHEPARERIA SUB-COUNTY LEVEL 4 HOSPITAL
		KACHELIBA SUB-COUNTY LEVEL 4 HOSPITAL
		SIGOR SUB-COUNTY LEVEL 4 HOSPITAL
FUNDS	3	WEST POKOT COUNTY COOPERATIVE DEVELOPMENT FUND
		WEST POKOT COUNTY CLIMATE CHANGE FUND
		WEST POKOT COUNTY BURSARY, EDUCATIONAL DEVELOPMENT AND INFRASTRUCTURE FUND.

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

MARCH 2026 31-3/26 APPROVED BY THE CLERK

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## ACRONYMS/ABBREVIATIONS

<b>CBK</b>	Central Bank of Kenya
<b>CECM</b>	County Executive Committee Member
<b>COB</b>	Controller of Budget
<b>COG</b>	Council of Governors
<b>CPISFC</b>	County Public Investments and Special Funds Committee
<b>DPP</b>	Director of Public Prosecution
<b>EACC</b>	Ethics and Anti-Corruption Commission
<b>FIF</b>	Facilities Improvement Financing Act
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>IHMS</b>	Integrated Hospital Management System
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>KEMSA</b>	Kenya Medical Supplies Authority
<b>KRA</b>	Kenya Revenue Authority
<b>NHIF</b>	National Health Insurance Fund
<b>NSSF</b>	National Social Security Fund
<b>OAG</b>	Office of the Auditor-General
<b>PAA</b>	Public Audit Act
<b>PFM</b>	Public Finance Management
<b>PSASB</b>	Public Sector Accounting Standards Board
<b>SHA</b>	Social Health Authority
<b>SO</b>	Standing Orders
<b>TNT</b>	The National Treasury
<b>UHC</b>	Universal Health Coverage
<b>WASREB</b>	Water Services Regulatory Board
<b>WRA</b>	Water Resources Authority
<b>WSP</b>	Water Service Provider

## **DEFINITION OF TERMS**

**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).

**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.

**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.

**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.

**Accountability:** This refers to the assurance that an individual or a group will be held responsible for their actions or inactions.

**Non-Revenue Water:** Non-Revenue Water refers to the difference between the amount of water put into the distribution system and the amount of water billed/unbilled as authorized consumption. It is usually attributed to physical losses such as leaks, bursts, and overflows in the existing water supply network, and to commercial losses due to metering anomalies and illegal connections.

**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.

**Facility Improvement Financing (FIF):** Revenue collected by public health facilities and deposited into designated accounts for use in improving service delivery, in accordance with the Facility Improvement Financing Act, 2023.

## **PREFACE**

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

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

Pursuant to the provisions of Article 229(4) of the Constitution of Kenya, 2010, the Auditor-General is required to audit and report on the accounts of all national and county government entities, including water companies, municipalities, hospitals and 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 West Pokot County water company, municipality, hospitals and funds for the Financial Year 2024/2025. The entities considered include Kapenguria Water Company Limited, Kapenguria Municipality, Kapenguria Referral Hospital, Chepareria Sub-County Level 4 Hospital, Kacheliba Sub-County Level 4 Hospital, Sigor Sub-County Level 4 Hospital, and West Pokot County Cooperative Development Fund.

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

## **COMMITTEE MEMBERSHIP**

The membership of the Committee comprises the following Senators-

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

## **COMMITTEE SECRETARIAT**

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

## **ESTABLISHMENT OF THE COMMITTEE**

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

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

## **EXECUTIVE SUMMARY**

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited Accounts of Kapenguria Water Company Limited, Kapenguria Municipality, Kapenguria Referral Hospital, Chepareria Sub-County Level 4 Hospital, Kacheliba Sub-County Level 4 Hospital, Sigor Sub-County Level 4 Hospital, and West Pokot County Cooperative Development Fund for the Financial Year 2024/2025 (1st July, 2024 to 30th June 2025) as the primary documents for the interrogation. The Committee invited the Governor, as the Chief Executive Officer of West Pokot County pursuant to Article 179(4) as witness to respond to the audit queries raised in the reports under consideration.

The Committee received both written and oral evidence from the Governor in response to the various audit queries raised by the Auditor-General in the reports under consideration. The Committee considered and concluded its inquiry onto the reports of the Auditor-General on the Financial Operations of the water company, municipality, hospitals and funds for the Financial Year 2024/2025.

A total of seven (7) entities were reviewed. Kapenguria Water Company Limited received an Adverse Opinion from the Auditor-General. Six entities received a Qualified Opinion from the Auditor-General, indicating material discrepancies and insufficient documentation preventing the issuance of an unqualified audit report.

Key findings across the entities include: inaccuracies in financial statements; unsupported property, plant and equipment balances; systematic non-compliance with the Facility Improvement Financing (FIF) Act, 2023 across all four West Pokot County hospitals; significant budgetary control deficiencies including severe underfunding; failure of multiple hospitals to meet Level 4 designation requirements in staffing and equipment; non-remittance of public procurement capacity building levy; poor service delivery infrastructure including an unequipped paediatric ward and condemned maternity ward at Chepareria Hospital; use of hazardous asbestos roofing tiles at Kapenguria Referral Hospital; complete non-disbursement of loans by the Cooperative Development Fund due to liquidity collapse following termination of USAID funding; and non-installation of water meters for 60% of Kapenguria Water Company's registered customers.

This report documents the observations and recommendations of the Committee on each audit query as raised by the Auditor-General.

## **REPORT STRUCTURE**

**THE PREFACE DETAILS** the place of Committees in the Constitution, Committee establishment and mandate, Committee membership and formation, the niche of the Committee in the Senate, the executive summary, key observations and recommendations and acknowledgement.

**CHAPTER ONE** is a record of the audit queries raised in the Auditor-General's report on Kapenguria Water Company Limited for the Financial Year 2024/2025, along with the Committee's observations and recommendations for each audit query.

**CHAPTER TWO** is a record of the audit queries raised in the report of the Auditor-General for the municipality in West Pokot County (Kapenguria Municipality) for the Financial Year 2024/2025, along with the Committee's observations and recommendations for each audit query.

**CHAPTER THREE** is a record of the audit queries raised in the reports of the Auditor-General for the hospitals in West Pokot County (Kapenguria Referral Hospital, Chepareria Sub-County Level 4 Hospital, Kacheliba Sub-County Level 4 Hospital and Sigor Sub-County Level 4 Hospital) for the Financial Year 2024/2025, along with the Committee's observations and recommendations for each audit query.

**CHAPTER FOUR** is a record of the audit queries raised in the report of the Auditor-General for the West Pokot County Cooperative Development Fund for the Financial Year 2024/2025, along with the Committee's observations and recommendations for each audit query.

## **GENERAL OBSERVATIONS FOR THE WATER COMPANY**

The Committee made the following general observations regarding the operations and financial management of the Water Company under review: -

- 1. Inaccuracies and Variances in Financial Statements** – The Committee observed a pattern of significant and unexplained variances between the financial statements, supporting schedules, trial balance and notes to the financial statements of Kapenguria Water Company Limited. The prevalence of errors suggests a lack of competence in financial reporting and inadequate internal controls, which could potentially facilitate fraudulent activities.
- 2. Non-Installation of Water Meters** – The Committee observed that 60% of Kapenguria Water Company's registered customers lacked water meters, with 754 customers billed at an arbitrary flat rate of Kshs. 500 monthly. This falls far below the 80% metering threshold required under Schedule E of the WASREB Model Service Provision Agreement and results in revenue leakage and inaccurate billing.
- 3. Deficiencies in Financial Reporting** – The Committee noted widespread inaccuracies and errors in the preparation and presentation of financial statements, including unsupported customer deposits, unsupported staff costs and lack of a Non-Revenue Water unit. Both the Board and Accounting Officer exhibited challenges in complying with section 149 of Public Finance Management Act, Cap. 412A, and section 47 of the Public Audit Act, Cap. 412B.
- 4. Poor Corporate Governance** – The Committee observed significant governance deficiencies including failure to conduct mandatory Board performance evaluation, operating without an approved strategic plan, use of an unapproved water tariff, and conducting business without a valid WASREB operating license.
- 5. Non-Adherence to Accounting Standards** – The Committee observed that the water company struggled with full adoption of International Public Sector Accounting Standards (IPSAS) framework, as evidenced by recurring financial statement variances and inadequate disclosure of shareholding structure.

## **GENERAL RECOMMENDATIONS FOR THE WATER COMPANY**

The Committee makes the following recommendations to address the observed deficiencies and enhance the performance, compliance, and sustainability of the Water Company: -

- 1. Enhancement of Record Keeping and Audit Compliance** – The Governor ensures that the Board and Accounting Officer have proper record keeping and provide all requisite supporting documents to the Auditor-General in accordance with Section 9(1)(e) of the Public Audit Act, Cap. 412B, within the stipulated

audit timelines. Adherence to the provisions of the Accountants Act, Cap. 531, is mandatory. Failure to comply with these requirements shall necessitate the invocation of section 62 of the Public Audit Act by the Committee.

2. **Accelerated Meter Installation** – The Governor ensures that the Board of Directors and Accounting Officer develop and implement a time-bound meter installation programme to achieve at least 80% metering coverage in line with Schedule E of the WASREB Model Service Provision Agreement. A quarterly progress report shall be submitted to the Senate and WASREB until full compliance is achieved.
3. **Capacity Building on Financial Reporting Standards** – The Governor ensures that the Board of Directors, in consultation with the Public Sector Accounting Standards Board (PSASB), facilitate continuous capacity building for finance officers and management on International Public Sector Accounting Standards (IPSAS) to improve the quality of financial reporting and enhance compliance.
4. **Strengthening Corporate Governance** – The Governor ensures that the Board of Directors adheres strictly to the WASREB Corporate Governance Guidelines for the Water Services Sector including conducting mandatory annual performance evaluations, developing an approved strategic plan, and ensuring the Company operates with a valid WASREB license and approved water tariff at all times.
5. **Regularization of Company Operations** – The Governor fast-tracks the acquisition of a valid WASREB operating license and approved water tariff for Kapenguria Water Company and provides a status update to the Senate within sixty (60) days of the adoption of this report.

## **GENERAL OBSERVATIONS FOR THE MUNICIPALITY**

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

- 1. Late Submission of Audit Documents** – The Committee noted that the Auditor-General encountered significant challenges due to the late submission of supporting documents during the audit process. This delay hinders the accountability and audit process and contravenes sections 47 and 62 of the Public Audit Act, Cap. 412B, which mandates timely provision of documentation.
- 2. Lack of Operational Autonomy of Municipality** – The Committee observed that Kapenguria Municipality lacked operational independence from the County Executive in areas of management, function and finances. This contravened sections 12 on management independence, 20 on functional independence, 45 and 46 on financial independence of the Urban Areas and Cities Act, Cap. 275, which collectively guarantee municipalities the autonomy necessary for effective governance.
- 3. Deficiencies in Financial Reporting and Standards Compliance** – The Committee observed that there were numerous inaccuracies and errors in the financial statements of the municipality, raising concerns about the capacity of the officers responsible for their preparation. Furthermore, the municipality faces persistent challenges in adapting to the International Public Sector Accounting Standards (IPSAS) framework. The Committee further, observed that the Public Sector Accounting Standards Board (PSASB) periodically reviews IPSAS to address emerging issues and align with best practices. The Municipality struggled to apply the updated standards, as evidenced by the audit queries.

## **GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY**

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

- 1. Timely Submission of Audit Documents** – The Governor ensures that the Municipal Manager and the head of finance ensure that all supporting documents requested by the Auditor-General are submitted within the timelines stipulated in section 47 of the Public Audit Act, Cap. 412B. The Municipal Board shall institute an internal tracking mechanism to monitor compliance, and any officer found to have caused undue delay shall be subject to disciplinary action.
- 2. Enforcement of Municipal Autonomy** – The Governor ensures that the County Executive Committee member responsible for lands, housing, and urban development should, within sixty (60) days of the adoption of this report, take immediate steps to operationalize sections 12, 20, 45, and 46 of the Urban Areas

and Cities Act, Cap.275, by formally delegating management, functional, and financial powers to the Municipal Board and Manager. The Municipal Board shall thereafter provide a compliance report to the County Assembly and the Senate Committee on County Public Investments and Special Funds.

3. **Strengthening Financial Reporting Capacity** – The Governor ensures that the Municipal Manager and the head of finance shall, in consultation with the County Treasury and the Public Sector Accounting Standards Board (PSASB), develop and implement a continuous capacity-building program for all finance officers on the application of International Public Sector Accounting Standards (IPSAS). This program shall commence within sixty (60) days of the adoption of this report and shall be repeated quarterly to ensure updated knowledge of revised standards.

## **GENERAL OBSERVATIONS FOR THE HOSPITALS**

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

- 1. Systematic Non-Compliance with the Facility Improvement Financing (FIF) Act, Cap. 277** – The Committee observed a consistent and deliberate pattern across all four West Pokot County hospitals whereby FIF revenues collected at individual hospital facilities were transferred to the County-level West Pokot County Health FIF KCB Account, with reduced amounts returned to the respective hospital operational accounts. This practice systematically deprives hospitals of funds meant for local service delivery improvements and contravenes Section 5 of the FIF Act, 2023.
- 2. Failure to Meet Level 4 Hospital Requirements** – The Committee observed that Kacheliba Sub-County Level 4 Hospital, Sigor Sub-County Level 4 Hospital and Chepareria Sub-County Level 4 Hospital all exhibited critical deficiencies in service scope, infrastructure and staffing, and did not meet the mandatory requirements for Level 4 facilities as prescribed under the Medical Practitioners and Dentists (Medical Institutions) Rules of 2000.
- 3. Poor Service Delivery Infrastructure** – The Committee observed significant infrastructure deficiencies across the hospitals, including an unequipped paediatric ward at Chepareria Hospital (constructed at Kshs. 10,000,000), poor maternity ward conditions not fit for services, use of hazardous asbestos roofing tiles on patient wards and service blocks at Kapenguria Referral Hospital, and absence of key diagnostic and surgical equipment.
- 4. Budgetary Control Deficiencies** – The Committee observed significant underfunding across the hospitals, including Chepareria Hospital (underfunding of Kshs. 14,642,368 or 12% of budget) attributed to delayed SHA disbursements. This negatively impacted planned healthcare activities and service delivery.
- 5. Inaccuracies in Financial Statements** – The Committee observed multiple instances of unreconciled variances in financial statements across the hospitals, including inaccuracies in property, plant and equipment balances, unsupported prior year adjustments, and discrepancies in statements of changes in net assets.

## **GENERAL RECOMMENDATIONS FOR THE HOSPITALS**

The Committee makes the following recommendations to address the observed deficiencies and enhance the performance, compliance, and service delivery of the Hospitals: -

- 1. Full Compliance with the FIF Act, Cap. 277** – The Governor ensures that all hospitals in West Pokot County strictly comply with section 5 of the Facility Improvement Financing Act. All FIF revenues collected at the facility level must

remain in the designated hospital FIF accounts and be utilized for facility-level improvement purposes. The practice of sweeping FIF funds to the County Health FIF account without returning the full amount to the originating facilities must cease immediately. The Auditor-General to verify compliance and report to the Senate in the subsequent audit cycle.

2. **Meeting Level 4 Hospital Requirements** – The Governor ensures that the County Executive Committee Member for Health, within ninety (90) days of the adoption of this report, submits to the Senate a detailed facility improvement plan with clear timelines for addressing the staffing, equipment and infrastructure gaps identified at Kacheliba, Sigor and Chepareria hospitals, in line with the Medical Practitioners and Dentists (Medical Institutions) Rules of 2000.
3. **Infrastructure and Equipment Improvement** – The Governor ensures that priority is given to equipping the completed paediatric ward at Chepareria Hospital, renovating the maternity ward to meet required health facility standards, and replacing asbestos roofing tiles at Kapenguria Referral Hospital in compliance with the Environmental Management and Coordination (Waste Management) Regulations, 2006.
4. **Strengthening Financial Reporting** – The Governor ensures that the County Executive Committee Member for Health facilitates comprehensive capacity building for all hospital finance officers on IPSAS financial reporting standards, with emphasis on asset valuation, budget management and financial statement preparation.

## **GENERAL OBSERVATIONS FOR THE FUNDS**

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

- 1. Operational and Financial Paralysis** – The Committee noted that the West Pokot County Cooperative Development Fund did not disburse any loans during the financial year 2024/2025, primarily due to liquidity challenges exacerbated by the cancellation of USAID donor funding by President Donald Trump's Administration. This represents a total failure to deliver on the Fund's statutory mandate under section 5(1) of the West Pokot County Cooperative Development Act, 2018.
- 2. Deficiencies in Financial Reporting and Standards Compliance** – The Committee observed that there were numerous inaccuracies and errors in the financial statements of the Fund, including unreconciled variances in interest income and cash equivalents, raising concerns about the capacity of the officers responsible for their preparation.
- 3.** The Committee observed that the Public Sector Accounting Standards Board (PSASB) periodically reviews IPSAS to address emerging issues and align with best practices. The funds struggled to apply the updated standards, as evidenced by the audit queries.

## **GENERAL RECOMMENDATIONS FOR THE FUNDS**

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

- 1. Timely Submission of Audit Documents** – The Governor ensures that the management to ensure that all supporting documents requested by the Auditor-General are submitted within the timelines stipulated in section 47 of the Public Audit Act, Cap. 412B. Management shall institute an internal tracking mechanism to monitor compliance, and any officer found to have caused undue delay shall be subject to disciplinary action.
- 2. Strengthening Financial Reporting Capacity** – The Governor ensures that the management shall, in consultation with the County Treasury and the Public Sector Accounting Standards Board (PSASB), develop and implement a continuous capacity-building program for all finance officers on the application of International Public Sector Accounting Standards (IPSAS). This program shall commence within sixty (60) days of the adoption of this report and shall be repeated quarterly to ensure updated knowledge of revised standards.
- 3. Diversification of Funding Sources** – The Governor ensures that the management of the West Pokot County Cooperative Development Fund, within ninety (90) days of the adoption of this report, develops and presents to the

County Assembly a sustainable funding strategy that reduces dependence on a single donor source and identifies alternative revenue streams to ensure continuity of the Fund's mandate.

**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.

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

SIGNED: .....



DATE: .....





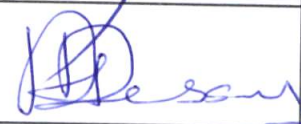

24/03/2026

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

**ADOPTION OF THE REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF WEST POKOT COUNTY WATER COMPANY, MUNICIPALITY, HOSPITALS AND FUNDS FOR THE FINANCIAL YEAR 2024/2025 (1<sup>st</sup> JULY, 2024 TO 30<sup>th</sup> JUNE, 2025):**

<b>SECTOR</b>	<b>NO.</b>	<b>ENTITY</b>
<b>WATER COMPANY</b>	<b>1</b>	<b>KAPENGURIA WATER COMPANY LIMITED</b>
<b>MUNICIPALITY</b>	<b>1</b>	<b>KAPENGURIA MUNICIPALITY</b>
<b>HOSPITALS</b>	<b>4</b>	<b>KAPENGURIA REFERRAL HOSPITAL</b>
		<b>CHEPARERIA SUB-COUNTY LEVEL 4 HOSPITAL</b>
		<b>KACHELIBA SUB-COUNTY LEVEL 4 HOSPITAL</b>
		<b>SIGOR SUB-COUNTY LEVEL 4 HOSPITAL</b>
<b>FUNDS</b>	<b>3</b>	<b>WEST POKOT COUNTY COOPERATIVE DEVELOPMENT FUND</b>
		<b>WEST POKOT COUNTY CLIMATE CHANGE FUND</b>
		<b>WEST POKOT COUNTY BURSARY, EDUCATIONAL DEVELOPMENT AND INFRASTRUCTURE FUND.</b>

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

No.	Name	Signature
1.	Sen. Godfrey Atieno Osotsi, CBS, MP ( <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 KAPENGURIA WATER COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025

The Governor of West Pokot County Hon. Simon Kachapin appeared before the Committee on 10<sup>th</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kapenguria Water Company Limited for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

1. Mr. Paul P'kukot Woyakapel - CECM Finance
2. Mr. Joshua Rutto - CECM Trade, cooperatives and development
3. Mr. Jonathan Tyno Rotino - Chief of staff

### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an Adverse Opinion on the financial statements of Kapenguria Water Company Limited on the following basis; -

#### 1. Variances between the Financial Statements and the Supporting Schedules

Review of the financial statements revealed significant and unexplained variances when compared with the supporting schedules as detailed below

Component	Financial Statements Amount Kshs	Supporting Schedule Amount Kshs	Variance Kshs.	Correct supporting schedules
Operating Revenue	32,319,738	0	32,319,738	32,319,738
Grant Income	15,361,906	0	15,361,906	15,361,906
Refundable Deposits and Prepayments	1,973,400	0	1,973,400	1,973,400

Trade and Other Receivables	33,906,685	0	33,906,685	33,906,685
Property, Plant and Equipment	172,832,549	172,232,549	600,000	600,000
Capital Grant	202,186,076	200,936,076	(1,250,000)	1,250,000
Trade and Other Payables	15,737,572	17,710,972	(1,973,400)	1,973,400
Operating Revenue	32,319,738	0	32,319,738	32,319,738
Grant Income	15,361,906	0	15,361,906	15,361,906
Refundable Deposits and Prepayments	1,973,400	0	1,973,400	1,973,400
Trade and Other Receivables	33,906,685	0	33,906,685	33,906,685
Property, Plant and Equipment	172,832,549	172,232,549	600,000	600,000
Capital Grant	202,186,076	200,936,076	(1,250,000)	1,250,000
Trade and Other Payables	15,737,572	17,710,972	(1,973,400)	1,973,400

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

### Management Response

The management is in the process of acquiring an accounting and billing system for automated reconciliation and analysis, which is not possible in our current system.

The Property, Plant and Equipment initial cost was kshs. 202,186,076 and after depreciation the residual value is kshs. 172,832,549. The provision amount of kshs.600,000 was already deducted from the initial cost for the contract for Mtembur water project as it was a contingency amount that was not expended.

The amount Kshs.1,250,000 is for value of a parcel of land procured in the previous financial and it was being restated in the financial statements.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the management's reliance on a manual accounting system has resulted in significant unexplained variances between the financial statements and supporting schedules. The acquisition of an automated accounting and billing system, while a positive step, does not address the existing discrepancies;
- ii. the recurring nature of these variances in the Kapenguria Water Company's financial statements raises serious concerns about the quality of financial management and the accuracy of reported figures; and
- iii. the submission of documents was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer undertakes prior year adjustments to reconcile all financial statement variances in the subsequent audit cycle FY 2025/2026, and the Auditor-General should keep the matter in view;
- ii. the Governor takes appropriate administrative action on responsible officers in the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and
- iii. the Governor ensures that the Accounting Officer expedites the acquisition and operationalization of an automated accounting and billing system and provides a status update to the Senate within 60 days of the adoption of this report.

## **2. Variances between the Financial Statement and Trial Balance**

Review of the financial statements revealed significant and unexplained variances when compared with the trial balance below.

<b>Component</b>	<b>Financial Statements Amount Kshs.</b>	<b>Trial Balance Amount Kshs.1,217,189,700</b>	<b>Variance Kshs</b>
Opening Bank Balances	1,665,016	223,422	1,441,594
Closing Bank Balance	3,358,486	545,703	2,812,783
Operating Revenue	32,319,738	14,589,350	17,730,388

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

#### **Management Response**

The trial balance and financial statements reflect the correct opening and closing bank balance amounts, the trial balance is submitted for your review.

#### **Committee Observation**

The Committee observed that the Committee observed that whereas the trial balance and financial statements were subsequently amended, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the Accounting Officer commits to timely submission of documents during the audit process in accordance with sections 9(1)(e) and 47 of the Public Audit Act Cap. 412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 of the Public Audit Act.**

### **3. Variances between the Financial Statement Amounts and the Notes**

The statement of financial position reflects trade and other payables balance of Kshs.15,737,572. However, the corresponding Note 20 to the financial statements reflects a balance of Kshs.17,710,972 resulting in an unreconciled variance of Kshs.1,973,400.

In the circumstances, the accuracy and completeness of trade and other payables balance could not be confirmed.

#### **Management Response**

The Kshs.1,973,400 amount is customer refundable deposits and its reflected in the statement of financial position as customer refundable deposits.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the management's response is not satisfactory as it does not explain the variance between Note 20 and the statement of financial position. The existence of customer refundable deposits does not account for the discrepancy in the reported balances; and
- ii. the audit issue remains unaddressed as the financial statements have not been corrected to reflect the accurate position.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the Accounting Officer corrects the variance between the statement of financial position and Note 20 and submits corrected financial statements to the Auditor-General within sixty (60) days of the adoption of this report; and**
- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.**

### **4. Non-Installation of Meters to Registered Customers**

The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.32,319,738 which includes water sales revenue amount of Kshs.28,122,645 as disclosed in Note 6 to the financial statements. However, review of records revealed that out of the 4,067 registered customers, only 1,626 (40%) were fitted with water meters. The remaining 2,441 customers (60%) lacked meters, with 754 being billed at a flat rate of Kshs.500 monthly. This was contrary to Schedule E of the WASREB Model Service Provision Agreement, which establishes that service coverage with less than 80% metering is unacceptable.

In addition, the Company operated eight production zones but bulk meters were not operational in three (3) critical production zones. This failure to implement required bulk metering infrastructure made it impossible to establish the total volume of water produced in cubic meters.

In the circumstances, the accuracy and completeness of the operating revenue amounting to Kshs.32,319,738 could not be confirmed.

### **Management Response**

The process of installing water meters and water fittings in the production zones is ongoing and the company continues progressively to fit customers with water meters.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that 60% of Kapenguria Water Company's registered customers lacked water meters. This directly contravenes Schedule E of the WASREB Model Service Provision Agreement, which establishes that service coverage with less than 80% metering is unacceptable;
- ii. the billing of 754 customers at an arbitrary flat rate of Kshs. 500 per month represents both a revenue management failure and a customer service inequity, as actual consumption is not being measured or billed accurately; and
- iii. the audit issue remains unaddressed as at the time of the hearing.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Board of Directors and Accounting Officer develop and implement a time-bound meter installation plan targeting at least 80% metering coverage within twelve (12) months of the adoption of this report, and submit a quarterly progress report to the Senate and WASREB until full compliance is achieved;
- ii. the Governor ensures the Accounting Officer immediately discontinues the practice of billing customers at arbitrary flat rates and implements consumption-based billing in accordance with the WASREB approved tariff; and

**iii. the Auditor-General reviews the implementation of the meter installation measures and provides a status update in the subsequent audit cycle.**

## **5. Unsupported Staff Costs**

The statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.12,012,994 as disclosed in Note 8 to the financial statements. However, review of personnel files, payroll records, and payment vouchers revealed that the Company does not maintain muster roll data, duly filled and approved leave movement forms, approved salary structures, career progression guidelines and policy documents on the engagement of intern staff.

In the circumstances, the accuracy and completeness of the staff costs amount of Kshs.12,012,994 could not be confirmed.

### **Management Response**

Management is in the process of reviewing the human resource policy manual to guide in career progression, intern engagement and develop salary structure. The management should ensure that the human resource department maintains personnel records, leave forms and copies kept in their personal files.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the absence of basic human resource management tools including muster roll data, leave movement forms, approved salary structures and career progression guidelines creates an environment where ghost workers or unauthorized payments could go undetected; and
- ii. the audit issue remains unaddressed as the documents were not provided at the time of audit.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer develops and operationalizes a comprehensive Human Resource Policy Manual within 60 days of the adoption of this report and provides evidence of the same to the Auditor-General; and

- ii. the Governor ensures that the Accounting Officer maintains complete muster roll records and leave management documentation in accordance with human resource policy guidelines.

#### **6. Inaccuracies in Property, Plant and Equipment**

The statement of financial position reflects property, plant, and equipment balance of Kshs.172,832,549 as detailed in Note 14 to the financial statements. However, valuation and ownership of a parcel of land purchased at Kshs.650,000 could not be confirmed as it lacked a title deed. Further, the office block building is neither valued nor disclosed in the financial statements while the value of six (6) motor vehicles was not disclosed in the financial statements while the value of six (6) motor vehicles was not disclosed in the financial statements and lacked logbooks.

In the circumstances, the accuracy, completeness and existence of property, plant and equipment could not be confirmed.

#### **Management Response**

The company procured 0.5 acre parcel of land for construction of a water treatment plant at Kabichbich at Kshs.650,000 and is in the process of acquiring the title deed.

while the value of six (6) motor vehicles was not disclosed in the financial statements and lacked logbooks.

The following motor vehicles KCK663G and KDP090M are registered under West Pokot County just awaiting payment of transfer fee. For the case of the following motor vehicles KCE432D, KCE433D, KCA012F, and KBG852C are pending transfer of ownership from Rift Valley Water Works Development Agency due to documentations delay.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the office block building and six motor vehicles are neither valued nor disclosed in the financial statements. This understates the Company's asset base and contravenes Regulation 136 of the Public Finance Management (County Governments) Regulations, 2015; and
- ii. the failure to secure a title deed for land purchased at Kshs. 650,000 creates a significant ownership risk.

#### **Committee Recommendation**

The Committee recommends that-

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

## **7. Unsupported Customer Deposits**

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.1,973,400 as disclosed in Note 21 to the financial statements. However, Management failed to provide customer deposit agreements and deposit movement schedules for audit. Further, customer deposits amounting to Kshs.1,701,243 were erroneously included in the operating revenue amount of Kshs.32,319,738.

In the circumstances, the accuracy and completeness of customer deposits could not be confirmed.

### **Management Response**

The customer refundable amount is Kshs.1,973,400. The Customer agreements and deposit movements schedules are provided for review and confirmation.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the erroneous inclusion of customer deposits amounting to Kshs.1,701,243 in operating revenue overstates the Company's reported income and misrepresents its financial performance; and
- ii. the audit issue remains unaddressed as the corrections have not been affected in the financial statements.

### **Committee Recommendation**

The Committee recommends that—

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

### **8. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects actual receipts totaling Kshs.17,382,549 while the statement of profit or loss and other comprehensive income reflects total receipts amounting to Kshs.47,681,644 resulting in an unreconciled variance of Kshs.30,299,095. Similarly, the statement reflects actual payments totaling Kshs.14,328,299 while the statement of profit or loss and other comprehensive income reflects total expenses amounting to Kshs.59,043,733 resulting in an unreconciled variance of Kshs.44,715,434.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

### **Management Response**

The statement of comparison of budget is prepared using cash basis which was wrongly compared with the statement of profit and loss done on an accrual basis hence the observed discrepancy.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that whereas management explained the basis difference between cash and accrual accounting, the financial statements have been corrected accordingly; and
- ii. however, management should ensure that basis differences are clearly disclosed and explained in the notes to the financial statements in future reporting periods.

#### **Committee Recommendation**

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

- v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**
- vi. **the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

### **9. Undisclosed Shareholding of the Water Company**

Review of the Company's Memorandum and Articles of Association (2020) confirmed its registration as a Public Company Limited by shares. However, the statement of financial position did not disclose any share capital. The financial statement failed to indicate whether the share capital has been issued or paid up, as required for entities with this corporate form.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

#### **Management Response**

The company has a nominal share capital of Kshs.100,000 with 5,000 Ordinary shares worth Kshs.20 per share. The County Government of West Pokot fully owns the company and holds 4850 shares in trust. The county Secretary, CECM finance and CECM Water each holds 50 shares in trust of the Company amounting to 5000 shares.

#### **Committee Observation**

The Committee observed that; -

- iii. the Committee observed that the query is partially addressed. The Company's financial statements do not clearly disclose the shareholding structure, including whether the share capital is issued and paid up; and
- iv. without full disclosure of the ownership structure, the Committee is unable to ascertain the true value and ownership of the water company.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the structure and ownership of the water company is disclosed in full compliance with the relevant laws and WASREB Corporate Governance Guidelines within 60 days of the adoption of this report and provides a status update to the Senate; and
- ii. the water company adheres to Chapter 1 paragraph 1.13 (1) and (2) of the Mwongozo Code of Governance for State Corporations of 2015, and sanction governance audit, and failure to which failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply. The Auditor-General verifies the shareholding disclosure in the subsequent audit cycle.

## **Other Matters**

### **Unresolved Prior Year Matters**

The audit report for the year ended 30 June, 2024 highlighted several issues were 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.

	<b>Financial Year</b>	<b>Audit Issue</b>
1	2023/2024	Un-Metered Water Production Zones
2	2023/2024	Non-Installation of Meters to Registered Customers
3	2023/2024	Use of Expired Tariffs
4	2023/2024	Lack of Non-Revenue Water Management Unit

### **Management Response**

No response

### **Committee Observation**

The Committee observed that the management did not submit a response to the matters.

### **Committee Recommendation**

**The Committee recommends that —**

- i. the Governor ensures that the Accounting Officer resolves all outstanding prior year audit matters as required by Section 149(2)(l) of

**the Public Finance Management Act, Cap.412A, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties for offences shall apply; and**

- ii. **the Governor ensures that the Accounting Officer submits a comprehensive status report on all mitigation measures taken to resolve all prior year matters, to the Senate and copies the Auditor-General for verification within 90 days of the adoption of this report.**

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

### **Basis for Conclusion**

#### **1. Lack of a License from Water Services Regulatory Board**

Review of the Company's operations for the year under review established that the entity conducted its water service provision activities without a valid operating license from WASREB. This was contrary to Section 72(c) of the Water Act, 2016 that mandates the Water Services Regulatory Board (WASREB) to set license conditions and accredit all water service providers.

#### **Management Response**

Management stated they have made application for renewal of the license and paid for it; the delay in approval of the license and tariff is due to Gaps in documents and policies required by WASREB.

The management is working closely with WASREB and they have planned capacity building training to complete the data submission.

### **Committee Observation**

The Committee observed that; -

- v. the Committee observed that Kapenguria Water Company operated throughout the financial year without a valid WASREB license, placing it in breach of Section 72(c) of the Water Act, 2016; and
- vi. the Company is in the process of obtaining the license but the outstanding documentation gaps must be addressed urgently.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the Board and Accounting Officer resolve all outstanding documentation gaps identified by WASREB and fast-track the renewal of the operating license within 60 days of the adoption of this report; and
- ii. the Auditor-General verifies the status of the WASREB license in the subsequent audit cycle and reports the same to the Senate.

## **2. Use of Unapproved Water Tariff**

Review of water tariffs applied by the Company revealed no evidence that the tariff was evaluated, recommended and approved by the Water Services Regulatory Board (WASREB) as required by Section 72(1)(b) of the Water Act, 2016 which mandates the board to evaluate and approve water and sewerage tariffs for county water service providers.

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

### **Management Response**

The Management has made applications of its license for water tariffs.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the Company operated with an unapproved water tariff throughout the financial year, which is a direct breach of Section 72(1)(b) of the Water Act, 2016; and
- ii. the audit issue remains unaddressed as the tariff approval has not been obtained.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer fast-tracks the application and approval of the water tariff by WASREB and provides evidence of the same to the Senate within 60 days of the adoption of this report; and
- ii. the Auditor-General verifies the tariff approval status in the subsequent audit cycle.

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

### **Basis for Conclusion**

#### **1. Poor Management of Non-Revenue Water and Water Production Data**

The Company had not established a Non-Revenue Water (NRW) Unit, resulting in the absence of Non-Revenue Water reduction measures and monitoring mechanisms. Further, the Company had not metered water from all the production zones and hence did not maintain adequate water production data. This contravened Chapter 3, Paragraph 3.1 of the Non-Revenue Water Management Standards, 2022, which requires establishment of a dedicated NRW Unit within an organizational structure and developing a comprehensive contrary to Chapter 3, Paragraph 3.1 of the Non-Revenue Water Management Standards, 2022, which requires establishment of a dedicated NRW Unit within an organizational structure and developing a comprehensive NRW policy.

In the circumstances, the effectiveness of management in controlling water losses could not be confirmed.

#### **Management Response**

Management stated they are in the process of establishing a Non-Revenue Water unit.

#### **Committee Observation**

The Committee observed that; -

- i. the absence of a Non-Revenue Water unit at Company means that water losses are neither monitored nor mitigated, resulting in potential revenue losses that could undermine the Company's financial sustainability; and
- ii. the audit issue remains unaddressed.

#### **Committee Recommendation**

The committee recommends that-

- i. **The Governor should ensure that the Accounting Officer monitors and oversees the implementation of measures to mitigate Non-Revenue Water (NRW), addressing both physical and commercial losses, and reports progress to the Auditor-General for review in the subsequent audit cycle.**
- ii. **the Governor ensures that the Accounting Officer segregates NRW to both Physical or Commercial so that the water company can ascertain and identify specific mitigating measures to effectively address and reduce the NRW levels; and**

- iii. **the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put place to reduce cases of theft and illegal connections.**
- iv. **the EACC should investigate the causes of high NRW, including potential commercial theft, illegal connections, staff collusion, or administrative lapses, and provide a status update to the Senate within 90 days of adoption of this report.**

## **2. Ineffectiveness of Board of Directors**

Review of records revealed that the Board of the Company failed to conduct its mandatory annual performance evaluation during the review period, contrary to Section 4.10.2 of the WASREB Corporate Governance Guidelines. Further, the Audit and Risk, Finance and Administration and Technical Committees did not convene any meetings throughout the financial year contrary to the requirements for regular meetings.

In the circumstances, the effectiveness of the Board could not be confirmed.

### **Management Response**

The board annual performance evaluation has been incorporated into the board almanac. The Board is adhering strictly to the calendar to ensure effectiveness in discharging its functions.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the Board of Kapenguria Water Company incorporated the annual performance evaluation into its almanac following the audit finding; and
- ii. the actual effectiveness of this measure can only be verified in the subsequent audit cycle.

### **Committee Recommendation**

The Committee recommends that—

- i. **the Governor ensures the Board conducts mandatory annual performance evaluations in accordance with section 4.10.2 of the WASREB Corporate Governance Guidelines and submits evidence of the same to the Senate within 60 days of the adoption of this report; and**

- ii. **the Auditor-General verifies Board effectiveness in the subsequent audit cycle.**

### **3. Lack of a Strategic Plan**

The Company operated without an approved strategic plan during the financial year under audit, contrary to Regulation 11(1) of the Public Service Commission (Performance Management) Regulations, 2021, which requires all public bodies to develop and implement a comprehensive strategic plan.

In the circumstances, the effectiveness of the Management in the control and efficient use of the scarce water resources could not be confirmed.

#### **Management Response**

The management is in process of developing Strategic Plan and is at advanced stage.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the Company operated without an approved strategic plan, compromising long-term planning and corporate governance; and
- ii. the audit issue remains unaddressed as the strategic plan has not yet been approved.

#### **Committee Recommendation**

The Committee recommends that—

- i. —the Governor ensures that management finalizes and obtains Board approval of the Strategic Plan within 90 days of the adoption of this report and submits a copy to the Senate; and
- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

## CHAPTER TWO: MUNICIPALITY

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

The Governor of West Pokot County Hon. Simon Kachapin appeared before the Committee on 10<sup>th</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Kapenguria Municipality for the Financial Year 2024/2025.

The Governor was accompanied by-

1. Mr. Paul P'kukot Woyakapel - CECM Finance
2. Mr. Donato Long'al - Municipal Manager, Kapenguria
3. Ms. Lydia Tabot - Deputy Municipal Manager, Kapenguria
4. Mr. Geoffrey Lokong - Account, Kapenguria Municipality

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#### REPORT ON THE FINANCIAL STATEMENTS

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

##### 1. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.112,622,615 as detailed in Note 13 to the financial statements which includes permanent building balance of Kshs.18,264,404. However, this balance does not include the value of land on which the buildings are constructed. Further, the Municipality lacks title deeds on these parcels of land and they have not been valued.

In the circumstances, the accuracy, completeness and existence of property, plant and equipment balance of Kshs.112,622,615 could not be confirmed.

##### Management Response

Management stated the Municipality Board has since valued the land under its buildings and updated the assets register accordingly. The County Government has reserved the parcels for the above projects and is in the process of sub-dividing and processing certificates of lease.

The Net book balance of the motor vehicle reflected in the financial statement is kshs.6,500,000 but not Kshs. 5,200,000 as indicated above. The other vehicles in use but not

reflected in the financial statement are; 24CG051A, 24 CG 081A and KBJ 748U. The Municipality has now valued the four vehicles and updated the asset register accordingly.

### **Committee Observation**

The Committee observed that the Committee observed that whereas the Municipality Board has since valued the land and updated the assets register, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B

### **Committee Recommendation**

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

### **Emphasis of Matter**

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

The statement of comparison of budget and actual amounts indicates a final budget of Kshs.78,343,492 against actual receipts of Kshs.20,300,000. This reflects an underfunding of Kshs.58,043,492 or 74% of the budgeted amount. Further, the Municipality incurred actual expenditures totaling Kshs.18,804,397 against actual receipts of Kshs.20,300,000, resulting in an under-expenditure of Kshs.1,495,603 or 7% of actual receipts.

The severe underfunding may have resulted in the non-implementation of critical development and operational activities, directly reducing the quality and timeliness of public services.

### **Management Response**

The underfunding amounting to Kshs. 58,043,492 was due to non – disbursement of Kenya Urban Support Programme II (KUSP II) funds for both Urban Development Grant (UDG) of Kshs. 23,043,492 and Urban Institution Grant (UIG) of Kshs. 35,000,000 as at the 30th June 2025. The UIG funds amounting to KShs. 32,309,300 have since been disbursed while the UDG funds have been gazetted through gazette notice No. 1442 under County Government additional Allocation Act.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the Municipality suffered a severe underfunding of Kshs.58,043,492 representing 74% of the budgeted amount, primarily attributed to non-disbursement of Kenya Urban Support Programme II (KUSP II) grants; and
- ii. the Municipality's near-total dependence on external funding sources without any own-source revenue renders it highly vulnerable to funding disruptions.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the County Executive Committee Member for Finance engages the national government and KUSP II program to regularize disbursement of the Urban Development Grant and Urban Institution Grant within 60 days of the adoption of this report and provides a status update to the Senate; and
- ii. the Governor ensures that the Municipal Manager, in collaboration with the Kenya Urban Support Programme II, develops and implements a model for generating own-source revenue for Kapenguria Municipality within 90 days of the adoption of this report.

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

### **Conclusion**

#### **Basis for Conclusion**

##### **1. Incomplete Fixed Asset Register**

Review of the records reveals that the fixed asset register was not maintained or updated to include all assets owned by the Municipality. This failure to maintain a complete and accurate register may compromise the Municipality's ability to track, safeguard and manage its fixed assets effectively.

In the circumstances, the effectiveness of the asset register as an internal control tool in management of the fixed asset could not be confirmed.

### **Management Response**

Management stated the Municipality Board has updated its fixed asset register to include its motor vehicles and land. Asset register was provided.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that whereas the asset register has been updated to include motor vehicles and land, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B; and
- ii. the audit issue is addressed.

### **Committee Recommendation**

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Governor ensures the transfer of ownership documents of assets under the Executive to the Municipality is fast tracked;**
- ii. **the Governor ensures that the management of the Municipality undertakes the valuation of all assets of the Municipality and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- iii. **upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification;**
- iv. **the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB);**
- v. **within 90 days of the adoption of this report, the Governor ensures that the operational autonomy of Municipality of Bomet is fully actualized in accordance with sections 169 – 181 of the Public Finance Management Act as read together with sections 12 (Structures and management of cities, municipalities), 20 (Governance and management functions of a board), 45 and 46 (financial autonomy) and provide evidence of the same to the Auditor-General for verification and monitoring. The Auditor-General should provide a status update in the subsequent audit cycle; and**
- vi. **the Governor ensures that the Accounting Officer submits all required documents during the audit process in a timely manner, in line with sections 9(1)(e) and 47 of the Public Audit Act, Cap.412B.**

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

Review of the Municipality's operations revealed a lack of autonomy in several areas including lack of full budgetary independence. While the Municipality prepares the budget, its final determination and approval are carried out by the County Executive through the County Treasury. This process significantly limits the Board's autonomy in budget control and decision-making. Further, the Municipality has not developed its own spatial plan, Integrated Development Plan (IDeP), by-laws or made recommendations for inclusion in existing by-laws. This has resulted in significant gaps in the regulatory framework necessary to guide its operations effectively.

In the circumstance, lack of budgetary autonomy cripples the Municipality's capacity to execute its function effectively leading to poor service delivery.

### **Management Response**

As indicated, Kapenguria Municipality board prepares its budget as provided by section 45 of Urban Areas and Cities act, 2011 which is then consolidated with the County budget and submitted to County Assembly for its approval. The municipal has since developed its spatial plan, Integrated Development Plan (IDeP) and By- Laws

### **Committee Observation**

The Committee observed that the Municipality has developed a spatial plan, Integrated Development Plan and By-Laws, it still lacks full budgetary independence from the County Executive

### **Committee Recommendation**

**The Committee recommends that-**

- i. within sixty (60) days of the adoption of this report, the Board of the Municipality ensures the Integrated Development and Economic Plan and the Integrated Strategic Urban Development Plan (ISUDP) for the Municipality is put in place in line with section 20(1)(c) of the Urban Areas and cities Act, Cap.275;**
- ii. the Governor takes all the necessary steps to ensure the Municipality achieves full operational independence in accordance with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, cap.275 and the Auditor General to verify the implementation of this recommendation in the next audit cycle;**

- iii. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government;
- 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; and
- v. the Municipal Board shall thereafter provide a compliance report to the County Assembly and the Senate Committee on County Public Investments and Special Funds within 90 days of the adoption of this report.

### **3. Non-Collection of Own Generated Revenue**

Review of the statement of financial performance revealed that the Municipality was financed dependent solely on allocations from the County Government. No own-source revenue was generated during the year, contrary to Section 172(a) of the Public Finance Management Act (PFMA), 2012. which explicitly provides that an urban area may also be funded through revenue from local rates, fees, levies, charges, and other revenue-raising measures that are retained by the urban area for its use.

In the circumstance, the Municipality's complete financial dependence on the County Government's allocation may hinder its effectiveness in provision of service to the public. Shifting priorities, or political changes would immediately halt its operations and service deliver

#### **Management Response**

The state department of Housing and Urban Development through Kenya Urban Support Programme II has developed a model policy and bill on County Financing of Urban areas. Section 14-17 of the draft model provides for revenues to be exclusively collected and retained by Municipalities. West Pokot County has since developed West Pokot County Financing of Urban Areas Bill, 2026 which is in draft level.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the Municipality failed to generate any own-source revenue during the financial year under review and remained entirely dependent on County Government allocations; and
- ii. this is unsustainable and limits the Municipality's ability to plan and deliver services independently.

#### **Committee Recommendation**

The Committee recommends that-

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

#### **6. Lack of Risk Management Policy**

Review of the Municipality's internal controls revealed that the institution did not prepare and approve a risk management policy. Therefore, the institution does not have a framework for risk identification and management, contrary to Regulation 158(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 states that the accounting officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism and system of risk management and internal control that builds robust business operations.

In the circumstance, the Municipality lacks mechanism to detect, prevent or respond to fraudulent activities, potentially resulting in financial losses and misuse of public lands

#### **Management Response**

The Municipality has since developed its Risk Management Policy.

#### **Committee Observation**

The Committee observed that the Committee observed that whereas the Municipality has since developed its Risk Management Policy, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B;

#### **Committee Recommendation**

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

## CHAPTER THREE: HOSPITALS

### 3.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KAPENGURIA REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of West Pokot County Hon. Simon Kachapin appeared before the Committee on 10<sup>th</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Kapenguria Referral Hospital for the Financial Year 2024/2025.

The Governor was accompanied by-

1. Mr. Paul P'kukot Woyakapel - CECM Finance
2. Clare Parmea- CEC Health
3. Dr. Simon Kaplongit Kapchanga Med. Sup (KCRH)

#### REPORT ON THE FINANCIAL STATEMENTS

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

##### 1. Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reflects a surplus for the year amount of Kshs. 25,540,324. However, the statement of financial performance reflects the surplus amount of Kshs. 15,937,695 resulting in an unreconciled variance of Kshs. 9,602,629. In the circumstances, the accuracy of the statement of changes in net assets could not be confirmed.

#### Management Response

Management stated the variance resulted when transferring data from the statement of financial performance to the statement of changes in net assets.

#### Committee Observation

The Committee observed that; -

- i. the Committee observed that the management's response is satisfactory and the variance is explained; and
- ii. the audit issue is addressed.

#### Committee Recommendation

The Committee recommends that the matter be marked resolved

## **2. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects actual receipts from rendering of services amount of Kshs.118,764,404 while the statement of financial performance reflects an amount of Kshs.152,264,971 on the same item resulting in an unreconciled variance of Kshs.33,500,567. In the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

### **Management Response**

Management explained that the statement of financial performance was prepared on accrual basis while the statement of budget and actuals was on cash basis.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that whereas the variance is explained by the different bases of accounting (accrual vs cash), this basis difference should be clearly disclosed in the financial statements; and
- ii. the audit issue is addressed.

### **Committee Recommendation**

The committee recommends that-

- i. **the Governor ensures that the Accounting Officer to takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

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

### **3. Lack of Approved Annual Operational Budget**

During the financial year under review, Kapenguria Referral Hospital operated without an approved annual operational budget to guide its expenditure. Management did not provide any evidence, such as submission receipts or correspondence, to confirm that the Hospital's annual work plans and budget were submitted to the County Executive Committee Member for Finance for consolidation into the County budget, contrary to Regulation 31(8) of the Public Finance Management (County Governments) Regulations, 2015.

#### **Management Response**

Management stated the budget was captured under the West Pokot County Executive budget.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the management’s response is satisfactory, as the hospital budget was captured within the County Executive budget; and
- ii. the audit issue is addressed.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the Hospital management provides documentary evidence of budget submission to the County Executive in future audit periods; and**
- ii. the Auditor-General keeps the matter in view.**

#### **4. Delayed Completion of the Construction of a Modern Mortuary**

The Department of Health and Sanitation contracted a local contractor for the construction of a modern mortuary at Kapenguria Referral Hospital at a contract sum of Kshs.14,356,156 on 4 April, 2024. The contract period was 180 days with an expected completion date of 5 October, 2024. By the time of audit, the contractor had been paid an amount of Kshs.6,855,607. Physical verification on 12 June, 2025 revealed that the project was incomplete eight months since the lapse of the contract period, contrary to Section 149(1) of the Public Finance Management Act, 2012.

#### **Management Response**

Management stated that heavy rainfall prevented access to the site but the project is now complete. Certificate of completion was provided.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that whereas the project is now complete and a certificate of completion has been provided, the project was delayed by eight months beyond the contract period; and
- ii. the audit issue is addressed.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer puts in place adequate contract supervision mechanisms to prevent contract overruns; and**
- ii. the Auditor-General verifies through physical inspection that the mortuary is fully operational and being utilized.**

## **5. Mis-Management of Facility Improvement Financing (FIF) Designated Bank Accounts**

Review of documents revealed that Management of Kapenguria Referral Hospital transferred a total of Kshs.12,344,000 to the West Pokot County Revenue Fund Account. This was contrary to Section 5 of the Facility Improvement Financing Act, 2023 which requires that FIF revenues be retained in designated facility accounts for use in improving healthcare service delivery at the facility. In the circumstances, Management was in breach of the law.

### **Management Response**

Management stated there was an existing standing order with the bank and money was transferred to the County Revenue Fund (CRF).

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the transfer of Kshs.12,344,000 from the Hospital's FIF account to the County Revenue Fund Account through a standing bank order is a direct violation of Section 5 of the Facility Improvement Financing Act, 2023;
- ii. the practice of channeling hospital-generated FIF revenues to the County Revenue Fund deprives the facility of resources meant to directly improve healthcare service delivery; and
- iii. the audit issue remains unaddressed.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Hospital immediately ceases the transfer of FIF revenues to the County Revenue Fund Account and complies fully with section 5 of the Facility Improvement Financing Act, Cap. 277;
- ii. the Governor ensures that the standing bank order facilitating the unauthorized transfers is cancelled immediately and evidence of cancellation submitted to the Senate within 30 days of the adoption of this report;
- iii. the Governor ensures that all FIF funds improperly transferred to the County Revenue Fund are returned to the Hospital's FIF operational account within 30 days of the adoption of this report; and

- iv. **the Auditor-General keeps the matter in view in the subsequent audit cycle and reports on compliance with the FIF Act, 2023.**

## **6. Non-Compliance with the Law on Ethnic Composition**

Review of human resource records revealed that out of two hundred and fifty-four (254) employees, one hundred and twenty-seven (127) were from the dominant ethnic community which is approximately 50% of the staff. This was contrary to Section 7(1) of the National Cohesion and Integration Act, 2008 which requires that not more than two-thirds (66%) of all employees should be of the same gender. In the circumstances, Management was in breach of the law.

### **Management Response**

Management stated deliberate efforts are being made to correct the situation.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the 50% ethnic composition from a single community at Kapenguria Referral Hospital raises concerns about compliance with Section 7(1) of the National Cohesion and Integration Act, 2008; and
- ii. the audit issue remains unaddressed as no concrete action plan has been provided.

### **Committee Recommendation**

The Committee recommends that—

- i. **the Board and the accounting officer make deliberate efforts to progressively comply with section 65 of the County Governments Act, 2012, which provides that at least thirty percent 30% of the vacant posts at entry level be filled by candidates who are not from the dominant ethnic community; and**
- ii. **the Board and the accounting officer to make deliberate efforts progressively in the endeavour to comply with section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff.**

## **7. Inadequate Resources at the Hospital**

Review of the Hospital's resources revealed severe deficiencies including lack of endoscopy, laparoscopy, and colonoscopy units; critical diagnostic equipment such as MRI and CT scanners; and only one defibrillator instead of the required three, contrary to the Schedule to Rule 7 (Categorization of approved medical institutions) of the Medical Practitioners and Dentists (Medical Institutions) Rules of 2000. In the circumstances, the Hospital was unable to deliver the full range of referral-level services.

### **Management Response**

Management stated they have sent requests to the National Equipment Programme to cover the gaps in equipment.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that Kapenguria Referral Hospital lacks critical specialized equipment including endoscopy, laparoscopy, colonoscopy units, MRI and CT scanners, and has only one defibrillator instead of the required three; and
- ii. the audit issue remains unaddressed.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the County Executive Committee Member for Health submits a detailed equipment acquisition plan to the Senate within 60 days of the adoption of this report, including timelines for procurement of missing specialized equipment through the National Equipment Programme or other available mechanisms; and
- ii. the Auditor-General keeps the matter in view and reports on the equipment status in the subsequent audit cycle.

## **8. Non-Remittance of Public Procurement Capacity Building Levy**

Review of documents revealed that Management of Kapenguria Referral Hospital did not deduct and remit the public procurement capacity building levy, contrary to Paragraph 3(1) of Legal Notice 206 of the Levy Order 2023. In the circumstances, Management was in breach of the law.

### **Management Response**

Management stated they will deduct and remit the levy.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the management's commitment to deduct and remit the levy is noted but the audit issue remains unaddressed as evidence of remittance has not been provided; and
- ii. the failure to remit the levy constitutes a breach of Paragraph 3(1) of Legal Notice 206 of the Levy Order 2023.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that Kapenguria Referral Hospital management immediately commences deduction and remittance of the public procurement capacity building levy and provides evidence of remittance to the Auditor-General within 60 days of the adoption of this report; and**
- ii. the Auditor-General verifies compliance in the subsequent audit cycle.**

## **9. Ineffectiveness in Management of Social Health Insurance**

Review of the Hospital's Social Health Authority (SHA) records revealed that out of the 4,693 claims totaling Kshs.87,820,119 submitted for reimbursement, 16 claims amounting to Kshs.1,134,850 were rejected due to administrative errors, contrary to Section 36(1) of the Social Health Insurance Act, 2023. In the circumstances, the Hospital lost revenue due to administrative inefficiency.

### **Management Response**

Management stated they will retain staff responsible for reviewing the claims.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the rejection of 16 SHA claims amounting to Kshs.1,134,850 due to administrative errors represents a loss of revenue to the Hospital; and
- ii. the audit issue remains unaddressed.

## **Committee Recommendation**

**The Committee recommends that-**

- i. the Accounting Officer ensures timely submission of complete and accurate documents during audit processes, including evidence of resubmission and follow-up of rejected or partially approved SHA claims, in compliance with section 9(1)(e) of the Public Audit Act, Cap. 412B, failure to which the provisions of section 62(2) of the Public Audit Act, Cap. 412B shall apply;**
- ii. 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 on the matter in the subsequent audit cycle; and**
- iii. 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 and the Auditor-General to provide a status update on the same during the subsequent audit cycle.**

### **10. Use of Hazardous Asbestos Tiles on Roofing**

Physical verification of the Hospital facilities conducted in the month of June, 2025 revealed that several building structures, including patient wards and service blocks at Kapenguria Referral Hospital, had roofs made of asbestos tiles. The use of asbestos tiles poses serious health risks to patients, staff and visitors, contrary to the Environmental Management and Coordination (Waste Management) Regulations, 2006. In the circumstances, Management was in breach of the law.

### **Management Response**

Management stated efforts are ongoing to find resources to replace the roofing.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the continued use of asbestos tiles on patient wards and service blocks at Kapenguria Referral Hospital poses serious occupational and public health risks and violates environmental management regulations; and
- ii. the audit issue remains unaddressed.

### **Committee Recommendation**

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

- i. the Governor ensures that funds are allocated in the next budget cycle for the replacement of all asbestos roofing at Kapenguria Referral Hospital in compliance with the Environmental Management and Coordination (Waste Management) Regulations, 2006, and provides a status update to the Senate within 90 days of the adoption of this report; and**
- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.**

### **3.2 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR CHEPARERIA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Governor of West Pokot County Hon. Simon Kachapin appeared before the Committee on 10<sup>th</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Chepareria Sub-County level 4 Hospital for the Financial Year 2024/2025.

The Governor was accompanied by-

1. Mr. Paul P'kukot Woyakapel - CECM Finance
2. Mr. Jonathan Tyno Rotino - Chief of staff
3. Clare Parmea- CEC Health
4. Dr. Irene Lepakale-COH Health
5. Dr. John Chirchir - Med. Sup.

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

The Auditor-General rendered a Qualified Opinion on the financial statements of Chepareria Sub-County Level 4 Hospital for the Financial Year 2024/2025.

#### **1. Inaccuracies in Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs. 14,800,465. However, various assets including land, buildings and medical equipment were not disclosed in the financial statement. Management did not provide valuation report for the land on which the Hospital structures are built.

In the circumstances, the accuracy, completeness and existence of property, plant and equipment balance of Kshs. 14,800,465 could not be confirmed.

#### **Management Response**

The recognized Property, Plant, and Equipment (PPE) are limited to assets acquired or constructed after devolution. Assets purchased or developed prior to devolution such as land and buildings have been excluded, as they could not be reliably measured. The pre-devolution assets will be incorporated into the register upon completion of a valuation by a certified government valuer which the department has initiated the process through department of lands.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the absence of land valuation and non-disclosure of buildings and medical equipment results in an understated property, plant and equipment balance; and
- ii. the audit issue is not addressed as the financial statements have not been restated.

### **Committee Recommendation**

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

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

### **2. Unsupported Prior Year Adjustment**

The statement of changes in net assets reflects prior adjustment of property, plant and equipment balance of Kshs.14,016,882. However, the supporting schedules were not provided for audit.

In the circumstances, the accuracy and propriety of the prior year adjustment could not be confirmed.

### **Management Response**

The amount of kshs14,016,882 is the net book value of buildings constructed after devolution, provided is a schedule of property, plant and equipment.

### **Observation**

The Committee observed that; -

- i. the Committee observed that whereas the asset register and schedules were subsequently provided, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B; and
- ii. the audit issue is addressed.

### **Committee Recommendation**

The Committee recommends that —

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

### **Emphasis of Response**

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

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts of Kshs.121,431,849 and Kshs.106,789,481 respectively resulting in an underfunding of Kshs.14,642,368 or 12% of the budget. The underfunding may have negatively impacted on the planned activities of the Hospital which affected service-delivery to patients.

#### **Management Response**

Management acknowledges the audit observation regarding underfunding as noted in the Statement of Comparison of Budget. The above underfinancing was as a result of Social Health Authority (SHA) reimbursement not being paid in time.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the Hospital experienced an underfunding of Kshs.14,642,368 (12% of budget) attributed to delayed SHA disbursements, which negatively impacted planned healthcare activities and patient care; and
- ii. the audit issue is not addressed.

### **Committee Recommendation**

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

- i. **the Accounting Officer ensures timely submission of complete and accurate documents during audit processes, including evidence of resubmission and follow-up of rejected or partially approved SHA claims, in compliance with section 9(1)(e) of the Public Audit Act, Cap. 412B, failure to which the provisions of section 62(2) of the Public Audit Act, Cap. 412B shall apply;**
- ii. **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 on the matter in the subsequent audit cycle; and**
- iii. **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 and the Auditor-General to provide a status update on the same during the subsequent audit cycle.**

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

### **1. Lack of an Annual Procurement Plan**

The Management did not prepare an annual procurement plan for the year under review despite the Hospital contracting multiple firms for supply of various goods and services including pharmaceutical and non- pharmaceutical supplies. This was contrary to Regulation 40(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that a procuring entity shall prepare a procurement plan for each financial year as part of the annual budget preparation process.

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

### **Management Response**

The hospital relied on the approved departmental procurement plan. The hospital has since prepared and approved its annual procurement plan for 2025- 2026 as part of the annual budget execution process

### Committee Observation

The Committee observed that; -

- i. the Committee observed that the Hospital's failure to prepare an annual procurement plan, despite contracting multiple firms for pharmaceutical and non-pharmaceutical supplies, creates a risk of irregular procurement and undermines transparency in procurement; and
- ii. the audit issue is not addressed.

### Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the Hospital management prepares and approves an annual procurement plan in compliance with Regulation 40(1) of the Public Procurement and Asset Disposal Regulations, 2020, commencing from the next financial year; and
- ii. the Auditor-General verifies compliance in the subsequent audit cycle.

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

Review of Hospital records and Interviews 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;

MEDICAL SPECIALISTS TABLE 1

Item	Level 4 standard	Number in Hospital	Variance	Percentage
Medical officers	16		(16)	100
Anaesthesiologists	2		(2)	100
General Surgeon	2		(2)	100
Gynaecologists	2		(2)	100
Pediatricians	2	0	(2)	100
Radiologists	2	2		100
Registered Community Health nurses	75	36	(39)	52

Total	101	38	63	
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Management Responses Report of the Auditor- General on Cheptereria Sub County Level 4 Hospital for the year ended 30 June, 2025 - County Government of West Pokot

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

**MEDICAL EQUIPMENT -TABLE 2**

Services	Level 4 Hospital standard	Actuals in the Hospital	Variance	percentage
Resuscitative in labour ward	2	0	2	100
New Born Unit Incubators	5	0	5	100
New Born Cots	5	0	(5)	100
Functional ICU Beds	6	0	6	100
High Dependence units HDU Beds	6	0	6	100
Renal Units with at least 5 dialysis machines	5	0	(5)	100
Two functional operational theatre- Maternity and general	2	0	(2)	100
Central sterile services department	1		1	100
Bed capacity	150	46	104	69

### **Management Response**

Management Responses Report of the Auditor- General on Cheptereria Sub County Level 4 Hospital for the year ended 30 June, 2025 - County Government of West Pokot

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that despite employing 416 medical staff, Chepareria Hospital still does not meet the requirements of the Kenya Quality Model for Health policy guidelines; and
- ii. the audit issue is not addressed.

### **Committee Recommendation**

The Committee recommends that—

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

#### **1. Poor Service Delivery**

Physical verification on 24 October, 2025 revealed the following unsatisfactory matters; —

##### **1. Unequipped Pediatric Ward**

The County Government of West Pokot constructed a pediatric ward at a contract sum of Kshs. 10,000,000 to completion and the facility commissioned in the financial year ended 2024. However, the ward had remained unequipped with facilities including new born units, baby cots and enough beds.

##### **2. Unequipped Maternity Ward**

The maternity ward was in poor condition and was not fit for the services. There were only two (2) nurses on duty effectively affecting efficiency of service delivery and response to emergencies. There were two (2) broken down incubators without New

Born Units (NBUs) at the ward which had not been maintained or served. In addition, there was no resuscitation machine, oxygen cylinders, mosquito nets and cleaning areas in the maternity ward.

### **3. Unequipped General Ward**

Unequipped General WardThe general ward was used both as female and male ward, which affected the patient's dignity and privacy. The ward was in poor condition with no maintenance in terms of painting, running water, cleaning and general hygiene standards.

In the circumstances, the Hospital's ability to deliver medical services efficiently to the residents could not be confirmed.

#### **Management Response**

The above shortage is historical; however, the management is addressing the same. The county has since employed (416no.) of health care workers of different cadres and deployed them accordingly. Attached is the list of the new employees. See Annex 2 The shortage in pieces of equipment were as result of budget constraints however the hospital through a partner is constructing a fully equipped modern maternity inclusive of theatre and new born unit. In addition, the department of health and sanitation has forwarded list of equipment's to the National Equipment Service Program (NESP) to fill the gaps.

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

### **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 0.03% of the value of the signed contract, exclusive of applicable taxes.

In the circumstances, Management was in breach of the law

#### **Management Response**

The management will deduct and remit the public procurement capacity building levy as provided by Paragraph 3(1) of Legal Notice 206 of the Levy Order 2023 beginning January 2026.

### **Committee Observations**

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

### **Committee Recommendations**

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

#### **5. Non-Compliance with Facility Improvement Financing (FIF) Act**

Review of bank statements and transaction records revealed that the Hospital collected and deposited total revenue of Kshs.7,877,599 into its legitimate designated account. However, Kshs.7,270,429 was transferred to the West Pokot County Health Account with only Kshs.6,230,975 being returned to the Hospital's operational account while Kshs.1,039,454 was withheld at the County level. This was contrary to Section 5 of the Facility Improvement Financing Act, 2023, which requires that all facility funds be retained in designated FIF accounts and explicitly prohibits the transfer of such funds to any other account.

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

### **Management Response**

The FIF Act, 2025 section 7 on (apportionment of the fund) was introduced to amend FIF, Act, 2023 to include a provision for retaining 29% of the funds for preventive and promotive healthcare services and 1% to support blood bank activities.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that Kshs.1,039,454 of Chepareria Hospital's FIF revenues was withheld at the County level, depriving the facility of funds for local service delivery improvements;

- ii. while management cited the West Pokot FIF Act, 2025 amendment as justification, the transfers were made before the enactment of this law, rendering them retroactively irregular; and
- iii. the audit issue is addressed by the subsequent amendment to the law.

### **Committee Recommendation**

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

- i. the Governor ensures that the Hospital immediately ceases the transfer of FIF revenues to the County Revenue Fund Account and complies fully with section 5 of the Facility Improvement Financing Act, Cap. 277;**
- ii. the Governor ensures that the standing bank order facilitating the unauthorized transfers is cancelled immediately and evidence of cancellation submitted to the Senate within 30 days of the adoption of this report;**
- iii. the Governor ensures that all FIF funds improperly transferred to the County Revenue Fund are returned to the Hospital's FIF operational account within 30 days of the adoption of this report; and**
- iv. the Auditor-General keeps the matter in view in the subsequent audit cycle and reports on compliance with the FIF Act, 2023.**

### **3.4 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KACHELIBA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Governor of West Pokot County Hon. Simon Kachapin appeared before the Committee on 10<sup>th</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Kacheliba Hospital for the Financial Year 2024/2025.

The Governor was accompanied by-

1. Mr. Paul P'kukot Woyakapel - CECM Finance
2. Mr. Jonathan Tyno Rotino - Chief of staff
3. Clare Parmea - CEC Health
4. Dr. Irene Lepakale - COH Health
5. Dr. Simon Kaplongit Kapchanga - Med. Sup KCRH
6. Dr. John Chirchir - Med. Sup

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

The Auditor-General rendered an Unqualified Opinion on the financial statements of Kacheliba Sub-County Level 4 Hospital for the Financial Year 2024/2025.

#### **1. Lack of Approved Annual Operational Budget for the Hospital**

Audit review of the budgeting process for the year under review revealed, that the Hospital operated without an approved annual operational budget. No evidence was provided to confirm that the Hospital's annual work plan end budget' were submitted to the County Executive for consolidation and subsequent approval by the County Assembly.

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

#### **Management Response**

Kacheliba sub county Hospital budget is captured under the West Pokot County Executive budget, specifically through the Department of Health and Sanitation, whose proposals were consolidated by the Finance and Economic Planning and appropriated by the County Assembly as a block figure.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the management's response is satisfactory as the hospital budget was captured within the County Executive budget; and

- ii. the audit issue is addressed.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the Hospital management provides documentary evidence of budget submission to the County Executive in future audit periods; and
- ii. the Auditor-General keeps the matter in view.

## **2. Failure to Meet Level-4 Hospital Requirements**

Review of the Hospital against the mandatory requirements for a Level 4 Hospital revealed critical deficiencies in service scope, infrastructure, and staffing as follows:

- a. **Inadequate Infrastructure-**The Hospital lacked a functional Emergency and Critical Care unit due to absent advanced life support equipment and trained personnel. Surgical services were restricted due to non-functional caesarean section and train operating theatre. Pediatric, obstetric & gynecological services were not fully functional and specialized services like renal dialysis, dental and palliative care were absent. Further, the physical infrastructure was deficient and did not meet the spatial and facility requirements stipulated for a Level 4 Hospital.

**Inadequate Medical Personnel-** Review of establishment records against the required norms revealed a severe shortage of medical personnel. There was an aggregate shortage of five hundred and six (506) personnel across all critical cadres, including medical officers, consultants, nurses, and clinical officers. This was Contrary to Rule 7 of the Medical Practitioners and Dentists (Medical institutions) Rules of 2000, which provides the mandatory resourcing requirements for each category of Hospital.

### **Management Response**

**Inadequate Infrastructure-** The management has noted the observations and shortfalls which were as a result of inadequate resources. The department of health and sanitation is looking forward to incorporate the above-mentioned observation in the subsequent county budget. In addition, the department of health and sanitation has feist of equipment's to the National Equipment Service Program (NESP) to fill the gaps.

**Personnel Requirements-**The above shortage is historical; however, the management is addressing the issue by progressively employing more health care workers of different cadres and deploying them accordingly. Attached is the list of new employees

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that Kacheliba Sub-County Level 4 Hospital has critical deficiencies in service scope, infrastructure and staffing that prevent it from meeting the mandatory requirements for a Level 4 facility; and
- ii. the audit issue remains unaddressed.

### **Committee Recommendation**

The Committee recommends that—

- i. **the Governor ensures that the County Executive Committee Member for Health submits to the Senate within 60 days of the adoption of this report a comprehensive facility improvement plan for Kacheliba Hospital, with specific timelines for addressing all staffing, equipment and infrastructure gaps required for Level 4 designation;**
- ii. **the Governor ensures that budgetary provisions are made in the next financial year to address the most critical service delivery gaps at Kacheliba Hospital; and**
- iii. **the Auditor-General keeps the matter in view and reports on progress in the subsequent audit cycle.**

#### **4. Non-Compliance with Provisions of Facility Improvement Financing (FIF) Act**

Review of bank statements and related records revealed that the Hospital collected and deposited revenue amounting to Kshs. 4833789 into its designated Facility Improvement Financing (FIF) Account. However, the amount was subsequently transferred to the West Pokot County Health FIF KCB account with an amount of Kshs. 12,404,362 being returned to the Hospital's FIF KCB operations account while the balance of Kshs.2,249,427 was withheld at the County level. This was contrary to Section 5 of the Facility Improvement Financing Act, 2023, which requires all facility funds to be retained in designated FIF accounts and prohibits their transfers to unauthorized accounts.

in the circumstances, Management was in breach of the law

### **Management Response**

Management stated an amendment was done to the West Pokot FIF Act, 2025 to apportion 29% of the revenue collected for healthcare promotions and 1% for blood bank.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that Kshs.2,249,427 of Kacheliba Hospital's FIF revenue was withheld at the County level and not returned to the Hospital's operational account;
- ii. while management cited the West Pokot FIF Act, 2025 amendment as justification, the transfers were made before the enactment of this law; and
- iii. the audit issue is addressed by the subsequent amendment to the law.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that all FIF funds improperly withheld from Kacheliba Hospital are returned to the Hospital's FIF KCB operations account within 30 days of the adoption of this report;
- ii. the Governor ensures that future FIF apportionments are made strictly in accordance with the applicable law at the time of collection; and
- iii. the Auditor-General verifies FIF compliance in the subsequent audit cycle and reports to the Senate.

### **3.4 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR SIGOR SUB-COUNTY LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Governor of West Pokot County Hon. Simon Kachapin appeared before the Committee on 10<sup>th</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Sigor Sub County Hospital for the Financial Year 2024/2025.

The Governor was accompanied by-

- |                               |                  |
|-------------------------------|------------------|
| 1. Mr. Paul P'kukot Woyakapel | - CECM Finance   |
| 2. Mr. Jonathan Tyno Rotino   | - Chief of staff |
| 3. Clare Parmea               | - CEC Health     |
| 4. Dr. Irene Lepakale         | - COH Health     |
| 5. Dr. John Chirchir          | - Med. Sup       |

The Auditor-General rendered a Qualified Opinion on the financial statements of Sigor Sub-County Level 4 Hospital for the Financial Year 2024/2025.

#### **1. Inaccuracies of In-Kind Contributions from the County Government**

The statement of financial performance reflects in-kind contributions from the County Government amount of Kshs. 81,190,796. However, schedules of in-kind contributions presented for audit supported an amount of Kshs. 81,390,796 resulting in an unreconciled variance of Kshs. 200,000. In the circumstances, the accuracy and completeness of in-kind contributions from the County Government could not be confirmed.

#### **Management Response**

Management has noted the observation and confirms that the financial statements will be restated to correct the misstatements and ensure accuracy and completeness. Measures will also be put in place to enhance the final review process to prevent recurrence of similar errors in future.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the management committed to restating the financial statements but the restatement was not done at the time of audit; and
- ii. the audit issue is not addressed.

#### **Committee Recommendation**

**The Committee recommends that—**

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

## **2. Inaccuracies of Total Grants from Development Partners**

The statement of financial performance reflects total grants from development partners amount of Kshs.12,138,493. However, schedules of total grants from development partners indicated an amount of Kshs.15,365,207 resulting in an unreconciled variance of Kshs.3,226,716. In the circumstances, the accuracy and completeness of grants from development partners could not be confirmed.

### **Management Response**

Management has noted the observation and confirms that the financial statements will be restated to reflect the correct value of Kshs 15,365,207 for future comparison.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the management committed to restating the financial statements but the restatement was not done at the time of audit; and
- ii. the audit issue is not addressed.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer undertakes prior year adjustments to reconcile all identified financial statement variances in the subsequent audit cycle; and
- ii. the Auditor-General keeps the matter in view.

### **3. Inaccuracies of Medical/Clinical Costs**

The statement of financial performance reflects medical/clinical costs amount of Kshs.23,312,065. However, schedules of medical/clinical costs presented for audit supported an amount of Kshs.10,984,046 resulting in an unreconciled variance of Kshs.12,328,019.

In the circumstances, the accuracy and completeness of medical/clinical costs amount of Kshs.23,312,065 could not be confirmed.

### **Management Response**

Management provided schedules for the correct amount.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that whereas schedules for the correct amount were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B; and
- ii. the audit issue is addressed.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the Accounting Officer commits to timely submission of documents during the audit process in accordance with section 47 of the Public Audit Act, Cap. 412B.

#### **4. Unsupported Receivables from Exchange Transactions**

The statement of financial position reflects a receivables from exchange transactions balance of Kshs.2,320,480 as amounts due from the defunct National Health Insurance Fund (NHIF) for medical services rendered. However, this balance was not supported with a schedule of outstanding invoices identifying the specific patients and services offered.

In the circumstances, the accuracy and existence of receivables balance of Kshs.2,320,480 could not be confirmed.

#### **Management Responses**

Management has noted the observation and confirms the financial statements will be restated to correct the misstatements and ensure accuracy and completeness. Measures will also be put in place to enhance the final review process to prevent recurrence of similar errors future.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the management's response does not address the audit query. No schedule of outstanding NHIF invoices was provided; and
- ii. the audit issue is not addressed.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the Accounting Officer provides a comprehensive schedule of outstanding NHIF receivables identifying specific patients and services to the Auditor-General within 60 days of the adoption of this report; and
- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

## **5. Unsupported Inventories Balance**

The statement of financial position reflects an inventories balance of Kshs.2,066,910. However, the balance was not supported with stock ledgers. Further, no physical stock-taking records to confirm the existence, condition, value, and quantities of the inventory on hand were provided for audit. In the circumstances, the accuracy and existence of inventories balance of Kshs.2,066,910 could not be confirmed.

### **Management Response**

The management has provided stock-taking reports and stock ledgers for review and confirmation.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that whereas stock taking reports and ledgers were subsequently provided, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B; and
- ii. the audit issue is addressed.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer commits to timely submission of documents during the audit process; and
- ii. the Auditor-General keeps the matter in view.

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

The statement of financial position reflects a property, plant and equipment balance of Kshs.14,294,589. However, a detailed asset register in support of the balance was not provided for audit.

In the circumstances, the accuracy, completeness and existence of property, plant and equipment balance of Kshs.14,294,589 could not be confirmed.

### **Management Response**

Management provided detailed assets register.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that whereas a detailed asset register was subsequently provided, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B; and
- ii. the audit issue is addressed.

### **Committee Recommendation**

The Committee recommends that-

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

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

### **Basis for Conclusion**

#### **Failure to Meet Level-4 Hospital Requirements**

The Hospital lacked a functional Emergency and Critical Care unit due to absence of advanced life support equipment and trained personnel. Surgical services were restricted due to non-functional caesarean section and main operational theatre. Pediatric; obstetric and gynecological services were not fully functional and specialized services like renal dialysis, dental and palliative care were absent. Further, the physical

infrastructure was deficient and did not meet the spatial and facility requirements stipulated for a Level 4 Hospital.

### *1.2 Inadequate Medical Personnel*

Review of establishment records against the required norms revealed a severe shortage of medical personnel. There was an aggregate shortage of five hundred and eighteen (518) personnel across all critical cadres, including medical officers, consultants, nurses and clinical officers. This was Contrary to Rule 7 of the Medical Practitioners and Dentists (Medical Institutions) Rules of 2000, which provides the mandatory resourcing requirements for each category of Hospital.

In the circumstances, the insufficiencies may lead to severely inefficient and substandard service delivery to the public.

### **Management Response**

#### *Inadequate infrastructure*

Management has noted the observations and shortfall which were as a result of inadequate resources. The department of health and sanitation is looking forward to incorporate the above mentioned observation in the subsequent county budget. In addition the department of health and sanitation has forwarded list of equipment's to the national equipment service program (NESP) to fill the gaps.

#### *Personnel requirements*

The above shortage is historical; however, the management is addressing the same. The county has since employed (416no.) of health care workers of different cadres and deployed them accordingly.

### **Committee Observation**

The Committee observed that; -

- i. — the Committee observed that the Hospital continues to exhibit critical deficiencies in service scope, infrastructure and staffing that render it incapable of delivering the full range of Level 4 services; and
- ii. the audit issue remains unaddressed.

### **Committee Recommendation**

**The Committee recommends that—**

- i. **within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should**

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

#### **8. Non-Compliance with Facility Improvement Financing (FIF) Act**

Review of bank statements and transaction records revealed that the Hospital collected and deposited total revenue of Kshs.9,221,764 into its legitimate designated account, However, the entire amount was subsequently transferred to the West Pokot County Health Account with only Kshs.7,233,243 being returned to the Hospital 's operational account while Kshs.1,988,521 was withheld at the County level. This was contrary to Section 5 of the Facility improvement Financing Act} 2023, which requires that all facility funds be retained in designated FIF accounts and explicitly prohibits the transfer of such funds to any other account.

#### **Management Response**

Management stated an amendment was done to the West Pokot FIF Act, 2025 to apportion 29% of the revenue collected for healthcare promotions and 1% for blood bank.

#### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the Hospital's entire FIF collection of Kshs.9,221,764 was first transferred to the unauthorized West Pokot County Health FIF KCB Account before a partial return, leaving Kshs.1,988,521 improperly withheld at the County level;
- ii. this constitutes a direct and serious violation of Section 5 of the Facility Improvement Financing Act, 2023; and

- iii. the management's retroactive justification through the West Pokot FIF Act, 2025 amendment does not absolve the transfers made before the law's enactment.

### **Committee Recommendation**

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

- i. the Governor ensures that all FIF funds improperly withheld from the Hospital (Kshs.1,988,521) are returned to the Hospital's FIF KCB Operation Account No.1267071141 within 30 days of the adoption of this report;
- ii. the Governor ensures that henceforth all FIF revenues collected at the Hospital are retained in the designated hospital FIF account and utilized for facility-level improvements as required by section 5 of the FIF Act, 2023; and
- iii. the Auditor-General verifies compliance and reports to the Senate in the subsequent audit cycle.

## CHAPTER FOUR: FUNDS

### 4.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR WEST POKOT COUNTY COOPERATIVE DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of West Pokot County Hon. Simon Kachapin appeared before the Committee on 10<sup>th</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Pokot County Cooperative development fund for the Financial Year 2024/2025.

The Governor was accompanied by-

1. Mr. Paul P'kukot Woyakapel - CECM Finance
2. Mr. Joshua Rutto - CECM Trade, cooperatives and development
3. Mr. Jonathan Tyno Rotino - Chief of staff
4. Mr. Christopher Alisoreng - CO cooperatives
5. Mr. William Ntoina Erimoi - DG cooperative

The Auditor-General rendered a Qualified Opinion on the financial statements of West Pokot County Cooperative Development Fund for the period under review on the following basis:

#### 1. Inaccuracies in the Financial Statements

The statement of the financial performance reflects interest income amount of Kshs. 1, 256,350 as disclosed in Note 7 to the financial statements. However, the corresponding schedule reflected an amount of Kshs. 1, 306,801, resulting in an unreconciled variance of Kshs. 50, 451. Further, the statement of financial Position reflects current portion of receivables from exchange transactions balance of Kshs. 42, 064,719 while the ledger balance was Kshs. 40, 366,778 resulting in an unreconciled variance of Kshs. 1,697,941.

In addition, the statement reflects long term receivables from exchange transactions balance of Kshs. 29, 052,399 while the ledger reflected a nil balance resulting in an unreconciled variance of Kshs. 29, 052, 399.

In the circumstance, the accuracy and completeness of the financial statements could not be confirmed.

#### Management Response

Auditor's comments were noted, variances explained, and financial statements amended accordingly as per Appendix 1(A) to Reflect corrected figures for interest income of Kshs. 1,256,350, statement of financial position current portion of receivables from exchange transactions balance of Kshs. 42,614,905 as per the schedule

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that management acknowledged the variance but the financial statements have not been restated at the time of audit; and
- ii. the audit issue is not addressed.

### **Committee Recommendation**

The Committee recommends that—

- vi. 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;
- vii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;
- viii. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;
- ix. the Governor ensures that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and
- x. the Accounting Officer ensures that prior year adjustments are carried out in the Funds' financial statements of the subsequent year to correct the errors to reflect the true financial position of the company.

## **2. Inaccuracies in Cash and Cash Equivalents**

The statement of financial position cash and cash Equivalents balance of Kshs.11, 541,153 as disclosed in Note 11 to the financial statements. However, the statement of cash flows reflects a cash and cash equivalents balance of Kshs.11, 540,153 resulting in an unreconciled variance of Kshs.1,000.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.11, 541,153 could not be confirmed.

### **Management Response**

The variance is as a result of a cash deposit to a new operation account opened. We have however amended the financial statement to reflect the correct position.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that management committed to amending the financial statements but the restatement was not done at the time of audit; and
- ii. the audit issue is not addressed.

### **Committee Recommendation**

The Committee recommends that—

- xii. **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;**
- xiii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- xiii. **the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

- xiv. the Governor ensures that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and
- xv. the Accounting Officer ensures that prior year adjustments are carried out in the Funds' financial statements of the subsequent year to correct the errors to reflect the true financial position of the company.

### **Emphasis of Matter**

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

The statement of comparison of budget and actual amounts reflects final budgeted receipts of Kshs.12,152,705 and actual receipts of Kshs.2,266,257 resulting in an underfunding of Kshs.9,886,448 or 81% of the budget. Similarly, the statement reflects budgeted expenditure of Kshs.12,152,705 and actual expenditure of Kshs.2,266,257 resulting in an under-expenditure of Kshs.9,886,448 or 81% of the budget.

The underfunding may have resulted in the non-implementation of critical development and operational activities, directly reducing the quality and timeliness of public services.

### **Management Response**

Management stated the budget deficit was occasioned by cancellation of USAID Donor Funding by President Donald Trump's Administration.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the West Pokot County Cooperative Development Fund received only Kshs.1,941,532 against a budgeted Kshs.12,152,705, representing an 84% shortfall, primarily caused by the abrupt cancellation of USAID donor funding;
- ii. the Fund's near-total dependence on a single donor source renders it extremely vulnerable to external funding disruptions; and
- iii. the audit issue is not addressed.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the management of the County Cooperative Development Fund, within 90 days of the adoption of this report, presents to the County Assembly a comprehensive and sustainable alternative funding strategy that reduces dependence on a single donor source;
- ii. the Governor ensures the County Government makes budgetary provision to support the Fund's operations in the current financial year; and
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

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

### **4. Lack of Approved Annual Operational Budget**

Review of documents revealed that the Fund operated without an approved annual operational budget. No documentation was provided to confirm that the Fund's annual work plan and budget were approved by the Executive Committee Member, contrary to Section 23(1) and (2) of the West Pokot County Cooperative Development Fund Act, 2018 which requires that the Board shall submit to the Executive Committee Member an estimate of its income and expenditure during the succeeding financial year one month before the commencement of the financial year and that the Executive Committee Member shall communicate to the Board the approval of the annual estimates at least one calendar month after the commencement of the financial year.

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

### **Management Response**

We prepared, approved (By the Fund Board) and presented the Fund budget to the County Treasury for onward transmission to the West Pokot County Assembly for approval.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the Fund operated without an approved annual operational budget, which undermines financial discipline and accountability; and
- ii. the audit issue is not addressed as the budget had not been formally approved.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Fund management, commencing from the next financial year, develops, presents and obtains approval of an annual operational budget in accordance with section 23(1) and (2) of the West Pokot County Cooperative Development Fund Act, 2018, prior to the commencement of each financial year; and
- ii. the Auditor-General verifies budget compliance in the subsequent audit cycle and reports to the Senate.

## **5. Lack of Formal Loan Agreements**

Review of loan records for the year under review revealed that Management disbursed loans totaling Kshs.69,200,000 to fourteen Savings and Credit Cooperatives (SACCOs) without executing formal loan agreements. These disbursements lacked documentation specifying repayment terms, interest rates, and default provisions. This was contrary to Section 19 (1) (b) of West Pokot County Co-operative Development Act, 2018 which requires that a loanee is required, subject to and in accordance with this Act, or any other regulations made thereunder to commence repayment of the loan together with any interest accrued thereon as indicated in the loan agreement signed between the loanee and the Board.

In the circumstances, the legal enforceability of the credit arrangements is compromised significantly increasing the possibility and risk of loss of public funds.

### **Management Response**

We have taken note of the auditors' recommendations, however during the year under review, no loans were issued to cooperatives.

The loans disbursed in the prior years have letters of offers serving as loan agreements.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the use of informal letters of offer as substitutes for formal loan agreements is legally insufficient and weakens the Fund's ability to recover outstanding debts; and
- ii. the audit issue is not addressed.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Fund management immediately develops and adopts standardized formal loan agreements for all future disbursements in accordance with section 19(1)(b) of the West Pokot County Cooperative Development Act, 2018, and retrospectively formalizes all existing outstanding loan arrangements within 60 days of the adoption of this report; and
- ii. the Auditor-General verifies the implementation of formal loan agreements in the subsequent audit cycle.

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

### 1. Ineffectiveness of the Fund Management Board

The Fund through the County Executive Member for Trade, Industry, Energy, Investment and Cooperative Development appointed eight members of the West Pokot County Cooperative Enterprise Development Fund Management Board through appointment letters dated 4 July, 2024. However, no evidence was provided to confirm that the Fund Management Board met at least two times within the year contrary to section 12 (3) of the West Pokot County Co-operative Enterprise Development Act, 2018.

In the circumstances, good governance, oversight, and accountability for the Fund's operations are undermined.

#### Management Response

Management stated the Board met for two meetings in the year under review on 10/07/2024 and 19/09/2024 as per the attached board register extract. Copies of minutes were provided.

#### Committee Observation

The Committee observed that; -

- i. the Committee observed that whereas the Board meeting minutes were subsequently provided, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B; and
- ii. the audit issue is addressed.

## **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer submits all required documents during the audit process in a timely manner; and
- ii. the Auditor-General verifies Board meeting compliance in the subsequent audit cycle.

### **2. Long Outstanding Loans**

Review of the Funds loan portfolio revealed that the Fund had disbursed a total principle amount of Kshs.69, 200,000 and earned interest of Kshs.6, 416,708, resulting in a total loan portfolio of Kshs.75, 616,708. However, only Kshs.29,830,160 in principal and Kshs.3,720,887 in interest had been recovered, leaving an outstanding balance of Kshs.42,064,719, comprising Kshs.39,368,898 in principal and Kshs.2,695,821 in interest. Further, seventeen (17) accounts exceeded their contractual loan term limits. This was contrary to of Regulations 22 (1) and 23 of the West Pokot County Cooperative Development Fund Regulations, 2019 which require that the duration of payment in case of a working capital loan, shall be a maximum of thirty-six (36) months after a grace period of ninety (90) days.

In the circumstances, the Fund faces an increased risk of default and potential financial loss. Continued delays in recovery reduce liquidity for new lending and divert resources, negatively affecting the Fund's developmental impact.

### **Management Response**

The management acknowledges that most of the loans have been long outstanding and this was occasioned by challenges posed by Covid 19 and insecurities along the West Pokot/Elgeyo Marakwet border as well as West Pokot and Uganda Border. We have however put in place measures to recover the granted facilities and we have been able to successfully recover from 3 cooperatives namely: Kamelei FCS, Kaibos Coffee FCS and KAMCO SACCO as per the sample of the loan clearance letters to the aforementioned cooperative.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed that the long outstanding loan balance of Kshs.42,064,719 attributed to COVID-19 disruptions and border insecurity

- represents a significant threat to the Fund's financial sustainability and ability to revolve capital to new beneficiaries; and
- ii. the audit issue is not addressed.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Fund management develops and implements a structured loan recovery strategy for the outstanding Kshs.42,064,719, including engagement with security agencies in border regions, use of guarantors and collateral, and legal action where necessary, with a status report submitted to the Senate within 60 days of the adoption of this report; and
- ii. the Auditor-General keeps the matter in view and reports on loan recovery progress in the subsequent audit cycle.

### **3. Non-Disbursement of Loans**

During the year under review, no loans were disbursed to any of the targeted beneficiaries indicating poor operational effectiveness, and may be a result of undisclosed challenges hindering the realization of its statutory mandate under Section 5(1) of the West Pokot County Cooperative Development Act, 2018 which requires that the functions of the fund shall be to provide affordable and competitive credit to successful applicants.

In the circumstances, the Fund may not achieve its objectives in providing services to the public.

### **Management Response**

Management stated the Fund did not disburse loans during the year under review because of liquidity challenges.

### **Committee Observation**

The Committee observed that; -

- i. the Committee observed with serious concern that the West Pokot County Cooperative Development Fund did not disburse any loans to beneficiaries during the financial year 2024/2025, constituting a complete failure to deliver

- on its statutory mandate under Section 5(1) of the West Pokot County Cooperative Development Act, 2018;
- ii. cooperative societies and small enterprises in West Pokot County that depend on this Fund for financial support were entirely underserved during the review period; and
  - iii. the audit issue is not addressed.

### **Committee Recommendation**

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

- i. the Governor ensures that the Fund management develops and implements a loan disbursement plan for the current financial year, prioritizing the most urgent cases from the backlog created by the year of non-disbursement;**
- ii. the Governor ensures that the management of the Fund, within 90 days of the adoption of this report, presents to the County Assembly a comprehensive and sustainable funding strategy to restore operational capacity; and**
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle and reports on loan disbursement performance and funding recovery.**

#### **4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR WEST POKOT FUNDS FOR THE FINANCIAL YEAR 2024/2025**

In accordance with Article 229(4) of the Constitution as read together with section 7(1) of the Public Audit Act, Cap. 412B, during the period under review, the Auditor-General audited the financial statements of various funds in West Pokot County. Consequently, and in accordance with Article 229(7) of the Constitution as read together with section 32(1) of the Act submitted the following reports to the Senate-

1. West Pokot County Climate Change Fund
2. West Pokot County Bursary, Educational Development and Infrastructure Fund.

#### **Committee Observations**

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

#### **Committee Recommendation**

**The Committee recommends that-**

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

# ANNEXTURES

Minutes of the 52<sup>nd</sup> Sitting held on Monday 23<sup>rd</sup> March, 2026



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

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

**PRESENT**

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

**ABSENT WITH APOLOGY**

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

**SECRETARIAT**

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

**A. OFFICE OF THE AUDITOR GENERAL**

Mr. Mark Gachanja                      Liasion

**B. ETHICS AND ANTI CORRUPTION COMMISSION**

Mr. Patrick Kinoti                      -Liaison Officer

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

The meeting was called to order by the Chairperson at twenty minutes past four O'clock in the afternoon followed by a word of prayer.

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

The agenda of the meeting was adopted having been proposed by Sen. Agnes Kavindu Muthama, MP and seconded by Sen. George Mungai Mbugua, MP as follows –

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There was no any other business.

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

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



**SIGNED: ..... DATE: 24/3/2026**

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