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THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

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

Table with 3 columns: SECTOR, NO., ENTITIES. Rows include Water Companies (3), Municipality (1), Hospitals (5), and Funds (8).

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MARCH 2026
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31/03/2026



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ACRONYMS AND ABBREVIATIONS

CPISFC	County Public Investments and Special Funds Committee
CECM	County Executive Committee Member
COB	Controller of Budget
CRVWDA	Central Rift Valley Water Works Development Agency
DMA	District Metered Area
EACC	Ethics and Anti-Corruption Commission
ERAWASCO	Eldama Ravine Water and Sewerage Company Limited
GAAP	Generally Accepted Accounting Principles
IFRS	International Financial Reporting Standards
IFMIS	Integrated Financial Management Information System
KRA	Kenya Revenue Authority
NRW	Non-Revenue Water
NSSF	National Social Security Fund
NWC	National Water Company
OAG	Office of the Auditor-General
PAA	Public Audit Act
PFM	Public Finance Management
PIAP	Performance Improvement Action Plan
PPADA	Public Procurement and Asset Disposal Act
PSASB	Public Sector Accounting Standards Board
RVWSB	Rift Valley Water Services Board
SHA	Social Health Authority
SO	Standing Orders
WASREB	Water Services Regulatory Board
WRA	Water Resources Authority
WSTF	Water Sector Trust Fund

DEFINITION OF TERMS

Unqualified opinion: This refers to a clean opinion which is the most desirable in which the auditor states that the financial condition, position, and operations of an organization are fairly presented in the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Qualified opinion: This is an opinion expressed by the auditor if the financial statements appear to contain a small deviation from Generally Accepted Accounting Principles (GAAP) but are otherwise fairly presented. It is also rendered if the management of the organization limits the scope of audit procedures.

Adverse opinion: This refers to an opinion issued when there are material exceptions to Generally Accepted Accounting Principles (GAAP) that affect the financial statements as a whole and the auditor indicates that the financial statements are not presented fairly.

Disclaimer: This is an opinion given by the auditor when there is a significant limitation in the access to audit information and documentation and inadequate cooperation by the organizational management in the audit process.

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

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

Going Concern: This is an accounting principle used for a company that is financially stable enough to meet its obligations and continue its business for the foreseeable future.

PREFACE

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

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

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

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Baringo County water companies for the Financial Year 2024/2025. The entities covered are three water companies, namely: Kirandich Water and Sanitation Company Limited; Eldama Ravine Water and Sewerage Company Limited (ERAWASCO); and Chemususu Water Company Limited; one Municipality- Municipality of Kabarnet, and Five Hospitals- Margat Level 4 Hospital; Kabartonjo Level 4 Hospital; Baringo County Referral Hospital; Eldama Ravine Level 4 Hospital; and Chemolingot Level 4 Hospital and eight funds.

The Governor of Baringo County, Hon. Benjamin C. Cheboi EGH, EBS, 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. Agnes Kavindu Muthama, MP - Member
6. Sen. Peris Pesi Tobiko, CBS, MP. - Member
7. Sen. Beth Kalunda Syengo, MP. - Member
8. Sen. George Mungai Mbugua, MP. - Member
9. Sen. Raphael Chimera Mwinzangu, MP. - Member
10. Sen. Hamida Ali Kibwana, MP. - Member

COMMITTEE SECRETARIAT

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

ESTABLISHMENT OF THE COMMITTEE

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

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

EXECUTIVE SUMMARY

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited accounts of the water companies for the Financial Year 2024/2025 (1st July 2024 to 30th June 2025) as the primary documents for the investigations. The Committee invited the Governor of Baringo County as the Chief Executive Officer of the County Government pursuant to Article 179(4) as a witness to respond to the audit queries raised in the reports under consideration.

The Report presents the findings and recommendations of the Select Committee on County Public Investments and Special Funds following its consideration of the Auditor-General's reports on three water companies in Baringo County for the Financial Year 2024/2025. The entities covered are: Kirandich Water and Sanitation Company Limited; Eldama Ravine Water and Sewerage Company Limited (ERAWASCO); Chemususu Water Company Limited; Municipality of Kabarnet; Margat Level 4 Hospital; Kabartonjo Level 4 Hospital; Baringo County Referral Hospital; Eldama Ravine Level 4 Hospital; and Chemolingot Level 4 Hospital; Baringo County Executive Car Loan Scheme Fund, Baringo County Executive Mortgage Scheme Fund, Baringo County Emergency Fund, Baringo Cooperative Development Fund, Baringo County Bursary and Scholarship Fund, Baringo County Climate Change Fund, Baringo County Micro and Small Enterprises Fund and Baringo County Community Conservation Fund.

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

REPORT STRUCTURE

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

CHAPTER ONE covers the audit reports for Kirandich Water and Sanitation Company Limited, Eldama Ravine Water and Sewerage Company Limited (ERAWASCO), and Chemususu Water Company Limited for the Financial Year 2024/2025 and the Committee's observations and recommendations on each audit query.

CHAPTER TWO covers the audit reports for the Municipality of Kabarnet for the Financial Year 2024/2025 and the Committee's observations and recommendations on each audit query.

CHAPTER THREE covers the audit reports for Margat Level 4 Hospital; Kabartonjo Level 4 Hospital; Baringo County Referral Hospital; Eldama Ravine Level 4 Hospital; and Chemolingot Level 4 Hospital, for the Financial Year 2024/2025 and the Committee's observations and recommendations on each audit query.

CHAPTER FOUR covers the deliberation and decision of the Committee on the reports of the Auditor-General on financial statements of Baringo County Executive Car Loan Scheme Fund, Baringo County Executive Mortgage Scheme Fund, Baringo County Emergency Fund, Baringo Cooperative Development Fund, Baringo County Bursary and Scholarship Fund, Baringo County Climate Change Fund, Baringo County Micro and Small Enterprises Fund and Baringo County Community Conservation Fund

GENERAL OBSERVATIONS FOR WATER COMPANIES

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

1. **Excessive Non-Revenue Water:** Non-Revenue Water (NRW) levels across all three water companies significantly exceeded the 25% regulatory benchmark prescribed by the Water Services Regulatory Board (WASREB). Kirandich Water and Sanitation Company recorded an NRW of approximately 54%, far exceeding the permissible limit.
2. **Material Uncertainty Related to Going Concern:** Two of the three water companies — Kirandich Water and Sanitation Company Limited and Eldama Ravine Water and Sewerage Company Limited (ERAWASCO) — had negative working capital or material uncertainty concerning their ability to continue as going concerns. Kirandich Water Company reflected current assets of Kshs. 46,149,130 against current liabilities of Kshs. 68,118,572, resulting in negative working capital of Kshs. 21,969,442 and a current ratio of 0.48.
3. **Budgetary Control and Performance:** All three water companies recorded significant revenue under-realization against their approved budgets. Kirandich Water and Sanitation Company recorded under-funding of Kshs. 122,177,473, representing 56% of the approved budget.
4. **Unresolved Prior Year Audit Issues:** Numerous audit issues from prior financial years remained unresolved at Kirandich Water and Sanitation Company, pointing to inadequate follow-up mechanisms, weak accountability structures, and a lack of commitment by management and boards to address recurring audit queries.

GENERAL RECOMMENDATIONS FOR WATER COMPANIES

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

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

2. **Resolution of Going Concern:** The Governor should ensure the Boards of Directors and Accounting Officers of Kirandich Water and Sanitation Company and ERAWASCO each develop and submit to the Senate, within sixty (60) days of the adoption of this report, comprehensive going concern resolution plans with clear timelines, measurable milestones, and annual targets for improving working capital, reducing current liabilities, and ensuring long-term financial sustainability. The Governor should ensure full and immediate implementation of approved water tariff structures and intensify engagement with the Water Sector Trust Fund and development partners.
3. **Accuracy and Completeness of Financial Statements:** The Governor should ensure the Accounting Officers of all three water companies maintain proper books and records of account in compliance with Section 129(1) of the Water Act, 2016, and provide complete and verifiable supporting documentation for all financial statement balances. A pre-audit internal review mechanism shall be established to verify accuracy before submission to the Auditor-General.
4. **Regularization of In-Kind Contributions:** The Governor, working with the County Treasury and the Board of Kirandich Water and Sanitation Company, should develop and implement a legally compliant framework for County Government support for electricity costs within ninety (90) days of the adoption of this report. The Governor should also fast-track solarization of the Kirandich Dam pump station to reduce electricity costs.
5. **Compliance with PSASB Reporting Requirements:** The Governor should ensure that both ERAWASCO and Chemususu Water Company apply the PSASB-approved reporting templates with immediate effect and in all subsequent financial reporting cycles, in compliance with Section 164(1) of the Public Finance Management Act, 2012.
6. **Budgetary Control and Performance:** The Governor should ensure that the Boards of Directors and Accounting Officers of all three water companies adopt evidence-based budget preparation methodologies that align revenue projections with actual collection trends, approved tariff implementation timelines, and confirmed grant disbursement schedules. All three entities shall submit quarterly budget performance reports in compliance with Regulation 42(1)(b) of the PFM (County Governments) Regulations, 2015. Failure to comply shall necessitate the invocation of Section 199 of the PFM Act on penalties for offences.

GENERAL OBSERVATIONS FOR THE MUNICIPALITY

- 1. Persistent Financial Reporting Weaknesses-** The Auditor-General rendered a Qualified Opinion on the Municipality's financial statements, primarily due to unexplained variances between comparative balances and the prior year's audited financial statements. The Municipality also failed to depreciate Property, Plant, and Equipment (PP&E) valued at Ksh. 105,670,094, despite the accounting policy stating that assets are stated at cost less accumulated depreciation. This contravenes International Public Sector Accounting Standards (IPSAS). The failure to apply depreciation materially overstates the Municipality's net asset value. The lack of proper reconciliations and unsigned documents indicates weak internal controls over cash management and year-end closing procedures. While management amended the financial statements, the recurrence of such inaccuracies suggests underlying weaknesses in the preparation and review process.
- 2. Lack of Operational autonomy -** Despite being awarded a Charter on 13th June 2019, the Municipality of Kabarnet continued to operate without full independence during the financial year under review. Specifically, the Municipality's budget was prepared and controlled by the County Government without prior approval by the Municipal Board. The transfer of functions was only gazetted on 7th February 2025, nearly six years after the Charter was awarded. The Municipality lacked an Integrated Development and Economic Plan and an Integrated Strategic Urban Development Plan (ISUDP), which are mandatory under Section 20(1)(c) of the Urban Areas and Cities Act. The absence of operational and financial independence severely constrains the Municipality's ability to plan, budget, and deliver services effectively. It also creates ambiguity regarding the legal and administrative responsibilities of the Municipal Board versus the County Government, leading to inefficiencies and potential conflicts.
- 3. Weak Budgetary Control and Cash Flow Management-** The Municipality experienced under-funding of Ksh. 563,754 (8% of the budget) due to deductions made by the County Treasury for utility payments using the Municipality's budget. The Accounting Officer failed to review and revise cash flow projections to align with County Treasury circulars in the event of unanticipated fluctuations. The under-funding affected planned activities and negatively impacted service delivery to the public. The failure to proactively manage cash flow indicates a reactive rather than strategic approach to financial management.

GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY

- 1. Strengthen Financial Reporting and Internal Controls-** The Governor must ensure that the Accounting Officer of the Municipality implements a robust pre-submission review process for financial statements to eliminate variances, ensure proper reconciliation, and confirm compliance with IPSAS and PSASB reporting templates before submission to the Auditor-General. The Accounting Officer should also charge depreciation on all Property, Plant, and Equipment in

subsequent financial years, in accordance with the Municipality's stated accounting policy and IPSAS requirements. Maintaining a monthly bank reconciliation statement that are signed, approved, and reconciled with the cash book, with variances investigated and resolved promptly as well as taking appropriate administrative action against officers responsible for the preparation of inaccurate financial statements, in line with Section 156(1) of the PFM Act should also be a priority.

2. **Achieve Full Operational and Financial Independence-** The Governor must take all necessary steps to ensure the Municipality of Kabarnet achieves full independence as mandated by the Urban Areas and Cities Act, Cap. 275: Within 60 days, the Municipal Board must develop and adopt the Integrated Development and Economic Plan and the Integrated Strategic Urban Development Plan (ISUDP) in line with Section 20(1)(c) of the Act. By the commencement of FY 2026/2027, the Governor must ensure the Municipality is fully operationalized in line with its delegated functions as gazetted on 7th February 2025. The Municipality must be adequately funded in accordance with Section 172 of the PFM Act, with funds released directly to the Municipality's account, not through the County Treasury in a manner that undermines its autonomy. The Auditor-General shall keep this matter in view and report on progress in the subsequent audit cycle.
3. **Strengthen Budgetary Control and Cash Flow Management-** The Governor must ensure that the Accounting Officer reviews and revises cash flow projections on a quarterly basis to align with County Treasury circulars and anticipated funding fluctuations; implements strict budgetary control measures in accordance with Regulation 42(1)(b) of the PFM (County Governments) Regulations, 2015; submits quarterly budget performance reports to the County Treasury and the Auditor-General within 15 days after the end of each quarter; and Complies with IPSAS 24 on the presentation of budget information in the financial statements.

GENERAL OBSERVAIONS FOR THE HOSPITALS

- 1. Systemic Weakness in Financial Reporting and Reconciliation-** There were Unreconciled variances between financial statements, supporting ledgers, and notes. Failure to depreciate assets or develop a depreciation policy was an indication of contravening the International Public Sector Accounting Standards (IPSAS). There were Misclassification of assets and liabilities, such as capital fund omissions and unsupported revaluation gains. Inaccurate or missing opening balances indicated weak year-end closing processes. These inaccuracies render financial statements unreliable, undermining accountability and the ability to make informed resource allocation decisions
- 2. Inadequate Asset Management and Non-Disclosure of Property, Plant, and Equipment-** Undisclosed assets including Land, buildings, and equipment worth millions of shillings were not included in financial statements. Registers lacked essential details such as serial numbers, locations, and depreciation methods. There was lack of title documents for assets like land whose ownership documents were missing. Most hospitals had not conducted comprehensive valuations, leading to unsubstantiated asset balances. The true financial position of the hospitals is grossly understated or misrepresented, exposing public assets to the risk of misappropriation.
- 3. Persistent Non-Compliance with Universal Health Coverage (UHC) and KQMH Standards-** All hospitals failed to meet the minimum standards for their respective levels under the Kenya Quality Model for Health (KQMH), with critical gaps in Human Resource where all hospitals had severe staff deficits ranging from 82% to 93%. Key specialists (anesthesiologists, surgeons, pediatricians) were either absent or grossly inadequate. On Medical equipment and infrastructure, none of the hospitals had functional Intensive Care Units (ICUs) or High Dependency Units (HDUs). Bed capacity was below standard (Marigat: 53%, Kabartonjo: 29%). Renal units, incubators, and functional operating theatres were lacking in several facilities. These deficiencies constitute a breach of the Health Act, 2017, and a violation of Article 43(1) of the Constitution, which guarantees the right to the highest attainable standard of health.
- 4. Chronic Underfunding, Poor Budgetary Control, and Late Disbursements-** Budgetary performance across the board was poor as there were severe underfunding whereby Hospitals received significantly less than their approved budgets (e.g., Kabartonjo received only 43%; Eldama Ravine received 60%). There was witnessed late disbursements as funds were released at the end of the financial year (e.g., Marigat received funds 5 days before year-end), leading to under-utilization (Marigat: 30%, Eldama Ravine: 5%). The hospitals prepared unrealistic budgets which did not account for known factors like SHA reimbursement delays, resulting in inflated revenue targets and expenditure plans that could not be met. The combination of underfunding and late disbursements cripples service delivery, prevents timely procurement of medical supplies, and demoralizes staff.

5. **Accumulation of Long-Outstanding Payables and Receivables-** A recurring financial stressor across all hospitals was the imbalance between payables and receivables. On Long-outstanding payables, Eldama Ravine had Kshs. 19.6 million outstanding for over three years; Baringo Referral had trade payables overdue for more than two years. On Unpaid SHA/NHIF receivables, Hospitals collectively had hundreds of millions in unremitted claims from the Social Health Authority (SHA) and the defunct NHIF. For example, Baringo Referral had Kshs.79.3 million in unpaid claims, which directly correlated with its inability to pay suppliers. This cash flow crisis undermines supplier confidence, leads to stock-outs of essential supplies, and jeopardizes the hospitals' ability to operate.

GENERAL RECOMMENDATIONS FOR THE HOSPITALS

1. **Strengthen Financial Reporting and Reconciliation-** The Governor must ensure that all Accounting Officers implement robust pre-submission review processes to eliminate material variances and ensure that all financial statements are fully reconciled with supporting ledgers before submission to the Auditor-General. Accounting officers should also develop and implement a standardized chart of accounts and reconciliation framework across all county health facilities to ensure consistency and comparability. The Accounting officers should also take appropriate administrative action against finance officers responsible for the preparation and approval of inaccurate financial statements, in line with Section 156(1) of the Public Finance Management (PFM) Act, Cap. 412A.
2. **Establish a Comprehensive Asset Management Framework-** The Governor, through the County Executive Committee Member (CECM) for Health and the County Treasury, should commission a comprehensive valuation of all assets (land, buildings, equipment) across all hospitals by certified professional valuers by the end of FY 2025/2026 and ensure all hospitals maintain a complete and updated fixed assets register containing all required details (serial numbers, location, acquisition date, depreciation rate) in compliance with Regulation 136(1) of the PFM (County Governments) Regulations, 2015. The Hospital management should also fast-track the process of acquiring title deeds for all hospital land by engaging the National Ministry of Health and the Intergovernmental Relations Technical Committee (IGRTC) within 90 days.
3. **Develop and Implement a Capital Investment Plan for UHC Compliance-** The Governor must ensure that the development of a comprehensive capital investment plan for all hospitals to acquire and operationalize essential services and equipment, including ICU beds, HDU beds, Renal Units, and Newborn Units, with specific timelines and budgetary allocations. The County Department of Health conducts quarterly inspections to monitor compliance with KQMH standards and reports findings to the County Assembly.
4. **Strengthen Governance and Internal Controls-** The Governor must ensure that all hospitals establish formally independent internal audit functions, separate

from line management, in compliance with Regulation 167(1) of the PFM (County Governments) Regulations, 2015. All hospital boards must finalize, approve, and implement key operational policies, including Risk Management, Asset Management, Transport, and Disaster Recovery policies, within 60 days, and submit evidence to the Auditor-General. Accounting Officers must strictly comply with Regulation 207(1) of the PFM Regulations by preparing and submitting quarterly financial reports to the County Treasury and Auditor-General within 15 days after the end of each quarter.

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:

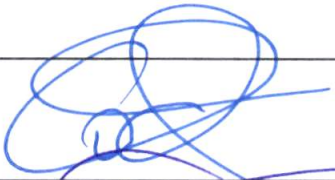
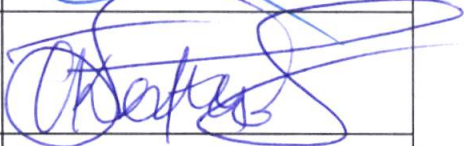
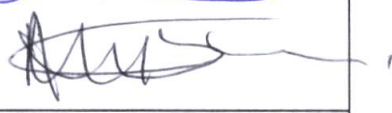
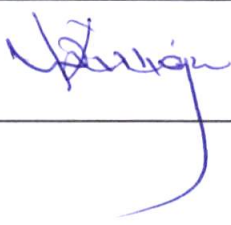


DATE: 30/03/2026

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

ADOPTION OF THE REPORT OF THE SENATE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF THREE WATER COMPANIES, ONE MUNICIPALITY, AND FIVE HOSPITALS OF BARINGO COUNTY FOR THE FINANCIAL YEAR 2024/2025.

SECTOR	NO.	ENTITIES
WATER COMPANIES	3	KIRANDICH WATER AND SANITATION COMPANY LIMITED
		ELDAMA RAVINE WATER AND SEWERAGE COMPANY LIMITED (ERAWASCO)
		CHEMUSUSU WATER COMPANY LIMITED
MUNICIPALITY	1	MUNICIPALITY OF KABARNET
HOSPITALS	5	MARIGAT SUB-COUNTY LEVEL 4 HOSPITAL
		KABARTONJO LEVEL 4 HOSPITAL
		BARINGO COUNTY REFERRAL HOSPITAL
		ELDAMA RAVINE LEVEL 4 HOSPITAL
		CHEMOLINGOT LEVEL 4 HOSPITAL
FUNDS	8	BARINGO COUNTY EXECUTIVE CAR LOAN SCHEME FUND
		BARINGO COUNTY EXECUTIVE MORTGAGE SCHEME FUND
		BARINGO COUNTY EMERGENCY FUND
		BARINGO COOPERATIVE DEVELOPMENT FUND
		BARINGO COUNTY BURSARY AND SCHOLARSHIP FUND,
		BARINGO COUNTY CLIMATE CHANGE FUND,
		BARINGO COUNTY MICRO AND SMALL ENTERPRISES FUND AND

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 KIRANDICH WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025

The Governor of Baringo County, Hon. Benjamin C. Cheboi, EBS EGH, appeared before the Committee on 26th January 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on the financial statements Kirandich Water and Sewerage Company for the Financial Year 2024/2025. The Governor was accompanied by the following officers: -

- | | |
|-----------------------|--------------------|
| 1. Mr. Reuben Rutto | -CECM Water |
| 2. Mr. Richard Rutto | -Managing Director |
| 3. Mr. Thomas Chesaro | -Accountant |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **Adverse Opinion** on the financial statements of Kirandich Water and Sanitation Company Limited for the Financial Year 2024/2025 on the following basis-

1. Undisclosed Material Uncertainty Related to Going Concern

The statement of financial position reflects current assets totalling Kshs. 46,149,130 against current liabilities totalling Kshs. 68,118,572, resulting in negative working capital of Kshs. 21,969,442 and a current ratio of 0.48.

The negative liquidity position indicated the existence of material uncertainty on the Company's ability to continue as a going concern. The financial statements were prepared on a going concern basis on the assumption that the Company would continue to receive financial support from the County Government and its creditors.

Management did not disclose the material uncertainty related to sustainability of services or the measures taken to mitigate this.

Management Response

The Company has deployed many strategies to ensure it is self-sustaining. Though the Company is currently on a loss, the following mechanisms have been put in place—

1. A regular tariff application has been submitted to WASREB, awaiting gazettment following successful public participation held on 9th December 2025 at Kenya School of Government – Baringo. Approval will increase internal revenue and improve the Operations and Maintenance Cost Coverage Ratio (OCCR). The current tariff has not been revised since 2009.
2. A medium-term Performance Improvement Action Plan (PIAP) is being developed through the K-WASH programme under the World Bank.

3. A Non-Revenue Water (NRW) Management Plan has been put in place to reduce water losses through sealing leakages and curbing illegal connections.
4. The Company has developed a Strategic Plan and Business Plan to guide business sustainability.
5. The Kirandich Phase II project worth Kshs. 2.4Billion, implemented by CRVWWDA in collaboration with the Italian Government, will expand service coverage from Kabarnet Town to Kabartonjo Town, increasing consumer numbers and revenue.
6. Continuous resource mobilization for development of alternative green energy sources including solarization for pumping water.
7. Diversifying water sources to include existing and new boreholes that can adopt green energy.
8. Upgrade of Revenue Billing software to incorporate real-time Bank and Mobile money integration.

Committee Observation

The Committee observed that the Company's ability to continue as a going concern is in doubt. The Committee further observed that Management failed to disclose this material uncertainty in the financial statements as required by applicable accounting standards.

Committee Recommendation

- i. **the Accounting Officer should prepare and submit quarterly reports to the County Treasury in regard to the financial and non-financial status of the water company in line with section 166 of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply;**
- ii. **the County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act, 2012 and regularly report to the Governor through the County Executive Committee in line with Article 179 (6) of the Constitution;**
- iii. **the County Treasury should undertake annual reporting on County Corporation, including an assessment of the commercial viability of the company in line with the standards set by the Water Services Regulatory Board under section 77(2) of the Water Act, 2016; and**
- iv. **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).

2. Inaccuracy in the Staff Costs

The statement of profit and loss and other comprehensive income reflect staff costs of Kshs. 22,718,310 as disclosed in Note 11. However, review and re-computation of the gross payroll revealed amounts totalling Kshs. 19,188,249, resulting in an unexplained and unreconciled variance of Kshs. 3,530,061. Further, a review of casual wage payments revealed an amount of Kshs. 1,008,701, which differs from Kshs. 189,819 in Note 11, resulting in a variance of Kshs. 818,882. Additionally, extra payments were made to permanent staff members as casual wages. This is contrary to Section 129(1) of the Water Act, 2016.

Management Response

After re-computing the staff costs, Management confirmed the total amounts to Kshs. 22,718,310 comprising: a) Staff Gross Salary – Kshs. 18,760,193; b) Casual Wages – Kshs. 189,819; c) NSSF Employer Contribution – Kshs. 854,269; d) NWC Pension Employer Contribution (15%) – Kshs. 2,814,029; and e) Gratuity – Kshs. 100,000. Management stated that it could not ascertain the casual wages amount of Kshs. 1,008,701 and that no permanent staff were paid extra as casual wages except when paid subsistence allowances while on duty.

Committee Observation

The Committee observed that

- i. there are unexplained and unreconciled variances in the staff costs as presented in the financial statements, including a variance of Kshs. 3,530,061 in gross payroll and Kshs. 818,882 in casual wages.
- ii. the allegation of extra casual wage payments to permanent staff members, which if confirmed, constitutes misapplication of public resources.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer provides a fully reconciled staff cost schedule, including gross payroll schedules, casual wage registers, and all statutory contribution records, to the Auditor-General within 60 days of the adoption of this report;
- ii. the Governor takes administrative action including reduction against the Management Director for breach of Section 129(1) of the Water Act, 2016 and provide evidence of action taken to the Senate within 60 days of the adoption of this report; and

- iii. **the Auditor-General keeps the matter in view in the subsequent audit cycle.**

3. Inaccuracy in the Employer's Contributions to Pension Scheme

The statement of profit and loss reflects staff costs of Kshs. 22,718,310 which includes Kshs. 2,814,029 in respect of employer's contributions to the pension scheme as disclosed in Note 11. However, a review of the supporting schedule revealed an amount of Kshs. 2,353,519, resulting in an unexplained and unreconciled variance of Kshs. 461,510.

Management Response

Management explained that the employer's contribution to the National Water Company Pension Scheme is Kshs. 2,814,029, representing 15% of the Staff Gross Pay of Kshs. 18,760,193. Management contends that the schedule reflects the correct 15% computation. The variance of Kshs. 461,510 has not been fully reconciled.

Committee Observation

The Committee observed that the unexplained and unreconciled variance of Kshs. 461,510 in employer's pension contributions undermines the accuracy of the financial statements and points to weaknesses in financial management and record-keeping systems.

Committee Recommendation

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer provides a detailed pension contribution schedule fully reconciling the disclosed figure of Kshs. 2,814,029 with all actual payments made to the NWC Pension Scheme, to be submitted to the Auditor-General within 60 days of the adoption of this report; and**
- ii. **the Auditor-General keeps the matter in view in the subsequent audit cycle.**

4. Inaccuracy of Electricity Costs

The statement of profit or loss reflects general and operations expenses of Kshs. 63,049,748, which includes electricity costs of Kshs. 51,757,422 as disclosed in Note 12. Review of supporting schedules revealed payments totalling Kshs. 48,267,054 made to Kenya Power and Lighting Company by the Baringo County Executive on behalf of the Company. However, a review of payment vouchers revealed payments totalling Kshs. 58,287,576, resulting in unexplained variances of Kshs. 10,020,522 and Kshs. 6,530,154 respectively.

Management Response

Management explained that the electricity cost of Kshs. 51,757,422 includes: actual Company payments for small schemes of Kshs. 1,543,834; and anticipated payments by the Baringo County Executive of Kshs. 50,213,588 (comprising Kirandich Dam pump station Account No. 21224605 – Kshs. 48,267,054, and Kabarnet Main tank pump Account No. 20859429 – Kshs. 1,946,534). The actual payment amount was Kshs. 45,413,312, split between Kshs. 20,619,983 paid during the period and Kshs. 24,793,329 paid in FY 2025/2026.

Committee Observation

The Committee observed that there are material unexplained variances in the electricity costs. The accounting treatment of anticipated County Government payments as Company expenses without complete documentary support raises serious concerns about the accuracy of the financial statements. The management however provided satisfactory explanation and documents to support and clarify the variance.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer responsible for Kirandich Water and Sewerage Company makes timely submission of documents to the Auditor-General during the audit process in compliance with Section 9(1e);**
- ii. that the Governor takes administrative action against the officers who failed to submit the documents in time as required by the Auditor-General and provide evidence of the action taken to the Senate within 60 days of adoption of the report; and**
- iii. the matter be marked as resolved**

5. Unsupported Grants Income

The statement of profit or loss reflects grants income of Kshs. 45,334,481 as disclosed in Note 7. However, this amount was not supported by ledgers or payment vouchers for grants paid by the County Government of Baringo and other government entities.

Management Response

Management explained that the grants income relates to County Government electricity bill payments. Payments of Kshs. 16,245,445 in July 2024 and Kshs. 14,500,000 in November 2024 were rollover budget payments for FY 2023/2024 outstanding electricity bills. The actual payment in the year under review was Kshs. 45,413,312, comprising Kshs. 20,619,983 paid during the period and Kshs. 24,793,329 paid in FY 2025/2026.

Committee Observation

The Committee observed that the grants income of Kshs. 45,334,481 was not adequately supported by documentation during the audit period, and that the treatment of County Government electricity payments as grants income requires further scrutiny to ensure compliance with applicable accounting standards.

Committee Recommendation

The Committee recommends that—

- I. the Governor ensures the Accounting Officer responsible for Kirandich Water and Sewarage Company makes timely submission of documents to the Auditor-General during the audit process in compliance with Section 9(1e);**
- II. that the Governor takes administrative action against the officers who failed to submit the documents in time as required by the Auditor-General and provide evidence of the action taken to the Senate within 60 days of adoption of the report; and**
- III. the matter be marked as resolved**

6. Unsupported Other Income

The statement of profit or loss reflects other income of Kshs. 191,200 as disclosed in Note 9. However, this amount was not supported by ledgers or schedules.

Management Response

Management stated that the amount of Kshs. 191,200 is supported by a ledger and schedules of the staff members from whom the income was recovered.

Committee Observation

The Committee observed that the Management availed the supporting documentation, hence satisfactorily addressing the matter.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

7. Unsupported Depreciation and Amortization Expenses

The statement of profit or loss reflects total expenses of Kshs. 88,914,342, which includes depreciation and amortization expenses of Kshs. 1,222,668 as disclosed in Note 15. This amount was not supported by an assets register detailing the assets being depreciated, book values, list of disposals or acquisitions, the Company's depreciation policy, method used, and applicable rates.

Management Response

Management stated that the depreciation and amortization schedule was derived from assets depreciated during the previous FY 2023/2024, applying the cost model with reducing balance method, and incorporating PSASB-recommended rates.

Committee Observation

The Committee observed that the depreciation and amortization expense of Kshs. 1,222,668 was adequately supported by a comprehensive and up-to-date fixed assets register, depreciation policy, or detailed computation schedules.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer compiles and maintains a comprehensive, up-to-date fixed assets register with full depreciation schedules, and submits the same to the Auditor-General within 90 days of the adoption of this report; and**
- ii. the matter be marked as resolved.**

8. Unsupported Property, Plant and Equipment

The statement of financial position reflects non-current assets of Kshs. 156,640,228, which includes Kshs. 9,121,294 in respect of property, plant and equipment as disclosed in Note 19. However, this balance was not supported by assets register providing details on the nature and types of PP&E with their respective individual costs and revaluation reports.

Management Response

Management stated that working schedules detailing PP&E are available in the assets register. However, the Company is yet to undertake a comprehensive assets revaluation and to complete the process of taking over assets from CRVWWDA.

Committee Observation

The Committee observed that the PP&E balance of Kshs. 9,121,294 was not fully verifiable due to the incomplete assets register, absence of individual asset costs and valuations, and the outstanding asset handover from CRVWWDA. This matter has persisted from prior audit cycles without adequate resolution.

Committee Recommendation

The Committee recommends that—

- i. the Governor fast-tracks the formal handover and registration of all assets from CRVWWDA to Kirandich Water and Sanitation Company within 90 days of the adoption of this report, and submits evidence of completion to the Senate and the Auditor-General;**

- ii. **the Governor ensures the Accounting Officer commissions a comprehensive asset valuation by a certified professional valuer and submits the fully updated fixed assets register to the Auditor-General within the Financial Year 2025/2026; and**
- iii. **the Auditor-General keeps the matter in view in the subsequent audit cycle.**

9. Unsupported Work in Progress

The statement of financial position reflects non-current assets of Kshs. 156,640,228, which includes work in progress of Kshs. 147,518,934 as disclosed in Note 19. This balance, relating to incomplete or unhandled-over projects, was not supported by schedules detailing project names, contractors, contract dates and costs, locations, amounts spent, completion percentages, and status reports.

Management Response

Management stated that the balance of Kshs. 172,767,508 (as revised) is supported by comprehensive project schedules. Note: A discrepancy of Kshs. 25,248,574 between the financial statement figure of Kshs. 147,518,934 and the management revised figure of Kshs. 172,767,508 was not explained.

Committee Observation

The Committee observed that the work in progress balance was not supported by adequate project schedules during the audit period. The discrepancy between the reported figure of Kshs. 147,518,934 and Management's revised figure of Kshs. 172,767,508 requires urgent reconciliation.

Committee Recommendation

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer submits comprehensive and reconciled project schedules for all work in progress to the Auditor-General within 60 days, including full reconciliation and explanation of the variance of Kshs. 25,248,574;**
- ii. **the Governor ensures a regular project reporting system to the Board and relevant oversight bodies is instituted; and**
- iii. **the Auditor-General keeps the matter in view in the subsequent audit cycle.**

10. Non-Existent Deferred Tax Liability / Unsupported Inherited Long-Term Liabilities

The statement of financial position reflects a deferred tax liability (Inherited from RVWSB) of Kshs. 27,102,739 as disclosed in Note 25. This balance was not supported by invoices, completion certificates, inspection and acceptance records, handover

minutes, or contract documents. This balance was also misclassified as a deferred tax liability when it is a long-term payable inherited from CRVWDA.

Management Response

Management amended the financial statements to reflect the balance as Long-Term Liabilities (Inherited from RVWSB) of Kshs. 27,102,739. This liability arose from trade debtors managed by the defunct Rift Valley Water Services Board (RVWSB). The receivables are being assessed with CRVWDA to determine recoverability, with an annual provision of 5% for bad and doubtful debts. The matter will be presented to the Board for consideration of a full write-off.

Committee Observation

The Committee observed that the misclassification of Kshs. 27,102,739 as a deferred tax liability when it is an inherited long-term payable constitutes a material error in the financial statements. The balance remains inadequately supported and continues to be unresolved from prior audit cycles.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer, working with CRVWDA, conducts a comprehensive assessment of all inherited liabilities within 120 days of the adoption of this report, with a view to either recovering outstanding debts or seeking formal Board approval for a write-off in line with applicable accounting standards;**
- ii. the Governor ensures the Accounting Officer submits complete supporting documentation for the inherited liabilities balance to the Auditor-General; and**
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.**

EMPHASIS OF MATTER

11. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts of Kshs. 216,370,169 and Kshs. 94,192,696 respectively, resulting in revenue under-realization of Kshs. 122,177,473 or 56% of the budget. Similarly, the Company spent Kshs. 88,914,342 on recurrent payments and Kshs. 25,758,250 on capital expenditure, totalling Kshs. 114,672,592, against actual receipts of Kshs. 94,192,696, resulting in over-absorption of Kshs. 20,479,896 or 22% of actual receipts. The Auditor-General's opinion is not modified in respect of this matter.

Management Response

Management attributed the revenue shortfall of Kshs. 122,177,473 (56%) to unrealized own revenue of Kshs. 3,535,186, vacated house rent of Kshs. 5,600, unpaid electricity budget allocation of Kshs. 12,692,349, and unimplemented K-WASH World Bank project of Kshs. 105,944,338. The over-absorption resulted from capital expenditure of Kshs. 25,758,250 paid during the year not being rolled over, resulting in spending of Kshs. 20,479,896 above actual receipts.

Committee Observation

The Committee observed that (a) actual receipts of Kshs. 94,192,696 fell short of the final revenue budget of Kshs. 216,370,169 by Kshs. 122,177,473 (56%), primarily due to non-disbursement of K-WASH World Bank project funds; and (b) the resulting over-absorption of Kshs. 20,479,896 (22%) constituted unauthorized expenditure in excess of available resources.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer adopts a realistic, evidence-based budget preparation methodology that aligns revenue projections with confirmed tariff approval timelines, historical collection rates, and verifiable grant disbursement commitments;
- ii. the Governor ensures quarterly budget performance reviews are conducted by the Board and submitted to the County Treasury and the Auditor-General in accordance with Section 168(3) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of Section 199 of the Act on penalties for offences may apply; and
- iii. The Governor ensures that the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

OTHER MATTER

12. Unresolved Prior Year Audit Matters

In the Auditor-General's report for the previous year, various issues were raised under the Report on Financial Statements, the Report on Lawfulness and Effectiveness in Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance. A review during the audit of Kirandich Water and Sanitation Company for FY 2024/2025 revealed that several matters remained unresolved or only partially addressed, as set out in the table below—

Report Section	Audit Issue / Observation	Management Comment	Status
Report on Financial Statements	1. Unsupported Grant Income	Funds received from WSTF for CLTS – Kipsaraman, WRUA – Endao and Narosura and Marigat Public Sanitation Facility	Resolved
	2. Unsupported Casual Workers' Wages	The Company has implemented the correct procedure of engaging Casuals	Resolved
	3. Misstated Current Liabilities	Corrected in the subsequent financial year 2024/2025	Resolved
	4. Inaccuracies in Project Expenses	Provision of payment vouchers available for WRUA and CLTS projects	Resolved
	5. Unsupported Property, Plant and Equipment	The handover was incomplete, but the process of ownership documents of the Land has commenced	Not Resolved
	6. Unsupported Work in Progress	The cumulative amount from WSTF for various projects was supported with payment certificates and vouchers	Resolved
	7. Unsupported and Long Outstanding Trade Receivables	Approved debt management policy implemented: mass disconnections, enforcement officers, demand letters and customer outreach clinics	Not Resolved
	8. Unsupported Inventories	Stock taking team constituted for subsequent financial year	Resolved
	9. Bank Reconciliation Statements	Done through QuickBooks; in FY 2024/2025 done by Excel with Cash Books	Resolved
	10. Unsupported Long-Term Liabilities (Inherited from RVWSB)	Board through Corporate Services Committee to consider if the whole inherited account can be retired from the books	Not Resolved

Report Section	Audit Issue / Observation	Management Comment	Status
	11. Unsupported Retirement Obligations	Provision of monthly schedules for outstanding retirement obligations	Not Resolved
	12. Unsupported Trade and Other Payables	List of outstanding payables available	Resolved
	13. Unsupported Refundable Deposits and Prepayments	Bank balance certificate showed understatement due to withdrawal of deposits to meet obligations	Not Resolved
	14. Unconfirmed Ordinary Share Capital	Management has written to shareholders to pay their shares	Not Resolved
	15. Undisclosed Material Uncertainty Related to Going Concern	Tariff review underway; K-WASH PIAP, NRW plan, Kirandich Phase II and solarization to reduce electricity costs	Not Resolved
Report on Lawfulness & Effectiveness	1. Excessive Non-Revenue Water	Company addressing NRW from 59% by identifying illegal connections, using smart meters, leak detectors and NRW management plan 2024-2028	Not Resolved
	2. Irregular In-Kind Contribution from the County Government	County Government makes budget allocation to pay electricity bills for production from the dam and storage tank pump stations	Not Resolved
	3. Irregular Procurement of Chemicals	Company followed due process and secured prequalified supplier in subsequent year	Resolved
	4. Failure to Implement E-Procurement System	Company registered on eGP; compliance from FY 2025/2026	Resolved
	5. Lack of Staff Training Needs Assessment	Survey for Staff Training Needs Assessment established	Resolved

Report Section	Audit Issue / Observation	Management Comment	Status
	6. Non-Compliance with Imprest Management Requirements	Imprest register with warrants in place; proper rates and timely surrender ensured	Resolved
	7. Failure to Maintain a Register of Bank Accounts	Bank accounts register in place per Regulation 87(3) of PFM Act, 2012	Resolved
	8. Failure to File Annual Company Returns	Annual returns filed as required	Resolved
Report on Internal Controls, Risk & Governance	1. Lack of Internal Audit and Audit Committee	Internal Audit staff from County Government utilized as stopgap; plans to recruit Internal Auditor underway	Not Resolved
	2. Lack of Risk Management Policy	Board of Directors adopted Baringo County Risk Management Policy as stopgap measure	Resolved
	3. Lack of an Approved Staff Establishment	Staff Establishment approved alongside Strategic Plan by Board of Directors	Resolved
	4. Weakness in the Information Technology System	Procurement of integrated system at advanced stage through CRVWDA; piloting in Q3 of FY 2025/2026	Not Resolved
	5. Tagging of Fixed Assets	Not done fully due to insufficient resources; incorporated in FY 2025/2026 work plan	Not Resolved
	6. Lack of Assets Register (Updated Values)	Assets register exists but requires revaluation by a qualified valuer	Not Resolved
	7. Lack of Debt Management Policy	Board of Directors approved Debt Management Policy in FY 2024/2025	Resolved

Committee Observation

The Committee observed that a significant number of prior year audit matters remained unresolved or only partially addressed, including the going concern issue, excessive NRW, irregular in-kind County Government contributions, absence of a functional internal audit function, IT system weaknesses, incomplete fixed assets tagging and register, and unsupported inherited long-term liabilities. The persistence of these issues across multiple audit cycles indicates inadequate follow-up mechanisms and a lack of commitment by both Management and the Board.

Committee Recommendation

The Committee recommends that—

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

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

1. Irregular Procurement and Supply of Water Chemicals

The general and operations expenses of Kshs. 63,049,748 includes chemicals costs of Kshs. 3,242,260 as disclosed in Note 12. A review of contract documents revealed: absence of appointment letters to the tender opening and evaluation committee members; an unsigned evaluation report; and alteration of the recommended supplier by the Accounting Officer in favour of a supplier who had not submitted bids for evaluation, contrary to Section 59(2) of the Public Procurement and Asset Disposal Act, 2015.

Management Response

Management provided appointment letters and a signed evaluation report, stating that the evaluation recommended three bidders — Wagtech Africa Limited, Gemini Stores Limited, and Proton Scientific Limited — all of whom were approved for award. Management maintained that Proton Scientific Limited submitted its bid documents used during the evaluation.

Committee Observation

The Committee observed that the integrity of the procurement process for water treatment chemicals was potentially compromised. The alleged alteration of the evaluation outcome by the Accounting Officer to favour a non-bidding supplier, if confirmed, constitutes a serious breach of Section 59(2) of PPADA, 2015, and may expose the Company and responsible officers to criminal liability.

Committee Recommendation

The Committee recommends that—

- i. the Ethics and Anti-Corruption Commission (EACC) investigates the alleged alteration of procurement and provide status update on the same within 90 days of the adoption of this report;**
- ii. the Governor takes appropriate administrative action against the Managing Director of the water company pending the outcome of investigations and provide evidence of action taken to the Senate with 60 days of the adoption of this report; and**
- iii. the Governor ensures strict compliance with PPADA, 2015 in all future procurement activities including mandatory appointment letters, signed evaluation reports, and adherence to evaluation committee recommendations.**

2. Excessive Non-Revenue Water

The statement of profit and loss reflects operating revenue of Kshs. 29,265,264 in respect of water sales. A review of water records revealed that the Company produced 1,402,410 cubic metres (M³) of water, of which only 578,644 M³ was billed to customers, resulting in unbilled water of 823,766 M³ or approximately 59% of produced water. This exceeds the WASREB guideline of 25% by 34%, with a possible revenue loss estimated at Kshs. 25,864,570.

Management Response

Management provided reconciled water production and billing data for the period July 2024 to June 2025 showing total production of 1,209,410 M³ and billed volume of 551,374 M³, giving an average NRW of 54%. The monthly breakdown is presented in the table below—

Month	Production (M³)	Volume Billed (M³)	Water Sales (Kshs.)	NRW (%)
July 2024	102,000	44,006	2,368,695	56.85%
August 2024	81,200	36,518	1,848,125	55.03%

Month	Production (M ³)	Volume Billed (M ³)	Water Sales (Kshs.)	NRW (%)
September 2024	84,850	37,080	1,901,590	56.20%
October 2024	74,170	35,939	1,755,020	51.55%
November 2024	100,420	45,758	2,429,190	54.53%
December 2024	106,500	55,329	2,897,345	48.04%
January 2025	115,500	52,712	2,899,765	54.36%
February 2025	107,400	53,925	3,103,260	47.47%
March 2025	123,050	57,925	3,794,280	52.92%
April 2025	101,230	40,577	2,227,270	60.40%
May 2025	111,230	46,941	2,527,600	57.79%
June 2025	101,860	44,664	2,409,905	56.15%
TOTAL	1,209,410	551,374	30,162,045	54.42%

Management attributed the high NRW to aging and leaking pipelines, inadequate pressure management, absence of active District Metered Areas (DMAs), aging water meters, water overflows at storage tanks, lack of clean customer data, and outdated billing software. The Company has developed a Non-Revenue Water Management Reduction Plan 2024–2028. The NRW root causes, interventions, costs, and implementation status are summarised below—

NRW Root Cause	Intervention Plan	Investment Cost	Status
1. Aging leaking pipelines and fittings	Rehabilitation of 200km pipelines and fittings; replacement of 35km of pipeline; procurement of leak detection equipment and automation	Kshs. 125 million	Ongoing – target July 2028

NRW Root Cause	Intervention Plan	Investment Cost	Status
2. Inadequate pressure management	Construction of Pressure Break Tank and installation of pressure gauges along distribution mains	Kshs. 5.2 million	To begin July 2026
3. No DMAs / active leak detection monitoring	Establishment of 15 DMAs, mapping, installation of 50 master meters, pressure zoning	Kshs. 50 million	Ongoing – target June 2026
4. Inadequate and aging water meters	Procurement and installation of 1,000 smart water meters; replacement of 3,000 aging/defective meters	Kshs. 50 million	Ongoing – target June 2028
5. Water overflows at storage tanks	Procurement and installation of automated level switches and pressure sensor gauges	Kshs. 5 million	Procurement target June 2027
6. Lack of clean customer data	Customer Identification Survey (CIS) to remove illegal connections and correct customer category placement	Kshs. 6 million	Ongoing – target June 2027
7. Outdated billing software	Procurement of integrated software system and full utility digitalization	Kshs. 20 million	Ongoing – target June 2026

Committee Observation

The Committee observed that; -

- i. the NRW level of approximately 54% to 59% represents a gross inefficiency that significantly exceeds the WASREB benchmark of 25% by more than double, resulting in an estimated annual revenue loss of Kshs. 25,864,570.
- ii. The NRW Management Reduction Plan 2024–2028 is a positive step; however, the required total investment of approximately Kshs. 261.2 million

significantly exceeds the Company's current financial capacity, and implementation has been slow.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should put in place comprehensive measures to mitigate the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages, among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;
- ii. given the impact of Non-Revenue Water on the water company's cash flows, the Accounting Officer should ensure that a provision for Non-Revenue Water is included in the financial statements. Further, explanatory notes should be provided to detail the contributions of both commercial and physical loss factors to the overall Non-Revenue Water;
- iii. the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put in place to reduce cases of theft and illegal connections; and
- iv. The EACC investigates the high Non-Revenue Water (NRW) levels to determine whether it was as a result of systemic commercial theft, illegal connections, collusion between staff and unauthorized water users or any other administrative lapses, and provide status update on the matter to the Senate within 90 days of the adoption of this report.

3. Payroll Deductions Made in Excess of One-Third Basic Pay Rule

A review of the payroll for the period July 2024 to June 2025 established that salary deductions were made from employees' salaries in excess of the one-third rule threshold, in breach of the provisions of the Employment Act, 2007.

Management Response

Management acknowledged that salary deductions exceeded the one-third threshold during October and November 2024 only, when accumulated salary advances were being recovered.

Committee Observation

The Committee observed that the recovery of accumulated salary advances in excess of the one-third rule threshold, even if limited to two months, constitutes a breach of the

Employment Act, 2007, and may expose the Company to legal liability from affected employees.

Committee Recommendation

The Committee recommends that—

- i. the Company progressively adheres to 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 may apply;
- ii. the Governor ensures a structured policy for recovery of salary advances that does not contravene the one-third threshold is developed and implemented; and
- iii. evidence of compliance shall be submitted to the Auditor-General within 60 days.

4. Irregular In-Kind Contribution from the County Government

The statement of profit or loss reflects grant income from the County Government of Kshs. 45,334,481 in respect of operational grants. Further review of financial records revealed that this grant was utilized for payment of electricity bills on behalf of the Company. This is contrary to Section 71(4) of the Public Finance Management (County Governments) Regulations, 2015, which provides that a county government entity is not allowed to give cash donations to augment the budgetary resources of designated departments or entities.

Management Response

Management explained that the Kshs. 45,413,312 constitutes an in-kind contribution (not a cash donation) to settle utility bills on behalf of Kirandich Water Company. Kirandich Dam is located 6 km below the main storage tank in Kabarnet Town with a pumping head of 351 metres, making the average monthly electricity bill approximately Kshs. 5 million. It is on this basis that the County Government of Baringo makes the in-kind contribution.

Committee Observation

The Committee observed that, notwithstanding the practical operational rationale provided by Management, the current arrangement contravenes Section 71(4) of the PFM (County Governments) Regulations, 2015. The arrangement also creates financial reporting challenges, distorts the Company's revenue and expenditure position, and masks the true extent of its operating costs.

Committee Recommendation

The Committee recommends that—

- i. the Governor, working with the County Treasury and the Board of Kirandich Water and Sanitation Company, develops and implements a legally compliant framework for County Government support for electricity costs within 90 days of the adoption of this report, including consideration of equity injections, formal operational subsidies structured in accordance with applicable PFM legislation, or direct payment of electricity accounts in the name of the County Government;
- ii. the Governor fast-tracks the solarization of the Kirandich Dam pump station and other high-consumption pumping installations to reduce dependence on Kenya Power and Lighting Company; and
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.
- iv. 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, 2015, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62 (2) of the Public Audit Act, 2015; and
- v. Management establishes and implements a formal mechanism for recording and evidencing all future in-kind contributions from the County Government, ensuring that all relevant supporting documents are obtained at the point of transaction and maintained in a structured manner for audit and accountability purposes.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of an Approved Staff Establishment

As reported previously, the Company did not have an approved staff establishment, contrary to the requirements of Section B5(2) of the County Public Service Human Resource Manual. Positions held by staff were therefore not based on a clear or well-defined organizational structure.

Management Response

Management confirmed that the Company Staff Establishment is now available and has been approved alongside the Strategic Plan by the Board of Directors.

Committee Observation

The Committee observed that the approval of the Staff Establishment by the Board of Directors is a positive development. However, the Committee notes that this matter was flagged in prior audit cycles and should have been resolved earlier.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer submits the approved Staff Establishment to the Auditor-General within 30 days of the adoption of this report as evidence of compliance; and
- ii. the Auditor-General confirms compliance in the subsequent audit cycle.

2. Weakness in the Information Technology System

As reported previously, the Company did not have a functional ICT department. Further, the payroll and billing systems were not under the Company's full control — the systems were controlled by the Central Rift Valley Water Works Development Agency (CRVWDA). This contravenes Government ICT Standards and exposes the Company to the risk of losing confidential information. Additionally, Company staff had not been trained on the use of the systems.

Management Response

Management stated that the Company is following up on the procurement of an integrated system being undertaken on its behalf by CRVWDA. The process is at an advanced stage with piloting scheduled during the third quarter of FY 2025/2026, after which all ICT issues will be addressed.

Committee Observation

The Committee observed that the ICT weakness has persisted across multiple audit cycles without adequate resolution. Having billing and payroll systems under the control of an external agency poses significant risks to data security, financial accuracy, and operational continuity, and is contrary to Government ICT governance standards.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer urgently concludes the procurement and deployment of an integrated billing and payroll system under the Company's full ownership and control, with a firm implementation deadline of June 2026;
- ii. the Governor ensures the Accounting Officer recruits a qualified ICT officer and establishes a functional ICT department with clear governance structures within the Financial Year 2025/2026; and
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

3. Tagging of Fixed Assets

The statement of financial position reflects a net book value of property, plant and equipment of Kshs. 10,343,962. However, buildings, water sewers and infrastructure, plant and machinery, computer and related equipment, office equipment, furniture and

fittings, and meters had not been tagged with unique registration and identification numbers, contrary to Section 132(1) of the Public Finance Management Act, 2012.

Management Response

Management acknowledged that asset tagging was not completed during the period under review due to resource constraints, but confirmed that funds for asset tagging procurement have been incorporated in the FY 2025/2026 work plan.

Committee Observation

The Committee observed that the failure to tag Company assets significantly compromises accountability, safeguarding, and physical verification of the asset base. This is a recurring matter that has been raised in prior audit cycles without adequate resolution.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer completes the comprehensive asset tagging exercise for all Company assets within the Financial Year 2025/2026, in line with Section 132(1) of the Public Finance Management Act, 2012; and**
- ii. evidence of completion including a tagged asset register shall be submitted to the Auditor-General within 120 days of the adoption of this report, failure to which the provisions of Section 199 of the PFM Act on penalties for offences shall apply.**

1.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ELDAMA RAVINE WATER AND SEWERAGE COMPANY LIMITED (ERAWASCO) FOR THE FINANCIAL YEAR 2024/2025

The Governor of Baringo County, Hon. Benjamin C. Cheboi EGH, EBS, appeared before the Committee on Monday 26th January 2026 to respond (under oath) to respond to audit queries raised in the report of the Auditor-General on the financial statements for Eldama-Ravine Water and Sewerage Company for the Financial Year 2024/2025.

The Governor was accompanied by the following officers: -

1. Mr. Reuben Rutto -CECM Water
2. Mr. Festus Kosgei -Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Eldama Ravine Water and Sewerage Company Limited for the Financial Year 2024/2025 on the following basis—

1. Material Uncertainty Related to Sustainability of Services (Going Concern)

The Company reported deficit for the year amounting to Kshs.2,191,737 increasing the accumulated deficit as at 30 June, 2025 to a balance of Kshs.52,718,348.

Further, the financial statement reflects current assets Kshs.52,471,206 against current liabilities Kshs.92,348,877 resulting to negative working capital of Kshs.39,877,671 and current ratio of 0.57.

The negative liquidity position is an indication of the existence of material uncertainty on the Company ability to continue as a going concern.

Management Response

The Company as a going concern has strategies in meeting its financial obligations towards its sustainability and is to be attained through the following: -

- i. Expansion of the service area of coverage realized through the CHEMUSUSU water company Service Provision Agreement (SPA) expanded mandate to serve both Eldama-Ravine and Mogotio constituencies.
- ii. Increase in water billings due to increase in area of coverage
- iii. Tariff adjustment to be implemented in February 2026
- iv. Bulk water to Nakuru County to be realized by March 2026.
- v. The Company is in the process of updating asset register to capture all the asset i.e. title deeds, Log books and all other asset

Copies of the Increase in water billings Tariff and bulk water approvals were attached for the Committee verification.

Committee Observation

The Committee observed that ERAWASCO continues to face material uncertainty as a going concern, notwithstanding the expanded service area mandate. The Committee noted positively the steps taken to grow the revenue base but remains concerned that the core sustainability challenges have not been fully resolved.

Committee Recommendation

The Committee recommends that—

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

1. Inaccuracies in the Financial Statements

2.1 Errors in the Statement of Cash Flows

The statement of cash flows reflects increase in cash and cash equivalents balance of Kshs.2,937,622. However, re-cast of the statement revealed a balance of Kshs.11,983,754 resulting to an unexplained and unreconciled variance of Kshs.9,046,132.

Management Response

The company prepared the financial statements on a going concerned basis since the pertinent issues pertaining the status of the company had been forwarded to the function owner Baringo county Government for consideration and support to enable the company meet its financial obligations, major issues towards its sustainability has been attained through the following:

(i) Expansion of the service area of coverage realized through the CHEMUSUSU water company Service Provision Agreement (SPA) expanded mandate to serve both Eldama-Ravine and Mogotio constituencies.

(ii) Increase in water billings due to increase in area of coverage

(iii) Tariff adjustment to be implemented in February 2026

(iv) Bulk water to Nakuru County to be realized by March 2026

Committee Observation

The Committee observed that the management submitted the amended financial statements thus addressing the matter satisfactorily.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2.2. Errors in the Operating Expenses

The financial statement reflects operating expenses Kshs.42,350,225.

However, review of other information in respect of management discussion and analysis reflects expenditure of Kshs.51,654,079 resulting to an unexplained and unreconciled variance of Kshs.9,303,854.

Further, the statement of profit or loss and other comprehensive income and statement of changes in equity reflects deficit a balance of Kshs.2,191,737. However, re-cast of the statements revealed an amount of Kshs.2,199,737 resulting to an unexplained and an unreconciled variance of Kshs.8,000.

Management Response

Total operating expenses of Ksh. 42,350,225 was correctly reported in the statement of profit or loss and other comprehensive income. The figure of Ksh. 51,654,079 reported erroneously in the management discussion and analysis has been noted and corrected as required.

The statement of profit or loss and other comprehensive income correctly captured operating deficit of Kshs.2,199,737. However, an amount of Kshs.2,191,737 was erroneously reported as deficit after taxation. The correct amount of Kshs.2,199,737 was charged in the statement of changes in equity giving rise to total accumulated deficit of Ksh.52,718,348 reflected in the statement of financial position.

Committee Observation

The Committee observed that the management submitted the amended financial statements thus addressing the matter satisfactorily.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2.3 Variance in the Statement of Comparison of Budget and actual Amount

The statement of comparison of budget and actual amounts reflects three (3) expense items not disclosed in the statement of profit or loss and other comprehensive income.

Management Responses

An amount of Ksh. 5,066,652 in the comparison of budget and actual amounts relates to storage and distribution. These have been realized as part of operating costs in the statement of profit and loss and other comprehensive income therefore reflecting Ksh. 16,012,174 as total operating costs.

The Company will however align its costs with the budget to reflect the amount in the statement of profit and loss and other comprehensive income.

Committee Observation

The Committee observed that the management submitted the amended financial statements thus addressing the matter satisfactorily.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2.4. Misalignment of Notes to the Financial Statements

Review of the financial statements revealed that the notes to the financial statements were not aligned to the notes on the statement of profit or loss and other comprehensive income and statement of financial position. This was contrary to Regulation 101(4) of the Public Finance Management (County Governments) Regulations, 2015.

Management Responses

Management has submitted the amended financial statements.

Committee Observation

The Committee observed that the management submitted the amended financial statements thus addressing the matter satisfactorily.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2. Inaccuracies in Trade and Other Payables

The financial statement reflects accounts payables of Kshs.92,348,877. The disclosure note incorrectly referred to Note 21 instead of Note 20. However, re-casting the balances disclosed in Note 21 revealed a balance of Kshs.92,361,635 resulting in an unexplained and unreconciled variance of Kshs.12,758.

Further, review of the supporting ledger revealed a balance of Kshs.91,308,352 resulting to an unexplained and unreconciled variance of Kshs.1,040,525.

In addition, creditors ageing analysis and movement schedule were not provided for audit.

Similarly, included in the balance are unremitted statutory and SACCO deductions recovered from employees that had not been remitted to various institutions amounting to Kshs.61,620,689 and Kshs.1,745,709 thereby exposing the Company to further penalties and interest that are avoidable.

Further, the trade and other payables include customer and water meter deposits balances of Kshs.5,110,000 and Kshs.3,743,400 respectively which are not held in a designated bank account.

In addition, included in the balance are deductions from employees to various saccoes totalling Kshs.20,307,573 that were not supported by ledgers detailing the names of employees, their payroll numbers, how much contribution and pension is deducted from each employee

Management Responses

Trade and other payable were correctly reported and stood at Ksh. 92,348,877 as at June,30 2025 as reported. The company prepared updated payables ledgers and creditors aging analysis as required.

The company currently pays statutory deductions and SACCO dues promptly as it falls due. The company have also written a request to the respective saccoes to confirm the pending amounts so as a part payment agreement is entered between the two organization. Meanwhile we have considered a reduction in our budget and inform the saccoes to avoid any possible penalties and interest which may be imposed.

The company is in the process of preparing a detailed schedule showing the names of employees, their payroll numbers the amount of contributions and pension deducted as required.

These data will also be shared and reconciled with the Saccos and schemes to ensure that all the dues are captured correctly.

The company have opened designated savings deposit account at Kcb Bank Account (1118994051) where all customer deposits are banked differently from operational account. The funds will only be utilized when a customer demands refunds of the same upon formal closure of water connection.

Committee Observations

The Committee observed that the management submitted the payables ledger, payment vouchers, and the Note 19 to the financial statements on Cash and Cash Equivalents for verification.

Committee Recommendations

The Committee recommends that-

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

3. Unsupported Trade and Other Receivables Balance

The statement of financial position reflects accounts receivables balance of Kshs.46,318,570. However, the disclosure note incorrectly referred to Note 18 instead of Note 17. Further, debtors ageing analysis was not provided for audit.

In addition, provisions for bad and doubtful debts have not been disclosed in the financial statements.

Committee Observations

The Committee observed that the management provided the debtors aging analysis for verification. However, the long outstanding debts remained unrecovered.

Committee Recommendation

The Committee recommends that-

- i. the Governor through the Accounting Officer should ensure that the water company undertakes debtor's circularization to confirm the authenticity of the receivables and provide a status update on the same to the Senate within sixty (60) days of the adoption of this report;**

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

4. Long Outstanding Grant - Inherited Debts

As previously reported, the statement of financial position reflects granted - inherited debts balance of Kshs.13,209,459 which is part of equity. The debts have remained outstanding since inception of the Company in 2007 and comprise of unpaid water bills and salaries of Kshs.11,592,483 and Kshs.1,616,976 respectively. However, no explanations for failure to settle the debts have been provided. Further, no explanation has been provided for disclosing this debt as equity.

Management Responses

An amount of kshs.13, 209,459 relates to the outstanding billings taken over by the Company amounting to kshs.11,592,483 and salaries paid on behalf of the Company amounting to kshs.1,616,976. Central Rift Valley Water Works Development Agency (CRVWDA) has not finalized the process of division of assets and liabilities with the service provider (ERAWASCO)

Committee Observations

The Committee observed that the matter was a recurring issue from previous periods and other water companies.

Committee recommendation

The Committee recommends that the Governor ensures that the Accounting Officer liaises with management of Central Rift Valley Water Works Development Agency (CRVWDA) to finalize process of division of assets and liabilities with the service provider.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.58,970,400 and Kshs.49,115,342 resulting to income shortfall of Kshs.9,855,058 or 17% of the budget.

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

Management Responses

The management acknowledged that the statement of comparison of budget and actual amounts reflects budgeted receipt and actual amounts on comparable basis of Kshs.58,970,400 and Kshs.47,845,477 respectively, resulting to under collection of Kshs.11,124,923 or 19%.

During the financial period under review the company prepared its budget in anticipation that the 2nd phase distribution would be fully realized and grew its revenues to an average of Kshs.5m. However, this was not actualized due to the delay in the distribution networks by the project.

Due to this delay in the expansion of the service area the company billings stood at an average of Ksh.3m. Further the costs on additional personnel and operational costs were also unattainable.

In order to keenly align the budget planning process to the needs of the public and ensure fully utilization of resources to achieve its development goals, the company Management will work closely with the Development Partners and the County Government to ensure that all the project timelines are communicated on time before its allocation in the annual budget.

The company prepared its budget in anticipation that the 2nd phase distribution would be fully realized and grew its revenues to an average of Kshs.5m. However, this was not actualized due to the delay in the distribution of networks by the project.

Committee Observations

The Committee observed that the accounting officer failed to revise the company's cash flow projections in the event of unanticipated cash flow fluctuations.

The Committee recommends that—

- i. the Accounting Officer ensures timely submission of complete and accurate documents during audit processes, including evidence of resubmission and follow-up of rejected or partially approved SHA claims, in compliance with section 9(1)(e) of the Public Audit Act, Cap. 412B, failure to which the provisions of section 62(2) of the Public Audit Act, Cap. 412B shall apply;**
- ii. the 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;**
- iii. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply;**
- iv. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

Other Matter

Unresolved Prior Year Matter

Review of the prior year audit report status during audit of the Company in 2024/2025 revealed that the following nine (9) issues remained unresolved.

1. Non-Revenue Water

In order to mitigate the non-revenue water, the company has put up the following measures:

- (i)The Company will budget for the master meters and consumer water meters for accurate accountability of water
- (ii)The company will benefit from the rehabilitation of old distribution networks under the second phase and last mile connectivity of the construction of the Treatment plant which is ongoing and will ultimately reduce bursts.
- (iii)The company has made a requirement for the new water connection to be installed with the consumer meter.
- (iv)Close cooperation with the newly formed water police unit to root out all illegal connection.

(v) Installation

(vi) Formation of the Non-Revenue Team to mitigate issues leading to water losses.

The above measures have been partly applied and non-revenue water was noted to drop from 66% to 54% as at 30th June 2025

Out of our current measures to reduce non-revenue water losses through formation of the non-revenue committee whose responsibilities involved close monitoring and reporting of anomalies leading to water losses, we hope to reduce the non-revenue water losses significantly.

2. Lack of Board Work-Plan

The company has generated the board of director's work plan including the board calendar (ALMANAC)

3. Failure to establish Internal Audit Unit and Audit Committee

The company has an audit committee established under the board of director's audit and risks committees amongst other board committees established within the company. Internal auditor position was advertised and interviews conducted. The internal Auditor reported in January 2026.

4. Lack of Approved Tariffs.

The company applied for the tariff adjustment, which was approved by CRVWDA in January 2009 and implemented immediately and was due for review in 2010. The tariff was however not reviewed, and in 2013 an application for new tariff was forwarded, but due the rigorous processes the term of the then Board of directors lapsed before completion. Through the Service Provider Agreement (SPA) obtained on the expanded supply mandate the company have met all the requirements for the issuance of the new Tariff through CHEMUSUSU Water Company. We hope the process towards license issuance will be through by December 2025.

Committee Observations

The Committee observed that the management was progressively addressing the issues raised by the auditor general in the previous year.

Committee Recommendation

The Committee recommends that —

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Non-Revenue Water

During the year under review, the Company produced 1,793,329 m³ of water produced, out of which only 816,778 m³ were billed to customers for an amount of Kshs.27,198,707.40. The balance of 976,551 m³ (or 54%) of the total volume of water produced represented non-revenue water which is above the allowable loss of 25% as per the Water Services Regulatory Authority Board guidelines. The non-revenue water loss resulted in lost sales amounting to Kshs.32,519,148.30 computed at the rate Kshs.33.30 per cubic meter. Management has not explained the measures which have been put in place to control the losses.

Management Responses

In order to mitigate the non-revenue water, the company ha put up the following measures:

- (i)The Company has budgeted for the master meters and consumer water meters for accurate accountability of water
- (ii)The company will benefit from the rehabilitation of old distribution networks under the second phase and last mile connectivity of the construction of the Treatment plant which is ongoing and will ultimately reduce bursts.
- (iii)The company has made a requirement for the new water connection to be installed with the consumer meter.
- (iv)Close cooperation with the newly formed water police unit to root out all illegal connection.
- (v)Engagement of the Mobi-Water to introduce system which monitors water in the entire supply system to avoid unnecessary water losses.
- (vi)Formation of the Non-Revenue Team to mitigate issues leading to water losses.
- (vii)Installation of pressure management through installation of the pressure reducing valves to reduce water losses.
- (viii)Training to capacity built both internal staff, customers and County Government staff on water conservation and effect of NRW to the Economy.

The above mitigative measures have been partly applied and non-revenue water was noted to drop from 66% to 54% as at 30th June 2025

Out of our current measures to reduce non-revenue water losses through formation of the non-revenue committee whose responsibilities involved close monitoring and reporting of anomalies leading to water losses, we hope to reduce the non-revenue water losses significantly.

Committee Observations

The Committee observed that the response by the committee was not supported by documentary evidence.

Committee recommendations.

The committee recommends that—

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

2. Irregular Procurement of Water Treatment Chemicals

The statement of profit or loss and other comprehensive income reflects cost of sales amounting to Kshs.8,964,854 which includes an amount of Kshs.8,189,230 in respect of purchase of water treatment chemicals and as disclosed in Note 7 to the financial statements. Review of the procurement records revealed that the purchases were incurred through direct method which was not supported with evidence for use of the direct procurement.

Further, out of the eight (8) registered suppliers for the supply and delivery of water treatment chemicals, only one (1) supplier was awarded to supply the treatment chemicals contrary to Regulation 91(5) of the Public Procurement and Asset Disposal Regulations, 2020 which requires a fair and equitable rotation amongst the persons on the list of registered suppliers.

Management Responses

In order to meet the requirement under Section 103(2) of the Public Procurement and Asset Disposal Act,2025, The company have established a supply chain office who deals with the procurement issues. On this note the procurement of water chemicals has been obtained competitively under framework contract.

Committee Observations

The Committee observed that the management submitted the framework contract agreement and professional opinion which were satisfactorily verified by the auditors.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

3. Irregular Engagement of Casual Employees

The statement of profit or loss and other comprehensive income reflects compensation of employees amount of Kshs.21,328,983 which includes an amount of Kshs.4,120,192 in respect of casual employees. However, the disclosure note incorrectly referred to Note 11 instead of Note 10.

Further, supporting documents indicating how temporary employees were hired, the work for which they were hired, reason for their recruitment and terms and conditions of services

In addition, muster rolls showing attendance of the casual workers were not also provided for audit review.

Management Responses

It is true that an amount of Ksh.4,120,192 relates to expenditure incurred on casual wages engaged during the financial year under review. The company expanded its area of coverage to mogotio and Emining sub-county, in the process of customer registration, pipeline extensions, repairing of bursts and general plumb works the company was prompted to engage labour in order to sustain service delivery in the above-mentioned areas.

To attain the required objective, the company through the Board of directors ratified the engagement of casuals who were drawn from the list of candidates previously engaged by way of attachments, Interns, volunteers and casual labourers engaged on need basis from time to time. During this period contracts were signed between them and the company where muster rolls were maintained to show the level of engagement and duties carried out.

Committee observations

The Committee observed that the auditors verified the contract documents and muster rolls that satisfactorily addressed the matter.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

4. Lack of Staff Performance Appraisals

The Water Company has not designed a performance management plan to evaluate performance of the county public service and the implementation of county policies. Further, the performance of all employees was not evaluated and feedback on performance reported at the end of the year.

Management Responses

Incorporated performance appraisal for all staff in the next financial year.

Committee Observations

The Committee observed that the staff appraisals were being implemented.

Committee Recommendations

The Committee requested the Auditor-General to keep the matter in view.

5. Non-Compliance with Ethnic Composition

Review of the human resource records revealed that fifty-one (51) or 96% out of fifty-three (53) staff employed by the Company were from the dominant ethnic community. This was contrary to Section 65 (1)(e) of the County Governments Act, 2012.

Management Responses

As part of the company commitment with the constitution of Kenya, the company will align the HR policy to comply with the stipulated article 232, Values and principles of Public service.

Committee Observations

The Committee observed that at least thirty percent (30%) of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

The Committee recommends that—

- i. the Governor ensures management comes up with deliberate measures to ensure staff diversity at entry level when filling vacant positions, in full compliance with Section 7(2) of the National Cohesion and Integration Act, 2008;**
- ii. all future recruitment vacancies are advertised in newspapers of national circulation and on the Company's website to attract applicants from diverse ethnic backgrounds; and**
- iii. the Auditor-General monitors compliance with the National Cohesion and Integration Act, 2008 and provides a status update in the subsequent audit cycle**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISKS MANAGEMENT AND GOVERNANCE

1. Lack of Risk Management and Fraud Policies

In the financial year under review, the Company did not have in place a customized Risk Management Policy and Fraud Policy. Therefore, there were no approved processes and guidelines on how to mitigate operational, legal and financial risks. In addition, the management did not conduct a formal risk assessment.

Management Responses

The company have developed the risk management and fraud policies and not yet approved for implementation, Following the recommendation, we will fast track the final development and ensure that it is approved to enable it assess and mitigate risks including allocating the required resources.

Committee Observations

The Committee observed that the developed fraud policy is yet to be approved by the County Assembly.

Committee Recommendations

The Committee recommends that the Governor ensures that the Accounting Officer fast track the approval of the draft policy and ensure that it is approved to enable it assess and mitigate risks including allocating the required resources.

2. Lack of Approved Tariffs

The statement of profit or loss and other comprehensive income reflects water sales amounting to Kshs.43,076,507 and as disclosed in Note 6 to the financial statements. However, the Company was billing customers using tariffs that expired in the year 2008. Therefore, the tariff used was not authorized contrary to the provisions of Section 72(1)(b) of Water Act, 2016 which states that Water Services Regulatory Board (WASREB) shall evaluate and recommend water and sewerage tariffs to the county water service providers.

Management Responses

The company applied for the tariff adjustment, which was approved by CRVWWDA in January 2009 and implemented immediately and was due for review in 2010. The tariff was however not reviewed, and in 2013 an application for new tariff was forwarded, but due the rigorous processes the term of the then Board of directors lapsed before completion. Through the Service Provider Agreement (SPA) obtained on the expanded supply mandate the company have met all the requirements for the issuance of the new

Tariff through CHEMUSUSU Water Company. We hope the process towards license issuance will be through by December 2025.

Committee Observations

The Committee observed that the submitted approved tariff was verified by the auditors

Committee Recommendations

The Committee recommends that the mater be marked as resolved.

1.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR CHEMUSUSU WATER COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025

The Governor of Baringo County, Hon. Benjamin C. Cheboi EGH, EBS, appeared before the Committee on Monday 26th January 2026 to respond (under oath) to respond to audit queries raised in the report of the Auditor-General on the financial statements for Chemususu Water and Sewerage Company for the Financial Year 2024/2025.

The Governor was accompanied by the following officers: -

1. Mr. Reuben Rutto -CECM Water
2. Ms. Catherine Kibet - Director Internal Audit

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of Chemususu Water Company Limited for FY 2024/2025 on the following basis—

1. Inaccuracies in the Financial Statements

A review of the financial statements of Chemususu Water Company Limited for FY 2024/2025 revealed material inaccuracies, including unexplained variances and unsupported balances that undermine the accuracy and reliability of the Company's financial reports.

Management Response

Management acknowledged the inaccuracies and committed to reflecting the required corrections in the subsequent financial reporting cycle.

Committee Observation

The Committee observed that the material inaccuracies in the financial statements of Chemususu Water Company contravene applicable accounting standards and Section 129(1) of the Water Act, 2016, which requires every body corporate to keep proper books and records of account.

Committee Recommendation

The Committee recommends that—

- i. The Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;
- ii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;

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

2. Unsupported Non-Current Assets – Kshs. 85,719,103

The statement of financial position reflects non-current assets of Kshs. 85,719,103, comprising: (i) Kaptorngot Water Project – Kshs. 10,497,005; (ii) Saos Upper Emining Water Project – Kshs. 74,254,658; and (iii) Butt Fusion Machine – Kshs. 967,440. This balance was not adequately supported by an asset movement schedule detailing additions, disposals, and depreciation, nor were the classifications presented in accordance with applicable reporting requirements.

Management Response

Management acknowledged the balance of Kshs. 85,719,103 and confirmed the breakdown. An asset movement schedule has been provided, and Management committed to reflecting the correct asset classifications in the subsequent financial reporting period.

Committee Observation

The Committee observed that the non-current assets balance of Kshs. 85,719,103 was not fully supported by adequate documentation and proper classifications during the audit period, undermining the accuracy and completeness of the financial statements.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer maintains a comprehensive fixed assets register with complete project details, individual asset costs, depreciation schedules, and PSASB-compliant classifications, and submits

the same to the Auditor-General within 90 days of the adoption of this report; and

- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

3. Non-Compliance with PSASB Reporting Requirements (Emphasis of Matter – Budgetary Control and Performance)

Chemususu Water Company did not comply with PSASB reporting requirements in the preparation of its financial statements, contrary to Section 164(1) of the Public Finance Management Act, 2012. The Auditor-General also raised an emphasis of matter on budgetary control and performance.

Management Response

Management stated that the Company has obtained the PSASB template and addressed shortcomings in non-compliance (Roman i to Roman iv) by applying the correct template. The budget was derived from the contract signed with WSTF, with expenditure lines clearly indicated in the financing agreement.

Committee Observation

The Committee observed that non-compliance with PSASB reporting requirements at Chemususu Water Company reflects ongoing weaknesses in financial governance and reporting capacity that must be urgently addressed.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer of Chemususu Water Company applies PSASB-approved reporting templates with immediate effect and in all subsequent financial reporting cycles, in compliance with Section 164(1) of the PFM Act, 2012;
- ii. the Governor ensures the Accounting Officer adopts evidence-based budget preparation methodologies and submits quarterly budget performance reports; and
- iii. evidence of compliance shall be submitted to the Auditor-General alongside the financial statements for FY 2025/2026.

4. Lack of Risk Management and Fraud Policy

Chemususu Water Company did not have an approved risk management and fraud policy, contrary to Regulation 158(1) of the Public Finance Management Regulations, 2025.

Management Response

Management stated that a draft risk policy has been developed and is awaiting Board approval. The Board Risks and Audit Committee will fast-track the approval and implementation of a Risk Management and Fraud Policy.

Committee Observation

The Committee observed that the absence of an approved Risk Management and Fraud Policy at Chemususu Water Company is a governance deficiency that exposes the Company to significant operational and financial risks.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Board of Directors of Chemususu Water Company finalizes and approves the Risk Management and Fraud Policy within 60 days of the adoption of this report, in compliance with Regulation 158(1) of the PFM Regulations, 2025; and**
- ii. evidence of the approved policy and initial implementation status shall be submitted to the Auditor-General within 60 days.**

CHAPTER TWO: MUNICIPALITY

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

The Governor of Baringo County, Hon. Benjamin C. Cheboi EGH, EBS, appeared before the Committee on Monday, 26th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Municipality of Kabarnet for the Financial Year 2024/25. The following officers accompanied the Governor-

1. Eng. Lekonaya Kibwalai - CECM Lands
2. Dr. Salome Chelimo - Municipal Manager

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of Municipality of Kabarnet for the Financial Year 2024/2025 on the following basis—

1. Inaccuracies In the Financial Statements

Comparison between the financial statements' comparative balances and prior year 2023/2024 audited financial statements reflects an unexplained variance as detailed below:

Further, the statement of financial position reflects property, plant and equipment balance of Kshs.105,670,094 which has not been depreciated during the year. This contradicts Note 4(c) under significant accounting policies which states that the property, plant and equipment are stated at cost less accumulated depreciation. In addition, the adopted depreciation policy was not disclosed.

In addition, statement of financial position reflects cash and cash equivalents balance of Kshs.1,566. However, bank reconciliation statement for the month of June 2025 reflects cash book balance of Kshs.9,445 resulting to an unreconciled variance of Kshs.7,879.

Further, the bank reconciliation statement provided was not signed and approved.

Management

The errors have been noted and corrected in the financial statements.

Committee Observations

The Committee observed that the management provided the amended financial statements for verification.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

2. Misclassification of Board Expenses

The statement of financial performance reflects Board expenses amount of Kshs.483,240 as disclosed in Note 14 to the financial statements. However, the supporting documents revealed that an amount of Kshs.156,440 in respect of domestic travel and subsistence was wrongly charged to Board expenses instead of use of goods and services.

The expense in question was paid to the Municipal Manager who while attending to board related activities.

Management

The expense in question was paid to the Municipal Manager who while attending to board related activities.

Committee Observations

The Committee observed that the management provided the amended financial statements and payment vouchers for verification.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.6,759,157 and Kshs.6,195,403 respectively, resulting in under-funding amount of Kshs.563,754 or 8% of the budget.

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

Management

Under-funding of Ksh. 563,754 of the budgets arose from deductions that were incurred to pay utility payments made by county treasury via IFMIS using the municipality budget.

Committee observations

The Committee observed that the Accounting officer failed to review and revise the municipality's cash flow projections to align with the guidelines set out in the circular from the County Treasury, in the event of unanticipated cash flow fluctuations.

Committee Recommendations

The Committee recommends that—

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

Other Matter

Unresolved Prior Year Matter

Review of the prior year audit report status during audit of the Municipality in 2024/2025 revealed that the following eight (8) issues remained unresolved.

Management

It was corrected after Municipality management appeared to Public Investments and Special Funds Committee on 25th March 2025. The Municipality forwarded its

responses to the Office of the Auditor General and Clerk to the Senate on 11th June 2025.

Committee Observations

The Committee observed that the management failed to provide response on the implementation of the recommendations of the Committee on previous year matters.

Committee Recommendations

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

REPORT ON LAWFULLNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES.

1. Non-Deduction of Taxes

The statement of financial performance reflects Board expenses amount of Kshs.483,240 as disclosed in Note 14 to the financial statements. However, the Board Members were not taxed contrary to Section 3(2)(ii) of the Income Tax Act, 2021.

Management

The board members sitting allowances have been taxed as advised.

Committee Observations

The Committee observed that the management provided the signed payment schedules for verification.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

1. Irregular Engagement of Casual Workers

The statement of financial performance reflects staff costs amount of Kshs.3,608,500 as disclosed in Note 13 to the financial statements. Review of the supporting records revealed that the amount relates to wages paid to nineteen (19) casual workers who had been employed for more than twelve (12) months. This was contrary to Section 37 of the Employment Act, 2007.

Management

In its advisory dated 20th June 2025, the Baringo County Public Service Board corrected the engagement of casual workers in the county including the nineteen casual workers in the Kabarnet Municipality by reclassifying them as Temporary Staff in accordance with the provision of Sections 2.1 and 2.2 of the Baringo County Human Resources Policies and Procedures Manual which provides for the engagement of staff as Temporary Staff.

Committee Observations

The Committee observed that the management provided the letter from the public service board for verification.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

2. Irregular Board Expenses

The statement of financial performance reflects Board expenses amounting to Kshs.483,240 and disclosed in Note 14 to the financial statements. However, review of the Board minutes revealed that the Municipality Board held only two (2) Board meetings and the five (5) Committees held only one (1) meeting in the financial year under review.

Further, three (3) County Government officials drew allowances of Kshs.40,000 in addition to their basic pay contrary to the Salaries and Remuneration Commission circular No. SRC/ADM/11(156) of 7th August. 2023.

Management

The board held two board meeting and five subcommittee meetings during the financial year, this was occasioned by financial constraints. The sum of Ksh 40,000 was incurred by the County Executive Member of Lands Housing and urban Development, Chief Officer, Housing and urban Development and the secretary to the board who is the Municipal Manager who are duly gazette members of the Kabarnet Municipal Board.

Committee observations

The Committee observed that ;-

- i. the Board failed to meet a least once in every three months as required by Regulation 172(1) of the Public Finance Management (County Government) Regulations 2015.
- ii. the management paid a board allowance the Accounting Officer, contrary to the Salaried and Renumeration Commission circular No. SRC/ADM/11(156) of 7th August 2023.

Committee Recommendations

The Committee recommends that the Governor ensures the Accounting Officer strictly adheres to Regulation 172(1) of the Public Finance Management (County Government) Regulations 2015, and the Salaried and Remuneration Commission circular No. SRC/ADM/11(156) of 7th August 2023 on the municipality board expenditure.

3. Failure to deduct Tax on Board Allowances

The Board allowances amounting to Ksh. 483,240 were not taxed as required by law.

Management Response

The management have implemented tax deductions.

Committee Observations

The Committee observed that the management has currently implemented tax deductions on board allowances.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

4. Non-Compliance with the Financial Reporting Template by the Public Sector Accounting Standards (PSASB)

Review of the annual report and financial statements revealed that the financial statements were not prepared in compliance with the reporting format of the Public Sector Accounting Standards (PSASB) reporting template.

Management

The Municipality used the right format while reporting the financial statements.

Committee Observations

The Committee observed that the management used the right format while reporting the current financial statements.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

5. Lack of Independence of the Municipality

As previously reported, the Municipality was awarded a Charter on 13 June, 2019 which granted it operational independence from the County Government of Baringo. However, review of the operations of Municipality revealed its budget was prepared

and controlled by the County Government which had no prior approval by the Municipality's Board.

Management

Gazettement of transfer of functions was done on 7 February 2025. Municipality prepares its own budget that is approved by the county assembly.

Committee Observations

The Committee observed that :-

- i. the gazettement of the transfer of functions was done on 7th February 2025.
- ii. The Municipality prepares its own budget that is approved by the County Assembly.

Committee Recommendations

The Committee recommends that-

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

CHAPTER THREE; HOSPITALS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MARIGAT SUB-COUNTY LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Baringo County, Hon. Benjamin C. Cheboi EGH, EBS, appeared before the Committee to respond (under oath) to audit queries raised in the report of the Auditor-General on the financial statements for Marigat Sub-County Level 4 Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers: -

- | | |
|------------------------|--------------------------|
| 1. Dr. Solomon Sereman | - CECM-Health |
| 2. Ms. Nancy Chesire | - Chief Officer Health |
| 3. Mr. Patrick Kemutai | - Medical Superintendent |

REPORT ON THE FINANCIAL STATEMENTS

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

1. Unsupported Variance in the Net Assets Balance

The statement of changes in net assets reflects total capital or development balance of Kshs. 13,158,704, which has not been reflected in the capital fund column and is not supported by way of note or any supporting document. In the circumstances, the accuracy and completeness of the net assets balance of Kshs. 15,673,049 could not be confirmed.

Management Response

Management stated that the statement of changes in net assets reflects total capital or development balance of Kshs. 13,158,704. The financial statements have been amended and this amount has been reflected in the capital fund column. The corrected changes in net assets table reflects: Accumulated Surplus/Deficit at June 30, 2025 of Kshs. 4,629,236; Capital Fund of Kshs. 13,158,704; and Total Net Assets of Kshs. 15,673,049.

Committee Observation

The Committee observed that the statement of changes in net assets contained a material error where the capital or development balance of Kshs. 13,158,704 was not reflected in the capital fund column and was not supported by adequate documentation. The Committee noted that Management has amended the financial statements to reflect the correct classification.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer maintains accurate and complete financial records in compliance with Section 149(2)(b) of the Public Finance Management Act, Cap. 412A, and submits corrected financial statements to the Auditor-General for verification within 30 days of the adoption of this report;
- ii. the Governor takes appropriate administrative action against the officers responsible for the preparation of inaccurate financial statements; and
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

2. Unreconciled Net Cash Flow from Operating Activities

The statement of cash flows reflects cash and cash equivalents balance of Kshs. 4,629,236 as disclosed in Note 27 to the financial statements. Further, the statement includes net cash flow from operating activities amount of Kshs. 2,514,345 as reconciled in Note 43 to the financial statements. However, this amount was not reconciled with nil amount balance in Note 43 on cash generated from operations in the financial statements, thus failing to take cognizance of changes in receivables, payables and inventories of Kshs. 192,324, Kshs. 1,323,528 and Kshs. 405,502, respectively. In the circumstances, the accuracy and completeness of statement of cash flows could not be confirmed.

Management Response

Management stated that the statement of cash flows reflects cash and cash equivalents balance of Kshs. 4,629,236 as disclosed in Note 27. The net cash flows from operating activities amount of Kshs. 2,514,345 has been reconciled in Note 43 to the financial statements, taking into account the changes in receivables (Kshs. 192,324), payables (Kshs. 1,323,528) and inventories (Kshs. 405,502).

Committee Observation

The Committee observed that the net cash flow from operating activities of Kshs. 2,514,345 was not reconciled with the nil amount balance in Note 43 on cash generated from operations, and that changes in receivables, payables, and inventories were not appropriately reflected in the reconciliation, undermining the accuracy of the statement of cash flows.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer prepares a fully reconciled statement of cash flows that properly accounts for all changes in receivables, payables, and inventories in compliance with applicable accounting

- standards, and submits the reconciled statements to the Auditor-General within 60 days of the adoption of this report;
- ii. the Governor ensures capacity building for finance staff on cash flow statement preparation and reconciliation requirements; and
 - iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

3. Failure to Disclose Property, Plant and Equipment Balances

The statement of financial position and Appendix ix on assets register reflects property, plant and equipment nil balance as disclosed in Note 32 to the financial statements. However, the Hospital records and audit inspection carried in the month of October 2025 revealed various assets including three (3) pieces of land, buildings, one (1) ambulance and motor vehicle were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit review. In the circumstances, the accuracy, completeness, existence and ownership of property, plant and equipment nil balance could not be confirmed.

Management Response

Management acknowledged that the hospital owns property, plant and various equipment. The hospital has not acquired ownership documents for the 3 parcels of land it owns but there is an ongoing process to ensure the hospital gets title deeds. Once completed, the hospital will be able to value its assets and ensure their disclosure in the financial statements. Valuation of assets had not been done during the period under review. Management will liaise with relevant County Departments to ensure asset valuation is conducted to enable disclosure by FY 2026/2027. The hospital has developed an asset list (Appendix I) detailing 101 items of equipment, 29 buildings, and 3 parcels of land.

Committee Observation

The Committee observed that Marigat Sub-County Level 4 Hospital has significant undisclosed assets including three (3) parcels of land totalling approximately 35.8 acres, 29 building structures, one (1) ambulance, and 101 items of medical and office equipment. The nil PP&E balance in the financial statements significantly understates the hospital's true asset base and financial position, in breach of applicable accounting standards and Section 149(2)(o) of the Public Finance Management Act, 2012.

Committee Recommendation

The Committee recommends that—

- i. the Governor, through the CECM responsible for health, engages with the Ministry of Health of the National Government and the IGRTC to ensure formal transfer and registration of all land title deeds to Marigat Sub-County Level 4 Hospital within 90 days of the adoption of this report;

- ii. the Governor ensures the hospital commissions a comprehensive asset valuation by a certified professional valuer and discloses all PP&E in the financial statements by FY 2026/2027 as committed by Management; and
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle and reports on progress of asset transfer and valuation.

EMPHASIS OF MATTER

1. Budgetary Control and Performance (Emphasis of Matter)

The statement of comparison of budget and actual amounts reflects total final receipts budget and actual on a comparable basis of Kshs. 13,714,276 and Kshs. 15,441,811 respectively, resulting in over-funding of Kshs. 1,727,535 or 13% of the budget. The Hospital spent an amount of Kshs. 10,782,575 against actual receipts of Kshs. 15,411,811, resulting in under-utilization of Kshs. 4,629,236 or 30% of the actual receipts. The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public. The Auditor-General's opinion is not modified in respect of this matter.

Management Response

Management explained that the Hospital spent an amount of Kshs. 10,782,575 against actual receipts of Kshs. 15,411,811, resulting in under-utilization of Kshs. 4,629,236 or 30% of the actual receipts. This was because the hospital received funding of 2 AIEs totalling Kshs. 5,979,684 (comprising Kshs. 4,472,578 and Kshs. 1,507,106) received on 25th June 2025, leaving insufficient time for utilization before the end of the financial year.

Committee Observation

The Committee observed that the Hospital received Kshs. 5,979,684 in AIE funding on 25th June 2025, just 5 days before the end of the financial year, making it practically impossible to utilize the funds within the financial year. This resulted in an under-utilization of Kshs. 4,629,236 (30%), which adversely affected planned healthcare service delivery.

Committee Recommendation

The Committee recommends that—

- i. the Governor engages the County Treasury and relevant National Government agencies to ensure AIE releases are made to hospitals earlier in the financial year, preferably by the first quarter, to allow adequate time for proper utilization and service delivery;
- ii. the Governor ensures the Accounting Officer adopts evidence-based budget preparation methodologies that align expenditure projections with realistic AIE release timelines; and

iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

OTHER MATTER

1. Unresolved Prior Year Audit Matters

In the Auditor-General's report for the previous year (FY 2023/2024), several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance. A review during the audit of the Hospital for FY 2024/2025 revealed that sixteen (16) issues were reported, of which nine (9) remained unresolved. The status of prior year issues is set out in the table below—

No	F/Year	Issue / Observation	Status
1	2023/2024	Inaccuracies in the Financial Statements	Resolved
2	2023/2024	Variance in Other Medical Services Income	Resolved
3	2023/2024	Unsupported Other Gains	Resolved
4	2023/2024	Variances in Receivables from Exchange Transactions	Resolved
5	2023/2024	Unsupported Receivables from Non-Exchange Transactions	Resolved
6	2023/2024	Disclosure of Property, Plant and Equipment	Unresolved
7	2023/2024	Budgetary Control and Performance	Resolved
8	2023/2024	Failure to Remit Statutory Contributions	Resolved
9	2023/2024	Non-Compliance with Kenya Quality Model for Health Requirement	Unresolved
10	2023/2024	Inadequate Staff Level	Unresolved
11	2023/2024	Inadequate Operational Equipment and Required Services	Unresolved
12	2023/2024	Non-Compliance in Identification, Collection and Accounting of Own	Resolved

No	F/Year	Issue / Observation	Status
		Source Revenue; Failure to Prepare Quarterly Reports	
13	2023/2024	Lack of Policies	Unresolved
14	2023/2024	Poor Storage of Medical Commodities	Unresolved
15	2023/2024	Lack of Asset Register	Unresolved
16	2023/2024	Lack of Imprest Register	Resolved
HOSPITALS	2	MARIGAT SUB-COUNTY LEVEL 4 HOSPITAL	
		KABARTONJO LEVEL 4 HOSPITAL	
		BARINGO COUNTY REFERRAL HOSPITAL	

Committee Observation

The Committee observed that 9 of 16 prior year audit matters remained unresolved at Marigat Sub-County Level 4 Hospital, including the persistent failure to disclose PP&E, non-compliance with KQMH requirements, inadequate staff levels, inadequate operational equipment, lack of key policies, poor storage of medical commodities, and an incomplete asset register. The persistence of these issues across two audit cycles indicates inadequate follow-up and a lack of urgency by management and the Board.

Committee Recommendation

The Committee recommends that—

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Non-Compliance with Kenya Quality Model for Health (KQMH) Requirement

The Marigat Sub-County Level 4 Hospital is a Level 4 health facility established under gazette notice number 2509, with a practicing certificate issued by the Kenya Medical Practitioners and Dentists Council (KMPDC) and domiciled in Baringo County. The Hospital is managed by a Board of Management. However, review of hospital records revealed the following deficiencies—

1.1 Inadequate Staff Level

Review of staff numbers revealed that the Hospital had 18 staff against the minimum requirement of 101 staff as prescribed by the Kenya Quality Model for Health (KQMH) for Level 4 hospitals. This is contrary to Section 4(1)(k)(l) as read with Section 15(3)(10) of the Medical Practitioners and Dentists Act, 2012 (Revised 2019). The staffing deficit by category is shown in the table below—

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage (%)
Medical Officers	16	4	12	25%
Anesthesiologist	2	0	2	0%
General Surgeons	2	0	2	0%
Gynecologists	2	0	2	0%
Pediatrics	2	0	2	0%
Radiologists	2	0	2	0%
Kenya Registered Community Health Nurses	75	14	61	18.7%
TOTAL	101	18	83	17.8%

This was contrary to Section 4(1)(k)(l) as read with Section 15(3)(10) of the Medical Practitioners and Dentists Act, 2012 (Revised 2019), which licenses the Hospital to operate as a Level 4 Hospital. In the circumstances, Management was in breach of the law.

1.2 Inadequate Operational Equipment and Required Services

Review of the services and equipment at the Hospital in October 2025 revealed significant deficiencies against the minimum Level 4 Hospital standards under the KQMH policy guidelines, as shown in the table below—

Service / Equipment	Level 4 Standard	Actuals in Hospital	Variance	Percentage (%)
Beds	150	80	70	53%
Resuscitaire (2 in Labor & 1 in Theatre)	2	2	0	100%
New Born Unit Incubators	5	1	4	20%
New Born Unit Cots	5	0	5	0%
Functional ICU Beds	6	0	6	0%
High Dependency Unit (HDU) Beds	6	0	6	0%
Renal Unit with at least 5 Dialysis Machines	5	0	5	0%
Two Functional Operational Theatres (Maternity & General)	2	0	2	0%

These deficiencies contravene the First Schedule of the Health Act, 2017 and imply that accessing the highest attainable standard of health, including the right to healthcare services and reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010, may not be achieved. The inadequate services and equipment may have impacted negatively on service delivery to the public.

Management Response

Management stated that the Hospital strives towards improving access to services as envisioned in the National strategy on Universal Health Coverage. This is achieved through availability of various key specialists across all skilled cadres, supporting infrastructure and equipment to enhance quality of care. The County Government is committed to improving the status of the hospital. The County Government has from time to time advertised and filled vacant positions. Management has also submitted a list of hospital staff to the Department of Health for possible consideration and absorption into permanent terms by the County Public Service Board. A maternity theatre is complete and equipment supplied. Management is also enhancing registration of clients to SHA to improve on claims and reimbursements.

Committee Observation

The Committee observed that Marigat Sub-County Level 4 Hospital operates with only 18 staff against a requirement of 101 (a deficit of 83 or 82.2%), and has critical equipment shortfalls including zero ICU beds, zero HDU beds, zero functional theatres, and only 80 of the required 150 beds. These deficiencies represent a severe breach of the Health Act, 2017 and significantly impair the hospital's ability to deliver the quality of healthcare services the residents of Baringo County are constitutionally entitled to.

Committee Recommendation

The Committee recommends that—

- i. the Governor submits to the Senate, within 60 days of the adoption of this report, a comprehensive time-bound plan outlining specific measures to address staffing shortages at Marigat Sub-County Level 4 Hospital, including recruitment timelines, budgetary provisions, and engagement with the County Public Service Board for accelerated appointments of key medical specialists;**
- ii. the Governor ensures the hospital develops and implements a comprehensive capital investment plan to acquire the necessary medical equipment, including functional ICU beds, HDU beds, operational theatres, and newborn unit equipment, with specific timelines and budgetary allocations; and**
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle and reports on progress of staffing and equipment improvements.**

2. Irregular Engagement of Casual Workers

The statement of financial performance reflects employee costs of Kshs. 3,408,796 as disclosed in Note 16 to the financial statements. However, the Hospital Management engaged casual workers for more than three (3) months. This was contrary to Section B 16(1) of the County Public Service Human Resource Manual, May 2013, which states that casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board, and they shall not be engaged for more than three months as stipulated in the Employment Act, 2007.

Management Response

Management stated that it has engaged casual workers and skilled staff on 3-month renewable contracts using Facility Improvement Funds (FIF), as it has been inadequate to employ them on permanent terms. This has been necessitated by the inadequate permanent staff to perform various duties in various departments. Management has from time to time forwarded the list of casual and skilled staff to the County Public

Service Board through the Department of Health for possible absorption into permanent terms.

Committee Observation

The Committee observed that the engagement of casual workers for periods exceeding three months, while arising from genuine staffing shortfalls, constitutes a persistent breach of the County Public Service Human Resource Manual and the Employment Act, 2007. The use of FIF funds for staffing costs may also affect the hospital's ability to procure medical supplies and equipment.

Committee Recommendation

The Committee recommends that—

- i. the Governor takes appropriate administrative action against the Accounting Officers responsible for the irregular engagement of casual workers beyond the permitted three-month period, in breach of Section B 16(1) of the County Public Service Human Resource Manual, May 2013;
- ii. the Governor ensures the County Public Service Board fast-tracks the absorption of qualified casual and contract staff into permanent positions to address the structural staffing deficit at the hospital; and
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of Policies

As previously reported, the Hospital did not have in place a Manual, Assets Management Policy, Transport Management Policy, Disaster Recovery Plan, Backup and Recovery Strategy. This was contrary to Regulation 158(1)(a)(b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, including fraud prevention mechanisms, and that the County Government entity develops a system of risk management and internal control that builds robust business operations. In the circumstances, the effectiveness of risk management could not be confirmed.

Management Response

Management acknowledged the previous reports regarding the lack of key policies. The hospital utilizes the Finance and Accounting Manual developed by the Council of Governors available at the Maarifa portal. Additionally, hospital staff and heads of departments have identified various risks facing the hospital and management has consolidated these risks to develop a draft risk management policy. The draft Risk Management Policy for Marigat Sub-County Hospital has been developed and will be

finalized through engagement with relevant County Departments. The policy covers risk governance, risk management processes, risk categories including clinical, operational, financial, regulatory, environmental, security, occupational health, strategic, liquidity, market, and reputational risks.

Committee Observation

The Committee observed that Marigat Sub-County Level 4 Hospital continues to lack formally approved critical operational policies including an Assets Management Policy, Transport Management Policy, Disaster Recovery Plan, and Backup and Recovery Strategy, notwithstanding that a draft Risk Management Policy has been developed. The absence of these policies exposes the hospital to significant operational and fiduciary risks.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Hospital Management Board finalizes and formally approves all outstanding policies — including the Risk Management Policy, Assets Management Policy, Transport Management Policy, Disaster Recovery Plan, and Backup and Recovery Strategy — within 60 days of the adoption of this report, in compliance with Regulation 158(1)(a)(b) of the PFM (County Governments) Regulations, 2015; and**
- ii. evidence of approved policies shall be submitted to the Auditor-General within 60 days of the adoption of this report, failure to which the provisions of Section 199 of the PFM Act on penalties for offences shall apply.**

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

The Governor of Baringo County, Hon. Benjamin C. Cheboi EGH, EBS, accompanied by relevant officials from the County Government and Kabartonjo Level 4 Hospital, appeared before the Committee to respond (under oath) to audit queries raised in the report of the Auditor-General on the financial statements for Kabartonjo Level 4 Hospital for the Financial Year 2024/2025. The Governor was accompanied by-

- | | |
|-------------------------|------------------------|
| 1. Dr. Solomon Sereman | - CECM-Health |
| 2. Ms. Nancy Chesire | - Chief Officer Health |
| 3. Mr. Anderson Chelugo | -Superitendant |
| 4. Ms. Phylis Chebwoya | -Accountant |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of Kabartonjo Level 4 Hospital for the Financial Year 2024/2025 on the following basis—

1. Unsupported Revenue In-Kind Contributions from the County Government

The statement of financial performance reflects revenue in-kind contributions from the County Government of Kshs. 6,512,955 in respect of Medical Supplies — Drawing Rights (KEMSA) as disclosed in Note 7 to the financial statements. However, supporting documents including schedules indicating details on quantities drawn, the cost, and the dates when drawn were not provided for audit review.

Management Response

Management stated that supporting documents amounting to Kshs. 6,512,955 including schedules detailing quantities drawn, costs, and dates have been provided for audit review.

Committee Observation

The Committee observed that the revenue in-kind contributions of Kshs. 6,512,955 from County Government for KEMSA Medical Supplies Drawing Rights were not adequately supported by documentation during the audit period. The absence of detailed schedules prevents verification of the accuracy and completeness of the disclosed amount.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer maintains complete and properly organized records for all in-kind contributions from the County

- Government, including detailed schedules of KEMSA drawing rights with quantities, unit costs, and dates, and submits the same to the Auditor-General within 30 days of the adoption of this report; and**
- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.**

2. Unsupported Rendering of Services — Medical Service Income

The statement of financial performance reflects revenue from exchange transactions of Kshs. 49,391,125 in respect of rendering of services — medical services income as disclosed in Note 11 to the financial statement. However, the supporting ledgers provided revealed an amount of Kshs. 41,315,405 in respect of other medical services income — SHA which was not supported with a schedule or journal entry.

Management Response

Management stated that the amount in respect of other medical services income – SHA amounting to Kshs. 41,315,405 has been supported with schedules and a summary of receipts.

Committee Observation

The Committee observed that other medical services income — SHA of Kshs. 41,315,405 was not supported by schedules or journal entries during the audit period, rendering the accuracy and completeness of the medical services income of Kshs. 49,391,125 unverifiable.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer maintains a complete and up-to-date revenue ledger with supporting schedules and journal entries for all categories of medical service income, including SHA reimbursements, and submits the same to the Auditor-General within 60 days of the adoption of this report; and**
- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.**

3. Unsupported Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs. 32,622,590 as disclosed in Note 30 to the financial statements, being transfers from the County Government. However, supporting documents including the Authority to Incur Expenditure (AIEs) and detailed schedules were not provided for audit review.

Management Response

Management stated that supporting documents including the Authority to Incur Expenditure (AIEs) and detailed schedules amounting to Kshs. 32,622,590 have been availed for audit review.

Committee Observation

The Committee observed that receivables from non-exchange transactions of Kshs. 32,622,590 were not adequately supported by AIEs and detailed schedules during the audit period, preventing confirmation of the accuracy and completeness of this balance.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer maintains complete and properly organized records for all County Government transfers, including AIEs and detailed reconciliation schedules, and submits the same to the Auditor-General for verification within 60 days of the adoption of this report; and**
- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.**

4. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs. 6,837,485 as disclosed in Note 29 to the financial statements, which includes Kshs. 3,625,685 in respect of Social Health Authority (SHA) and Kshs. 3,211,800 in respect of National Health Insurance Fund (NHIF). However, supporting schedules of receivables due and revenue receipts confirmation statements from SHA were not provided for audit review.

Management Response

Management stated that supporting schedules of receivables due from SHA and NHIF have been availed for audit review. However, the hospital SHA portal only confirms cumulative amounts pending payment and the NHIF portal has been closed.

Committee Observation

The Committee observed that SHA and NHIF receivables totalling Kshs. 6,837,485 were not adequately supported by confirmation statements and schedules during the audit period. The closure of the NHIF portal and limitations of the SHA portal further complicate the confirmation of these receivable balances.

Committee Recommendation

The Committee recommends that—

- i. the Governor formally engages the Social Health Authority (SHA) and the National Health Insurance Fund (NHIF) to provide comprehensive receivables confirmation statements and schedules for all outstanding reimbursements due to Kabartonjo Level 4 Hospital, and submits evidence of this engagement to the Senate within 30 days of the adoption of this report;**
- ii. the Governor escalates to the relevant national ministries the technical difficulties arising from the SHA portal limitations and the closure of the**

- NHIF portal that are impeding proper financial reporting by county hospitals; and
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

EMPHASIS OF MATTER5.

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final total budget and actual on comparable basis of Kshs. 63,121,856 and Kshs. 27,287,466 respectively, resulting in under-funding of Kshs. 35,834,390 or 57% of the budget. Further, the Hospital spent an amount of Kshs. 23,261,243 against actual receipts of Kshs. 27,287,466, resulting in under-absorption of Kshs. 4,026,223 or 15% of the actual receipts. The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public. The Auditor-General's opinion is not modified in respect of this matter.

Management Response

Management acknowledged that the under-funding and under-utilization affected planned activities and may have impacted negatively on service delivery due to delays in reimbursement of funds from SHA and the County Treasury. Management noted that the challenge has been partially resolved through the FIF Act.

Committee Observation

The Committee observed that Kabartonjo Level 4 Hospital received only 43% of its approved budget (Kshs. 27,287,466 against Kshs. 63,121,856), representing a severe funding shortfall of Kshs. 35,834,390 (57%). This significant under-funding has severely constrained the hospital's ability to deliver healthcare services to residents of Baringo North Sub-County.

Committee Recommendation

The Committee recommends that—

- i. the Governor engages the County Treasury to ensure significantly increased and timely funding to Kabartonjo Level 4 Hospital in subsequent financial years, commensurate with its operational requirements as a Level 4 facility, with a detailed funding plan submitted to the Senate within 60 days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer prepares realistic budgets based on actual historical collection and disbursement rates, and submits quarterly budget performance reports to the County Treasury and the Auditor-General; and
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

OTHER MATTER

6. Unresolved Prior Year Audit Matters

In the prior year audit report, 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. A review during the audit of the Hospital for FY 2024/2025 revealed that eight (8) issues remained outstanding, of which the following remained unresolved—

Ref No.	Issue / Observation	Management Comment	Status
		BARINGO COUNTY REFERRAL HOSPITAL	
FS-1	Inaccuracies in the Financial Statements	Management amended Financial Statements as recommended during the year under review.	Resolved
FS-2	Unconfirmed Inventory Balance	Management provided the list of closing stock as recommended.	Resolved
FS-3	Variance of Asset Register and Ledger; Lack of Valuation of Assets	Management is planning to engage County Public Quantity Surveyor for Revaluation.	Not Resolved
FS-4	Long Outstanding and Unsupported Trade and Other Payables	Management settled all Trade and Other Payables relating to the prior year.	Resolved
FS-5	Budgetary Control and Performance	Budget for the subsequent financial year were prepared.	Resolved
FS-6	Unresolved Prior Year Matters	Management resolved all matters raised except for the revaluation of Assets, which is ongoing.	Resolved
Law-7	Revenue Safeguards and Controls	Management ensures all Revenue Collections are cashless and rotation of revenue staff done.	Resolved

Ref No.	Issue / Observation	Management Comment	Status
ICT-8	Incomplete Asset Register	Hospital is in the process of tagging and serializing its Assets; budget set aside for this exercise.	Not Resolved

Committee Observation

The Committee observed that while Kabartonjo Level 4 Hospital has made progress in resolving prior year audit matters (6 of 8 resolved), the asset register and valuation issues remain outstanding. The incomplete asset register and lack of asset valuation prevent the hospital from accurately presenting its financial position.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer resolves all outstanding prior year matters, including the incomplete asset register and asset revaluation, as required by Section 149(2)(l) of the Public Finance Management Act, Cap. 412A; and
- ii. the Governor ensures the Accounting Officer submits a status report on resolution of prior year matters to the Senate and the Auditor-General within 60 days of the adoption of this report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

7. Non-Compliance with Requirements on Universal Health Care (UHC)

Review of hospital records and interviews on verification of services offered, equipment used, and medical specialists revealed that the Hospital did not meet the requirements of the Kenya Quality Model Policy guidelines, with a staff deficit of 94 staff or 93% of the authorized establishment, as shown in the table below—

Grades	Level 4 Standard	Number in Hospital	Deficit	Percentage (%)
Medical Officers	16	1	15	94%
Anesthesiologist	2	0	1	50%
General Surgeons	2	0	1	50%

Grades	Level 4 Standard	Number in Hospital	Deficit	Percentage (%)
Gynecologist	2	0	1	50%
Pediatrics	2	0	1	50%
Radiologist	2	0	1	50%
Kenya Registered Community Health Nurses	75	9	74	99%
TOTAL	101	10	94	93%

The Hospital also lacked the following necessary equipment and machines—

Service	Level 4 Standard	Actual in Hospital	Variance	Percentage (%)
Beds	150	44	106	71%
New Born Unit Incubators	5	1	4	80%
New Born Unit Cots	5	1	4	80%
Functional ICU Beds	6	0	6	100%
High Dependency Unit (HDU) Beds	6	0	6	100%

The deficiencies contravene the First Schedule of the Health Act, 2017 and imply that accessing the highest attainable standard of health as required by Article 43(I) of the Constitution of Kenya, 2010 may not be achieved.

Management Response

Management stated that the Facility Management in collaboration with the County Government is in the process of complying with Universal Health Coverage requirements in terms of infrastructure and human resource. Operationalization of the hospital theatre (now complete), dental unit, and completion of the oxygen plant are in advanced stages.

Committee Observation

The Committee observed that Kabartonjo Level 4 Hospital operates with only 10 staff against a requirement of 101 (a deficit of 94 or 93%), with only 1 medical officer against the required 16. The hospital also has only 44 beds against the required 150, and zero ICU beds and zero HDU beds. These critical deficiencies represent a serious threat to the health and well-being of residents of Baringo North Sub-County and constitute a persistent breach of the Health Act, 2017.

Committee Recommendation

The Committee recommends that—

- i. the Governor submits to the Senate a comprehensive time-bound plan outlining specific measures to address the critical staffing shortages at Kabartonjo Level 4 Hospital, including the immediate deployment of at least one additional medical officer, within 60 days of the adoption of this report; and**
- ii. the Governor ensures the hospital develops and implements a comprehensive capital investment plan to acquire the necessary medical equipment, with specific timelines and budgetary allocations; and**
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle and reports on progress.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

8. Incomplete Asset Register

Review of the fixed assets register provided for audit review revealed that key information about the assets was missing, including descriptions, tag numbers, and serial numbers of assets. This was contrary to Regulation 136(1) of the Public Finance Management (County Government) Regulations, 2015, which requires the Accounting Officer to be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

Management Response

Management acknowledged that the fixed assets register provided for audit review revealed missing information including descriptions, tag numbers, and serial numbers. The hospital is in the process of tagging and serializing its assets and has set aside budget for this exercise.

Committee Observation

The Committee observed that the fixed assets register of Kabartonjo Level 4 Hospital is materially incomplete, lacking essential information including asset descriptions, tag numbers, and serial numbers, in persistent breach of Regulation 136(1) of the PFM

(County Governments) Regulations, 2015. This is a repeat finding from the prior year that has not been resolved.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer completes the comprehensive asset tagging and serialization exercise and updates the fixed assets register to include all required information, with the completed register submitted to the Auditor-General within 90 days of the adoption of this report; and**
- ii. evidence of completion of the asset tagging exercise shall be submitted to the Senate, failure to which the provisions of Section 199 of the PFM Act on penalties for offences shall apply.**

3.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BARINGO COUNTY REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Baringo County, Hon. Benjamin C. Cheboi EGH, EBS, appeared before the Committee on Tuesday, 20th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Baringo County Referral Hospital for the Financial Year 2024/25.

The following officers accompanied the Governor—

- | | |
|-----------------------------|--------------------------|
| 1. Dr. Solomon Sereman | - CECM-Health |
| 2. Ms. Nancy Chesire | - Chief Officer Health |
| 3. Dr. Gerishom M. Abakalwa | - Medical Superintendent |
| 4. Mr. Kevin Kimaru | - Accountant |
| 5. Mr. Michael Rotich | - Administrator |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of Baringo County Referral Hospital for the Financial Year 2024/2025 on the following basis—

1. Inaccuracies in the Annual Report and Financial Statements

The statement of financial performance reflects total revenue of Kshs. 167,733,592, which was at variance with amounts of Kshs. 125,171,227 and Kshs. 184,165,971 in respect of the statement of cash flows and statement of comparison of budget and actual amounts, resulting in unexplained and unreconciled variances of Kshs. 42,562,365 and negative Kshs. 16,432,379 respectively, which were not supported with reconciliation. Similarly, the statement of financial performance reflects total payments of Kshs. 212,783,427, which was at variance with amounts of Kshs. 154,931,048 and Kshs. 207,490,936 in the statement of comparison of budget and actual amounts, resulting in unreconciled variances of Kshs. 57,852,379 and Kshs. 5,292,491 respectively.

Management Response

Management stated that the amended financial statements have addressed the reconciliations. The adjusted statement of comparison of budgeted and actual amounts reflects a final total income budget of Kshs. 221,669,978 and an actual income of Kshs. 180,359,953, resulting in an under-collection of Kshs. 41,310,025 (19% of budget), primarily due to non-remittance from SHA of Kshs. 37,504,007. The statement reflects a final total expenditure budget of Kshs. 221,669,978 against actual expenditure of Kshs. 203,684,918, resulting in over-expenditure of Kshs. 23,324,965 (11%) due to

depreciation expense inclusion. The Chief Officer issued AIE for all expenditure done every time there was disbursement of funds to the Hospital account.

Committee Observation

The Committee observed that the financial statements of Baringo County Referral Hospital contained material unreconciled variances across multiple financial statement components, including revenue, payments, and their corresponding cash flow and budget comparatives. The variances, ranging from Kshs. 5.3 million to Kshs. 57.9 million, are indicative of fundamental weaknesses in financial management and reporting systems.

Committee Recommendation

The Committee recommends that-

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

- v. **the Governor ensures that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**

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

2. Variances Between the Financial Statements and Supporting Ledgers

The financial statements reflect five (5) items with variances against supporting ledgers: Medical/Clinical Costs (Note 15) — Financial Statements Kshs. 98,141,394 vs Ledger Kshs. 77,371,974, variance Kshs. 20,769,420; Employee Costs (Note 16) — Kshs. 56,201,074 vs Kshs. 46,536,565, variance Kshs. 9,664,509; General Expenses (Note 21) — Kshs. 21,670,689 vs Kshs. 20,067,689, variance Kshs. 1,602,874; Receivables from Exchange Transactions — NHIF (Note 29) — Kshs. 21,985,805 vs Kshs. 55,100,980, variance Kshs. 33,115,175; Receivables from Non-Exchange Transactions (Note 30) — Kshs. 11,455,467 vs Kshs. 11,446,467, variance Kshs. 9,000. The accuracy and completeness of the respective financial statement amounts could not be confirmed.

Management Response

Management stated that the amended financial statements have put into consideration the changes, with all five items restated to match supporting ledger amounts: Medical/Clinical Costs at Kshs. 98,131,394; Employee Costs at Kshs. 55,635,074; General Expenses at Kshs. 22,246,689; Receivables from Exchange Transactions — NHIF at Kshs. 55,100,980; and Receivables from Non-Exchange Transactions at Kshs. 11,446,467.

Committee Observation

The Committee observed that the original financial statements contained material variances against supporting ledgers across five-line items, with the single largest variance being Kshs. 33,115,175 in NHIF receivables. While Management has amended the financial statements, the Committee is concerned that such significant variances were present in the originally submitted financial statements, indicating systemic weaknesses in internal financial controls.

Committee Recommendation

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer implements a robust pre-submission review process for financial statements to eliminate variances**

- against supporting ledgers before submission to the Auditor-General, in compliance with Section 149(2)(b) of the PFM Act, Cap. 412A;
- ii. the Governor ensures capacity building for all finance staff on financial statement preparation and reconciliation standards; and
 - iii. the Auditor-General confirms the accuracy of the amended financial statements in the subsequent audit cycle.

3. Unsupported Fuel and Lubricants

The statement of financial performance reflects general expenses of Kshs. 21,670,689, which includes Kshs. 7,195,000 in respect of fuel, oil, and lubricants for the generator, incinerator, and motor vehicle, as disclosed in Note 21. However, supporting documents including work tickets and fuel register were not provided for audit review.

Management Response

Management stated that the statement of financial performance reflects general expenses of Kshs. 22,246,689 (amended figure). Included in the expenditure is Kshs. 7,195,000 for generator, incinerator, and motor vehicle fuel oil and lubricants, for which supporting documents have been provided.

Committee Observation

The Committee observed that fuel and lubricants expenditure of Kshs. 7,195,000 was not adequately supported by work tickets and fuel register during the audit period. Proper documentation of fuel usage is essential for accountability given the Hospital's significant fleet and power generation requirements.

Committee Recommendation

The Committee recommends that EACC investigates the matter to ascertain the propriety of Kshs. 7,195,000 as queried by the Auditor-General and provide status update to the Senate within 90 days of the adoption of this report.

4. Unsupported Intangible Assets

The statement of financial position reflects intangible assets balance of Kshs. 860,625 as disclosed in Note 33 to the financial statements. However, supporting documents including ledger schedules were not provided for audit review.

Management Response

Management stated that the intangible assets relate to Funsoft, a financial management software installed before devolution.

Committee Observation

The Committee observed that the intangible assets balance of Kshs. 860,625, relating to the Funsoft financial management system, was not supported by adequate ledger

schedules during the audit period. Furthermore, the Committee notes that the hospital has been onboarding the new Tiberbu integrated Health Management Information System (HMIS), and the accounting treatment of both systems should be clearly disclosed.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer provides complete supporting documentation for the intangible assets balance, including acquisition cost, amortization schedule, and current carrying amount, to the Auditor-General within 60 days of the adoption of this report; and**
- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.**

5. Unsupported Revaluation Adjustments and Gains

The statement of financial position reflects property, plant and equipment balance of Kshs. 921,550,000, which includes Kshs. 280,036,000 in respect of revaluation adjustments on land (Kshs. 18,000,000) and buildings (Kshs. 262,036,000) as disclosed in Note 32. However, the revaluation adjustments balance was not supported with detailed valuation reports. Further, the statement of changes in net assets reflects net assets of Kshs. 954,158,269, which includes revaluation gains of Kshs. 245,282,614 that were not supported with valuation reports.

Management Response

Management stated that the values given in the financial statements were based on valuation reports from FY 2023/2024, which was to be used for two years. The figures were estimates derived from the previous year's actual valuation. There were no new buildings constructed in the year, except for the ongoing New Hospital Complex at 80% completion. The valuation report for 2023/2024 was provided with front pages attached.

Committee Observation

The Committee observed that revaluation adjustments of Kshs. 280,036,000 and revaluation gains of Kshs. 245,282,614 in the financial statements were not supported by detailed current valuation reports during the audit period. Projecting prior year valuations without a formal revaluation exercise undermines the accuracy and reliability of the PP&E balance of Kshs. 921,550,000.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer commissions a comprehensive independent asset valuation by a certified professional valuer by FY 2025/2026, and submits the detailed valuation report to the Auditor-General for verification;**

- ii. the Accounting Officer ensures that all revaluation adjustments are supported by formal valuation reports in compliance with applicable accounting standards; and
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

6. Inaccuracies and Long-Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions of Kshs. 59,489,812, with a comparative of Kshs. 55,199,693. Review of the ageing analysis revealed a balance of Kshs. 74,572,595 for receivables less than a year, resulting in an unexplained variance of Kshs. 70,282,476. Further, the balance includes Kshs. 21,985,805 (defunct NHIF) and Kshs. 37,504,007 (SHA/SHIF), with Kshs. 5,496,450 outstanding between two and three years. No provision for bad and doubtful debts was made.

Management Response

Management stated that the amended statement of financial position reflects receivables from exchange transactions of Kshs. 92,604,987 after incorporating the NHIF amount of Kshs. 55,100,980. SHA claims analysis for October 2024 to October 2025 shows total claims of Kshs. 165,149,448 with paid amount of Kshs. 85,828,085. The Hospital has held meetings with suppliers regarding aging debts and has put in place payment plans. A debt collection policy is being developed.

Committee Observation

The Committee observed that: (a) receivables from exchange transactions were materially misstated, with a variance of Kshs. 70,282,476 between the stated balance and the ageing analysis; (b) the hospital submitted SHA claims worth Kshs. 165,149,448 but received only Kshs. 85,828,085 — a shortfall of approximately Kshs. 79.3 million — which has severely constrained the hospital's cash flow and ability to settle its payables; and (c) there was no provision for bad and doubtful debts, contrary to prudent accounting practice.

Committee Recommendation

The Committee recommends that—

- i. the Governor formally and urgently engages the SHA to resolve the outstanding reimbursements due to Baringo County Referral Hospital and reports to the Senate on the status of SHA claims within 60 days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer develops and implements a formal debt collection policy with specific recovery timelines, and makes adequate provision for bad and doubtful debts in the financial statements; and
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

EMPHASIS OF MATTER

7. Budgetary Control and Performance (Emphasis of Matter)

The adjusted statement of comparison of budget and actual amounts reflects a final total income budget of Kshs. 221,669,978 and actual income of Kshs. 180,359,953, resulting in under-collection of Kshs. 41,310,025 or 19% of the budget. The Hospital spent Kshs. 203,684,918 against actual receipts of Kshs. 180,359,953, resulting in over-expenditure of Kshs. 23,324,965 or approximately 11% of actual income. The Auditor-General's opinion is not modified in respect of this matter.

Management Response

Management attributed the revenue shortfall primarily to non-remittance from SHA of Kshs. 37,504,007 (91% of the shortfall). The over-expenditure arose from depreciation expense inclusion. All expenditure was approved against actual revenue collected, with AIE issued by the Chief Officer. Hospital Management Board meetings were held quarterly to review financial performance and approve expenditure.

Committee Observation

The Committee observed that: (a) the revenue shortfall of Kshs. 41,310,025 (19%) was predominantly caused by SHA non-remittance of Kshs. 37,504,007, representing a systemic problem with the national insurance reimbursement framework; (b) the resulting over-expenditure of Kshs. 23,324,965 (11%) indicates spending above available resources, which is contrary to sound public financial management principles.

Committee Recommendation

The Committee recommends that—

- i. the Governor urgently engages the SHA and the National Treasury to resolve the non-remittance of reimbursements to Baringo County Referral Hospital and establishes a structured reimbursement timeline, with a progress report submitted to the Senate within 90 days of the adoption of this report;**
- ii. the Governor ensures the Accounting Officer adopts realistic budgeting methodologies that account for expected SHA reimbursement delays, and submits quarterly budget performance reports to the County Treasury and Auditor-General; and**
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.**

OTHER MATTER

8. Unresolved Prior Year Audit Matters

In the audit report of the previous year, 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. A review during the audit of the Hospital for FY 2024/2025 revealed that a number of matters remained outstanding. The status of prior year issues is set out in the table below—

Report Section	Issue / Observation	Management Comment	Status
Financial Statements	1. Unsupported Cash and Cash Equivalents	Documentation relating to Cash and Cash Equivalents has been provided.	Resolved
	2. Long Outstanding Medical Services Receivable (NHIF)	Payments were made; however, outstanding debts remain. Payment plan in place.	Partly Resolved
	3.1 Failure to Maintain Fixed Asset Register	Management has put up measures to update assets register.	Partly Resolved
	3.2 Non-Disclosure of Property, Plant and Equipment	Key assets — land and buildings — have been revalued. Other assets yet to undergo revaluation.	Resolved
	3.3 Failure to Dispose Unserviceable Assets	Most unserviceable assets were inherited from National Government. Assets Disposal Committee is in place.	Partly Resolved
	4. Unsupported Waivers	Monthly reports of waivers provided for cases handled.	Resolved
Lawfulness & Effectiveness	1. Irregular Engagement of Casual Employees	County Assembly formed ad hoc committee. Hospital engaged casual workers on 3-month renewable contracts through County Public Service Board.	Resolved
	2. Compliance with Universal Health	Strategies in place including SHA registration, expansion of	Resolved

Report Section	Issue / Observation	Management Comment	Status
	Coverage Requirements	infrastructure, retention and recruitment of health workers.	
	3. Long Outstanding Trade Payables	SHA and NHIF debts outstanding. Once received, payables shall be settled.	Partly Resolved
Internal Controls	1. Failure to Establish Internal Audit Function and Audit Committee	Hospital has established internal audit committee; meetings held quarterly.	Resolved

Committee Observation

The Committee observed that while Baringo County Referral Hospital has resolved a number of prior year audit matters, several issues remain partly resolved, including long-outstanding NHIF/SHA receivables, incomplete fixed asset register, failure to dispose unserviceable assets, and long-outstanding trade payables. The persistence of these issues is largely linked to SHA non-remittance, which has constrained the hospital's liquidity.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer resolves all outstanding prior year audit matters as required by Section 149(2)(l) of the Public Finance Management Act, Cap. 412A, and submits a comprehensive status report to the Senate and the Auditor-General within 90 days of the adoption of this report; and
- ii. the Governor urgently engages the SHA to settle all outstanding reimbursements owed to Baringo County Referral Hospital to enable the hospital to resolve its long-outstanding trade payables and continue delivering healthcare services.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Non-Compliance with Law and Effectiveness of Upgrade of Hospitals

1.1 Academic Partnerships and Collaboration

Review of Hospital records revealed that academic partnerships and collaboration was done with Moi Teaching Referral Hospital, Kabarak University, Kenya School of

Government, and Kenya Medical Training College. However, there were no reports and minutes of meetings of academic partnerships and collaboration with these institutions, contrary to Section 108(1) of the Health Act, 2017.

Management Response

Management stated that the Hospital had long-standing academic partnerships and collaboration with MTRH, universities, colleges, and the Kenya School of Government, covering technical assistance, student placements, leadership and governance training, research, and outreach services. Evidence provided includes Memoranda of Understanding, attendance lists, research papers, and minutes of technical planning meetings.

Committee Observation

The Committee observed that while academic partnerships exist, the Hospital did not maintain proper documentation of meetings, reports, and outcomes of these collaborations, contrary to Section 108(1) of the Health Act, 2017.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer formalizes all academic partnership arrangements with signed MOUs and ensures proper documentation of meetings, activities, and outcomes of all institutional collaborations, with evidence submitted to the Auditor-General within 60 days; and
- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

1.2 Specialized Service Delivery — Non-Compliance with KQMH Requirements

Review of Hospital records, interviews, and verification of services at audit revealed that the Hospital did not fully meet the requirements of the Kenya Quality Model for Health Policy Guidelines. There were deficits of 86 staff (82% of the authorized establishment) and a bed capacity deficit of 72 (44%). The following specialized service gaps were identified—

No.	Gap / Deficiency	Management Response / Status
1	Lack of a standalone emergency department	Emergency services offered informally; 12 staff trained in emergency care (TEC/POCUS); EMKF committed to renovate OPD into modern Emergency Unit.
2	Poorly equipped ICU — 1 functional ventilator out of required 4	ICU has 6 beds, 4 ventilators (1 functional); services include oxygen therapy, IV medication,

No.	Gap / Deficiency	Management Response / Status
		vital signs monitoring; new 10-bed ICU planned under KDSP II.
3	Poorly equipped Maternity wards	Maternity has 24 patient beds, 4 delivery beds, 2 resuscitaires, 2 POCUS machines; Mother & Child Wellness Hospital planned with Republic of China.
4	Eye Care Unit with old equipment	Unit operational; slit lamp/fundus camera broken (parts being sourced); new equipment procurement through open tendering initiated.
5	Lack of 24 body cooling chambers in Mortuary	Mortuary has 40 functional chambers with cooling (capacity for 80 bodies); fully sufficient.
6	Lack of 10 Hemodialysis machines in Renal Unit	6 functional hemodialysis machines operational; 10 procedures per day; 10 more planned under KDSP II.
7	Lack of 2 laboratory refrigerators for County Blood Bank	Blood bank at Kaptimbor fully operational with blood bank refrigerator, -20°C freezer, centrifuges; hospital has blood fridges in laboratory and all 4 wards.
8	Lack of 6 incubators in Newborn Unit	2 incubators available; stable babies in KMC room (10 beds); 12 incubators planned in China collaboration Mother & Child Wellness Center.
9	Non-Functional Histopathology Laboratory	Histopathology functional with pathologist (Dr. Wangari); services include histology and cytology; microbiology to be initiated.
10	Un-equipped Rehabilitative Services	Physiotherapy, occupational therapy, orthopedic technology all functional with 18+ pieces of equipment.
11	Lack of Integrated Health Management Information System (HMIS)	Tiberbu by Taifa Care being implemented; outpatient, clinics, laboratory, radiology onboarded; 200 Neon Tablets delivered for clinical documentation.

Committee Observation

The Committee observed that despite being the County Referral Hospital and the highest-level healthcare facility in Baringo County, the Hospital has a staff deficit of 86 (82%) and operates without a standalone emergency department, with an underpowered ICU, inadequate incubators, and no integrated HMIS. The Committee noted positively the ongoing infrastructure upgrades including the KDSP II program, the planned Mother and Child Wellness Center with the Republic of China, and the Tiberbu HMIS implementation. However, these efforts must be accelerated to meet the constitutionally guaranteed right to health under Article 43(1).

Committee Recommendation

The Committee recommends that—

- i. the Governor submits to the Senate a comprehensive time-bound plan to address staffing shortfalls, with annual recruitment targets and engagement with the County Public Service Board and the Ministry of Health for deployment of key specialists, within 60 days of the adoption of this report;**
- ii. the Governor ensures the KDSP II infrastructure and equipment programs are fast-tracked and reports progress to the Senate quarterly;**
- iii. the Governor ensures full operationalization of the Tiberbu integrated HMIS at all service points at the Hospital by June 2026; and**
- iv. the Auditor-General keeps the matter in view in the subsequent audit cycle and reports on progress.**

1.3. Research and Innovation Capacity

Review of Hospital records revealed that academic research was done routinely with students attending leadership and management courses at the Kenya School of Government, MOH, and Kabarak University. However, there was no evidence of formal collaboration with these institutions for research, contrary to Section 102 of the Health Act, 2017.

Management Response

Management stated that the Hospital maintains constant collaboration with various institutions and universities for research and innovation over many years. Evidence provided includes Memoranda of Understanding with colleges, letters of introduction for students, invitation letters to meetings, and research papers.

Committee Observation

The Committee observed that the Hospital has informal research collaborations but lacks the formal documentation and structured framework required by Section 102 of the Health Act, 2017.

Committee Recommendation

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer formalizes all research partnerships with written agreements, defined research plans, and proper documentation of research outputs, within 90 days of the adoption of this report; and**
- ii. **the Auditor-General keeps the matter in view in the subsequent audit cycle.**

1.4. Waivers — Non-Compliance with SHA Registration Requirements

Review of the Hospital's waivers revealed that some patients were given waivers in respect of medical bills. However, some patients had not paid their SHA premiums due to lack of enrolment with SHA, contrary to Section 58(4)(a) of the Social Health Insurance Regulations, 2024.

Management Response

Management noted a significant drop in waivers in FY 2024/2025 compared to FY 2023/2024 — from Kshs. 5,011,281 (January to June 2024) to Kshs. 2,284,616 (January to June 2025), a reduction of over 50%. The drop is attributed to SHA uptake. A formal waiver process is in place: ward in-charges receive requests, the Social Work Department evaluates, the Waiver Committee reviews, the CEC Finance approves, and Hospital Management implements.

Committee Observation

The Committee observed that the Hospital's waiver system, while well-structured, continues to face challenges arising from non-enrolment with SHA, particularly among indigent communities and populations without national IDs. The 50% reduction in waivers reflects improved SHA uptake but indicates that vulnerable populations remain underserved.

Committee Recommendation

The Committee recommends that—

- i. **the Governor ensures the County Government unertakes SHA enrolment drives in all Baringo sub-counties, particularly in marginalized and hard-to-reach communities, to reduce the financial burden on the hospital's waiver program; and**
- ii. **the Governor ensures the Accounting Officer the hospital grants waivers to patients in accordance with PFM Act.**

2. Ineffectiveness in Human Resource Practices and Management

2.1. Non-Compliance with Ethnic Composition Laws

Review of human resource records revealed that the Hospital had 469 staff during the year under review, of whom 421 (89%) were from the dominant ethnic community in the County. This is contrary to Section 7(2) of the National Cohesion and Integration

Act, 2008, which states that no public establishment shall have more than one-third of its staff from the same ethnic community.

Management Response

Management explained that the ethnic composition was determined by multiple factors including: (1) permanent staff adopted by the County from the Ministry of Health before devolution, from all ethnic backgrounds; (2) permanent staff employed by the County Public Service Board based on open applications; (3) contracted staff on Ministry of Health payroll deployed by the Ministry; (4) contracted staff paid by supporting partners (USAID, Global Fund) who prioritize local residents for community-based services; (5) contracted staff paid by the Hospital, with no deliberate ethnic filtering, though local residents tend to be the majority of applicants; and (6) volunteers from the neighbourhood who serve without stipend.

Committee Observation

The Committee observed that 421 of 469 staff (89.8%) at Baringo County Referral Hospital are from the dominant ethnic community, which is a severe and persistent breach of Section 7(2) of the National Cohesion and Integration Act, 2008. The Committee acknowledges the complexity of the issue given the devolution transition history but notes that the Hospital's size and influence as the County Referral Hospital requires immediate corrective action.

Committee Recommendation

The Committee recommends that—

- iv. the Governor ensures management comes up with deliberate measures to ensure staff diversity at entry level when filling vacant positions, in full compliance with Section 7(2) of the National Cohesion and Integration Act, 2008;**
- v. all future recruitment vacancies are advertised in newspapers of national circulation and on the Company's website to attract applicants from diverse ethnic backgrounds; and**
- vi. the Auditor-General monitors compliance with the National Cohesion and Integration Act, 2008 and provides a status update in the subsequent audit cycle.**

2.2. Irregular Engagement of Casual Employees

Review of personnel records revealed that the Hospital engaged skilled and semi-skilled casual workers for more than three (3) months, with some staff serving for more than ten (10) years. This is contrary to Section 37(3) of the Employment Act, 2007, which requires that employees whose casual contracts have been in force for two months or more are entitled to the terms and conditions applicable under the Act.

Management Response

Management stated that the County Assembly of Baringo formed an ad hoc committee to review the status of temporary staff across the County, including the Hospital. A legislative directive is being awaited. In the interim, the Hospital carried out a labour audit, performance appraisals, and has proposed outsourcing of cleaning and security services. The Hospital Board requested the County Public Service Board for delegated authority to recruit or retain temporary technical staff based on need and budget.

Committee Observation

The Committee observed that the Hospital has casual workers who have served for over ten years without being absorbed into permanent employment, which constitutes a clear breach of Section 37(3) of the Employment Act, 2007. The Committee is concerned that the County Assembly legislative process has been used as justification for inaction.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the County Government implements the Employment Act, 2007 provisions for casual workers who have served continuously for two months or more, by either converting their employment to permanent terms or regularizing their contracts, within 90 days of the adoption of this report; and**
- ii. the Governor ensures the County Public Service Board accelerates the formal recruitment of permanent staff to address structural staffing shortfalls at the Hospital.**

3. Non-Compliance with Law and Effectiveness of Procurement Planning

3.1. Lack of a Procurement Plan

Review of procurement records revealed that the Hospital did not have a procurement plan for procurements not directly incorporated in the County Executive procurement plan, contrary to Regulation 71(1) of the Public Procurement and Disposal Regulations, 2020.

Management Response

Management stated that the procurement plan for FY 2024/2025 was available and has been provided as evidence.

Committee Observation

The Committee observed that the Hospital's procurement plan for FY 2024/2025 was not provided during the audit but has since been availed. The Committee emphasizes the importance of timely submission of procurement plans to the Auditor-General.

Committee Recommendation

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer prepares and maintains an annual procurement plan in compliance with Regulation 71(1) of the Public Procurement and Disposal Regulations, 2020, and submits it to the Auditor-General at the start of each financial year; and**
- ii. **the Auditor-General keeps the matter in view in the subsequent audit cycle.**

4. Incomplete Asset Register and Lack of Depreciation Policy

The statement of financial position reflects PP&E of Kshs. 921,550,000 as disclosed in Note 32. However, the asset register provided was not updated with all vital details, contrary to Section 170(1) of the Public Procurement and Asset Disposal Regulations, 2020. Furthermore, the Hospital did not have a depreciation and amortization policy, contrary to Section 69(a)-(c) of IPSAS 45.

Management Response

Management stated that the asset register was available in the approved format and that an asset depreciation policy was available, adopting the depreciation policy from the International Public Sector Accounting Standards Board (IPSASB). Both the asset register and the depreciation policy have been provided as evidence.

Committee Observation

The Committee observed that while Management asserts the availability of an asset register and depreciation policy, the same were not provided during the audit period. The Committee notes that with PP&E of Kshs. 921,550,000, maintaining a comprehensive and updated asset register is critical for proper accountability and stewardship of public assets.

Committee Recommendation

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer maintains a comprehensive, fully updated fixed assets register with all required details and submits it to the Auditor-General within 60 days of the adoption of this report, in compliance with Section 170(1) of the PPADA Regulations, 2020; and**
- ii. **the Auditor-General confirms compliance in the subsequent audit cycle.**

5. Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables of Kshs. 62,391,598 as disclosed in Note 36. Included in the balance are trade payables of Kshs. 12,478,320 outstanding for more than two (2) years, contrary to Section 53(8) of the Public Procurement and Disposal Act, 2015.

Management Response

Management stated that FY 2024/2025 saw a significant drop in generated revenue despite increased value of services provided, primarily due to SHA non-remittance. SHA claims analysis shows total claims of Kshs. 165,149,448 with only Kshs. 85,828,085 paid during the period — a shortfall of approximately Kshs. 79.3 million. Structured payment plans are in place for suppliers with aging debts including Medix, Kenya Power, and Kirdam.

Committee Observation

The Committee observed that long-outstanding payables of Kshs. 12,478,320 (over two years) arise primarily from SHA's failure to remit reimbursements, creating a cascade of financial distress for the Hospital. The Hospital has submitted Kshs. 165,149,448 in SHA claims but received only Kshs. 85,828,085, a shortfall of Kshs. 79.3 million that directly correlates with the hospital's inability to settle its obligations.

Committee Recommendation

The Committee recommends that—

- i. the Governor urgently engages the SHA to settle all outstanding reimbursements to Baringo County Referral Hospital and reports the status to the Senate within 30 days of the adoption of this report;**
- ii. the Governor ensures the Accounting Officer submits a comprehensive creditors schedule and structured repayment plan for all long-outstanding payables to the Senate and Auditor-General within 60 days; and**
- iii. the Auditor-General keeps the matter in view in the subsequent audit cycle.**

6. Failure to Prepare and Submit Quarterly Financial Reports

During the year under review, the Hospital did not prepare quarterly financial reports and supporting quarterly ledgers, contrary to Regulation 207(1) of the Public Finance Management Regulations, 2015.

Management Response

Management acknowledged that quarterly financial reports had not been prepared and submitted during the time of audit. The reports have since been prepared and submitted to the relevant offices. Quarterly reports for FY 2025/2026 will be prepared and submitted on time.

Committee Observation

The Committee observed that the failure to prepare and submit quarterly financial reports is a breach of Regulation 207(1) of the PFM Regulations, 2015, and impairs timely oversight of the Hospital's financial performance. This appears to be a recurring issue at county health facilities.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer prepares and submits quarterly financial and non-financial statements to the County Treasury and Auditor-General within 15 days after the end of each quarter, in compliance with Regulation 207(1) of the PFM Regulations, 2015, failure to which the provisions of Section 199 of the PFM Act on penalties for offences shall apply; and
- ii. the Auditor-General confirms compliance in the subsequent audit cycle.

7. Audit of Performance Information Against Predetermined Objectives

Review of the County Referral Hospital records revealed that the Hospital did not submit a Strategic Plan, Annual Development Plan, and detailed Budget Estimates during the audit, contrary to ISSAI 2720 requirements.

Management Response

Management stated that the Hospital's Strategic Plan was aligned to the 2022–2027 Health Sector Strategic Plan available at the County office. Staff appraisal is based on six objectives: management of communicable diseases, elimination of non-communicable conditions, reduction of burden from violence and injuries, minimization of health risk factors, provision of essential medical services, and strengthening strategic partnerships. The Annual Development Plan was available at the County office and disseminated to Hospital management.

Committee Observation

The Committee observed that while strategic planning documents exist at the County level, the Hospital should maintain its own comprehensive performance management framework with hospital-specific targets aligned to the county health strategy.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Hospital develops and maintains its own Annual Work Plan with measurable hospital-level performance targets aligned to the County Health Sector Strategic Plan, and submits the same to the Auditor-General within 90 days of the adoption of this report; and
- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Failure to Develop Fraud Risk Management Policy

Baringo County Referral Hospital did not have in place a fraud and risk management policy, contrary to Regulation 165(1)(a)(b) of the Public Finance Management (National Government) Regulations, 2015.

Management Response

Management stated that the Fraud Risk Management Policy was available and has been disseminated to hospital management and staff at various forums, including the weekly CME held every Wednesday at 2:30 pm. A popular version copy of the Fraud Risk Management Policy has been provided as evidence.

Committee Observation

The Committee observed that the Fraud Risk Management Policy was not available during the audit period but has since been developed. The Committee welcomes this development and urges full implementation.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer formally adopts the Fraud Risk Management Policy through a Board resolution and implements its provisions across all hospital departments, submitting evidence to the Auditor-General within 60 days of the adoption of this report; and**
- ii. the Auditor-General confirms compliance in the subsequent audit cycle.**

2. Failure to Establish an Internal Audit Function and Audit Committee

Review of Hospital records revealed that Management had not established a formal internal audit function and audit committee, contrary to Regulation 167(1) and Regulation 153(1)(c) of the Public Finance Management (County Governments) Regulations, 2015.

Management Response

Management stated that the Hospital has an internal audit committee chaired by the Medical Superintendent with the Hospital Administrative Officer as secretary. Members include in-charges of nursing, laboratory, biomedical engineering, procurement, human resources, and pharmacy departments. Meetings are held quarterly. Internal audit reports and progress reports have been provided as evidence.

Committee Observation

The Committee observed that while the Hospital has constituted an internal committee to review audit findings, this arrangement — chaired by the Medical Superintendent — does not constitute an independent internal audit function as required by Regulation 167(1). Independence and objectivity are fundamental requirements of an internal audit function.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Hospital constitutes a formally independent internal audit function with qualified personnel, separate from the line management of the Hospital, in compliance with Regulation 167(1) and 153(1)(c) of the PFM (County Governments) Regulations, 2015, within 90 days of the adoption of this report; and
- ii. the Auditor-General confirms compliance in the subsequent audit cycle.

3. Weaknesses in Imprest Management

During the year under review, the Hospital did not maintain an imprest register in the prescribed format, contrary to Regulation 93(4)(c) of the Public Finance Management (National Governments) Regulations, 2015.

Management Response

Management acknowledged that during the time of audit, the hospital had not adopted the required IPSAS Imprest Register Template but was using a counter book to record imprest transactions, with all required particulars captured. The hospital has since adopted the required IPSAS imprest register and will declare it in the financial statements for FY 2025/2026.

Committee Observation

The Committee observed that the failure to use the prescribed imprest register format, while all transaction particulars were captured, is a compliance weakness that needs to be promptly corrected.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer fully adopts the IPSAS-prescribed imprest register with effect from FY 2025/2026 and submits evidence of compliance to the Auditor-General; and
- ii. the Auditor-General confirms compliance in the subsequent audit cycle.

3.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ELDAMA RAVINE HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Baringo County, Hon. Benjamin C. Cheboi EGH, EBS, appeared before the Committee on Tuesday, 20th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Eldama-Ravine Hospital for the Financial Year 2024/25. The following officers accompanied the Governor—

- | | |
|------------------------|--------------------------|
| 1. Dr. Solomon Sereman | - CECM-Health |
| 2. Ms. Nancy Chesire | - Chief Officer Health |
| 3. Dr Masai Shapaya | - Medical Superintendent |
| 4. Mr. Festus Koskei | -Accountant |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Eldama-Ravine Hospital for the Financial Year 2024/2025 on the following basis—

1. Inaccuracy of the Property, Plant and Equipment

The statement of financial position reflects balance of Kshs.286, 497,824 in respect of property, plant and equipment and as disclosed in Note 32 to the financial statement. However, review of Note 32 to the financial statements revealed that depreciation rates and depreciation charges were not included. Further, review of the statement of financial performance reflects nil amounts in respect of depreciation and amortization expense and as disclosed in Note 18 to the financial statements.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.286, 497,824 could not be confirmed.

Management Response

It's true the hospital did not depreciate its assets in the financial statements for the year ending 30th June 2025 since this was the first year the hospital recognized its assets in their books and will depreciate from this financial year. Also the county has formed asset management committee to advice on asset management matters.

Committee Observations

The Committee observed that;-

- i. the Hospital failed to charge depreciation on its assets for the financial year ending 30th June 2025, which is a direct violation of International Public Sector Accounting Standards (IPSAS).
- ii. The Committee noted that while Management attributed this to the "first year of recognition," the failure to account for wear and tear resulted in a

material overstatement of the Hospital's net asset value and an inaccurate representation of the hospital's financial position.

- iii. The Committee further observed that the reliance on a yet-to-be-operational County Asset Management Committee is an indication of delayed internal policy implementation regarding asset lifecycle management.

Committee Recommendations

The Committee recommends that—

- i. **The Governor ensures that the Hospital Management, in consultation with the County Asset Management Committee, immediately undertakes a valuation of all assets and applies the correct depreciation rates in accordance with IPSAS; and**
- ii. **The Accounting Officer must ensure that the PPE balance is accurately restated in the subsequent financial year to reflect the true book value.**

2. Non-Disclosure of Rendering Services-Medical Service Income

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects a nil balance for rendering of medical services. However, review of the statement of financial position revealed receivables from exchange transactions balance of Kshs.42,000,940 and as disclosed in Note 29 to the financial statements which contradict the nil amount of rendering of medical services income which Management did not explain.

In the circumstance, the accuracy and completeness of nil amount of rendering of medical services income could not be confirmed.

Management Response

The hospital Collects Revenue from offering services to patients and the mode of payment is either through cash payments or claims from sha. The receivables from exchange transaction reflected in the statement of financial performance amounting to 42,000,940.00 is from services rendered and claimed through the defunct NHIF and SHA but were not reimbursed by the end of financial year. This amounts when reimbursed forms part of the money the hospital receives as AIE.

Attached is the summary of the above amount. The revenue system used by the hospital generates cumulative figures from inpatient revenue making it difficult to allocate to specific streams.

Committee Observations

The Committee observed that;-

- i. There was a significant reporting anomaly where the Hospital reported "Nil" income for medical services despite holding receivables (debts owed to the hospital) amounting to Ksh. 42,000,940.

- ii. the Hospital's financial reporting framework fails to reconcile recognized revenue with outstanding claims from the Social Health Authority (SHA) and the defunct NHIF.
- iii. the lack of a clear breakdown of revenue streams (Cash vs. Insurance) undermines the transparency of the hospital's self-generated revenue.

Committee Recommendations:

The Committee recommends that;-

- i. **the Hospital automates its billing and revenue collection systems to ensure accurate tracking and reporting of different revenue streams.**
- ii. **The Governor should liaise with the Social Health Authority (SHA) to expedite the reimbursement of the outstanding Ksh. 42,000,940 to improve the hospital's liquidity.**
- iii. **the Governor should ensure that the Accounting Officer ensures timely submission of documents during the audit process, including evidence of resubmission and follow-up of rejected or partially approved SHA claims, in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) 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**

3. Inaccuracies in the Comparative Balance

The statement of financial position reflects opening balance of Kshs.6,072,359 in respect of inventories whereas the certified financial statements for 2023-2024 reflected nil balance. In the circumstance, the accuracy and completeness of opening balance for inventories could not be confirmed.

Management Response

The error has been noted and corrected.

Committee Observations

The Committee observed that;-

- i. the inconsistency between opening and closing balances indicates a weakness in the year-end financial reporting and reconciliation processes.
- ii. the Management's admission of the error highlights a lack of rigorous year-end reconciliation and a failure to ensure data integrity during the migration of financial figures between reporting periods.

Committee Recommendations

The Committee recommends that the

- i. the Governor ensures that the Accounting Officer strengthens internal controls over financial reporting to ensure that comparative figures are consistent with previously audited and certified statements.
- ii. The Accounting Officer should ensure that prior year adjustments are carried out in the hospital's financial statements of the subsequent year to correct the errors in order to reflect the true financial position.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Ksh. 93,632,895 and Ksh. 56,247,664 respectively resulting in under funding of Ksh. 37,385,231 or 40% of the budget. Similarly, the statement reflects Ksh. 53,672,350 against actual receipts of Ksh. 56,247,664 resulting in under absorption of Ksh. 2,575,314 or 5% of actual revenue.

The Underfunding and under absorption affected implementation of planned activities and may have impacted negatively on service delivery to the public.

Management Response

The hospital had a revenue budget of Ksh. 93,632.895 for the financial year however, Kshs. 56,247664 was realized at the end of financial year the deficit was as a result of unpaid SHA and NHIF claims. The under absorption of Ksh. 2,575,314 was caused by late disbursement of funds by the county treasury.

Committee Observations:

The Committee observed that ;-

- i. there was a significant revenue shortfall of Ksh. 37,385,231 (40%), which indicates that the hospital's budget was overly ambitious or that external factors (delayed insurance reimbursements) were not properly mitigated.
- ii. The Committee further noted that the under-absorption of Ksh. 2,575,314 was primarily due to the late disbursement of funds from the County Treasury, which hampers the hospital's ability to execute planned medical procurements.

Committee Recommendations:

The Committee observed that—

- i. Governor ensures that the County Treasury adheres to timely disbursement schedules to prevent under-absorption of funds.
- ii. Management should prepare more realistic revenue projections that account for potential delays in insurance reimbursements.
- iii. The Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and

the standards prescribed by the Public Sector Accounting Standards Board.

Other Matter

Unresolved Prior Year Matters

In the prior years’ 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. Review of the status during audit of the Hospital in 2024/2025 revealed that the following ten (10) issues remained unresolved:

No	F/Year	Issues
1	2023/2024	Variance in the Financial Statements
2	2023/2024	Inaccurate Cash and Cash Equivalents
3	2023/2024	Property, Plant and Equipment Balance
4	2023/2024	Trade and Other Payables Balances
5	2023/2024	Non-Compliance with Kenya Quality Model for Health Requirement
6	2023/2024	Irregular Engagement of Casual Workers
7	2023/2024	Unapproved Waivers of Patient Bills
8	2023/2024	Lack of Quarterly Revenue Reports
9	2023/2024	Lack of Board Work Plan, Charter and Calendar
10	2023/2024	Lack of Stores Records for Donated Drugs

Committee Observation

The Committee observed that the management of the hospital is progressively implementing the recommendations of the auditor general and the committee on the prior year issues.

Committee Recommendation

The Committee recommends that—

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and
- ii. the Governor ensures the accounting officer submits a detailed status report 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 THE USE OF PUBLIC RESOURCES

Basis for Conclusion

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

Inspection of services offered, equipment used and number of members of staff at the Hospital revealed non-compliance with requirement of Kenya Quality Model for Health (KQMH) for level 4 Hospitals as follows

1.1. Inadequate Staff Levels

Review of number of staff in the month of October, 2025 revealed that the Hospital had less staff against the minimum required number by Kenya Quality Model for Health policy guidelines (KQMH) for level 4 Hospitals as shown below;

	Level 4 standard	No. in Hospital
Medical officers	16	5
Anesthesiologists	2	0
General surgeons	2	1
Gynecologists	2	2
Pediatrics	2	1
Radiologists	2	4
Kenya Registered Community Health nurses	75	68

In the circumstances, the inadequate personnel may have impacted negatively on service delivery to the public.

Management Response

The hospital and the county government are working towards bridging these gaps where more medical specialists and nurses are to be recruited. Wage bill and budgetary constraints hinder employment of adequate healthcare workers. The county has linked specialists across the county thus the facility is able to access specialists not in the hospital but stationed in other facilities within the county.

Committee Observations:

The Committee observed that:-

- i. the Hospital had a critical shortage of medical specialists, with several key positions (e.g., Anesthesiologists, General surgeons) having no staff at all against the KQMH standard for a Level 4 Hospital.
- ii. the inadequate personnel, particularly in specialized areas, may have negatively impacted the quality and range of service delivery to the public.
- iii. the reliance on specialists stationed in other facilities is not a sustainable solution and compromises the hospital's ability to provide timely and continuous care.

Committee Recommendations

The Committee recommends that;-

- i. **Within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages.**
- ii. **The Governor ensures that the hospital develops and implements a comprehensive plan, with appropriate allocations, to fill the critical vacancies, prioritizing the recruitment of essential specialists.**
- iii. **The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.**

1.1 Inadequate Operational Equipment and Required Services

Review of number of services and equipment's in the month of April, 2024 revealed that the Hospital had less staff against the minimum required number by KQMH for level 4 Hospitals as shown below:

Services	Standard	Observation
Surgical,	Should be in place	In place
Pediatric	Should be in place	In place
Gynecological	Should be in place	In place
In-patients	Should be in place	In place 6 (Medical male and female, Surgical Male only, Maternity, and Pediatric) Bed capacity 44 total
Radiology	Should be in place	In place (Radiographer)
Renal dialysis,	Should be in place	Not in place
Tuberculosis management	Should be in place	In Place
Mortuary and autopsy services.	Should be in place	In place
Advanced life support	Should be in place	Not in place
Caesarean sections and surgical operations	Should be in place	In place
Land Size (Acres)	5 acres	27 acres
Beds	150	120
Resuscitaire (2 in labour ward and 2 in theatre)	3	3 (Maternity, theater and pediatric ward)
New Born Unit - Incubators and five (5) cots	5	<ul style="list-style-type: none"> • The New born unit is in place and operational since 2021 • 5 incubators and is being utilized)

Services	Standard	Observation
		<ul style="list-style-type: none"> • 5 baby cot and is being utilized
New Born Unit cots	5	Not in place
Functional intensive care unit – Beds	6	0
High dependency Unit - Beds	6	0
Renal unit with at least 5 dialysis machines	5	0
Two functional operating theatres Maternity and general	2	2 General and Maternity

In the circumstances, the inadequate services and equipment may have impacted negatively on service delivery to the public.

Management Response

The hospital meets most of the requirements of a level 4 according to the KQMH however there are some deficits. The county plans to operationalize a 4-bed renal unit in the hospital in the financial year 2025/26 as well as plans to improve critical care services as well as improve the neonatal services.

Committee Observations

The Committee observed that;-

- i. the Hospital lacked essential services and equipment for a Level 4 facility, including a functional Intensive Care Unit (ICU), High Dependency Unit (HDU), and Renal Dialysis services.
- ii. the absence of critical care units compromises the hospital's ability to manage emergency cases, leading to unnecessary referrals and potential loss of life.
- iii. the bed capacity of 120 was below the required standard of 150 beds for a Level 4 Hospital.

Committee Recommendations

The Committee recommends that;-

- i. **The Governor ensures that the hospital management, within ninety (90) days of the adoption of this report, develops and implements a comprehensive plan, with appropriate budgetary allocations, to acquire and operationalize the required facilities and equipment, especially the ICU, HDU, and Renal Unit.**

- ii. **the hospital management prioritize the expansion of bed capacity to meet the KQMH standard.**
- iii. **The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.**

3. Irregular Engagement of Casuals Workers

The statement of financial performance reflects employee costs amount of Kshs.11,487,770 as disclosed in Note 16 to the financial statements. The amount relates to payment of salaries for casual who were engaged by the Hospital who the management had engaged fifty-eight (58) casuals in the year under review.

However, the casual workers had been working for more than three (3) months with no contract of service contrary to Section 37 of the Employment Act, 2007 and County Public Service Human Resource Manual, May 2013 Section B. 16(1) which states that, where a casual employee performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

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

Management Response

In order to bridge the human resources gap, the hospital has engaged casual staffs. The hospital hires casuals on a three months basis upon successful interviews. The casual staffs are terminated after three months where applicants are requested to apply. Some of the casuals reapply and, in some instance, there is lack of competent applicants thus previously hired staff are reengaged especially in certain technical areas like hospital laundry, security and mortuary.

Committee Observations:

The Committee observed that;-

- i. the engagement of casual workers for more than three months with no contract of service, even with a break in between, is a direct contravention of Section 37 of the Employment Act, 2007, which deems such employment as monthly contracts.
- ii. the hospital's practice of re-engaging casuals in technical areas, while citing a lack of competent applicants, indicates a failure to conduct proper and competitive recruitment processes as required by law.

Committee Recommendations:

The Governor ensures that;

- i. **the Hospital Management strictly complies with Section 37 of the Employment Act, 2007, and the County Public Service Human**

Resource Manual by either terminating casuals after three months or converting them to term contracts.

- ii. **The Hospital Management conducts competitive and transparent recruitment to fill permanent and pensionable positions for technical areas to avoid the continuous, irregular re-engagement of casual staff.**

4. Failure to prepare and submit Quarterly Financial Reports

Review of the Hospital records reveals there was no evidence that the hospital prepared quarterly report and submitted the same to the county treasury receiver of revenue and a copy to the Auditor General contrary to Regulations 65.(1) of the Public Finance Management (County) Regulations, 2015 requiring that the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

Management Response

The hospital prepares its quarterly financial statement and they submit it to the office of the controller of budget, National Treasury, county assembly and commission on Revenue Allocation.

Committee Observations:

The Committee observed that there was no evidence provided to the Auditor-General that the quarterly reports were prepared and submitted to the required authorities, contrary to Regulations 65.(1) of the Public Finance Management (County) Regulations, 2015.

Committee Recommendation

The Committee recommends that—

- i. **The Governor ensures that the Accounting Officer complies with Regulation 65(1) of the Public Finance Management (County) Regulations, 2015, by preparing and submitting quarterly reports to the County Treasury and the Auditor-General within 15 days after the end of the quarter; and**
- ii. **The Accounting Officer should submit a status report on the submission of quarterly reports for the current financial year to the Senate and a copy to the Auditor-General within 60 days.**

Basis for Conclusion

Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.41,965,059 and as disclosed in Note 36 to the financial statements. However, review of the ageing analysis and list of all payables revealed that the Hospital had payable totaling to Kshs.19,620,378 which has been outstanding for more than three (3) years some dating back to 2018-2019. This is Contrary to Section 53 (8) of the Public Procurement and Disposal Act ,2015 and Regulation 42 (2) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was unable to meet obligations when they fall due.

Management response

It's true the hospital has long outstanding payables which have lasted for over three years. This has been caused by resource constraints and the nature of activities undertaken as a hospital. However the hospital is committed to paying its outstanding liabilities and ensuring its current suppliers are also paid to ensure continuity of services.

Committee Observations:

The Committee observed that;-

- i. the Hospital had trade and other payables totaling Ksh. 19,620,378 that had been outstanding for more than three years, with some dating back to 2018-2019.
- ii. that failure to settle debts when they fall due is contrary to Section 53 (8) of the Public Procurement and Disposal Act, 2015, and Regulation 42 (2) of the Public Finance Management (County Governments) Regulations, 2015.
- iii. the accumulation of long-outstanding payables undermines supplier confidence and risks legal litigations that could further strain the Hospital's finances.

Committee Recommendations

The Committee recommends that—

- i. The Governor ensures the hospital makes budgetary provision to clear the outstanding payables and provides a status update to the Senate within 60 days of the adoption of this report.
- ii. Within sixty (60) days, the Accounting Officer engages the relevant creditors to formulate a structured repayment plan for the long-outstanding payables and files a report on the same with the Auditor-General for verification; and
- iii. The Governor ensures that the County Executive Committee Member in charge of health continuously monitors the financial

performance of the hospital and reports on the same to the County Executive Committee.

3.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR CHEMOLINGOT HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Baringo County, Hon. Benjamin C. Cheboi EGH, EBS, appeared before the Committee on Tuesday, 26th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Chemolingot Hospital for the Financial Year 2024/25. The following officers accompanied the Governor—

- | | |
|------------------------|---------------------------------|
| 1. Dr. Solomon Sereman | - CECM-Health |
| 2. Ms. Nancy Chesire | - Chief Officer Health |
| 3. Mr. Masai Shapa | - Medical Superintendent |
| 4. Mr. Joel Chongwo | - Health Administrative Officer |
| 5. Mr. David Chesang | - Accountant |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of Chemolingot Hospital for the Financial Year 2024/2025 on the following basis—

6. Inaccuracies in Financial Statement

The statement of financial position reflects property, plant and equipment balance of Kshs.78,655,956 and a comparative amount of Kshs.75,015,956. However, the corresponding Note 32 to the financial statements revealed a re-computed balance of Kshs.78,751,956 and a comparative amount of Kshs.78,635,956 resulting to an unexplained and unreconciled variance of Kshs.96,000 and Kshs.3,620,000 respectively.

Further, Note 32 to the financial statements reflects land with an opening balance of Ksh. 3,500,000. However, the previous year's audited financial statements reflected a Nil balance resulting in an unexplained variance of Ksh. 3,500,000. —

In addition, the Note 32 reflects a balance of Ksh. 482,000 in respect of ICT equipment which is at variance with the assets register balance of Ksh. 380,000 resulting to an unexplained and unreconciled variance of Ksh. 102,000. Note 32 to the financial statements revealed that no depreciation was charged on the property, plant and equipment reported since the financial year 2022/2023 and Management has not developed depreciation policy.

Note 43 to the financial statements reflects net cash flows from operating activities amount of Kshs.1,853,268. However, Management has not indicated how the amount was computed and the effects of the increase in receivables and inventories on the cash flows of the Hospital.

Review of Note 44 to the financial statements in respect of credit risk and foreign currency financial risk management reflects a comparative balance of Kshs.8,117,059 which includes an amount of Kshs.932,303 in respect of bank balances. However, the previous year's audited financial statements reflects balance of Kshs.1,399,863 resulting to an unreconciled variance of Kshs.467,560.

Note 44 to the financial statements reflects foreign currency risk tables which indicate an unsupported net foreign currency asset and liabilities of Kshs.89,618,746 and Kshs.93,348,65 respectively.

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

Management Responses

The variance of Kshs.3,620,000 was due to balance of Kshs.3,500,000 in respect of land value that was not disclosed in the previous year 2023/2024 audited financial statements and borehole equipment purchase of new control panel and power control panel for the hospital borehole from DAABI building & construction on 9/7/2024 at the cost of Ksh.140,000, hence solving the balance of Kshs.3,640,000 and not Kshs.3,620,000 as reported by the Auditor.

The variance in the assets register ICT Equipment balance of Ksh. 380,000 differs with the financial statement balance of Ksh. 482,000 resulting to variance of Ksh 102,000 was due to alignment of assets as per the category to ease in future depreciation once a valuer is engaged.

The hospital will incorporate the best estimate of the Asset and depreciation policy on this FY 2025-2026. Note 43 on the financial statement is that the breakdown of Net cashflow from the operating activity will be incorporated in the subsequent financial statement.

Committee Observations:

The Committee observed that ;-

- i. the financial statements contained multiple, significant, and unreconciled variances across various notes and comparative figures, indicating a systemic weakness in financial reporting.
- ii. the lack of a depreciation policy since the financial year 2022/2023 is a material departure from the accrual basis of accounting required by IPSAS and leads to an overstatement of asset values.
- iii. the management's response on some variances (e.g., ICT equipment) was insufficient, as it referred to "alignment of assets" without providing a clear reconciliation.

Committee Recommendations:

The Committee recommends that;-

- i. The Governor ensures that the Accounting Officer prepares and submits restated financial statements for the current and prior periods, clearly reconciling all identified variances and ensuring consistency between notes, schedules, and the main statements.
- ii. The Governor ensures that Accounting Officer immediately develops and implement a comprehensive depreciation policy for all property, plant, and equipment, and ensure it is applied from the next financial year.
- iii. The Governor ensures that the Accounting Officer take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A.

7. Unsupported Revenue from Non-Exchange Transactions Amount

The statement of financial performance reflects revenue from non-exchange transactions totalling Kshs.12,089,119. However, the detailed supporting schedules in respect of the four (4) revenue streams were not provided for audit review. Further, the transfers from the County Government and transfers from other Government entities amounts of Kshs.227,210 and Kshs.1,516,422 respectively could not be traced in the cashbook and the bank statements.

In the circumstances, the accuracy and completeness of the revenue from non-exchange transactions totalling Kshs.12,089,119 could not be confirmed.

Management Response

Difference of Ksh 1,516,421.85 was the SHA not transferred from the operation account to revenue account as at 30th June 2025.

Committee Observations

The Committee observed that;-

The Committee observed that

- i. the management failed to provide detailed supporting schedules for the four (4) revenue streams, making it impossible to verify the accuracy and completeness of the total revenue of Kshs.12,089,119.
- ii. The Committee noted that the treatment of SHA funds as not transferred to the revenue account raises questions about the integrity of the hospital's revenue recognition process and cash management.

Committee Recommendations:

The Governor ensures that the Accounting Officer puts in place robust mechanisms for recording and reporting all revenue streams, ensuring that all

funds received are accurately reflected in the financial statements in the correct period.

8. Unsupported Revenue from Exchange Transactions Amount

The statement of financial performance reflects revenue from exchange transactions totalling Kshs.8,772,661 as disclosed in Notes 11 and 14 to the financial statements. However, the supporting schedule in respect of the revenue streams were not provided for audit review.

In the circumstances, the accuracy and completeness of the revenue from exchange transaction totalling to Ksh 8,772,661 could not be confirmed.

Management Response

The Ksh. 8,772,661 were from revenue received of Ksh 8,748,561 and cheque of Ksh 24,100 from KMTC for sale of water.

Committee Observations

The Committee observed that;-

- i. the management failed to provide a supporting schedule for the revenue streams totalling Ksh. 8,772,661, which is a critical failure in financial documentation and accountability,
- ii. without such schedules, the accuracy and completeness of revenue from exchange transactions cannot be confirmed, exposing public resources to potential misappropriation.

Committee Recommendations

The Committee recommends that;-

- i. **The Governor ensures that the Accounting Officer maintains and makes available for audit a detailed schedule of all revenue streams, categorizing them by type (e.g., medical services, water sales) and mode of payment.**
- ii. **The Governor should take appropriate administrative action on the responsible officers within the Accounts and Finance department who fail to keep and submit complete financial records.**

5. Unsupported Repair and Maintenance

The statement of financial performance reflects repair and maintenance expenditure of Kshs.790,840 and as disclosed in Note 19 to the financial statements. However, the expenditure was not supported with documents including defects reports, pre-inspection reports.

Management Response

Fuel and Lubricants expenditure totaling Kshs.443,590 was supported.

Committee Observations:

The Committee observed that;-

- i. the management only provided support for fuel and lubricants, leaving the rest of the Ksh. 790,840 in repair and maintenance expenditure unsupported by crucial documents like defects reports, pre-inspection, and post-inspection reports.
- ii. the failure to provide supporting documentation for a significant portion of the expenditure raises concerns about the propriety and value-for-money of the incurred costs.

Committee Recommendations:

The Committee recommends that;-

- i. **The Governor ensures that the Accounting Officer puts in place a system to ensure all payments for repairs and maintenance are supported by complete documentation, including job cards, pre-inspection reports, and completion certificates, as required by the Public Finance Management Regulations.**
- ii. **The Accounting Officer must ensure timely submission of documents during the audit process.**

6. Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.2,791,421 which includes balances of Kshs.1,491,358 and Kshs.1,300,063 in respect of two (2) local bank accounts, as disclosed in Note 27 to the financial statements. However, supporting documents including the cash books, and bank reconciliation statements for the accounts were not provided for audit verification.

Further, review of the financial records revealed that there was an M-Pesa account balance of Kshs.16,900 was not disclosed in the financial statements. Further, the M-Pesa statement was not provided for audit verification.

In the circumstances, the accuracy and completeness

Management Responses

During the closure of the financial year 2024-25 there were cheques paid to Boresha sacco for casuals June 2025 that was never deducted from the bank statement but in cash book it was hence difference of Ksh 255,565 resulting to a balance of Ksh 1,491,358.15 and not Ksh 1,746,923.15 as per certificate of balance.

The Bank Reconciliation statements and Cash Books for the two (2) KCB account numbers 1149247665 and 1149508108 in respect balances of Kshs.1,491,358 and kshs.1,300,063 totaling Kshs.2,791,421 was provided.

The balance of Ksh. 16,900 was provided.

Committee Observations:

The Committee observed that;-

- i. the initial failure to provide cash books, bank reconciliation statements, and M-Pesa statements for audit verification is a serious breach of Section 62 of the Public Audit Act, Cap. 412B.
- ii. the management's response regarding the difference of Ksh. 255,565 relating to cheques paid to a Sacco indicates a weakness in the reconciliation process and may point to attempts to falsify records.

Committee Recommendations:

The Committee recommends that;-

- i. **The Accounting Officer should ensure that all bank accounts, including mobile money accounts, are fully disclosed and that bank reconciliation statements are prepared and submitted to the Auditor-General on a monthly basis, in accordance with the PFM Regulations.**
- ii. **The Governor should ensure that the Accounting Officer commits to timely submission of documents during the audit process, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act.**

7. Unsupported Receivables from Exchange Transactions Balance

The statement of financial position reflects receivables from exchange transactions balance of Kshs.10,311,265 as disclosed in Note 29 to the financial statements. However, supporting schedules of the receivables due from Social Health Authority (SHA) and National Health Insurance Fund (NHIF) balance of Kshs.3,506,199 and Kshs.6,615,816 respectively were not provided for review. Further, confirmation statements from Social Health Authority (SHA) of the stated balances were not provided for audit.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.10,311,265 could not be confirmed.

Management Response

The Kshs.10,311,265 can be confirmed from supporting schedules.

Committee Observations:

The Committee observed that;-

- i. despite the management's claim, the supporting schedules for the receivables from SHA and NHIF were not provided at the time of audit, nor were confirmation statements from the Social Health Authority availed.

- ii. the inability to confirm a significant receivable balance of Ksh. 10,311,265 casts doubt on its recoverability and exposes the hospital to potential financial loss.

Committee Recommendations

The Committee recommended that;-

- i. **The Governor ensures that the Accounting Officer, within 60 days of the adoption of this report, undertakes debtor's circularization to confirm the authenticity of the receivables and provides a status update on the same to the Senate.**
- ii. **The Governor should liaise with the Social Health Authority (SHA) to expedite the reimbursement of the outstanding claims and provide a structured repayment plan.**
- iii. **The Accounting Officer should, within 60 days, put in place recovery measures for the outstanding amount with clear timelines.**

Emphasis of Matter

1. Lack of an Approved Budget

The statement of comparison of budget and actual amounts reflects total receipts and expenditure budget of Kshs.20,861,780 and Kshs.19,008,512 respectively. However, Management did not prepare and submit an approved budget for audit review.

This was contrary to Regulation 29(1) of the Public Finance Management (County Governments) Act, 2015 which states that the Accounting Officer shall ensure that the draft estimates relating to her or his department are prepared in conformity with the Constitution, the Act and the Regulations.

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

Management Response

— The hospital operates based on SHA reimbursements and local revenue collected which is requested at the end of the quarter as Authority to incur Expenditure from the chief officer health services upon consideration by Board of management for spending after its being agreed upon by Hospital Management team.

The management has put measures to ensure proper budgetary Planning and budgetary controls in place to avoid unnecessary spending in the future. The hospital has operated within the approved budget and the authority to incur expenditure has always been signed by the chief officer of health.

2. Imbalanced Budget

The statement of comparison of budget and actual amounts for the year under review reflects total receipts budget of Kshs.20,861,780 and total expenditure budget of Kshs.19,008,512 resulting to an unexplained variance of Kshs.1,853,268. The budget imbalance is contrary to the provisions of Regulation 31(c) of the Public Finance Management (County Governments) Regulations 2015 which states that budget revenue and expenditure appropriation shall be balanced.

In the circumstances, the Management was in breach of the law. My opinion is not modified in respect of these matters.

Management Response

The hospital operates based on SHIF and local revenue collected which is requested at the end of the quarter as Authority to incur Expenditure which is then approved by Board of management for spending after its being agreed upon by Hospital Management team.

The management has put measures to ensure proper budgetary Planning and budgetary controls in place to avoid unnecessary spending in the future. The hospital has operated within the approved budget and the authority to incur expenditure has always been signed by the chief officer of health.

Other Matter

Unresolved Prior Year Matters

In the prior years' 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. Review of the status during the audit of the Hospital for the financial year 2024/2025 revealed that the following nine (9) issues remained unresolved.

No.	Financial Year	Audit Issue
1	2023/2024	Variance in the Cash and Cash Equivalents Balance
2	2023/2024	Variance in Receivables from Exchange Transactions Balance
3	2023/2024	Unsupported Suspense Account Balance
4	2023/2024	Inaccuracy in the Statement of Comparison of Budget and Actual Amounts
5	2023/2024	Unresolved Prior Year Matters
6	2023/2024	Implementation of Recommendations by Legislative Committees and Auditor-General
7	2023/2024	Deficiencies in Implementation of Universal Health Care
8	2023/2024	Irregular Engagement of Casual Employees
9	2023/2024	Stock-Outs of Essential Medical Supplies

Management Response

The respective management comments are as tabulated in an attached table on the resolution status report.

The Committee recommends that—

- i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
- ii. **the Governor ensures the accounting officer submits a detailed status report 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 THE USE OF PUBLIC RESOURCES

1. Deficiencies in the implementation of Universal Health Care

Review of Hospital records and interviews with the medical superintendent revealed that the facility has staffing deficiencies with only 14 staff or 13% against the required 105 staff as detailed below:

Staff Requirements	Level 4 standard	Number in Hospital	Variance	Percentage (%)
Medical officers	16	1	15	94
Clinical officer Anaesthetist	6	1	5	83
General surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiographer	2	1	1	50
Kenya Registered Community Health Nurses	75	11	64	85
Total	105	14	91	87

The facility also lacks a Renal unit and has no functional Intensive Care Unit (ICU) and High Dependency Unit (HDU) beds.

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

In the circumstances, Management was in breach of the law and the understaffing and inadequate Hospital equipment may have negatively impacted on service delivery to the public.

Management response

It is true there was severe shortage of human resource which cuts across all cadres in the hospital. We have been working closely with the county management team so that they can consider employing more staff for effective services to be rendered and achieve the required health care standards requirements.

This will help the hospital comply with requirements in universal health coverage. The hospital in liaison with county health department and Partners are committed to bridge staffing and equipment gaps. The department of health has raised another intel requesting for employment of more health staff to address required human resource gaps.

Committee Observations

The Committee observed that the hospital had shortages in staffing, machinery and equipment deficiencies and gaps that needs to be bridged and addressed in order to comply with the requirements of the Universal Health Coverage model policy.

Committee Recommendations

The Committee recommends that—

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

2. Irregular Use of Direct Procurement Method

The statement of financial performance reflects medical/clinical costs and general expenses of amounts of Kshs.12,321,797 and Kshs.3,117,725 respectively. The balances further include amounts of Kshs.627,470, Kshs.1,023,390 and Kshs.303,020 in respect of printing and stationery, dressing and non-pharmaceuticals and food rations respectively as disclosed in Note 21 and Note 15 to the financial statements.

However, review of records revealed that Management used direct method of procurement which was not supported with documents justifying use of the method. This was contrary to Section 103 of the Public Procurement and Assets Disposal Act, 2015 which provides the circumstances under which the direct procurement method may be used.

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

Management response

The management resulted in using the Annual suppliers awarded by Chief officer of Health to procure laboratory reagents, medical drugs and non-pharmaceuticals.

For the case of food & ratio supply a prequalified supplier awarded by county was used.

Committee Observations

The Committee observed that the management failed to submit documentary evidence to justify the use of direct procurement method.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47 of the Public Audit Act as read together with section 149(2)(k) of the Public Finance Management Act failure to which the Committee shall recommend for their investigation and prosecution in accordance.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1. Lack of a Board Work Plan and Composition of the Board

The statement of financial performance reflects Board of Management of an amount of Kshs.240,000 as disclosed in Note 17 to the financial statements. However, review the Board documents revealed that, it operated without an approved annual Board calendar and an annual Board work plan. This is contrary to Chapter 1 (1.9) of the Mwongozo Code of Governance for State Corporations, which requires Board members to develop an annual work plan to guide their activities. Further, the Board operated with eleven (11) members, which was contrary to the Facilities Improvement Fund, 2023 which states that the Health Facility Management Committee shall consist of not less than

seven and not more than nine members appointed by the county executive committee member.

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

Management response

Chemolingot hospital board membership is 9 but during the financial year there was a transition on board secretary. Dr. Elizabeth Chebet was leaving for further studies while Dr. Bronson Maklap was incoming Board secretary .Both attended the first meeting of 13th September,2024.on 04/04/2025 during third quarter board meeting on agenda on casuals' engagement, Two hospital staff were invited for the specific purpose and left thereafter.

The annual work plan and Calander is as attached.

Committee Observations

The Committee observed that the annual work plan of the board was provided for verification.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

1. Lack of an Updated Fixed Assets Register

Appendix VII to the financial statements respects the Hospital fixed assets register with assets totalling Kshs.78,655,956. However, review of the assets register revealed that it did not include information in respect to the serial number, current location of the assets, department assigned and the depreciation method used and amount. This is contrary to Regulations 136 (1) of the Public Finance Management (County Regulations), 2015 which provides that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstances, the effectiveness of internal controls in relation to assets management could not be confirmed.

Management Response

The asset register was provided to confirm the same.

Committee Observations

The Committee observed that the updated asset register was provided for the Committee verification.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47 of the Public Audit Act as read together with section 149(2)(k) of the Public Finance Management Act failure to which the Committee shall recommend for their investigation and prosecution in accordance.

CHAPTER FOUR: FUNDS

4.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR FUNDS IN BARINGO COUNTY FOR THE FINANCIAL YEAR 2024/2025

REPORT ON THE FINANCIAL STATEMENTS

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 Baringo 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. Baringo County Executive Car Loan Scheme Fund
2. Baringo County Executive Mortgage Scheme Fund
3. Baringo County Emergency Fund
4. Baringo Cooperative Development Fund
5. Baringo County Bursary and Scholarship Fund
6. Baringo County Climate Change Fund
7. Baringo County Micro and Small Enterprises Fund
8. Baringo County Community Conservation Fund

Committee Observations

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

Committee Recommendations

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

ANNEXTURES

Minutes of the Committee



13TH PARLIAMENT 5TH SESSION

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

PRESENT

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

ABSENT WITH APOLOGY

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

SECRETARIAT

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

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

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

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

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

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

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

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

1. Kajido County

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

2. Kiambu County

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

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

3. Homabay

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

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

4. Migori

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

5. Kisii

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

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

6. Machakos

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

7. Baringo

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

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

8. Isiolo

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

9. Busia

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

10. Kakamega

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

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

11. Bungoma

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

12. Kitui

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

13. Siaya

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

14. Laikipia

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

15. Turkana

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

16. Narok

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

17. Uasin Giishu

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

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

18. Nairobi

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

19. Meru

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

20. Trans-Nzoia

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

21. Nakuru

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

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

22. Kilifi

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

23. Kericho

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

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

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

Committee resolution

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

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

There was no any other business.

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

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

SIGNED: DATE:31.03.2026.....

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