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THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

PAPERS LAID	
DATE	31/03/2026
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COMMITTEE	SENATE
CLERK AT THE TABLE	WILLIAM



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

SECTOR	NO.	ENTITIES
WATER COMPANIES	2	NYANDARUA WATER AND SANITATION COMPANY LIMITED
		OLKALOU WATER AND SANITATION COMPANY LIMITED
MUNICIPALITIES	3	MAIRO-INYA MUNICIPALITY
		ENGINEER MUNICIPALITY
		OLKALOU MUNICIPALITY
HOSPITALS	2	ENGINEER COUNTY HOSPITAL
		JM KARIUKI MEMORIAL COUNTY REFERRAL HOSPITAL
FUNDS	4	NYANDARUA COUNTY BURSARY FUND
		NYANDARUA COUNTY CLIMATE CHANGE FUND
		NYANDARUA COUNTY EXECUTIVE (STATE AND PUBLIC) CAR LOAN AND MORTGAGE SCHEME FUND
		NYANDARUA COUNTY EMERGENCY FUND

Rt. Hon. Speaker
You may approve for tabling
J. M. Nyegenye, C.B.S.,
Clerk of the senate/secretary, PSC
Date: 26/3/26

26/03/26
MARCH 2026
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APPROVED
RT. HON. SEN
AMANI J. KINGI

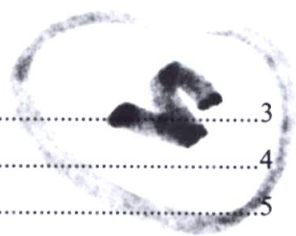


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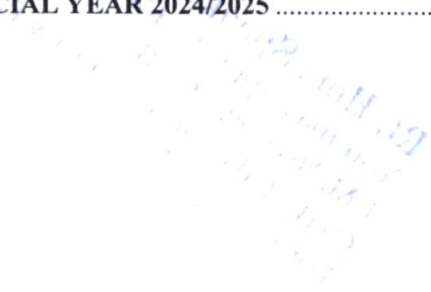
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ACRONYMS/ABBREVIATION

CBK	Central Bank of Kenya
CECM	County Executive Committee Member
COB	Controller of Budget
COG	Council of Governors
DPP	Director of Public Prosecution
EACC	Ethics and Anti-Corruption Commission
FIF	Facilities Improvement Financing Act
GAAP	Generally Accepted Accounting Principles
HDU	High Dependency Unit
ICU	Intensive Care Unit
IFMIS	Integrated Financial Management Information System
IGRTC	Intergovernmental Relation Technical Committee
IHMS	Integrated Hospital Management System
IMS	Inventory Management System
KEMSA	Kenya Medical Supplies Authority
KRA	Kenya Revenue Authority
NHIF	National Health Insurance Fund
NRW	Non-Revenue Water
NSSF	National Social Security Fund
OAG	Office of the Auditor-General
PAA	Public Audit Act
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
RWWDA	Regional Water Works Development Agency
SHA	Social Health Authority
SO	Standing Orders
TNT	The National Treasury
UHC	Universal Health Coverage
WASREB	Water Services Regulatory Board
WRA	Water Resources Authority
WSP	Water Service Provider

DEFINITION OF TERMS

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

PREFACE

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

- a) examine the reports and accounts of county public investments; and
- 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 Nyandarua County water companies, municipalities, and funds for the Financial Year 2024/2025. The entities considered include Nyandarua Water And Sanitation Company Limited ,Olkalou Water And Sanitation Company Limited, Mairo-Inya Municipality, Engineer Municipality, Olkalou Municipality, Nyandarua County Bursary Fund, Nyandarua County Climate Change Fund, Nyandarua County Executive (State And Public) Car Loan And Mortgage Scheme Fund and Nyandarua County Emergency Fund.

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

COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators-

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

COMMITTEE SECRETARIAT

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

ESTABLISHMENT OF THE COMMITTEE

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

The County Public Investments and Special Funds Committee is one of the financial audit committees through which the Senate, under 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 Nyandarua Water And Sanitation Company Limited ,Olkalou Water And Sanitation Company Limited, Mairo-Inya Municipality, Engineer Municipality, Olkalou Municipality, Nyandarua County Bursary Fund, Nyandarua County Climate Change Fund, Nyandarua County Executive (State And Public) Car Loan And Mortgage Scheme Fund and Nyandarua County Emergency 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 Tana River County pursuant to Article 179(4) as witness to respond to the audit queries raised in the reports under consideration on Monday, 19th January 2026 for the water companies and municipalities. The Committee received written responses from the County Government on the funds.

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 companies, municipalities and funds for the Financial Year 2024/2025.

Some of the key findings across the entities include: unsupported property, plant and equipment balance, non-revenue water at levels exceeding regulatory benchmarks; long outstanding receivables, budgetary control issues, inaccuracies in financial statements, material uncertainty related to going concern, failure to settle pending bills, unresolved prior year matters, lack of operational independence of the municipality and late submission of documentation.

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 Nyandarua Water Companies (Nyandarua Water and Sanitation Company limited and Olkalou water and Sanitation Company limited) for the Financial Year 2024/25, 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 Nyandarua Municipalities (Mairo-Inya municipality, Engineer municipality and Olkalou municipality) for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

CHAPTER THREE is a record of hospitals audited by the Auditor-General for financial year 2024/2025, whose reports were not considered by the Committee.

CHAPTER FOUR is a record of the audit queries raised in the report of the Auditor-General for Nyandarua Funds (Nyandarua County Bursary Fund, Nyandarua County Climate Change Fund, Nyandarua County Executive (State And Public) Car Loan And Mortgage Scheme Fund and Nyandarua County Emergency Fund) for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

GENERAL OBSERVATIONS FOR THE WATER COMPANIES

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

1. **Late submission of documents and inaccuracies in Financial Statements** – The Committee observed a pattern of late submission of audit documents and financial statements that contained numerous inaccuracies. The delays hinder the audit process and may indicate an attempt to falsify records, while the prevalence of errors suggests a lack of competence that could potentially facilitate fraudulent activities.
2. **Non-Revenue Water (NRW)** – The Committee observed that the Water Company recorded NRW levels that significantly exceeded the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB). This was mostly attributed to physical losses from dilapidated infrastructure, commercial losses from inaccurate meter reading and billing, and illegal connections. Nyandarua Water and Sanitation Company Limited had non-revenue water of 39% and Olkalou Water and Sanitation Company Limited had 35%.
3. **Deficiencies in Financial Reporting** – The Committee noted widespread inaccuracies and errors in the preparation and presentation of financial statements. Furthermore, both Accounting Officers and Managing Directors exhibited challenges in complying with Section 62 of the Public Audit Act, Cap. 412B, by failing to submit supporting documents to auditors on time. This impedes the accountability and audit process, while the persistent delays in finalizing complete financial statements point to a lack of requisite competencies and experience within the entities.
4. **Non-Adherence to Accounting Standards** – The committee observed that accountants across several Water Companies faced challenges in fully adopting the International Public Sector Accounting Standards (IPSAS) framework. The Committee noted that while the Public Sector Accounting Standards Board (PSASB) periodically updates these standards to reflect emerging issues and best practices, many water companies struggle with their application, as evidenced by recurring audit queries.
5. **Material Uncertainty Regarding Going Concern** – The committee noted that Nyandarua Water and Sanitation Company Limited reported negative working capital during the review period, rendering them unable to meet short-term financial obligations as they fall due. Their continued operation is heavily reliant on financial support from County Executives or development partners, raising material doubts about their long-term financial sustainability.

GENERAL RECOMMENDATIONS FOR THE WATER COMPANIES

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

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. **Mitigation of Non-Revenue Water** – The Governor to ensure that the Board of Directors and Accounting Officer institute comprehensive measures to reduce Non-Revenue Water, addressing both physical and commercial losses. These measures should include the adoption of Geographic Information System (GIS) technology for real-time detection of bursts and leakages, installation of smart meters to ensure accurate billing, rehabilitation of dilapidated infrastructure, and the development of institutional anti-corruption policies with robust enforcement mechanisms to curb illegal connections. Furthermore, management should disclose the proportional breakdown of physical and commercial losses, expressed as percentages, in their periodic reports.
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. The Governor ensures that the Board ensure that all accounting personnel possess the requisite competency and experience as mandated by the Accountants Act. Additionally, the Governor ensures the Accounting Officer enforce strict adherence to the financial reporting template prescribed by the National Treasury. These measures will strengthen the maintenance of books of account, improve the accuracy of financial statements, and ensure their timely submission to the Auditor-General.
4. **Strengthening Financial Sustainability and Asset Management** – The Governor ensures that the Board, accounting Officers and the County Governments should implement strategic and innovative measures to enhance the financial health and self-sustainability of water companies. This includes reviewing and regularizing existing assets, finalizing service provider agreements from the defunct local authorities, and maintaining updated asset registers that accurately reflect the current financial position. Companies must

determine and ascertain their commercial viability as required by the PSASB. Any financial support received from the County Executive should be clearly classified in the books of account as either a conditional grant or a donation, and should not be treated as a direct transfer. Furthermore, County Governors, through the County Executive Committee member responsible for water, are urged to monitor the financial operations of water companies pursuant to Section 184 of the Public Finance Management Act, Cap. 412A.

GENERAL OBSERVATIONS FOR THE MUNICIPALITIES

The Committee made the following general observations regarding the operational and financial management of the Municipalities 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 Section 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 the municipalities 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, 2011 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 required for the preparation of their financial statements.
4. **Challenges in Applying Updated Accounting Standards**- The Committee 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 MUNICIPALITIES

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

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 62 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, 2011, by formally delegating management, functional, and financial powers to the Municipal Boards and Managers. The Municipal Boards 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. Further, the Governor ensures that the Municipal Manager shall ensure that all financial statements prepared from the financial year 2024/25 onwards fully comply with the most current IPSAS framework as issued by the PSASB. Any deviation shall be explicitly explained and justified in the notes to the financial statements.

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. **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 Section 62 of the Public Audit Act, Cap. 412B, which mandates timely provision of documentation.
2. **Deficiencies in Financial Reporting and Standards Compliance** – The Committee observed that there were numerous inaccuracies and errors in the financial statements of the various funds, raising concerns about the capacity of the officers responsible for their preparation. Furthermore, the funds face persistent challenges in adapting to the International Public Sector Accounting Standards (IPSAS) framework required for the preparation of their financial statements.
3. **Challenges in Applying Updated Accounting Standards**- 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 62 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. **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. Further, the Governor ensures the management to ensure that all financial statements

prepared from the financial year 2024/25 onwards fully comply with the most current IPSAS framework as issued by the PSASB. Any deviation shall be explicitly explained and justified in the notes to the financial statements.

ACKNOWLEDGEMENTS

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

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

SIGNED: 



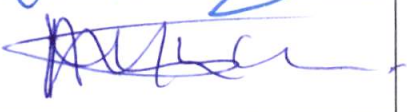
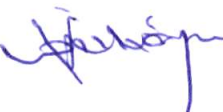
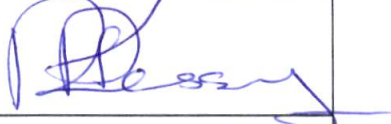
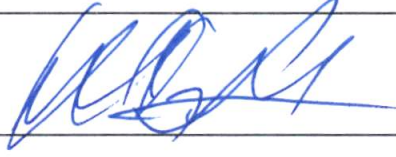
DATE: 24/03/2026

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

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

SECTOR	NO.	ENTITIES
WATER COMPANIES	2	NYANDARUA WATER AND SANITATION COMPANY LIMITED
		OLKALOU WATER AND SANITATION COMPANY LIMITED
MUNICIPALITIES	3	MAIRO-INYA MUNICIPALITY
		ENGINEER MUNICIPALITY
		OLKALOU MUNICIPALITY
HOSPITALS	2	ENGINEER COUNTY HOSPITAL
		JM KARIUKI MEMORIAL COUNTY REFERRAL HOSPITAL
FUNDS	4	NYANDARUA COUNTY BURSARY FUND
		NYANDARUA COUNTY CLIMATE CHANGE FUND
		NYANDARUA COUNTY EXECUTIVE (STATE AND PUBLIC) CAR LOAN AND MORTGAGE SCHEME FUND
		NYANDARUA COUNTY EMERGENCY FUND

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

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

CHAPTER ONE: WATER COMPANIES

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYANDARUA WATER AND SANITATION COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Governor of Nyandarua County, H.E Dr. Moses Kiarie Badilisha, appeared before the Committee on Monday, 19th January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nyandarua Water and Sanitation Company Limited for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

1. Ms. Mary Kamande CECM -Finance and Accounting
2. Mr. Frank Muchina County Secretary
3. Mr. Dickson K Njiru Managing Director- Nyandarua Water

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Nyandarua Water and Sanitation Company Limited for the financial year on the following basis—

1. Presentation and Accuracy of the Financial Statements

Review of the annual reports and financial statements presented for audit revealed the following anomalies;

- i. The statement of changes in equity reflects Ksh. (11,826,510) in respect to loss for the year. However, the statement of profit or loss and other comprehensive income reflects Ksh. (9,949,903) resulting in unexplained variance of Ksh. 1,876,607.
- ii. Casting errors were noted in the statement of comparison of budget and actual amounts where total final operating cost budget was Kshs.71,515,342 and total actual operating costs was Kshs.68,692,799 but the performance difference was reflected as Kshs.2,824,482. However, on recalculation, the performance difference was Kshs.2,822,543. In addition, the total final budget was Kshs.79,183,042 against total actual payments of Kshs.72,836,752 but the total performance difference was reflected as Kshs.5,196,029 whereas on recalculation, the amount was Kshs.6,346,290 hence a variance of Ksh. 1,150,261.

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

Management Response

The management notes the audit finding, administrative action was taken against the accountant which include reassignment to lighter duties and Capacity building. the board also approved the recruitment of a competent Finance Manager.

Committee Observation

The Committee observed that there was a variance of Ksh. 1,876,607 between statement of changes in equity and the statement of profit or loss and other comprehensive income.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the Accounting officer undertakes Prior year adjustments to reconcile the variances in the financial statements in the next Audit cycle FY 2025/2026, and the Auditor-General should keep the matter in view in the subsequent audit cycle;**
- ii. the Governor 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. Further, the Governor submits a status update report of the administrative action taken to the Senate within 60 days of the adoption of this report;**
- iii. the Governor ensures that 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; and**
- iv. the Governor ensures 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.**

2. Long Outstanding Trade and Other Receivables

The statement of financial position and as disclosed in Note 18 to the financial statements reflects Kshs.33,013,289 in respect to trade and other receivables out of which a total of Kshs.24,026,836 or 72% relates to customers whose debt has remained

outstanding for a period of over 60 months. Management did not explain measures put in place including legal action to enforce collection of the outstanding debt.

Further, review of trade and other receivables data revealed that one thousand nine hundred and ninety-seven (1,997) customers with active meter numbers had a cumulative debt of Ksh.2,454,697 some dating back as far as 60 months. This is contrary to paragraph 4.6 (vii) of Nyandarua Debt Management Policy which states that the Company will have no option but to refer deferred customers to the Credit Reference Bureau if the debt remains unpaid for a period of 60 days.

In the circumstances, the recoverability of receivables balance of Kshs.33,013,289 could not be confirmed.

Management Response

Based on the audit observations, Management has strengthened internal mechanism in revenue collections. In addition, provision of 3% total debtors has been provided in accordance with the debt management policy. Of 1,997 customers the company has as well entered into agreements with customers on debt repayment and use of water police unit before referring customers to the Credit Reference Bureau. In the year 2024/2025 outstanding for a period of over 60 months has reduced from Ksh. 29,106,946 to Ksh. 24,026,836.

Committee Observation

The Committee observed that the water company had receivables of Kshs.24,026,836 that were outstanding for more than 60 months.

Committee Recommendation

The Committee recommends that—

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

- iv. the Governor ensures that the Accounting Officer undertakes a detailed ageing 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.

3. Unexplained Estimates in Billing

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects Kshs.58,256,086 in respect to operating revenue which includes Kshs.54,981,206 in respect to revenue from water sales. However, analysis of available data revealed that during the year, out of the five thousand six hundred and sixty-one (5,661) water customer of the Company, one hundred fourteen (114) customers were not billed but issued with estimates totaling to Kshs.167,765. Management did not provide explanation to justify they gave estimates instead of actual meter readings.

In the circumstances, the accuracy and completeness of revenue amount of Ksh. 167,765 could not be confirmed.

Management Response.

The management notes the audit findings. The estimates on active accounts is due to customer premises where gates are locked, non-visible meters and stuck meters thus leading to the estimates. The management has taken measure by removing meters outside the customer premises. Out of the 114 connections, 25 meters have so far been placed outside the owner's premises for easier meter reading. Further the management has strengthened the billing system by using SMS mechanism to alert customers on unread meters.

Committee Observation

The Committee observed that one hundred fourteen (114) customers were not billed and yet management submitted estimates instead of actual meter readings.

Committee Recommendation

The Committee recommends that the Governor ensures that the management take the necessary measures to improve its billing including installation of smart meters for accurate billing and other strategies and submit a status report within 60 days of the adoption of this report to the Senate and a copy to the Auditor General. The Auditor General.

4. Unsupported Customer Deposits

The statement of financial position and as disclosed in Note 27 to the financial statement reflects Ksh 5,530,683 as refundable deposits and prepayments. However, review of the

Company's deposits bank account as at 30 June, 2025 revealed a balance of Ksh. 134,929 resulting in unexplained variance of Kshs.5,395,754.

In the circumstances, the completeness and validity of Kshs.5,530,683 in respect to refundable deposits and prepayments could not be confirmed.

Management Response

Management acknowledges the audit observation. The utilization of refundable deposits occurred due to temporary financial constraints that arose during the period under review. Board approval was sort to utilize the funds in the deposit account. At the time, the company faced urgent cash flow pressures that required immediate intervention to sustain critical operations and contractual commitments.

However, management confirms that:

1. The deposits have been fully recorded as liabilities, and the company remains committed to refunding them as and when required.
2. There has been no loss of depositor funds, and the company has maintained accurate records of all affected deposit accounts.
3. A repayment and replenishment plan have been developed and is currently being implemented to restore the deposit balances to their required levels.
4. Internal controls have since been strengthened to prevent recurrence. This includes:
 - a) Ring-fencing refundable deposits from operational cash flows.
 - b) Enhanced cash flow planning and monitoring.
 - c) Seeking alternative financing options to avoid reliance on restricted funds.

The management has started repayment of the deposit.

Committee Observation

The Committee observed that there was a variance of Kshs.5,395,754 between statement of financial position and deposits bank account.

Committee Recommendation

The Committee recommends that; -

- i. **the Governor should ensure that the Accounting Officer provides a certified bank statement for the designated customer deposit account and a comprehensive individual customer deposit register within 60 days of the adoption of this report to Senate and a copy to the Auditor General. The Auditor General to provide status update to the Senate on the same.**
- ii. **the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submit to the Senate and the Auditor-General a repayment plan with clear timelines for the repayment of the customer deposits;**

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

5. Long Outstanding Payables

The statement of financial position and as disclosed in Note 26 to the financial statements reflects Kshs.43,726,459 in respect to trade and other payables which includes payables totaling to Ksh. 23,973,817 that have been outstanding for a period of over one year. Management did not explain measures put in place to clear the long overdue trade and other payables.

Management Response.

In reference to the auditor's observation, below is a table highlighting our payables and measures taken.

PAYABLES	AMOUNT	REMARK
Rift valley water service board	10,955,848	We have requested the board for a waiver on the administrative costs charged while the water company was being managed by the board.
Nyahururu Water and Sanitation Company	6,911,824	This relates to Bulk water purchase for sale from the water company We have a Repayment plan
Office of the auditor General- Audit fee	3,362,400	We have a Repayment plan
KPLC	1,970,631	The bills are less than six(6) months old and have since been cleared. With the support of the

		County government, the company has embarked on borehole solarization to reduce on the monthly electricity costs.
Other Payables	773,114	The payables relate to micro suppliers and have since been cleared.
Totals	23,973,817	

Committee Observation

The Committee observed that the company had payables amounting to Ksh. 23,973,817 that had outstanding for a period of over one year.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures that the water company formulates a repayment plan to fully repay its outstanding debt obligation amounting to Ksh. 23,973,817 Further, the Governor ensures that the water company submits a status update to the Senate within 60 days of the adoption of this report;**
- ii. the Governor to ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report; and**
- iii. the Governor ensures that the County Executive Committee Member in charge of water continuously monitors the financial performance of the water company in line with section 184 of the Public Finance Management Act, 2012 and report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance.**

6. Land Without Title Deeds

The statement of financial position as disclosed in Note 15 (a) to the financial statements reflects Kshs.11,744,498 in respect to property plant and equipment which includes Kshs.1,000,000 as value of land. However, records available revealed that the Company had eleven (11) parcels of land but only one was included in the assets register and disclosed in the financial statements. In addition, only one title deed was provided for

audit review. Management did not provide for verification title deeds in respect to ten (10) parcels of land owned by the Company.

In the circumstances, the ownership and value of land owned could not be confirmed.

Management Response

The Board and Management has constituted an ad hoc committee to facilitate the negotiation, review, and completion of the hand-over and take-over reports, including verification and confirmation of asset ownership. The process is already at an advanced stage and is expected to be fully completed before the end of the current financial year. The table below is the ownership status of all our pieces of land.

<u>S/NO</u>	<u>TITLE NUMBER</u>	<u>LOCATION</u>	<u>Ownership</u>	<u>Remarks</u>
1.	NYANDARUA/ORAIMUTIA/2014	MADARAKA TANK/OL JORO OROK	Nyandarua	Have title deed
2.	NYANDARUA/KIRIITA MAIRONYA BLOCK 2 (NGAI NDEITHIA & NDEMI 2007)	MAIRO INYA TOWN BOREHOLE	Community	Ongoing negotiation
3.	NYANDARUA/LESHAU MBUYU BLOCK 2 (KARAI)/1480	WAIKWA TANK	Community	Ongoing negotiation
4.	NYANDARUA/LESHAU KIENI EAST/BLOCK 5/343	KIENI TANK	Community	Ongoing negotiation
5.	NYANDARUA/KIRIITA MAIRO INYA BLOCK 2/5532	NDEMI TANK	Community	Ongoing negotiation
6	OLJOROROK TREATMENT PLANT	OLJOROROK TREATMENT PLANT	Central rift valley water works development agency	We are following up with the agency

7.	KASUKU	KASUKU BOREHOLE	Kasuku health centre	
8	KIBATHI	KIBATHI TANK (CALTEX)	Community	Ongoing negotiation
9	KIBATHI	KIBATHI TANK(PRISON)	Community	Ongoing negotiation
10	GATIMU	GATIMU TANK INTAKE	Central rift valley water works development agency	We are following up with the agency
11	GATIMU	GATIMU TANK (BUSARA)	Community	Ongoing negotiation

Committee Observation

The Committee observed that the water company had not secured full ownership of the 10 parcels of land.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the water company secures full ownership of the queried pieces of land and provide a status update to the committee within 60 days of adoption of this report;
- ii. the Governor ensures that the Accounting Officer timely submission of documents by the Accounting Officer during the audit process in line with section 9 (1)(e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act, 2015;
- iii. the Governor ensures that the Accounting Officer ensures that the water company maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board (PSASB) and the company to carry out a valuation of all its assets and submit the same to the Auditor-General within 60 days from the adoption of this report;
- iv. the Governor engages the Intergovernmental Relations Technical Committee (IGTRC) to ensure that the process of transfer of all assets and liabilities are completed in a timely manner; and

- v. **the Auditor-General to undertake physical verification of all assets of the water company and provide a status report to the Committee within 60 days from the adoption of this report.**

7. Material Uncertainty Related to Going Concern

The statement of financial position reflects Kshs.49,257,142 in respect to current liabilities against current assets balance of Kshs.35,030,571 resulting in a negative working capital of Kshs.14,226,571.

Management Response

To improve the company's Liquidity,
The following measures are being done.

- a. Infrastructure support by the county government of Nyandarua Which include upgrading of old reticulation networks and solarization of boreholes to reduce on operational costs
- b. A minimum of 500 new connections every year to help increase cashflows

Committee Observation

The Committee observed that the water company operated with a negative working capital during the financial year under review, casting doubt on the Company's ability to continue as a going concern.

Committee Recommendation

The Committee recommends that—

- i. **The Governor of Nyandarua County should take keen interest in the management and operations of the water company in line with Article 179 (4) of the Constitution;**
- ii. **The Governor ensures that the Accounting Officer prepares and submits quarterly reports in regard to the financial and non-financial status of the water company in line with section 166 of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. **The Governor ensures that the County Executive Committee Member in charge of water takes full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act, Cap.412A and regularly report to the Governor through the County Executive Committee in line with Article 179 (6) of the Constitution;**
- iv. **The Governor ensures that the County Treasury undertakes annual reporting on County Corporation including an assessment of the**

commercial viability of the company in line with the standards set by the Water Services Regulatory Board under section 77(2) of the Water Act, Cap.372, failure to which the provisions of section 147 of the Water Act on penalties for offences shall apply; and

- v. The Governor ensures that the Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability. Additionally, the management reviews and regularizes the company's existing assets and have updated assets register that reflect the current financial position. Further, management to determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).

8. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects expenditures of Kshs.72,836,752 out of actual receipts of Kshs.61,758,870 resulting in over expenditure by Kshs.11,077,882.

Management Response

The management has amendment the statement of budget and actual amounts to reflect the correct position of the company's budget.

Committee Observation

The Committee observed that company had an over expenditure of Kshs.11,077,882.

Committee Recommendation

The Committee recommends that –

- i. the Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply; and
- ii. the National treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate.

9. Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and

Effectiveness of Internal Controls, Risk Management and Governance, respectively. However, review of the status during the audit of the Company in the financial year 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Undisclosed Property, Plant and Equipment
2	2023/2024	Long Outstanding Trade Receivables
3	2023/2024	Long Outstanding Trade and Other Payables
4	2023/2024	Unaccounted for Refundable Deposits and Prepayments
5	2023/2024	High Non-Revenue Water Threshold
6	2023/2024	Noncompliance of the National Cohesion and Integration Act on Ethnicity.
7	2023/2024	Failure to Revalue Fully Depreciated Assets

Management Responses

Management notes the audit finding. The Management and the board are progressively addressing audit issues raised. The addressed audit issues include; Failure to revalue fixed assets and partially resolved NRW (reduced from 41% to 39%.)

Committee Observation

The Committee observed that the query remains unresolved as the management did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2023/2024.

Committee Recommendation

The Committee recommends that—

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

10. Non- Revenue Water

During the financial year, the Company produced 731,896 cubic meters (M³) of water out of which only 448,855 (M³) was billed to customers, leaving a balance of 283,041 m³ which represents approximately 39% of the total volume of water produced as Non-

Revenue Water (NRW) which has a projected fiscal value of Ksh 21,262,496. The Non-Revenue Water of 39% was over and above the allowable loss of 25% set by water services regulatory board guideline.

In the circumstances, the Company may have lost revenue through unaccounted for water

Management Response

Management notes the audit observation. The high non-revenue water is as result of dilapidated water infrastructure, destruction of pipes during road grading, faulty consumer meters and illegal water connections. The company has undertaken steps to reduce Non-Revenue Water by progressively replacing faulty meters, old pipelines and curbing water theft. In the financial year 2024-2025 the non-revenue water reduced from 41.72% (2023/2024), 39% (2024/2025). And the proposed 2025/2026 NRW is 36%. This is as a result of introduction of non-revenue team, use of Water police Unit, water reduction strategy and upgrading of reticulation networks. Copies of the Non-Revenue Water reduction strategy, non-revenue team list and Upgrading reticulation network were attached for the committee verification.

Committee Observation

The Committee noted that the water company had Non- Revenue Water (NRW) amounting to 39% of total production (731,896m³) which was above the allowable loss of 25% set in guidelines issued by the Water Services Regulatory Board (WASREB).

Committee Recommendation

The Committee recommends that—

- i. the Governor should ensure that the Accounting Officer puts in place comprehensive measures to mitigate on the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;**
- ii. 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.**

11. Compliance with the Data Protection Act

The Act requires data processors and data controllers to register with the Data Commissioner. However, Management did not provide valid registration certificates to confirm that the Company was registered as required under Section (18) of the Data Protection Act, 2019.

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

Management Response

The management has now registered with the data commissioner. Copies of the online Registration form and Payment slip were attached for verification.

Committee Observation

The Committee observed that the matter was addressed.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

12. Boards Expenditure Exceeding Threshold

The statement of profit or loss and other comprehensive income reflects Kshs.4,155,280 in respect to board expenses. During the year, the Company's operating revenue totaled to Kshs.58,256,086, five (5) percent of which amounts to Kshs.2,912,804. The Water Services Regulatory Board's guidelines set the Company's Board expenditure at the lower of 5% of turnover or Kshs.4 million whereas the Company incurred Kshs.4,155,280 hence exceeding the allowable limit by Kshs.1,242,475.

Management Response

The board of management was appointed on 7th Dec 2023 this was a critical financial year for the board. They were able to discuss and approve key policies and the strategic plan. They were also inducted and capacity build in the same financial year.

Going into the new financial year, since most of the work has been done, management will endeavor to observe the threshold of board expenses.

Committee Observation

The Committee observed that the water company exceeded allowable expenditure limit by Kshs.1,242,475.

Committee Recommendation

The Committee recommends that the Governor ensures that the water company adheres to the allowable board expenditure limits of 5% of turnover as stipulated by WASREB guidelines. The Auditor General to keep this matter in view in the subsequent audit cycle.

13. Over Expenditure on Staff Costs

The statements of profit or loss and other comprehensive income reflects Ksh. 71,708,773 in respect to total expenses which includes Kshs.25,260,664 as staff cost expenses while general operating expenses and maintenance cost totaled to Ksh. 38,974,916. Therefore, staff cost expenses represents 65% of general operating expenses and maintenance cost as shown below.

Item	Amount Ksh.
General and operation expenses	29,768,555
Maintenance expenses	9,206,361
Total	38,974,916
Staff cost expenses	25,260,664
% of Staff cost to Maintenance expenses and General and operation expenses	65%

The sixty five percent (65%) is above the set limit of 50% as per WASREB guidelines.

Management Response

In the year under review critical personnel were recruited as approved by the board to help achieve the overall Company's objectives. This led to an increase in staff cost but the benefits will be felt in the long-run.

Committee Observation

The Committee observed that staff cost expenses represents 65% of general operating expenses which above the set limit of 50% as per WASREB guidelines.

Committee Recommendation

The Committee adheres to the WASREB guidelines of 50% limit on staff costs expenditures. The Auditor General to keep this matter in view in the subsequent audit cycle.

14. Non- Remittance of Capacity Building Levy of 0.03%

Records available revealed that during the period between 1 September, 2024 and 30 June, 2025, the Company awarded and paid for contracts totalling to Kshs.2,565,741. However, Management did not provide evidence that the capacity building levy was deducted and the amount remitted to the Authority as per the Public Procurement Regulatory Authority Circular number 01/2024 (Ref; PPRA/6/5 VOL 11 (224) dated 30 August, 2024 which required procuring entities to collect capacity building levy at the rate of 0.03% of the contract sum from suppliers on all procurement contracts signed between the suppliers and procuring entity and remit to the authority through the e-citizen platform.

Management Response

The management notes the audit finding, the non-remittance was due to e-citizen login challenges that have since been solved and the levy paid.

Committee Observation

The Committee noted that Water Company did not deduct or remit the capacity building levy at the rate of 0.03% for every procurement done during the year. However, the hospital remitted the capacity building levy after the audit.

Committee Recommendation

The Committee recommends that the Governor ensures that the water company continuously collect the levy at the rate of 0.03% of the contract sum from suppliers on all procurement contracts as prescribed in the Public Procurement Regulatory Authority Circular No. 01/2024 Ref: PPRA/6/5 VOL. II (224).

15. Noncompliance with the National Cohesion and Integration Act, 2008 on Ethnicity

The analysis of personnel records of the Company for the year under review revealed that the Company had fifty-nine (59) staff members out of which fifty-three (53) or 90% of the staff members were from the dominant ethnic community. This is contrary to Section 7 (1) and (2) of National Cohesion and Integration Act, 2008 requires that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.

Management Response

Management notes the audit finding. The company advertises vacant positions competitively but people who express interest in the positions advertised are mostly

from the dominant community. However, the management is progressively encouraging other ethnic community to apply for various vacant positions.

Committee Observation

The Committee noted that the water company lacked gender and ethnic diversity as it had 59 staff of which 53 were from the dominant community which is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that 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 Governor ensures that the Board and the accounting officer make deliberate efforts progressively in the endeavor 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 employment of staff.

16. Integrity of Customer Account Records- Missing Meter Numbers

Analysis of the customer account data from the Company's billing system revealed that that three thousand six hundred and six (3,606) active customer accounts did not have assigned meter numbers even though the meter status showed that the customers were allocated meters.

Further, review of billing reports revealed that one hundred and seventy-nine (179) customers with meter numbers and recorded consumption were charged on estimates and flat rates, with total billings amounting to KShs.167,765.

Management Response

The management notes the audit observation. Nyandarua water initially identified customers using a special account number but has since started identifying customers using meter numbers. Out of 3,606 we have updated 600 accounts. The estimates on active accounts is due to meters located inside customer premises where gates were locked, non-visible meters and stuck meters. The management has taken measure by place the meters outside the customer premises and regular meter servicing.

Committee Observation

The Committee observed that the 3,606 active customer accounts did not have assigned meter numbers.

Committee Recommendation

The Committee recommends that the Governor ensures the management of the water company to implement comprehensive measures to ensure that all customer accounts have meter numbers and submit a status report on the same within 60 days of the adoption of this report to the Senate and a copy to the Auditor General.

17. Active Customer Accounts Not Billed

Comparison of the Pick Pay system billing report as at 30-Jun-2025 with customer listing as at 30 June 2025 revealed that one hundred and eighty-four (184) active customers had not been billed, neither did the bills indicate zero bills in the month of June, 2025 despite their status indicating as active.

Failure to bill active customers may result to loss of revenue to the Company.

Management Response

In refence to the auditor's observation, this are accounts reconnected within a month and newly registered customers who have consumed water for less than one month. Copies of the June new customer connections and the June customers Reconnected were attached for the committee verification.

Committee Observation

The Committee observed that four (184) active customers had not been billed and the actual bills do not show zero bills.

Committee Recommendation

The Committee recommends that the comprehensive measures to ensure that all active customers are billed and submit a status report on the same to the Senate and a copy to the Auditor General within 60 days of the adoption of this report.

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

The Governor of Nyandarua County, Hon. Dr. Moses Ndirangu Kiarie Badilisha, appeared before the Committee on Monday, 19th January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Olkalou Water and Sanitation Company Limited for the financial year 2024/2025. The Governor was accompanied by:

1. Mr. Samuel W. Mugo- CECM Water and Sanitation
2. Mr. Dixon Njoroge Kamau- Ag Managing Director
3. Mr. Godfrey Njenga- Chairman BOD

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Olkalou Water and Sanitation Company Limited for the period under review on the following basis-

1.0 Long outstanding Trade Receivables

The statement of financial position reflects amount of Kshs. 10,792,193 in respect of net trade

receivables as disclosed in Note 17. Included in this amount is Kshs.8,835,080 that has been outstanding for over one year and whose recoverability is in doubt. Further, the provision of bad and doubtful receivables increased from Kshs. 1,018,072 to Kshs. 3,975,786 representing a 291%. However, Management of Company seems not to have put necessary measures on debt recovery including debt circulation notes and legal action among other measures as per the debt policy.

In the circumstances, the long outstanding receivables could result to financial losses and can adversely affect cash flow and the ability to fund Company activities.

Management Response

Management stated that;

The management has instituted debt collection mechanism including use of water police, reminders, negotiated partial payment agreements and demand letters to reduce the outstanding debt.

The management made provision for trade receivables as per the 'Revenue Collection and Debt Management Recovery Strategy' of the company which was approved by the board of directors in the financial 2024/25.

Committee Observation

The Committee observed that the company's receivables of Kshs.8,835,080 had remained outstanding for over one year.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' schedule to the Auditor-General for verification;**
- ii. the Governor ensures the Accounting Officer should within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor general for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle;**
- iii. 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**
- iv. the Governor ensures that the Accounting Officer undertakes a detailed ageing analysis of its long outstanding trade receivables and with the Board's approval, write off the irrecoverable debts in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.**

2.0 Long Outstanding Trade and Other Payables

A review of the statement of financial position as at 30 June, 2025 as disclosed in Note 24 reflects Kshs. 28,012,078 in respect of trade and other payables. Examination of the underlying records further revealed that Kshs. 13,255,203 of this balance has remained outstanding for over three (3) years.

In the circumstances, the accumulation of such aged payables indicates weaknesses in the financial management and may adversely affect the Company's liquidity position, supplier relationships, and continuity of service provision.

Management Response

Management Stated that;

During the first half of the 2024/2025 financial year, the Company operated under a tariff that had been gazetted in 2014. Over the past ten years, operational costs have increased significantly, resulting in financial constraints and the accumulation of long-outstanding payables.

The company now has a new tariff gazetted on 6th December 2024 and implemented in January 2025 taking effect in the second half of the 2024/2025 financial year. There was resistance among the customers during implementation of the new tariff despite various public participation forums conducted before the rollout of the new tariff. The implementation of the new tariff has resulted in improved revenue performance for the Company, as illustrated below.

Comparative collection for year 2024 and 2025

Month/Year	2024	2025
Month	Amount Collected	Amount Collected
January	4,474,075.00	4,399,513.00
February	4,269,815.00	5,728,639.50
March	3,777,153.00	4,908,703.00
April	3,375,936.00	5,275,498.00
May	3,331,172.00	5,222,054.00
June	4,680,345.00	4,884,851.00
TOTAL	23,908,496.00	30,419,258.50

From the above revenue, the Company was able to settle outstanding trade payables amounting to Kshs. 3,965,919.

In addition, the Company undertook the Githunguri Water Project, which is 99% complete. Upon completion and handover, the Company expects to install one thousand (1,000) water meters. This is anticipated to enhance revenue generation and enable the Company to meet its outstanding debt obligations.

The main payable is from Central Rift Valley Water works development Agency (Ksh 13,255,203) where the management has written to the CEO requesting for a waiver on the same.

Committee Observation

The Committee noted that the water company had payables amounting to Kshs. 13,255,203 that were outstanding for over three years.

Committee Recommendation

The Committee recommends that-

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

Emphasis of Matter

1.0 Budgetary Control and Performance

The statement of budget and actual amounts reflects a total revenue budget balance of Kshs. 93,023,456 against actual revenue of Kshs. 75,593,756 resulting to revenue shortfall of Kshs.17,429,700 or 19% of the budget. The statement also reflects actual expenditure of Kshs.59,493,217 against total receipts of Kshs.75,593,756 resulting to under-utization of funds by Kshs. 16,100,538 or 21%

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

Management Response

Management stated that;

The Company had budgeted to receive Kshs. 32,511,111 in grants from the Water Sector Trust Fund (WSTF). However, by the end of the financial year 2025, only Kshs. 16,571,384 had been received, resulting in a revenue shortfall of Kshs. 15,939,728. The outstanding amount is expected to be received within the current financial year. To date, the Company has already received Kshs. 6,019,339.55 on 1st August 2025.

In addition, the Company had projected higher debt collections; however, actual collections were lower than budgeted by Kshs. 1,489,972, primarily due to customers' inability to meet their payment obligations.

The underutilization of Kshs 16,100,538 relates to capital expenditure payments for projects being undertaken by the Company, namely the Kirima Water Project and the Githunguri Water Project, which are still ongoing.

Committee Observation

The Committee noted that the water company had an underfunding of Kshs.17,429,700 or 19% of the budget and an under-utization of funds of Kshs. 16,100,538 or 21%.

Committee Recommendation

The Committee recommends that –

- i. the Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply; and**
- ii. the National treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

1.0 Non-Compliance to the law on staff Ethnic Diversity

Audit review of employee records for the Company noted that eighty-nine percent (89%) of staff members were drawn from a single dominant community, indicating lack of diversity in staff composition. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third (30%) of its staff from the same ethnic community.

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

Management response

The Company has endeavored to comply with the law on staff ethnicity diversity by encouraging applications from all the regions in the country by advertising positions that fall vacant on company's website and also in the local dairies. Unfortunately, most of the applications are received from within the dominant community.

The management commits to continue encouraging application from all communities

in future recruitments to comply with the affirmative action.

Committee Observation

The Committee noted that eighty-nine percent (89%) of staff members were drawn from a single dominant community.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that 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 Governor ensures that the Board and the accounting officer make deliberate efforts progressively in the endeavor 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 employment of staff.**

2.0 Failure to Meet Recruitment Thresholds for Persons with Disabilities

Examination of human resource documents for the year ended 30 June, 2025 revealed the company Limited had a staff population of thirty-six (36) contracted members of staff however no Persons Living With Disability has been employed by the Company contrary to the provisions of part B.23(2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which sets a threshold of five percent (5%) of positions to be filled by persons with disability.

In the circumstances, Management was in breach of the Public Service's Human Resource Policies and Procedures.

Management response.

The Company has endeavored to comply with the Public Service's Human Resources Policies and Procedures on Persons Living With Disabilities by openly advertising positions that fall vacant on company's website and also in the local dairies. Unfortunately, the company has not received applications from persons living with disabilities.

The management further commits to continue encouraging applications from Persons Living With Disabilities in future to comply with the affirmative action.

Committee Observations

The Committee noted that the water company had not employed any persons with disability.

Committee Recommendations

The Committee recommends that the Governor ensures the board and the accounting officer to make deliberate efforts progressively in the endeavor 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 employment of staff.

3.0 Non-Adherence to One-Third Basic Salary Requirement

Review of the Company's payrolls for the year ended 30 June, 2025, revealed that two (2) employees received net salaries which were less than a third of their respective basic pay. This was contrary to Section 19(3) of the Employment Act, 2007 which states that, the total amount of deductions that an employer may make from the wages of his employee at any one time, shall not exceed two-thirds of such wages.

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

Management Response

Management has noted the audit observation and confirms that the affected staff had fully committed their salaries with financial institutions prior to the implementation of SHIF and the Housing Levy. Consequently, upon implementation, compliance with the one-third salary rule was affected. The affected staff have since been advised to liaise with the respective financial institutions to restructure their liabilities accordingly.

Committee Observation

The Committee observed that two employees were drawing net salary of less than one-third of their basic salary contrary to section 19(3) of the Employment Act, 2007.

Committee Recommendation

The Committee recommends that the Governor ensures the Water Company adheres with the provisions of to Section 19(3) of the Employment Act, Cap.226 which stipulates that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of the basic pay, failure to which the provisions of section 87 of the Employment Act on penalties for offences shall apply.

4.0 Failure to file Annual Company Returns with the Registrar of Companies

The Company limited was incorporated under the Companies Act Cap 486 of the laws of Kenya. However, evidence to show that it has been filing annual returns to the registrar of companies in accordance with Section 125 of the Companies Act was not provided for audit review.

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

Management response

Management notes the audit finding and confirms that, at the time the audit was conducted, there had been changes in the Company's Directors, which necessitated amendments to the Memorandum and Articles of Association. The amendment process is ongoing, and the requisite documents were filed with the Registrar of Companies on 24 October 2025 and are currently awaiting review and approval. Upon approval, the Company will proceed to file the outstanding statutory returns.

Committee Observations

The Committee noted that the water company did not submit evidence to show the filing of annual returns to the registrar of companies in accordance with Section 125 of the Companies Act.

Committee Recommendations

The Committee recommends that –

- i. The Governor ensures that the accounting officer and the Board ensures the filing adheres to annual returns to the registrar of companies in accordance with Section 125 of the Companies Act; and**
- ii. The Governor ensures that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

5.0 Non-Revenue Water

During the financial year under review, the Company produced 583,451 cubic meters (m³) of water, out of which only 378,749 cubic meters (m³) of water was billed to customers. The balance of 204,702 cubic meters (m³) or approximately 35% of the total volume of water produced represented unaccounted for water (UFW) which is over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines. The abnormal water loss of 35% may have resulted in loss of sales estimated

to Kshs 24,564,240 if computed at the rate of Kshs.120 per M3, which is the minimum tariff for water sale as per the water Act, 2016.

In the circumstances, the unaccounted-for water amounting to 204,702 cubic meters (M3), equivalent to Kshs. 24,564,240 may negatively affect the company's profitability and long-term sustainability of water supply services if effective corrective measures are not put in place by Management.

Management Response

The management notes the audit finding and confirms that the board of Directors have put in place a working Non Revenue Water reduction framework, which serve as a guide to reduced any further escalation of the water loss.

The management further notes that the main causes of the physical waters loss was due to bursts and leakages mainly due to old pipes. The company through the support of the County Government is gradually replacing the old UPVC pipes with HDPE pipes that are more reliable.

The management has established NRW unit and water police enforcement team to deal with illegal connections.

Committee Observation

The Committee observed that the company's Non-Revenue water was at 35% which was 10% above the sector benchmark of 25% as set out in WASREB guidelines.

Committee Recommendation

The Committee recommends that—

- i. **the Governor should ensure that the Accounting Officer puts in place comprehensive measures to mitigate on the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;**
- ii. **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.**

CHAPTER TWO: MUNICIPALITIES

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

The Governor of Nyandarua County, Hon Dr. Moses Kiarie Badilisha, appeared before the Committee on Monday 19th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Engineer Municipality for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Ms. Mary Kamande CECM -Finance and Accounting
2. Mr. Frank K Muchina County Secretary
3. Ms. Njoki Gatuhi Manager Engineer municipality

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **Unmodified Opinion** on the financial statements of the Municipality of Engineer for the financial year on the following basis—

1. Budget Control and Performance

The statement of comparison of budget and actual amount for the year reflects total revenue and expenditure budget of Kshs. 11,748,000 against actual receipts and expenditure of Kshs. 10,428,241 resulting to under-funding of Kshs. 1,319,759.

The under-funding of the budgets implies that the budgeted programs may not have been implemented, thereby adversely affecting the delivery of services to Public.

Management Response

Out of the under-funding of Kshs. 1,319,759, Kshs. 1,250,000 had been requisitioned for expenditure but the exchequer had not honored the funding as at the closure of the financial year. The difference of Kshs. 69,759 was occasioned by savings across the various vote heads.

Committee Observation

The Committee observed that the query remains unresolved as there was a budgetary under-funding of Kshs. 1,319,759. This was linked to delays in disbursement of funds by the National Treasury.

Committee Recommendation

The Committee recommends that –

- i). The Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures failure to which

provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply;

ii).The National treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate.

2. Lack of Operational Autonomy at Engineer Municipality

During the year under review, the County Government incurred an expenditure amounting to Kshs.10,095,006 in respect of the Engineer Municipality. However, although the Management prepared separate financial statements as required by Section 46 (1) of the County Governments Act, 2012, the County Government continues to perform functions which should have been transferred to the Municipality. This is contrary to Section 48(1)(a) of the County Governments Act, 2012 which states that subject to subsection (3), the functions and provision of services of each County Government shall be decentralized to the urban areas and cities within the county established in accordance with the Urban Areas and Cities Act, No. 13 of 2011.

Management Response

The process of granting Engineer Municipality operational autonomy has been completed with Special Purpose Accounts already available. Engineer Municipality will operate independently in the FYR 2026/2027.

Committee Observation

The Committee observed that during the year under review, Engineer Municipality had not attained full operational, financial, and functional autonomy as key functions continued to be undertaken by 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; and**
- iv. **the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor to keep this matter in view and report in the subsequent audit cycle.**

3. Late Submission of Financial Statements to The Office of The Auditor General
Management of the Municipality submitted the financial statements to the Office of the Auditor General 11 days late on 10 September 2025, instead of the statutory deadline of 30 August 2025. No explanation for non-compliance with National Treasury guideline Paragraph 1.8 Ref: No:AG.3/88 Vol. VII (41) of 4 December, 2024 which directs all public sector entities, for both national and County Governments, to prepare and submit annual financial statements by 31 August, 2025 to office of the Auditor General with a copy to Controller of Budget, National Treasury and Commission on Revenue Allocation.

Management Response

Since Engineer Municipality had operated under the Executive in the FYR 2024/2025, her report had been included in the Executive Financial Statements. Once communication was received on the need to prepare independent financial statements, the report was prepared and submitted immediately. The management shall henceforth ensure that financial statements are finalized and submitted to the Office of the Auditor General within the statutory timeframe.

Committee Observation

The Committee observed that the financial statements were submitted eleven (11) days late, contrary to statutory timelines. The delay constituted non-compliance with National Treasury guidelines and undermined timely audit processes.

Committee Recommendation

The Committee recommends that the governor ensures that the Accounting Officer ensures timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B.

4. Non-Compliance with Law on Fiscal responsibility on Board Expenses

The Municipality's financial statements and supporting expenditure schedules reflect total board-related expenses of Kshs.1,600,000, representing 16% of the total

expenditure incurred during the year. This exceeds the recommended ceiling of 5% of total municipal expenditure generally applied as a prudential limit for administrative and governance costs.

The over-expenditure indicates that a significant proportion of the municipality's resources are being consumed by governance-related costs rather than service delivery and development activities. Further, there was no evidence of prior approval or justification from the County Secretary or the respective oversight authority to warrant the excess spending.

In the circumstance, Management is in breach of law.

Management Response

Other than the County allocation to the Municipalities, the municipality benefits from other funding such as the Urban Institutional Grants which also amount to expenses to the Municipality. These other funds were not taken into consideration.

In particular, the approved Municipality budget for the FYR 2024/2025 amounted to kshs. 36,748,000 of which kshs. 15,000,000 was urban institutional grants. 5% of kshs. 36,748,000 would give us kshs. 1,837,400.

Additionally, the board -related expenses of Kshs. 1,600,000 were dully approved in the budget.

Thus, the management was not in breach of law. :

Committee Observation.

The Committee observed that upon considering all approved funding sources, including Urban Institutional Grants, the board-related expenditure of Kshs. 1,600,000 did not exceed the recommended 5% prudential limit and had been duly approved in the Municipality's budget.

Committee Recommendation

The Committee recommends that the Governor ensures that the municipality adheres to the allowable board expenditure limits of 5% of total municipal expenditure as prescribed laws. The Auditor General to keep this matter in view in the subsequent audit cycle.

2.2 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MAIRO-INYA MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025

The Governor for Nyandarua County, Hon. Dr. Moses Ndirangu Kiarie Badilisha, appeared before the Committee on Monday, 19th January 2025, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Mairo-Inya Municipality for the financial year 2024/2025. The Governor was accompanied by:

- | | |
|--------------------------|------------------------------|
| 1. Ms. Mary Kamande | CECM -Finance and Accounting |
| 2. Mr. Frank K Muchina | County Secretary |
| 3. Ms. Racheal W Ndiritu | Municipal Manager |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **Unmodified opinion** on the Financial Statements of the Mairo-Inya Municipality for the period under review on the following basis-

1. Lack of Operational Autonomy at the Municipality of Mairo-Inya

During the year under review, the County Government of Nyandarua incurred an expenditure amounting to Kshs. 22,410,008 in respect of the Municipality of Mairo-Inya. However, although Management prepared separate financial statements as required by Section 46 (1) of the County Governments Act, 2012, it was observed that the County Government continues to perform functions which should have been transferred to the Municipality. This is contrary to Section 48(1)(a) of the County Governments Act, 2012 which states that subject to subsection (3), the functions and provision of services of each County Government shall be decentralized to the urban areas and cities within the county established in accordance with the Urban Areas and Cities Act, No. 13 of 2019.

Management Response

To address this, the following corrective measures have been initiated and are at various stages of implementation:

- Appointment of Municipality Manager as Accounting Officer - The Municipality Manager has been formally designated as the Accounting Officer to ensure accountability and compliance with statutory requirements. This will strengthen financial oversight and operational independence.
- Establishment of a Special Purpose Account - A dedicated bank account has been opened for the Municipality to facilitate direct management of its financial operations. This measure will enhance transparency, improve financial control, and ensure that municipal revenues and expenditures are managed separately from the County Government.

- Progressive Transfer of Functions - A phased plan is underway to transfer functions and service delivery responsibilities from the County Government to the Municipality, in line with the legal framework. This includes administrative, financial, and operational functions to ensure full decentralization.

Committee Observation

The Committee observed that the operations of the Municipality lacked autonomy which contravention of Section 9(1) of the Urban Areas and Cities Act, 2011 and Section 48(1) (a) of the County Governments Act, 2012.

Committee Recommendation

The Committee recommends that-

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

2. Composition of The Board

The Municipality board of management is composed of five (5) members and the manager as secretary to the board. This is contrary to section 3 of the Municipality charter and Section 14 of the Urban Area and Cities Act 2019 which states that a board of Municipality should consist of nine (9) members appointed by the County Governor with the approval of the County Assembly.

In the circumstances, Management is in breach of law.

Management Response

The existing Board structure of seven members, comprising five appointed board members, the Chief Officer for Housing and Urban Development, and the County Executive Committee Member for Housing and Urban Development, does not fully comply with Section 3 of the Municipality Charter and Section 14 of the Urban Areas and Cities Act, 2019, which require seven members appointed by the County Governor with the approval of the County Assembly. The Board Members were duly nominated but one was not approved by the County Assembly whereas one more declined appointment due to conflict of interest that occurred thereafter.

To address this non-compliance, the following measure have been initiated:

- Recruitment of Two Additional Members

The County Executive has commenced the process of recruiting two suitable candidates to fill the vacant positions, thereby ensuring the board attains the legally required membership of nine.

Committee Observation

The Committee noted that municipality board consists of five members contrary to section 3 of the Municipality charter and Section 14 of the Urban Area and Cities Act 2019 which prescribes 9 members appointed by the County Governor with the approval of the County Assembly to serve in the municipal board.

Committee Recommendation

The Committee recommends that—

- i. **The Governor of Nyandarua County should finalise the appointment process of the remaining 4 members to the municipal board within 90 days of the adoption of this report and submit evidence of the same to the Senate and a copy to the Auditor- General and;**
- ii. **The Auditor-General to keep this matter in view in the subsequent audit cycle.**

3. Non-Compliance with Requirements on Board Composition and Representation

Out of the five (5) members appointed to the Municipal Board, none were aged thirty-five (35) years or below. This indicates that there was no youth representation within the current board composition, contrary to the inclusivity requirements of the Urban Areas and Cities Act, 2019 and the constitutional principles promoting youth participation in governance.

In the circumstances, Management is in breach of laws.

Management Response

Regarding non-compliance with inclusivity requirements in the composition of the Mairo-Inya Municipal Board, specifically, the absence of youth representation (members aged thirty-five years or below) in accordance with the Urban Areas and Cities Act, 2019. The nominated youth representative was not approved by the County Assembly, however the County Executive is in the process of identifying and nominating qualified youth candidates to fill the vacant positions on the Municipal Board. This will guarantee compliance with the law and strengthen youth participation in decision-making.

Committee Observation

The Committee noted that none of the members of the municipal board were aged thirty-five (35) years or below.

Committee Recommendation

The Committee recommends that the Governor ensures that the accounting officer ensures gender equity, representation of persons with disability, youth and marginalized groups during the appointment of the municipal board in accordance to section 14 (4) of the Urban Areas and Cities Act, 2019, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

4. Non-Compliance with Law on Fiscal responsibility on Board expenses

Review of the Municipality's financial statements and supporting expenditure schedules revealed that total board-related expenses amounted to Kshs. 3,099,500, representing 14% of the total expenditure incurred during the year. This exceeds the recommended ceiling of 5% of total municipal expenditure generally applied as a prudential limit for administrative and governance costs.

In the circumstances, Management is in breach of laws.

Management Response

Management stated that the expenditure of Kshs 3,099,500, representing 14% of total municipal expenditure, exceeded the recommended ceiling of 5% generally applied as a prudential limit for administrative and governance costs. The variance arose primarily because these being the inaugural Board, it undertook extensive governance activities, including the establishment of institutional structures, formulation of policies, and development of oversight mechanisms necessary for effective municipal operations.

These activities, though anticipated and budgeted for, temporarily increased governance costs beyond the standard threshold.

Moving forward, Management commits to ensuring that future board expenses are maintained within the 5% threshold of total municipal expenditure, in line with fiscal responsibility requirements and prudent use of public resources.

Committee Observation

The Committee noted that the municipality had expenses amounting to Kshs. 3,099,500, representing 14% of the total expenditure incurred during the year which exceeds the 5% ceiling of total municipal expenditure.

Committee Recommendation

The Committee recommends that Governor ensures the municipality adheres to the recommended expenses ceiling of 5% of total municipal expenditure. The Auditor General keeps the matter in view in the subsequent.

5. Late Submission of Financial Statement

Financial statements for the year ended June 30, 2025 were submitted on 10 September, 2025 to the office of the Auditor General 10 days after the prescribed date of 31 August 2025. No explanation for non-compliance with National Treasury guideline Paragraph 1.8 Ref: No:AG.3/88 Vol. VII (41) of 4 December, 2024 which directs all public sector entities, for both national and County Governments, to prepare and submit annual financial statements by 31 August, 2025 to office of the Auditor General with a copy to Controller of Budget, National Treasury and Commission on Revenue Allocation.

In the circumstances, Management is in breach of the laws.

Management Response

The Municipality operations were operating within the County Budget in the Financial year and its operation included in the County Executive Financial Statements. Upon advisory on preparation of Independent Financial Statements, the statements were prepared and submitted immediately though behind schedule. Such non-compliance will not recur in the future. Internal deadlines for preparation, review, and approval of financial statements have been set prior to the statutory submission date.

Committee Observation

The Committee noted that the management did not submit their financial statement by 31st August 2025 as guided by with National Treasury guideline Paragraph 1.8 Ref: No:AG.3/88 Vol. VII (41) of 4 December, 2024.

Committee Recommendation

The Committee recommends that the Governor ensures that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B.

CHAPTER THREE: FUNDS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYANDARUA HOSPITALS 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 Nyandarua 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. Engineer County Hospital
2. JM Kariuki Memorial County Referral Hospital

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 Nyandarua funds for the Financial Year 2024/2025 and submit a report to the Senate within 30 days of the adoption of this report and a copy to the Auditor-General; and**
- ii. **the Auditor-General to keep the matter in view in the subsequent audit cycle.**

CHAPTER FOUR: FUNDS

4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYANDARUA COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2024/2025

The Committee received written responses from the Nyandarua County Bursary Fund.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Nyandarua County Bursary Fund for the financial year on the following basis—

1. Unsupported Other Income Balance

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects other income amount balance of Kshs.7,528,860 which Management explained relates to cheques written back in the cash book. However, the evidence of reversal of the cheques in the cashbook was not provided for audit review. This is Contrary to Regulation 104. (1) of Public Finance Management (County Government) Regulations, 2015. In addition, recognizing the reversal as income contravenes International Public Sector Accounting Standard (IPSAS) 9, Paragraph 21 on Revenue from Exchange Transactions.

In the circumstances, the accuracy and completeness of other income amount of Kshs.7,528,860 could not be confirmed.

Management response

Management acknowledges the audit observation regarding the recognition of Kshs.7,528,860 under "Other Income" as disclosed in Note 9 to the financial statements.

The amount relates to stale cheques that were written back in the cash book during the financial year relating to previous financial years. Since the stale cheques were reversed in the subsequent year and funds reimbursed, the reversals were recognized as receipts in the year as provided under Note 9 (see template provision) of the financial statements. The Management has herewith provided all relevant supporting documentation (Cashbook for FY 2024/2025) in compliance with Regulation 104(1) of the Public Finance Management (County Government) Regulations, 2015 in support of the transactions.

Committee Observation

The Committee observed that whereas the evidence of reversal of the cheques in the cashbook was provided and verified by the Auditor-General, 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 timely submission of documents by the Accounting Officer during the audit process in line with section 9 (1)(e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act, 2015.

2. Award of Bursaries Above the Stipulated Limit

Statement of financial performance and as disclosed in Note 10 to financial statements reflects bursary transfer of Kshs.108,262,080. However, review of the award list revealed breach of limitation of the amounts awarded as stipulated under schedule II of the Act as detail below: -

- i. Five hundred fifty-seven (557) beneficiaries of boarding secondary schools were awarded total of Kshs.14,222,133 each instead of Kshs.5,570,000 (maximum sets limits of Kshs.10,000 per students) resulting too overpaid variance of Kshs.8,652,133.
- ii. Four hundred seventy-eight (478) beneficiaries of day secondary school were awarded total of Kshs.1,866,000 instead of Kshs.956,000 (maximum sets limits of Kshs.2,000 per students) resulting to overpaid variance of Kshs.910,000.
- iii. Ninety-eight (98) beneficiaries of Vocational Training Institution were awarded total of Kshs.2,049,500 instead of Kshs.980,000 (maximum sets limits of Kshs.10,000 per students) resulting to overpaid variance of Kshs.1,069,500.
- iv. Two hundred fifty-six (256) beneficiaries of university were awarded total of Kshs.4,479,150 instead of Kshs.2,048,000 (maximum sets limits of Kshs.8,000 per students) resulting to overpaid variance of Kshs.2,431,150.
- v. Twenty-one (21) beneficiaries of special schools were awarded total of Kshs.396,000 instead of Kshs.210,000 (maximum sets limits of Kshs.10,000 per students) resulting to overpaid variance of Kshs.186,000.
- vi. Fifty-six (56) beneficiaries of boarding primary school were awarded total of Kshs.761,200 instead of Kshs.280,000 (maximum sets limits of Kshs.5,000

per students) resulting to overpaid variance of Kshs.481,200.

In the circumstances, the completeness of the propriety could not be confirmed.

Management response

Upon review of the audit finding, we have identified discrepancies between the audit findings and the actual disbursement records provided in support to Note 10. Specifically, we confirm that no bursary award exceeded the stipulated limits outlined under Schedule II of the Nyandarua County Bursary Fund Act, 2019. All disbursements were made in strict compliance with the provisions of the Act, and the amounts awarded to individual beneficiaries were within the allowable thresholds.

Maximum

- Boarding Secondary Schools – Kshs 10,000
- Day Secondary Schools - Open
- Vocational Training Centres – Kshs10,000
- University – Kshs 8,000
- Special Schools – Kshs 10,000
- Boarding primary Schools– Kshs 5,000

To support this position, we have compiled and attached the relevant disbursement schedules under on limits for your perusal and verification. We trust this has clarified the matter and demonstrated adherence to the legal and financial guidelines governing bursary disbursements.

Committee Observation

The Committee observed that the fund awarded bursaries that were above the allowable limit as stipulated under schedule II of the Nyandarua County Bursary Fund Act, 2019.

Committee Recommendation

The Committee recommends that the Governor ensures that the fund strictly adheres to the set limits on bursary disbursements as prescribed in the Nyandarua County Bursary Fund Act, 2019. The Auditor General keep the matter in view in the subsequent audit cycle.

Emphasis of Matter

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final total income and expenditure budget balance of Kshs.146,710,447 against actual receipts and expenditure of Kshs.144,978,860 and Kshs.135,258,483 resulting to under

absorption of Kshs.1,731,587 and Kshs.11,451,964 respectively.

The under absorption of the budget affected the planned activities and may have impacted negatively on the service delivery to the residents of Nyandarua County.

Management response

We acknowledge there was under absorption of revenue during the financial year under review. This was primarily due to delays in the receipts of Exchequer from the National Government that affected the timely disbursement of bursary, Kshs 10 Million of the annual allocation having been received into the account on 16th July 2025 after end of the financial year.

In addition, delay in enactment of Inter-Governmental Partnership Agreement with the Ministry of Education on funding of institutions under National Government management delayed release of funds by the Controller of Budget in general. However, the memorandum of understanding between the two parties has been formalized. This will streamline and improve absorption rates.

Committee Observation

The Committee observed that the fund had an under absorption of Kshs.1,731,587 and Kshs.11,451,964 respectively.

Committee Recommendation

The Committee recommends that –

- i. the Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply; and**
- ii. the National treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate.**

Other Matters

1. Inadequacy of the Enabling Legislation

As previously reported, Nyandarua County Bursary Fund Act, 2019 does not provide for winding up of the Fund. This is contrary to Regulation 198 of Public Finance Management (County Governments) Regulations, 2015 which states that, the County Executive Committee Member shall provide for the management, operation and

winding up procedure in the guidelines for establishing each Fund which shall be in accordance with the Act and these Regulations.

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

Management Response

Management acknowledges the audit observation regarding the absence of provisions for winding up the Nyandarua County Bursary Fund in the Nyandarua County Bursary Fund Act, 2019. To address this gap, Management has developed the Nyandarua County Bursary and Scholarship Fund Regulations, which comprehensively incorporate winding up procedures under Section 26 in compliance with Regulation 198. The draft Regulations have been submitted to the Cabinet and approved and is currently undergoing the legislative process.

In the interim, and to ensure compliance with the Public Finance Management Act, 2012, Management has adopted temporary measures guided by Section 24 of the Act. In the unlikely event of winding up the Fund, the provision of section 24 of the PFM act would apply by providing a lawful and transparent framework, pending the conclusion of the ongoing legislative process.

Committee Observation

The Committee observed that the Nyandarua County Bursary Fund Act, 2019 does not provide for winding up of the Fund.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the management of the fund fast tracks the process of approval of the draft regulations; and**
- ii. the Governor ensures that the management of the fund adheres to Regulation 198 of Public Finance Management (County Governments) Regulations, 2015; failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

2. Failure to Prepare and Submit Monthly Reports to the County Assembly

Management did not provide evidence that the committees prepared monthly reports and submitted them to the County Bursary Assembly as required by Section 21 of Nyandarua County Bursary Fund Act, 2019.

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

Management Response

The County disburses bursary once in every financial year upon which reports to the County Assembly are adequately done within the quarterly reports and submitted. The nature of the reports therefore do not work for monthly reporting and the management has however, addressed this in the Nyandarua County Bursary Fund (Amendment) Act by incorporating the quarterly reporting. The amended act is undergoing legislative approval.

Committee Observation

The Committee observed that the management did submit monthly reports to the County Assembly.

Committee Recommendation

The Committee recommends that the Governor ensures the management of the fund submit monthly reports to the County Assembly in accordance to Section 21 of Nyandarua County Bursary Fund Act, 2019.

3. Failure to Follow Eligibility Criteria for Award to University Student

The statement of financial performance and as disclosed in Note 10 to financial statements reflects Bursary transfer of Kshs.108,252,080 which includes transfer of Kshs.20,376,800 to universities. However, there was no evidence that the committee assessed the applicant's effort to seek financial aid from the Higher Education Loan as required for the award. This is contrary to Section 25(2) of Nyandarua County Bursary Act 2019 state that where application is made in respect of support to tertiary or university, a committee shall have regard to applicant's effort to obtain support from Higher Education Loan Board extends its facilitates to such institution.

In the circumstances, in the absence of the requisites assessments, the Committee failed in discharge of their obligations and the legality of transfer of Kshs.20,376,880 to universities of could not be confirmed.

Management Response

Part E (II) of the Nyandarua County Bursary Fund Act, 2019 provides disclosure of HELB benefits to the applicant which guides the committee during the vetting.

Committee Observation

The Committee observed that no evidence that the committee applied Section 25(2) of Nyandarua County Bursary Act 2019 in award of Bursaries was submitted at the time of audit.

Committee Recommendation

The Committee recommends that the fund adheres to Section 25(2) of Nyandarua County Bursary Act 2019. The Auditor General to keep this matter in view in the subsequent audit cycle.

4. Unequal Allocation of Bursaries to Wards

Review of bursary allocations' documents revealed a case of unequal distribution of bursaries to respective wards. This skewed distribution of bursaries disadvantaged beneficiaries from other Wards from enjoying the benefits associated with the kitty and is contrary to Section 5(4) of Nyandarua County Bursary Act, 2019.

In circumstances, Management was in breach of the laws.

Management Response

During the budget making process, the County Executive allocates equal amounts in line with Nyandarua County Bursary Act, 2019 to all the Wards; Ksh 4,000,000 per ward and Ksh 10,000,000 for the Governor's kitty in the Financial Year under review. However, some wards receive additional funding where Members of County Assembly, through representation and public participation processes, successfully advocate for increased bursary allocations based on varying socioeconomic conditions and demands across wards, due to differences in demographic areas as well as population, resulting to unequal distributions, which are subsequently approved by the County Assembly through the budget.

Committee Observation

The Committee observed that the fund skewed distribution of bursaries disadvantaged beneficiaries from other Wards from enjoying the benefits.

Committee Recommendation

The Committee recommends that the Governor ensures the management adheres to Section 5(4) of Nyandarua County Bursary Act, 2019. The Auditor General to keep this matter in view in the subsequent audit cycle.

5. Irregularities in Bursary Disbursements to Beneficiaries

The statement of financial performance and as disclosed in Note 10 to financial statement reflects Kshs.108,262,080 in respect to bursaries awarded to needy beneficiaries. However, examination of bursary disbursement schedules revealed the following unsatisfactory matters.

5.1 Duplicate beneficiaries

Review of beneficiary list provided for audit revealed cases of eighty-five (85) beneficiaries twice amounting to Kshs.853,100. The beneficiaries were awarded from

different Wards. This contravenes Section 7 of Nyandarua County Bursary Act 2019 which requires the establishments of Ward program that are accessible exclusively by the student who are permanent of the Ward.

Management Response

Some applicants residing near Ward boundaries submitted applications to multiple Ward Committees to increase their chances. Some of the municipalities as well are separated by roads in major towns, allowing duplicate award to occur. In the Bursary Committee recognized the weakness and an online bursary application platform has been introduced to centralize applications, eliminate duplication, and ensure that each applicant is uniquely identified.

Committee Observation

The Committee observed that the fund did not adhere to section 7 of Nyandarua County Bursary Act 2019.

Committee Recommendation

The Committee recommends that the Governor ensures that the management of the fund adheres to Section 7 of Nyandarua County Bursary Act 2019. The Auditor General to keep this matter in view in the subsequent audit cycle.

5.2 Award of Bursaries to Non-Successful Applicants

Review of beneficiary list provided for audit revealed that thirty-three (33) students received an amount of Kshs.382,800 despite not being in the list of successful beneficiaries. No explanation was given for the basis of their inclusion and award. This is contrary to Section 23(1) of Nyandarua County Bursary Act 2019 which state that a committee shall not award bursary to any person unless the same has been applied and considered in accordance with this Act.

In circumstance, the legality of payments amounting to Kshs.382,800 to beneficiaries could not be confirmed.

Management Response

In practice, certain cases arose where applicants submitted appeals after the initial disbursement process. Upon further vetting, some of these applicants were found to be genuinely needy and deserving of support. Consequently, bursaries were awarded to them in good faith to ensure equitable access to education opportunities.

Committee Observation

The Committee observed that the (33) students received an amount of Kshs.382,800 despite not being in the list of successful beneficiaries contrary to Section 23(1) of

Nyandarua County Bursary Act 2019.

Committee Recommendation

The Committee recommends that the Governor ensures that the management of the fund adheres to Section 23(1) of Nyandarua County Bursary Act 2019. The Auditor General to keep this matter in view in the subsequent audit cycle.

5.3 Award of Bursary Amounts Not Recommended by Ward Bursary Committee

Review of beneficiary list provided for audit revealed that twenty-four (24) students received an amount of Kshs.233,000. However, the Ward Bursary Committee had recommended an amount of Kshs.100,000 resulting to a variance of Kshs.133,000.

Management explained that the additional allocation was done with the approval of the Ward Bursary Committee. However, no evidence was provided for verification to confirm that the secretariat sought the concurrence of the Ward Committees on the additional benefits given to the respective students.

In circumstances, the legality of the additional allocation of Kshs.133,000 could not be confirmed.

Management Response

The additional allocation of bursary amounts to the students was undertaken with the approval of the respective Ward Bursary Committees. The intention was to provide enhanced support to particularly needy cases identified during the disbursement process.

Sample correspondences from the Ward Bursary Committees approving the additional allocations are hereby. These documents provide evidence of concurrence and demonstrate that the secretariat acted in consultation with the Ward Committees.

Committee Observation

The Committee observed that whereas provided for verification to confirm that the secretariat sought the concurrence of the Ward Committees was provided and verified by the Auditor-General, 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 timely submission of documents by the Accounting Officer during the audit process in line with section 9 (1)(e) of the Public Audit Act, Cap.412B, failure

to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act, 2015.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROL RISK MANAGEMENT AND GOVERNANCE

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

1. Lack of an Approved Risk Management Policy

During the year under review, the Fund did not have an approved Risk management Policy and there was no clear system of risk management and internal control put in place to guide the processes and functions of the Fund. This is contrary to Regulation 158(1)a and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer to ensure that the County Governments entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstance, existence of effective risk management measures could not be confirmed.

Management Response

The County has already prepared a Risk Management Policy, which is currently in draft form and undergoing the legislative process of approval.

Committee Observation

The Committee noted that the fund did not have a risk management policy which was contrary to Regulation 158 (1) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that —

- i. the Governor ensures the accounting officer ensures that the fund puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012, and a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal

- operations of the water company. Further, the managements to submit evidence of the same to the Auditor General for verification; and
- ii. the Auditor-General to keep this in view in the subsequent audit cycle.

4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYANDARUA COUNTY CLIMATE CHANGE FUND FOR THE FINANCIAL YEAR 2024/2025

The Committee received written responses from the Nyandarua County Bursary Fund.

1. Un-Reconciled Receivable Balance Variance

The statement of financial position and as disclosed in Note 13 to financial statements reflect receivables amount of Kshs.10,257,840 which differs with corresponding payables from County Revenue Fund account of Kshs.19,551,679 resulting to un-reconciled variance of Kshs.9,275,839. In the circumstances, the accuracy and completeness of receivables amount of Kshs.10,257,840 could not be confirmed.

Management Response

The receivables amounting to Ksh. 10,257,840 in the Nyandarua County Climate Change Fund Account after 30th June 2025 comprised Ksh. 9,275,839 disbursed by the National Treasury and Ksh. 1,000,000 County contribution. However, the additional Ksh. 9,275,839 as recorded in the County Revenue Fund Financial Statement relates to another County entity.

Committee Observation

The Committee observed that there was un-reconciled variance of Kshs.9,275,839 between receivables amount and corresponding payables from County Revenue Fund account.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the Accounting officer undertakes Prior year adjustments to reconcile the variances in the financial statements in the next Audit cycle FY 2025/2026, and the Auditor-General should keep the matter in view in the subsequent audit cycle;**
- ii. the Governor 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. Further, the Governor submits a status update report of the administrative action taken to the Senate within 60 days of the adoption of this report;**
- iii. the Governor ensures that 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; and

- iv. the Governor ensures 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

2. Budgetary Control and Performance

The statement of comparison of budget and actual amount for the year reflects final receipts budget and actual on comparable basis of Kshs. 357,123,385 and Kshs.186,537,952 respectively resulting to an underfunding of Ksh.170,585,433 or 48% of the budget. Similarly, the fund spent a balance of Kshs. 60,319,109 against actual receipts of Kshs. 186,532,952 resulting to underutilization of Kshs. 126,218,843 or 58%

The underfunding and underutilization affected the planned activities and may have impacted negatively on service delivery to the public

Management Response

The County had budgeted to receive KShs. 136,000,000 as grant from FLLoCA which was not received from the National Treasury. The difference of KShs 34M was balance brought forward.

- i) The fund procured Projects worth KShs. 104,311,499 out of which KShs. 43,816,926 worth of projects was completed and paid in full in the Financial Year under review. Subsequently, as at December 31st, 2025, additional projects worth KShs. 31,892,377 have been completed and paid for. The remaining three projects worth KShs 28,602,146 have been completed and are in the process of payment.

Committee Observation

The Committee observed that there was an underfunding of Ksh.170,585,433 or 48% of the budget and underutilization of Kshs. 126,218,843 or 58%.

Committee Recommendation

The Committee recommends that –

- i. the Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply; and**
- ii. the National treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate.**

3. Unresolved Prior Year Matters

In the previous year's audit report, of the issues that were raised, the issues on Budgetary Control and performance non-adherence to expenditure Control guidelines had not been resolved as of 30th June 2025.

i) Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects the total income budget and actual on a comparable basis of Kshs. 150,006,477 and Kshs. 47,100,000, respectively. Report of the Auditor-General on Nyandarua County Climate Change Fund for the year ended 30 June 2024 resulting in budget under funding of Kshs. 102,906,477 or 68.6% of the budget. Out of the actual funding of Kshs 47,100,000, only Kshs 15,497,970 was utilized, resulting in an unabsorbed amount of Kshs 31,602,030 or 67% The budget under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The underfunding resulted from the late disbursement from the National Treasury relating to FLLoCA Grant for the FY 2203 /2024 amounting to of Kshs 102,906,477. The funds were subsequently received in FY 2024/2025.

Late disbursement of the Grant funds is still an unresolved issue as we are yet to receive 90% of the funding for FY 2024/2025.

The Kshs 47,100,000 comprised of KShs 32,000,000 County Contribution towards the County Climate Resilience Investment Grant and KShs 15,100,000 for the County Climate Institutional Support Grant. County Climate Institutional Support Grant II Grant activities focused primarily on capacity building, which accounted for Ksh. 15,497,970 or 33% of the total grant which was utilized.

The KShs 32,000,000 was subsequently utilized in FY 2024/2025 as follows:

- Project Vehicle: KShs 7,000,000

- Mbuyu Last mile connectivity Water Project: KShs 11,500,000
- Michore Borehole Water Project: KShs 11,500,000
- Environmental and Social Impacts Assessment and Hydrogeological surveys for the 12 projects: KShs 2,000,000

ii) Non-adherence to Expenditure Control Guidelines

Review of documents supporting the domestic and subsistence allowances amount of Kshs 991,198 paid to various officers indicated that the facilitation was for conferences and meetings outside the confines of the County headquarters to prepare financial statements instead of choosing a cheaper alternative. It was further noted that the majority of the participants were drawn from the staff working for the Fund contrary to Section 93 (4) (a) of the Public Finance Management (County Government) which provides that before issuing temporary imprest the Accounting Officer shall ensure that the main objective of the journey cannot be achieved by other cheaper means.

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

Management Response

The program involves various activities. Certain critical tasks—such as final preparation and review of key financial statements, quarterly monitoring and evaluation reports, grievance and redress reports, and environmental and social safeguards reports often extend beyond regular working hours due to strict deadlines linked to funding assessments. To support staff and enhance focus on these demanding responsibilities, occasional off-site working environments have been provided.

Committee Observation

The Committee observed that the query remains unresolved as the management of the fund did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2023/2024.

Committee Recommendation

The Committee recommends that—

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

4. Excess Expenditure on Administration Costs Above Set Limit

Review of expenditure records revealed the Fund incurred administration expenses of Kshs.16,502,183 against total expenditure of Kshs.60,319,109 translating to twenty-seven (27%) percent which is way above the set limits of four (4) percent. This is contrary to Regulation 9(2) of Nyandarua County Climate Change Funds Regulation, 2021.

Management Response

Out of the Kshs.16,503,183, Kshs. 13,000,000 was the County Climate Institutional Support Grant which was used for institutional support and had an approved workplan.

The balance of Kshs 3,502,183.00 was budgeted for under County Climate Resilience Investment Grant to support the projects/ programs.

Committee Observation

The Committee observed that the fund exceeded the set limit of expenditure on administrative cost.

Committee Recommendation

The Committee recommends that the Governor ensures the fund adheres to Regulation 9(2) of Nyandarua County Climate Change Funds Regulation, 2021. The Auditor to keep this matter in view in the subsequent audit cycle.

4.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYANDARUA COUNTY EXECUTIVE (STATE AND PUBLIC) CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEAR 2024/2025

The Committee received written responses from the Nyandarua County Bursary Fund.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Nyandarua County Executive (State and Public) Car Loan and Mortgage Scheme Fund for the financial year on the following basis—

1. Doubtful Receivables from Exchange Transactions

The statement of financial position and as disclosed in note 28 to the financial statement reflects current receivable from exchange transaction and non-current receivables from exchange transaction balances of kshs 71,908,982 and kshs 522,276,230 respectively, all totaling kshs 594,185,212. Included in the balances is kshs 11,585,281 in respect of outstanding loans owed by three (3) former members of County Executive Committee that are in default and recoverability of these debts is doubtful. Further, no provision in respect of these doubtful debts has been made or disclosed in the financial statements

In addition, the Fund administration Committee has not repossessed the secured properties and no steps appear to have been taken to recover these long outstanding loans.

In the circumstances, the accuracy, recoverability of receivables amounting to Kshs 11,585,281 could not be confirmed.

Management Response.

The default in respect of three (3) former County Executive Committee members, was due to a pending court case between the County Government of Nyandarua and the three petitioners on legality of their termination. This has since been determined in favor of the three who are supposed to be compensated Ksh 25,286,532. The amount owed to the fund amounting to Ksh 12,081,067 has been deducted from the compensation and will be paid straight to the fund account and has already been requisitioned for.

Committee Observation

The Committee observed that the fund had receivables amounting to kshs 11,585,281 that remained outstanding and were in default.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submits a debtors' schedule to the Auditor-General for verification and review and update the Committee in the subsequent audit cycle;**
- ii. the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submits an approved copy of the Debt Management Policy to the Auditor general for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle;**
- iii. the Governor ensures that the Accounting Officer, within 60 days of the adoption of this report, puts 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**
- iv. the Governor ensures that the Accounting Officer undertakes a detailed ageing 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.**

Unresolved Prior Year Matters

The progress on the follow up on auditors' recommendations section of the financial statements reflects that the following three issues raised in the previous years audit report remains unresolved as at 30th June 2025; non-performing loans, outstanding receivables from exchange transaction and lack of risk management and fraud policies

Failure to resolve prior year issues is an indication of weakened accountability and governance due to lack of action on previously raised issues and non-compliance with statutory requirements of the public Audit Act,2015.

Management Response

Non-performing loans.

This relates to loans advanced to three former County Executive Members who had a pending legal case with the County Government on legality of their termination. The case has since been determined in favor of the three who are supposed to compensated Ksh 25,286,532. The Loans will be deducted from the compensation in full by 28th February 2026. The amount has already been requisitioned for.

Outstanding receivables from exchange transaction.

This relates to interest on loans advanced to three former County Executive Members who had a pending legal case with the County Government on legality of their termination. The case has since been determined in favor of the three who are supposed to be compensated Ksh 25,286,532. The interest will be deducted from the compensation in full by 28th February 2026. The amount has already been requisitioned for.

Lack of risk management and fraud policies.

Risk management and fraud policy now in place.

Committee Observation

The Committee observed that the query remains unresolved as the management of the fund did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2023/2024.

Committee Recommendation

The Committee recommends that—

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

Lack of a Risk Management Policy

Review of funds records revealed that the fund administrator has not put in place a fraud policy to assist in detecting and preventing fraud contrary to regulation 158

(1) of the public finance management (County Government) regulations, 2015. Further there is no risk management policy to guide the operation of the fund.

In circumstances, the existence and effectiveness of risk management /fraud prevention practices could not be confirmed.

Management Response

The Fund Management Committee has developed and approved the risk management and fraud policy.

Committee Observation

The Committee noted that the fund did not have a risk management policy which was contrary to Regulation 158 (1) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that —

- i. **the Governor ensures the accounting officer ensures that the fund puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012, and a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of the water company. Further, the managements to submit evidence of the same to the Auditor General for verification; and**
- ii. **the Auditor-General to report on the same to the Senate during the subsequent audit cycle.**

4.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYANDARUA COUNTY EMERGENCY FUND FOR THE FINANCIAL YEAR 2024/2025

The Committee received written responses from the Nyandarua County Bursary Fund.

1. Misclassification Of Stale Cheques

The statement of financial performance and Note 6 to financial statements reflects transfers from the County Government amounting to Kshs 50,190,000 which include Kshs. 190,000 related to stale cheques/returns wrongly treated as revenue under this item.

In the circumstances, transfers from the County Government are overstated by Kshs. 190,000 and contravenes the requirements of Paragraph 27 of IPSAS 1.

Management Response

The recommendation is noted. However, based on the approved financial reporting template, **Note 6** remains the appropriate and only classification for the entry since the amounts relate to Transfers from the County Government, which are treated as other incomes for the financial year under audit. See below illustrations.

Committee Observation

The Committee observed that the statement of financial performance was not prepared in accordance to PSASB guidelines.

Committee Recommendation

The Committee recommends that—

- i. the Governor 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. Further, the Governor submits a status update report of the administrative action taken to the Senate within 60 days of the adoption of this report;**
- ii. the Governor ensures that 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; and

- iii. the Governor ensures 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.**

Other Matter

Unresolved Prior Year Matters

In the prior year's audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance respectively.

The progress on follow-up on Auditors recommendations section of the financial statements reflects that the following five issues raised in the previous year's audit report remain unresolved as at 30 June 2025;

1. unsupported Trade and Other Payables,
2. Lack of Approved Budget.
3. Failure to raise Appropriation Bill,
4. Long Outstanding Retention Fund and
5. Lack of a Risk Management policy.

Failure to resolve prior year issues is an indication of weakened accountability and governance due to lack of action on previously raised issues and non-compliance with statutory requirements of the public Audit Act, 2015.

Management Responses

1. unsupported Trade and Other Payables

The recommendation is noted. However, the balance of Trade and Other Payables amounting to KShs. 2,618,530 relates solely to retention monies withheld during payments to contractors and suppliers. These amounts are retained within the same bank

account at the time of settling the net payable to contractors or suppliers. Consequently, there were no separate supporting documents for the retained amounts.

2. Lack of Approved Budget.

The Management of the Emergency Fund noted the gap and prepared the budget for the Financial year 2025-2026 as per

3. Failure to raise Appropriation Bill.

The County through the County Executive Committee Member for Finance has endeavored to prepare expenditure and submit to the County Assembly for approval with consequent preparation of the Appropriation bill as per the requirement.

4. Long Outstanding Retention Fund

Management Response

Management acknowledged the audit observation regarding the outstanding payables amounting to Kshs. 648,580 owed to various service providers.

- i. Payment amounting to Ksh 497,127 among the outstanding payments of Kshs 648,580 has already been made, leaving a balance of Ksh. 151,453.
- ii. The management is making efforts to clear the remaining balance.

5. Lack of a Risk Management policy.

The recommendation is noted. Management has identified the gap and has prepared an Emergency Risk Management Policy, which is currently in draft form and awaiting approval and adoption..

Committee Observation

The Committee observed that the query remains unresolved as the management did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2023/2024.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer resolves any issues resulting from an audit that remains outstanding as required by section 149(2)(I) of the Public Finance Management Act, Cap. 412A, failure to

- which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and
- ii. **the Governor ensures the accounting officer submits a detailed status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

1. Failure to Notify the County Assembly on Fund Expenditure

The statement of financial performance reflects total fund expenditure Of Kshs.47,399,473 without any written notifications to the County Assembly contrary to Regulation 11 (1) of the Public Finance Management Act (Nyandarua County Emergency Fund) Regulations. 2022.

In the circumstances. Management in breach Of the law.

Management Response

Recommendation noted. Find attached copy of submission of payment documents to the County Assembly.

Committee Observation

The Committee observed that the fund had an expenditure of Kshs.47,399,473 but did not have a written notifications to the County Assembly.

Committee Recommendation

The Committee recommends that the Governor ensures that the fund adheres to Regulation 11 (1) of the Public Finance Management Act (Nyandarua County Emergency Fund) Regulations. 2022. The Auditor General to keep this matter in view in the subsequent audit cycle.

2. Long Outstanding Retention Money

The statement of financial position and as disclosed in Note 14 to the financial statements reflects trade and Other payables balance Of Kshs 3,381,588 Which include Kshs. 151 ,453 owed to various services providers Management did not provide explanation for holding the funds for more than one year or for not surrendering them to the Unclaimed Assets Authority contrary to Section 17 of the Unclaimed Financial Asset Act. 2011.

In the circumstance Management is in breach of the law.

Management Response

Management acknowledges the audit observation regarding outstanding payables amounting to KShs. 151,453 and is actively following up to ensure full settlement in the current financial period. Steps will continue to strengthen payment tracking and timely clearance of outstanding obligations to prevent recurrence in subsequent periods.

Committee Observation

The Committee observed that the fund held retention money amounting to Kshs. 151,453 for more than 1 year.

Committee Recommendation

The Committee recommends that the Governor ensures that the fund adheres to Section 17 of the Unclaimed Financial Asset Act, 2011. The Auditor General to keep this matter in view in the subsequent audit cycle.

ANNEXTURES

Minutes of the 52nd Sitting held on Monday 23rd March, 2026



13TH PARLIAMENT 5TH SESSION

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

PRESENT

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

ABSENT WITH APOLOGY

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

SECRETARIAT

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

A. OFFICE OF THE AUDITOR GENERAL

Mr. Mark Gachanja Liasion

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 (1st July, 2024 to 30th June, 2025)-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There was no any other business.

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

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



SIGNED: DATE: 24/3/2026

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