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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 ELGEYO MARAKWET COUNTY WATER COMPANIES, MUNICIPLATY AND HOSPITALS FOR THE FINANCIAL YEAR 2024/2025 (1<sup>st</sup> JULY, 2024 TO 30<sup>th</sup> JUNE, 2025):

SECTOR	NO.	ENTITY
WATER COMPANIES	2	ITEN TAMBACH WATER AND SEWARAGE COMPANY LIMITED.
		CHERANG'ANY MARAKWET WATER AND SANITATION COMPANY LIMITED
MUNICIPALITY	1	ITEN TAMBACH UNICIPALITY
HOSPITALS	2	ITEN COUNTY REFERAL HOSPITAL
		TAMBACH SUB-COUNTY HOSPITAL
FUNDS	5	ELGEYO MARAKWET COUNTY ASSEMBLY CATERING SERVICES REVOLVING FUND
		ELGEYO MARAKWET ALCOHOLIC DRINKS AND CONTROL FUND-EXECUTIVE
		ELGEYO MARAKWET CAR AND MORTGAGE REVOLVING FUND-EXECUTIVE
		ELGEYO MARAKWET COUNTY CLIMATE CHANGE FUND
		ELGEYO MARAKWET EDUCATION FUND-EXECUTIVE.

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

*[Handwritten signature]*  
 30/03/26

APPROVED  
 RT. HON. SEN.  
 MASON J. KINGI

MARCH, 2026



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## ACRONYMS/ABBREVIATION

CEC	County Executive Committee
CECM	County Executive Committee Member
COB	Controller of Budget
CUIDS	County Urban Support Program
IUDP	Integrated Urban Development Plan
EACC	Ethics and Anti-Corruption Commission
FIF	Facilities Improvement Financing Act
GAAP	Generally Accepted Accounting Principles
HDU	High Dependency Unit
ICU	Intensive Care Unit
IFMIS	Integrated Financial Management Information System
FEFO	First Expiry First Out
CHEMAWASCO	Cheran'gany Marakwet Water and Sanitation Company Limited
NRVWDA	North Rift Valley Works Development Agency
KEMSA	Kenya Medical Supplies Authority
LVNWWDA	Lake Victoria North Water Works Development Agency
SHA	Social Health Authority
NRW	Non-Revenue Water
NSSF	National Social Security Fund
OAG	Office of the Auditor-General
PAA	Public Audit Act
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
RWWDA	Iten Tambach Water and Sewerage Company Limited
UHC	Universal Health Coverage

## DEFINITION OF TERMS

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

## **PREFACE**

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 financial statements of Elgeyo Marakwet County water companies, Municipality and Hospitals for the Financial Year 2024/2025. The entities covered are: Two water companies (Iten Tambach Water and Sewerage Company Limited and Cherang'any Marakwet Water and Sanitation Company Limited); One municipality (Iten Tambach Municipality) and Two Hospitals (Iten County Referral Hospital and Tambach Sub County Hospital).

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

## COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators -

1. Sen. Godfrey Atieno Osotsi, CBS, MP. - **Chairperson**
2. Sen. Eddy Gicheru Oketch, MP - **Vice-Chairperson**
3. Sen. Agnes Kavindu Muthama, MP - Member
4. Sen. William Kipkemoi Kisang, CBS, MP - Member
5. Sen. 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. Josphat 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 19<sup>th</sup> October, 2022, pursuant to Standing Order No. 194 of the Senate Standing Orders. The County Public Investments and Special Funds Committee (CPISFC) was split from the broad County Public Accounts and Investments Committee (CPAIC) in the 12<sup>th</sup> Parliament for the purpose of clearing audit backlog and to consider many audit thematic areas which had not been subjected to Parliamentary scrutiny since the inception of devolution in the year 2013.

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

## **EXECUTIVE SUMMARY**

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited Accounts of the water companies, municipality and hospitals for the Financial year 2024/2025 (1<sup>st</sup> July, 2024 to 30<sup>th</sup> June, 2025) as the primary documents for the investigations. The Committee invited the Governor as the Chief Executive Officer of County Government pursuant to Article 179(4) as witnesses to respond to the audit queries raised in the reports under considerations.

The Committee received both written and oral evidences from the Governor in response to the various audit queries raised by the Auditor-General in the reports under consideration on various dates. The Committee considered and concluded its inquiry onto the reports of the Auditor-General on the Financial Operations of the Water companies, Municipality Hospitals and Funds for the Financial Year 2024/2025.

This report presents the findings and recommendations of the Select Committee on County Public Investments and Special Funds following its consideration of the Auditor-General's reports on Five entities in Elgeyo Marakwet County for the Financial Year 2024/2025. The entities covered are: Two water companies (Iten Tambach Water and Sewerage Company Limited and Cherang'any Marakwet Water and Sanitation Company Limited); One municipality (Iten Tambach Municipality) and Two Hospitals (Iten County Referral Hospital and Tambach Sub County Hospital).

The audit reveals systemic weaknesses in financial management, governance, and service delivery across Elgeyo Marakwet County's water companies, municipality and hospitals. Key issues include massive liabilities and Non-Revenue Water at the water company, a lack of operational autonomy in municipality, and critical staffing and equipment shortages in hospitals contrary to health standards.

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

## **REPORT STRUCTURE**

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

**CHAPTER ONE** is a record of the audit queries raised in the report of the Auditor-General for Iten Tambach water and Sewerage Company Limited and Cherang'any Marakwet Water and Sanitation Company Limited for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

**CHAPTER TWO** is a record of the audit queries raised in the report of the Auditor-General for Iten Tambach Municipality for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

**CHAPTER THREE** is a record of the audit queries raised in the report of the Auditor-General for Iten County Referral Hospital and Tambach Sub-County Hospital for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

**CHAPTER FOUR** is a record of Funds audited by the Auditor-General but the reports were not considered by the Committee during its meetings with the County Executive of Elgeyo Marakwet.

## GENERAL OBSERVATIONS FOR THE WATER COMPANIES

1. **Non-Revenue Water (NRW)** — The Committee observed that both water companies recorded unacceptably high levels of Non-Revenue Water exceeding the WASREB benchmark of 25%. Across both companies, the losses were attributed to illegal connections, non-functioning meters, meter vandalism, and physical losses from dilapidated infrastructure. Further, neither company had adequate metering infrastructure, with one operating entirely without master meters at intake points or consumer meters, making it impossible to quantify water produced, sold, or lost. The high NRW levels negatively impacted both companies' profitability and sustainability of operations, contrary to WASREB Standards for Non-Revenue Water Management Guidelines, 2014.
2. **Weak Financial Management and Bookkeeping** — The Committee observed significant weaknesses in financial management across both companies. Both companies recorded long outstanding trade payables that had accumulated over several years without settlement, and carried fully depreciated assets that continued to be used without revaluation or disposal. Neither company maintained adequate and verifiable books of account, with one relying entirely on unverifiable Excel worksheets without billing rates, individual transaction details, or audit trails, and both operating billing systems that did not conform to industry best practice, making it impossible to confirm the accuracy of reported revenues in both entities.
3. **Ethnicity, Gender, and Acting Appointments** — The Committee observed that both companies had all or majority of their staff drawn from a single ethnic community, in breach of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008. Further, both companies failed to observe the two-thirds gender rule in their Board and staff composition, contrary to Article 27(8) of the Constitution of Kenya, 2010. In addition, both companies had senior officers serving in acting positions beyond the statutory six-month period without substantive recruitment being undertaken, contrary to Section 34(5)(b) of the Public Service Commission Act, 2017, undermining institutional stability and effective governance.
4. **Absence of Institutional Policies, Internal Audit, and Climate Change Compliance**- The Committee observed that neither company had developed and operationalized critical institutional policies including a Risk Management Framework, Strategic Plan, Finance Policy, Procurement Policy, and Human Resources Policy, contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015. Both companies lacked a functional internal audit function contrary to Regulation 153 of the same Regulations. Further,

neither company had integrated climate change components into their strategic plans, developed a Climate Change Action Plan, or submitted annual climate change performance reports to the Climate Change Council, contrary to Section 15(5)(f) of the Climate Change Act, 2016

## GENERAL RECOMMENDATIONS FOR THE WATER COMPANIES

1. **Reduction of Non-Revenue Water** — The Governor should ensure that the Boards and Accounting Officers of both water companies implement comprehensive NRW reduction strategies addressing both physical and commercial losses. Master meters must be installed at all intake points and consumer meters provided to all customers across both companies. Smart metering, GIS technology for real-time leak detection, and strict enforcement of anti-illegal-connection policies must be adopted by both entities. Both companies should regularly report the proportion of physical and commercial NRW losses in their financial statements and engage the Ethics and Anti-Corruption Commission (EACC) to develop institutional corruption prevention policies to address illegal connections and unauthorized consumption.
2. **Financial Management and Transition to Automated Systems** — The Governor should ensure that both companies develop and implement verifiable roadmaps with clear timelines for transitioning to fully automated accounting and billing systems. The companies must adopt volume-based billing as industry best practice in compliance with Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015. Outstanding trade payables in both entities must be settled as a first charge on the budget, and budgetary provisions must be made for the revaluation of all fully depreciated assets still in use across both companies, in compliance with IPSAS 45 and National Treasury Circular No. 20 of 2020.
3. **Ethnicity, Gender, and Acting Appointments** — The Governor should ensure both companies progressively address ethnic and gender imbalances in staffing and Board composition by filling vacant positions in a manner that promotes diversity and inclusivity, in compliance with Article 27(8) of the Constitution and Section 7(1) and (2) of the National Cohesion and Integration Act, 2008. Acting appointments that have exceeded the statutory six-month period in both companies must be regularized through substantive recruitment without further delay, in compliance with Section 34(5)(b) of the Public Service Commission Act, 2017.
4. **Institutional Policies, Internal Audit, and Climate Change Compliance** — The Governor should ensure that both companies develop, obtain Board approval for, and operationalize all critical institutional policies within 60 days of the adoption of

this report, in compliance with Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015. A functional internal audit unit to be established in both companies in compliance with Regulation 153 of the same Regulations. The companies must further integrate climate change obligations into their strategic plans, develop Climate Change Action Plans with budgetary provisions, and submit annual performance reports to the Climate Change Council as required under Section 15(5)(f) of the Climate Change Act, 2016.

## GENERAL OBSERVATIONS FOR THE MUNICIPALITY

1. **Lack of Operational and Financial Autonomy** — The Committee observed the Municipality, despite being granted a Municipal Charter in 2018, continued to lack operational and financial independence several years later. The Municipality's budget was prepared by the County Executive, expenditure was controlled by the County Treasury, cash and cash equivalents were held in accounts in the name of the County Executive rather than the Municipality, and no independent operational or retention bank accounts had been opened as at the time of the hearing.
2. **Weak Financial Reporting, Governance, and Understaffing** — The Committee observed that the Municipality's financial statements contained multiple material inaccuracies including undisclosed staff costs, Board remuneration, and misstatement of assets, contrary to IPSAS 1, Paragraph 25. The Municipality was critically understaffed, lacked an Institutional Risk Management Policy Framework contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, had no occupational safety and health policy contrary to Section 6(3) of the Occupational Safety and Health Act, 2007.

## GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY

1. **Operational Autonomy and Adequate Funding** - The Governor ensures that the operation of municipalities is undertaken according to the functions delegated as gazetted by the County Government. Further, the Governor should ensure that municipalities are adequately funded in accordance with section 172 of the Public Finance Management Act, 2012, to enhance their operational independence and enable effective service delivery. The Governor should further ensure that all municipalities in the county are operationalized to undertake their delegated functions in line with law by the commencement of the Financial Year 2026/2027.
2. **Financial Reporting, Governance, and Staffing** — The Governor should ensure the Accounting Officer prepares accurate and complete financial statements in full compliance with IPSAS, with all staff costs, Board remuneration, and assets fully recognized and disclosed. The Municipality should progressively fill vacant positions, develop and implement a Risk Management Policy Framework, and register with the Director of Occupational Safety and Health Services within 60 days of the adoption of this report.

## GENERAL OBSERVATIONS FOR HOSPITALS

1. **Failure to Meet Universal Health Coverage Standards** —the Committee observed that the hospitals failed to meet the minimum staffing and equipment requirements prescribed by the Kenya Quality Model for Health Policy Guidelines and the Health Act, 2017. Critical cadres including anesthesiologists, radiologists, and pediatricians were either absent or grossly understaffed, and all hospitals lacked functional ICU beds, HDU units, newborn unit incubators and cots, and renal dialysis machines. These deficiencies directly compromise the right to health under Article 43(1) of the Constitution of Kenya, 2010.
2. **Weak Asset Management** — The Committee observed that both hospitals lacked comprehensive fixed asset registers with critical details including historical cost, asset identification numbers, serial numbers, acquisition dates, and location of assets. Further, neither hospital had conducted a professional valuation of its assets, making it impossible to confirm the accuracy and completeness of the property, plant and equipment balances disclosed in the financial statements, contrary to IPSAS 45 and the requirements of the Public Sector Accounting Standards Board.
3. **Weakness in Issuance, Usage and Storage of Medical Supplies** — The Committee observed that both hospitals had weaknesses in the management of pharmaceuticals and non-pharmaceutical commodities. Undetermined quantities of drugs had expired, stock cards did not indicate batch numbers and expiry dates, and neither hospital had a formally approved Inventory Management Policy, making it difficult to confirm whether drugs were being issued on a First Expiry First Out basis, contrary to Section 162(3) of the Public Procurement and Asset Disposal Act, 2015.

## GENERAL RECOMMENDATION FOR HOSPITALS

1. **Health Infrastructure and Staffing Plan** - The Governor should develop and fund a comprehensive multi-year Health Infrastructure and Staffing Plan with clear milestones, timelines, and budgetary allocations to bring both hospitals into full compliance with the Kenya Quality Model for Health Policy Guidelines and the Health Act, 2017. Within 90 days of the adoption of this report, the Governor should submit to the Senate a detailed action plan addressing both short-term and long-term staffing solutions including locum deployment, specialist training, and substantive recruitment,

alongside a comprehensive equipment and infrastructure acquisition plan for both facilities.

2. **Asset Management** — The Governor should ensure both hospitals conduct professional valuations of all assets through Government approved valuer, update their fixed asset registers to capture all required details including historical cost, asset identification numbers, serial numbers, acquisition dates, descriptions, and location of each asset, in the format prescribed by the Public Sector Accounting Standards Board. Budgetary provisions must be made for the valuation exercise and the updated asset registers submitted to the Auditor-General for verification in the subsequent audit cycle, in compliance with IPSAS 45.
3. **Medical Supplies Management** — The Governor should ensure both hospitals formally approve and implement their Inventory Management Policies, enforce strict adherence to the First Expiry First Out principle, and ensure all stock cards capture batch numbers and expiry dates of all drugs and medical supplies, in compliance with Section 162(3) of the Public Procurement and Asset Disposal Act, 2015.

**ACKNOWLEDGEMENTS**

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

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

SIGNED:  .....




DATE: 24/03/2026 .....

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

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

<b>SECTOR</b>	<b>NO.</b>	<b>ENTITY</b>
<b>WATER COMPANIES</b>	<b>2</b>	<b>ITEN TAMBACH WATER AND SEWARAGE COMPANY LIMITED.</b>
		<b>CHERANG'ANY MARAKWET WATER AND SANITATION COMPANY LIMITED</b>
<b>MUNICIPALITY</b>	<b>1</b>	<b>ITEN TAMBACH UNICIPALITY</b>
<b>HOSPITALS</b>	<b>2</b>	<b>ITEN COUNTY REFERAL HOSPITAL</b>
		<b>TAMBACH SUB-COUNTY HOSPITAL</b>
<b>FUNDS</b>	<b>5</b>	<b>ELGEYO MARAKWET COUNTY ASSEMBLY CATERING SERVICES REVOLVING FUND</b>
		<b>ELGEYO MARAKWET ALCOHOLIC DRINKS AND CONTROL FUND-EXECUTIVE</b>
		<b>ELGEYO MARAKWET CAR AND MORTGAGE REVOLVING FUND-EXECUTIVE</b>
		<b>ELGEYO MARAKWET COUNTY CLIMATE CHANGE FUND</b>
		<b>ELGEYO MARAKWET EDUCATION FUND-EXECUTIVE.</b>

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

No.	Name	Signature
1.	Sen. Godfrey Atieno Osotsi, CBS, MP (Chairperson)	
2.	Sen. Eddy Gicheru Oketch, MP (Vice - Chairperson)	
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 ITEN TAMBACH WATER AND SEWERAGE COMPANY FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Elgeyo Marakwet County Hon. Wisley Rotich appeared before the Committee on Wednesday 28<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Iten Tambach Water and Sewerage Company Limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers-

- |    |                       |                     |
|----|-----------------------|---------------------|
| 1. | Mr. Alphaeus K. Tanui | -CECM Finance       |
| 2. | Mr. Lazarus chebii    | - County Secretary  |
| 3. | Mr. Paul Yator        | - Managing Director |
| 4. | Mr. Benard Cheruiyot  | -Commercial Manager |
| 5. | Mr. Jeremiah Kige     | - Accountant        |

### REPORT ON THE FINANCIAL STATEMENTS

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

#### 1. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.26,419,514 as disclosed in Note 23 to the financial statements. The ageing analysis for trade and other payables provided for audit review revealed that out of Kshs26,419,514, a balance of Kshs.17,271,265 which includes provision for audit fee balance of Kshs.3,016,000 was more than four (4) years old.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.26,419,514 could not be confirmed.

#### Management Response

Management recognizes the importance of addressing the issue of long outstanding trade and other payables, and the need to comply with the relevant accounting standards and regulations. We wish to note that the company has already initiated settlements on some of these critical obligations. To address the outstanding matters comprehensively, we have proposed the following actions:

#### Evidence of Recent Settlements:

Management have commenced the settlement of long-outstanding statutory and regulatory payables. Proof of payments made to the Office of the Auditor General (OAG) and the Water Services Regulatory Board (WASREB) are attached as Annex 1-1.1

**Creditors Payment Plan for Remaining Balances:**

For the remaining outstanding amounts, we have developed a comprehensive creditor's payment plan. This plan will prioritize payments based on the age and criticality of the obligations, outlining clear timelines for settlement. The proposed five-year prepayment plan for the remaining trade and other payables is attached as Annex 1-1.2

**Review of Payables:**

Management will engage with the remaining creditors to negotiate payment terms and seek possible extensions or restructuring of debts where necessary.

**Financial Assessment and Planning:**

Management will implement strict budgetary controls to prevent the accumulation of overdue payables in future budgets.

**Strengthening of Internal Controls:**

Measures will be put in place to enhance internal controls over creditor management, including regular reviews, documentation, and timely settlement of obligations. By implementing these measures, we aim to improve our payables management and ensure compliance with the applicable accounting standards and regulations.

**Committee Observation**

The Committee observed that-

- i. A balance of Kshs.17,271,265 including audit fee provision of Kshs.3,016,000 had been outstanding for more than four years, contrary to Section 74(4)(d) of the Public Finance Management Act, 2012.
- ii. management has commenced settlement of some obligations and developed a five-year payment plan, however, a significant portion of the payables remains outstanding.

**Committee Recommendation**

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The

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

## **2. Assets with Nil Book Value**

As previously reported, the statement of financial position reflects property, plant, and equipment balance of Kshs. 22,950,301 as disclosed in Note 15 to the financial statements. However, property, plant and equipment with historical cost of Kshs.5,369,745 had been fully depreciated but were still in use and were not included in the balance of plant, property and equipment. The assets had neither been revalued nor disposed as at 30 June, 2025.

In the circumstances, the accuracy and completeness of the property, plant and equipment net book value of Kshs.22, 950,301 could not be confirmed.

### **Management Responses**

Management acknowledges the observation. The company is committed to undertaking a valuation of the assets to ensure accurate reporting. However, due to unavailability of funds, the valuation exercise could not be carried out during the year under review. Management remains committed to implementing the valuation gradually once financial resources become available, in order to ensure compliance with accounting standards and completeness of asset records.

### **Committee Observation**

The Committee observed that –

- i. property, plant and equipment with a historical cost of Kshs.5,369,745 had been fully depreciated but were still in use and had neither been revalued nor disposed of.**

- ii. Management has committed to undertaking valuation gradually once financial resources become available; however, no valuation had been undertaken at the time of audit.

### **Committee Recommendation**

The Committee recommends that-

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

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

### **3. Unconfirmed Value and Ownership of Land**

As previously reported, the statement of financial position reflects property, plant, and equipment balance of Kshs. 22,950,301 which includes building balance of Kshs.1,159,866

as disclosed in Note 19 to the financial statements. However, the value of land on which these buildings stand had not been disclosed in the financial statements. Further, the title deeds confirming ownership of the land by the Company were not provided for audit verification.

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

### **Management Response**

Management concurs with the audit finding that the value of land has not been disclosed in the financial statements due to the absence of a title deed confirming ownership in favor of the company. The parcel of land in question, identified as Parcel No. 404, was originally reserved for Iten Primary School under the jurisdiction of the former Sirikwa County Council. Over time, four government institutions, including ITWASCO, were allocated portions of this land. However, formal subdivision and issuance of individual title deeds have not yet been completed.

To address this issue, the following actions are underway:

**Subdivision Process:** The process of subdividing Parcel No. 404 is actively ongoing. The company, in collaboration with the County Government Department of Water, is following up to ensure that the portion allocated to ITWASCO is formally documented and titled.

**Documentation Support:** A search certificate confirming the current status of the land and other documents has been attached to support the ongoing efforts.

**Asset Recognition:** Once the title deed is acquired, the company will proceed with professional valuation of the land and recognize it in the financial statements in accordance with IPSAS and PFM requirements.

Management will continue to engage relevant authorities to expedite the resolution of this matter and ensure proper safeguarding of public assets.

### **Committee Observation**

The Committee observed that-

- i. the value of land on which the company's buildings stand was not disclosed in the financial statements, and no title deed was provided to confirm ownership, as the subdivision of Parcel No. 404 involving four government institutions including ITWASCO is yet to be completed.

- ii. The management provided a search certificate and the subdivision process is actively ongoing in collaboration with the County Government Department of Water.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer expedites the subdivision of Parcel No. 404 and acquisition of the title deed in collaboration with the County Government Department of Water, and submits a status report to the Senate within 60 days of the adoption of this report;
- ii. the Governor ensures that the management of the water company ensures that the valuation of all assets of the water company is fast-tracked and submits the valuation report to the Auditor- General for verification. The Auditor general to provide a status update on the matter in the subsequent audit cycle;
- iii. upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Senate and a copy to the Auditor General for verification;
- iv. the governor should ensure that the accounting officer undertakes adjustments to the financial statements so as to reflect the true value of the assets and auditor general should keep the matter in view in the subsequent audit cycle; and
- v. the Accounting Officer ensures that the water company maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

#### **4. Unsupported Ordinary Share Capital of the Company.**

As previously reported, the statement of financial position reflects share capital of Kshs.100,000 in respect of 5000 shares with a par value of Kshs.20 each as disclosed in Note 18 to the financial statements. However, Management did not provide share certificate and share register for audit verification.

In the circumstances, the accuracy of the ordinary share capital of Kshs.100,000 could not be confirmed.

### **Management Response**

Management acknowledges the audit finding and concurs that the absence of supporting documentation at the time of audit limited verification of the stated share capital.

### **Submission of Supporting Documents.**

The share certificate and the share register have now been located and are attached herewith for verification. These documents confirm the issuance of 5,000 ordinary shares at a par value of Kshs.20 each, totaling Kshs.100,000 in share capital.

### **Recordkeeping Improvements**

To prevent future recurrence, the Company has taken steps to improve recordkeeping and document accessibility, including:

- Digitization of statutory records
- Secure archiving of physical documents

### **Committee Observation**

The Committee observed that the share certificate and share register were located, submitted, verified, and confirmed accurate by the auditor-General.

### **Committee Recommendation**

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

### **Emphasis of Matter**

#### **5.Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects total income of Kshs.42,500,000 against actual receipts of Kshs.39,251,464, resulting in an under-receipt of Kshs.3,419,700 (12%). Similarly, the company budgeted for expenditure of Kshs.42,277,000 but incurred actual expenditure of Kshs.41,557,283, leading to an under-expenditure of Kshs.719,717 (2%).

Under-expenditure may have affected the operations of the company.

### **Management Response**

Management acknowledges the variance noted between budgeted and actual income

and expenditure for the year ended 2025.

*Income:* The company budgeted for Kshs.42,500,000 but realized Kshs.39,251,464, resulting in an under-receipt of Kshs.3,419,700 (12%).

*Expenditure:* The company budgeted for Kshs.42,277,000 but incurred Kshs.41,557,283, leading to an under-expenditure of Kshs.719,717 (2%).

### **Explanation of Variance**

*Income Shortfall:* The under-receipt was mainly due to lower-than-expected customer collections, delays in payments, and non-revenue water losses.

*Expenditure Variance:* The under-expenditure reflects deferred or delayed operational activities, particularly in maintenance and service delivery, which may have affected certain aspects of company operations.

### **Corrective Measures**

Management has initiated the following actions to address the variances:

#### **Revenue Enhancement**

Strengthening billing and collection systems, including adoption of digital payment platforms.

Intensifying customer engagement to improve compliance and reduce arrears.  
Implementing measures to reduce non-revenue water through metering.

#### **Expenditure Management**

Reviewing procurement and operational processes to ensure timely execution of budgeted activities.

Prioritizing critical maintenance and service delivery expenditures to avoid operational disruptions.

Enhancing monitoring of budget implementation to minimize future variances.

#### **Governance and Oversight**

Strengthening internal controls and reporting mechanisms for improved budgetary discipline. Conducting periodic budget reviews to align projections with actual performance trends.

### **Committee Observation**

The Committee observed that the Company recorded an under-receipt of Kshs.3,419,700 or 12% against the revenue budget, attributed to lower-than-expected customer collections, payment delays, and non-revenue water losses, and an under-expenditure of Kshs.719,717 or 2% reflecting deferred operational activities.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer complies with Regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 on budgetary control measures and enhancing absorption of allocated funds, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply; and**
- ii. the Governor ensures the Accounting Officer strengthens revenue collection systems including adoption of digital payment platforms, intensifies customer engagement to reduce arrears, and implements measures to reduce non-revenue water losses, and submits a status report to the Senate within 60 days of the adoption of this report. The Auditor-General to monitor the implementation of the corrective measures in the subsequent audit cycle.**

### **Other Matter**

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

In the audit report of the previous year, several issues were raised, however Management has not resolved the issues.

In the circumstances, the issues remain outstanding.

#### **Management Response**

Management acknowledges the unresolved prior year audit matters. Implementation of some of the recommendations is already in progress. However, certain actions require additional financial resources to be fully executed. Due to current budgetary constraints, full implementation has not yet been possible. Management is committed to addressing these issues gradually as funds become available. A phased approach will be adopted to

ensure that the outstanding matters are resolved in line with organizational priorities and resource availability.

### **Committee Observation**

The Committee observed that management had not resolved prior year audit matters, citing budgetary constraints as the reason for delayed implementation.

### **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.

### **Basis for Conclusion**

#### **7. Law on Gender Balance in the Board of Directors**

Review of records revealed that the Company had six (6) Board of directors out of which five (5) Board members or 83% were of the same gender. This was contrary to Article 27(8) of the Constitution of Kenya, 2010 which provides that not more than two thirds of the members of elective or appointive bodies shall be of the same gender.

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

#### **Management Response**

Management acknowledges the audit observation regarding non-compliance with gender balance requirements as outlined in Article 27(3) of the Constitution of Kenya, 2010. We recognize that equal treatment and opportunity for both men and women are fundamental to promoting fairness, inclusivity, and institutional credibility. The current gender imbalance across the Board and staff levels reflects historical recruitment patterns that require corrective action.

To address this, the following measures will be undertaken:

*Inclusive Recruitment Practices:* Future recruitment and Board appointments will be guided by gender equity principles to ensure fair representation of both genders.

*Policy Review:* Human Resource policies will be reviewed to incorporate gender mainstreaming and affirmative action where necessary.

*Monitoring and Reporting:* Gender composition will be tracked and reported periodically to ensure progress and accountability.

*Capacity Building:* Staff and Board members will be sensitized on gender equity obligations under the Constitution and relevant labor laws.

Management is committed to fostering a gender-balanced workforce and leadership structure in compliance with constitutional provisions

#### **Committee Observation**

The Committee observed that five out of six Board of Directors or 83% were of the same gender, contrary to Article 27(8) of the Constitution of Kenya, 2010.

#### **Committee Recommendation**

**The Committee recommended that the Governor ensures the Board composition is regularized to comply with the two-thirds gender rule under Article 27(8) of the Constitution of Kenya, 2010, and submits evidence of the same to the Senate within 60 days of the adoption of this report and the Auditor-General verifies compliance with the gender balance requirement in the subsequent audit cycle.**

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

Review of staff records revealed that the Company had a total of forty-seven (47) employees serving on permanent, contract and temporary terms. However, all or 100% of the staff are from the same ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 that requires all public establishments to seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community.

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

#### **Management Responses**

Management acknowledges the audit observation regarding non-compliance with Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which requires public institutions to reflect the ethnic diversity of the Kenyan population. We recognize that equitable ethnic representation is essential for national cohesion, institutional legitimacy, and compliance with legal frameworks. The current composition reflects a lack of diversity that must be addressed.

**To remedy this, the following actions will be taken:**

*Development of Staff Establishment:* A formal staff establishment structure will be developed and ratified by the Board to guide future recruitment and ensure transparency.

*Diversity in Recruitment:* Future hiring processes will be designed to promote ethnic diversity, ensuring that no more than one-third of staff originate from the same ethnic community.

*Policy Enhancement:* HR policies will be updated to reflect diversity and inclusion goals, and recruitment panels will be sensitized on legal obligations.

*Periodic Review:* Ethnic composition will be reviewed periodically and reported to ensure compliance and continuous improvement.

**Committee Observation**

The Committee observed that all 47 employees or 100% of the Company's staff were from the same ethnic community, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.

**Committee Recommendation**

The Committee recommends that the Elgeyo Marakwet County Public Service Board progressively comply with Section 65 of the County Governments Act, 2012 and Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, by filling vacant posts in a manner that promotes ethnic diversity and represents the people of Kenya. The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.

**9.Failure to Submit Annual Climate Change Performance Reports**

Audit review established that although the Company had developed a Strategic Plan, climate change components were not integrated into the plan. Further, the Company had

not developed a Climate Change Action Plan or budget provisions incorporating climate change activities. In addition, the Institute had not prepared a greenhouse gas emissions report or an annual climate change performance report for the financial year 2023/2024. No evidence was available to confirm submission of annual progress reports to the Climate Change Council on the status of implementation of climate change duties and functions, contrary to the requirements of Section 15(5)(f) of the Climate Change Act, 2016.

In the circumstances, the effectiveness of Management compliance with the Climate Change Act, 2016 could not be confirmed.

### **Management Response**

Management acknowledges the audit observation regarding the failure to submit annual climate change performance reports in accordance with Section 15(5)(f) of the Climate Change Act, 2016.

We recognize the importance of integrating climate change considerations into institutional planning and reporting to support national sustainability goals and global climate commitments. The omission was due to the absence of a formal mechanism for coordinating and tracking climate-related obligations.

To address this gap, the following actions will be undertaken:

*Establishment of a Climate Change Coordination Unit:* A dedicated unit will be designated within the Institute, with a senior officer appointed to lead climate change integration and reporting functions.

*Development of a Climate Change Action Plan:* The Institute will develop and incorporate a Climate Change Action Plan into its Strategic Plan, including budgetary provisions for implementation.

*Reporting Framework:* A structured framework will be created to guide the preparation and submission of annual climate change performance reports, including greenhouse gas emissions data, to the Climate Change Council.

*Capacity Building:* Staff will be sensitized and trained on climate change reporting requirements and sustainability practices to ensure compliance and effectiveness. Management is committed to aligning institutional operations with the Climate Change Act and will ensure timely and accurate reporting going forward.

### **Committee observation**

The Committee observed that the Company was not in compliance with Section 15(5)(f) of the Climate Change Act, 2016, as it had neither integrated climate change components into its Strategic Plan nor developed a Climate Change Action Plan. Further, the Company had not prepared a greenhouse gas emissions report or submitted an annual climate change performance report for the financial year 2023/2024 to the Climate Change Council

#### **Committee recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer develops and integrates a Climate Change Action Plan into the Company's Strategic Plan with budgetary provisions, and designates a senior officer to coordinate climate change functions, in compliance with Section 15(5)(f) of the Climate Change Act, 2016; and**
- ii. the Governor ensures the Accounting Officer prepares and submits annual climate change performance reports including greenhouse gas emissions data to the Climate Change Council, and submits evidence of compliance to the Senate within 60 days of the adoption of this report. The Auditor-General to monitor compliance and provide a status update in the subsequent audit cycle.**

#### **10. Non-Revenue Water**

The statement of profit or loss and other comprehensive income reflects operating revenue water sales amount of Kshs.36,190,330 as disclosed in Note 6 to the financial statements. Records provided for audit review indicated that the Company produced a total of 731,443 cubic meters (m<sup>3</sup>) of water during the year under review out of which 515,032 cubic meters (m<sup>3</sup>) of water was billed to customers for Kshs.36,190,330 while the balance of 216,411 cubic meters (m<sup>3</sup>) approximately 30% of the total volume of water produced reported non-revenue water. This was contrary to WASREB guidelines which sets the acceptance level of non-revenue water at 25% of the total water production. The volume of 36,068 cubic meters (m<sup>3</sup>) or approximately 5% above the allowed loss of 25% prescribed billed at an average rate of Kshs.67.46 per cubic meter (m<sup>3</sup>) resulted in loss of sales estimated at Kshs.2,433,147.

In the circumstances, the significant level of non-revenue water had a negative impact on the Company's profitability and could affect sustainability of its operations.

#### **Management Response**

Management acknowledges the audit observation regarding the high level of Non-Revenue Water (NRW) amounting to Kshs.10,451,770, which was reported at 30% of total production — exceeding the WASREB benchmark of 25%. Management's analysis indicates that approximately 70% of these losses are attributable to commercial losses, primarily illegal connections, unauthorized consumption, non-functioning meters and meter vandalism, while 30% relate to physical losses.

To address these challenges, the following corrective actions are being implemented: The Company has secured funding from the Water Sector Trust Fund to procure 1,008 consumer meters, which will be installed before the end of the 2025/2026 financial year. The Company is collaborating with the County Government of Elgeyo Marakwet to support the acquisition of additional consumer and bulk meters. Surveillance efforts are being intensified to detect and curb illegal water connections through field inspections, community engagement, and enforcement actions. The billing system will be reviewed to ensure accurate meter readings and timely invoicing. A dedicated team is tasked with identifying and repairing leaks and bursts, supported by preventive maintenance schedules. A Non-Revenue Water reduction strategy will be developed, including performance targets, regular reporting, and staff training on water loss control. Management has also established a dedicated team to investigate illegal connections, impose fines on offenders, and conduct continuous monitoring and enforcement activities to reduce losses.

### **Committee Observation**

The Committee observed that the Company recorded Non-Revenue Water of 30% which is above the recommended sector benchmark of 25% as prescribed by the Water Services Regulatory Board (WASREB), resulting in an estimated financial loss of Kshs.2,433,147.

### **Committee Recommendation**

**The committee recommends that-**

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

- iii. **the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put place to reduce cases of theft and illegal connections.**

### **11.Lack of Institutional Risk Management Policy Framework**

Review of operations revealed that the Company has not developed an Institutional Risk Management Policy Framework. Consequently, there is no structured process in place for the identification, assessment, mitigation, and monitoring of risks affecting the achievement of organizational objectives. The absence of an Institutional Risk Management Policy Framework undermines the adequacy and effectiveness of the Institution's risk management processes and exposes the entity to significant governance and operational risks

In the circumstances, effectiveness of oversight on risk management could not be confirmed.

#### **Management Responses**

Management acknowledges the audit observation regarding the absence of an Institutional Risk Management Policy Framework, as required under Regulation 165 of the Public Finance Management Regulations, 2015.

Management recognize that effective risk management is essential for safeguarding organizational assets, ensuring service continuity, and maintaining stakeholder confidence. The lack of a formal framework has limited our ability to systematically identify, assess, and mitigate risks across operational and strategic areas.

To address this gap, the following actions will be undertaken:

*Policy Development:* Management will prioritize the development of a comprehensive Institutional Risk Management Policy Framework. The policy will define procedures for risk identification, assessment, mitigation, monitoring, and reporting.

*Board Approval and Implementation:* Once developed, the policy will be submitted to the Board of Directors for approval and subsequently rolled out across all departments.

*Capacity Building:* Staff will be trained on risk management principles and the use of the framework to ensure consistent application and ownership.

*Periodic Review:* The policy will be reviewed regularly to ensure it remains relevant, effective, and aligned with evolving best practices and regulatory requirements.

*Integration with Strategic Planning:* Risk management will be embedded into strategic and operational planning processes to enhance decision-making and resilience.

**Committee Observation**

The Committee observed that the Company had not developed an Institutional Risk Management Policy Framework, contrary to Regulation 165 of the Public Finance Management Regulations, 2015.

**Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer prioritizes the development, Board approval, and implementation of a comprehensive Institutional Risk Management Policy Framework within 60 days of the adoption of this report, in compliance with Regulation 165 of the Public Finance Management Regulations, 2015, and submits evidence of the same to the Senate; and the Auditor-General for verification.**

## 1.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR CHERANG'ANY MARAKWET WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Elgeyo Marakwet County Hon. Wisley Rotich appeared before the Committee on Wednesday 28<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Cherang'any Marakwet Water and Sanitation Company Limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers-

- |                          |                     |
|--------------------------|---------------------|
| 1. Mr. Alphaeus K. Tanui | -CECM Finance       |
| 2. Mr. Lazarus chebii    | - County Secretary  |
| 3. Mr. David Kimutai     | - Managing Director |

### REPORT ON THE FINANCIAL STATEMENTS

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

#### 1. Lack of accounting system

The statement of profit and loss and other comprehensive income reflect operating revenue amounting kshs 8,611,400 which represents revenue generated from water sales as disclosed in note 1 to the financial statements. However, review of the accounting system in place revealed that the company maintained books of account in excel worksheet. The excel ledgers provided for audit comprised of monthly totals including previous months revenue without specifying opening balances and individual transaction details of each customer including the billing rates applied which would provide a basis for verifying and validating the actual amounts reported in the financial statements. Excel worksheets are also subject to manipulation without any audit trail.

Further management did not provide rate of tariffs, fees and other charges applied in billing in addition management did not provide meters of the clients and therefore it was not possible to establish actual volumes of water produced and sold in the absence of information on water tariffs and clear rate charged per customer each month.

In the circumstance, accuracy and completeness of the operating revenue amount of kshs 8,611,400 could not be confirmed.

#### Management Response

The management acknowledges the audit observation regarding the continued reliance of manual accounting systems and the associated risks and control weaknesses.

We recognize that the reliance on manual accounting process is tedious, increases in risk of human error, delays in financial reporting, difficulty in reconciling records and potential lapses in data integrity. The company is currently faced by resource and infrastructure constraints which have contributed to the continued use of the manual systems. However, management fully understanding the importance of adopting an automated accounting solution to strengthen financial management, ensure data accuracy and improve efficiency requested the Agency (NRVWDA) through a proposal to procure a billing system for the company so as to initiate the process of acquiring and implementing an integrated accounting software system such as ERP.

However, the company charges customers a flat rate of kshs 300 per household and billing is done manually using physical ledger books presented to the auditors during the audit exercise. Migration of data and digitalization of records into the new system will be done and historical data will be reviewed, cleaned and validated to ensure accuracy. The management will also ensure that capacity building and staff training is done to ensure effective use of the new system. The management of the company is committed to transitioning from the manual to the automated

accounting system to enhance financial reporting, transparency and control.

### **Committee Observation**

The Committee observed that-

- I. the Company maintained books of account in excel worksheets which lacked billing rates, individual transaction details, opening balances, and audit trail, making it impossible to verify the accuracy of operating revenue of Kshs.8,611,400.
- II. water is not metered and no tariff rates were provided, contrary to Regulation 63(1) and Regulation 22(1) of the Public Finance Management (County Governments) Regulations, 2015. The Committee noted that management has requested the Agency (NRVWDA) to procure a billing system but no verifiable roadmap with timelines was provided.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures the Accounting Officer develops and submits a verifiable roadmap with clear timelines for the acquisition and implementation of an automated accounting and billing system to the Senate within 60 days of the adoption of this report;

- ii. the Governor ensures the Accounting Officer implements a volume-based billing system as industry best practice in water rating to enhance revenue collection accuracy and transparency, in compliance with Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015; and
- iii. the Auditor-General monitors the implementation of the automated system and provides a status update in the subsequent audit cycle,

**2. Lack of ownership documents of property, Plant and equipment.**

The statement of financial position reflects property, plant and equipment balance of Kshs 45,750 as disclosed in note 9 to the financial statement. However, review of assets records revealed that the company owned five parcels of land in various locations within Kapsowar town and its environs whose ownership documents including title deeds, land (4) motorcycles and two (2) motor vehicles operated by the company were not registered. The company's name and the values of these assets were not disclosed in the financial statements.

In the circumstances, the accuracy completeness and ownership of the property, Plant and equipment ksh 45,750 could not be confirmed.

**Management Response**

The audit observation above is correct and the management of the company is committed to maintaining all ownership and registration documents for land, motor vehicles, and other Company assets. However, since the company was established from two community water projects which were majorly funded by the county government of Elgeyo Marakwet and LVNWWDA. The company's assets register therefore indicates various assets including land, motor vehicles, motor bikes, water tanks among others that were inherited from Lake Victoria North Water Works Development Agency (LVNWWDA) and County Government of Elgeyo Marakwet of unknown value and currently used by the company and which have not been valued or transferred to the company officially but the management have written to the county and the Agency to expedite the process of transfer to allow the company assume full ownership and prepare an accurate/complete register of assets to be incorporated in the financial statements. The asset recognized in the financial statement relates to a motor cycle purchased by the new company in March 2023 hence the recognition of the asset was material to the financial statements. When the transfer process is complete the

management will maintain a comprehensive fixed asset register that captures acquisition details, location, serial numbers, and values of all assets.

### **Committee Observation**

The Committee observed that-

- i. the Company reported a property, plant and equipment balance of Kshs.45,750, however, five parcels of land, four motorcycles and two motor vehicles operated by the Company were not registered in the Company's name, and no valuation had been done for assets inherited from the Lake Victoria North Water Works Development Agency (LVNWWDA) and the County Government of Elgeyo Marakwet.
- ii. the letter written to the CEO of LVNWWDA was neither stamped as received nor responded to, casting doubt on whether it was delivered.

### **Committee Recommendation**

The Committee recommends that-

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

**section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

### **3. Unsupported share capital**

The statement of financial position reflects nil ordinary share capital which differs with note 12 to the financial statements which reflects ksh 100,000 in addition share certificates, CR12 articles and memorandum of association were not provided for audit review to support the balance. Further note 12 did not give all the necessary details on company's ordinary share capital which includes: the number of ordinary shares outstanding, their par value and movements during as required by IFRS and the companies.

In the circumstances, the accuracy of the ordinary share capital nil balance could not be confirmed.

#### **Management Response**

Management acknowledges that, during the period under review, adequate supporting documentation for the recorded share capital was not readily available for audit verification. This arose mainly from Delays in formalization of shareholder resolutions confirming share capital following the Company's establishment and subsequent transitions in governance and management from community water supply to the new company.

Management recognizes that unsupported share capital weakens the reliability of the financial statements and does not fully comply with applicable financial reporting standards and good governance practices. However, management confirms that no changes to the shareholding structure occurred during the period under review. However, management is committed in ensuring the complete handover of incorporation and shareholding documents from the parent authority/shareholder.

To address the audit concern, management will initiate the following actions:

- Retrieval of incorporation documents and historical records from the shareholder and relevant government offices
- Reconstruction and updating of the Company's share register
- Engagement with the shareholder to obtain formal confirmation of share capital balances

- Preparation of draft shareholder resolutions to formally regularize and confirm the share capital

Management is committed to fully regularizing and supporting the share capital balance. All necessary steps are being taken to ensure that future financial statements are fully supported, accurate, and compliant with applicable laws, regulations, and accounting standards.

### **Committee Observation**

The Committee observed that –

- i. the statement of financial position reflects nil ordinary share capital which differs with Note 12 reflecting Kshs.100,000, and that share certificates, CR12, Articles and Memorandum of Association were not provided during the audit, contrary to IPSAS 1, Paragraph 25.
- ii. The Committee noted that management attributed the gap to delays in formalization of shareholder resolutions during the transition from community water supply to the new company.

### **Committee Recommendation**

**The Committee recommends that the Governor mandate the Accounting Officer to retrieve all incorporation documents and historical records from the shareholder and relevant government offices, reconstruct and update the share register, and submit to the Senate, within 60 days of the adoption of this report, a clear roadmap with timelines for the regularization of the share capital. The Auditor-General verifies the regularization of the share capital in the subsequent audit cycle.**

### **Emphasis of matter**

#### **Budgetary control and performance**

The statement of comparison of budget and actual amounts reflects final receipts of kshs 14,000.000 and actual receipts of kshs 12146,999 resulting to an under funding of kshs 1,853,001 or approximately 13% of the budget similarly, the company incurred total expenditure of kshs 12,445,277 against actual receipts of kshs 12,146,999, resulting to over expenditure of kshs 298,278 or 2.5% of the actual receipts.

The under- funding of the approved budget may have hindered the implementation of planned programs and affected service delivery to the residents of Kapsowar town and surrounding areas

### **Management Response**

The observation by the auditor on the comparison of budget and actual amounts for the year ended 30 June 2025 is true. The company projected to collect revenues amounting to Kshs. 14,000,000 but it actually managed to collect only Kshs. 12,146,999, which resulted in a deficit of Kshs. 1,853,001 this was as a result of most of our clients especially schools and government institutions adopting water harvesting and storage strategies and drilling of boreholes within their institutions. The under-funding of the approved budget may have hindered the implementation of planned programs and affected service delivery to the residents of Kapsowar town and surrounding areas but the management is working on strategies to register more customers through the extension of distribution lines to reach the underserved areas hence increase in revenue. Similarly, the over-expenditure of Kshs. 298,278 is part of the payables for the year resulting from challenges in revenue collection and unavoidable expenses such as statutory deductions and emergency cases associated with calamities e.g. mud/land Slides in the gravity mains inside kipkunur forest. However, the management is committed to enhancing budget execution to ensure that all approved programs and activities are implemented as planned in the current financial year.

### **Committee Observation**

The Committee observed that the-

- i. Company recorded an under-receipt of Kshs.1,853,001 or 13% against the revenue budget of Kshs.14,000,000, attributed to customers adopting water harvesting strategies and drilling boreholes.
- ii. The Committee further noted an over-expenditure of Kshs.298,278 or 2.5% of actual receipts, attributed to unavoidable expenses including statutory deductions and emergency cases however the management has proposed measures to register more customers through extension of distribution lines, even though no evidence of implementation was provided.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures the Accounting Officer complies with Regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 on budgetary control measures and prioritizes automation of revenue collection and adoption of a volume-based billing system as industry best practice to enhance revenue collection; and
- ii. the Governor ensures the Accounting Officer implements measures to extend distribution lines to reach underserved areas and register more customers, and submits a status report to the Senate within 60 days of the adoption of this report, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply.

### **Other Matter**

#### **Unsolved prior Year Audit Matter**

In the audit report of the previous year, several paragraphs were raised under the Report of financial statement and Report of Lawfulness and Effectiveness in use of public Resources However, no report or recommendations from the management and oversight bodies was summated for audit verification.

Therefore, the issues remain unsolved contrary to section 68(2)(1) of the public Financial Act, 2012 which require Accounting Officers designated for National Government entities to try to solve any issues resulting from an audit that remain outstanding

#### **Management Response**

No response from the management.

#### **Committee Observation**

The Committee observed that management did not provide any response or progress report on prior year audit matters raised, contrary to Section 68(2)(1) of the Public Finance Management Act, 2012.

#### **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 LAWFULLNESS AND EFFECTIVENESS IN THE USE PUBLIC RESOURCES.**

### **Basis for conclusion**

#### **1. Failure to observe Ethnic Balance on Staff composition**

The statement of profit or loss and other comprehensive income reflects staff costs amount of ksh 8,193,591 as disclosed in Note 3 to the financial statements. Analysis of payroll records provided for audit indicated that the company had total of twenty-two (22) casual employees in the year under view. However, all of them hailed from the dominant ethnic community contrary to section 7(1) and (2) of the National cohesion and integration Act, 2008 which state that, “all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and no public institution shall have more than one third of its staff from the same establishment from same ethnic community”.

In the circumstance, the company was in breach of law.

### **Management Response**

The observation by the auditors on the composition of the company staff is true and as a company we recognize the importance of complying with section 7(1) and (2) of the National Cohesion and integration Act, 2008. Since the company was established from community water projects (cherangany water users and Kapsowar water supply). The New company was not in a position to employ new staff due to financial challenges and majority of the staff were inherited from these community water projects but the new board of Directors have been notified on this and one of the major Agendas for the technical finance and the general purpose committee of the Board during the next committee meeting is the establishment of human resource policy which will be approved by the BOD in the next Full Board meeting. This will actively seek to promote diversity and inclusivity in our recruitment and staffing processes. The management is planning for training programs which will be conducted for all staff and management to raise awareness about the importance of diversity and compliance with the law. We

are committed to addressing these issues promptly and ensuring that our practices are aligned with legal requirements and best practices.

### **Committee Observation**

The Committee observed that all twenty-two casual employees of the Company were from the same ethnic community, representing 100% from a single ethnic group, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.

### **Committee Recommendation**

**The Committee recommends that the Elgeyo County Public Service Board progressively comply with Section 65 of the County Governments Act, 2012 and Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, by filling vacant posts in a manner that promotes ethnic diversity and represents the people of Kenya. The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.**

## **2. Prolonged Acting Appointments**

The statement of profit or loss and other comprehensive income reflects staff costs amount of ksh. 8,193,591 as disclosed in Note 3 to the financial statements. However, review of payroll and payment schedules, and key management Team section in the financial statements revealed that two (2) senior county Government officials have been in acting position beyond the stipulated six (6) months period. In addition, the staffs were seconded by the county Government and salaries are paid by the county executive.

Further, the county public service Board and Board of Management of the water company did not provide any evidence to show efforts to recruit substantive holders of the above position despite the prolonged appointments. This was contrary to section 34(5)(b) of the public service commission Act, 2017 (Revised 2023) which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six(6) months.

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

### **Management Response**

It is true that some of the seconded staff have been in Acting positions for a period of more than six months and this was due to formulation and development of the structures for the new company, governance issues, the need to serve the wananchi and financial constraints which made it difficult for the company to employ substantive staff for the different positions required. The county Government seconded staff to assist in the transition of the water supply to the company and this was not easy due to challenges of resistance from the community and the selection process of the new Board of Directors which took almost eighteen months since there were no funds to advertise and recruit. However during the departmental meeting with HE Governor the new BOD and the county Government are in the process of recruitment of substantive staff to these positions within the next quarter.

#### **Committee Observation**

The Committee observed that two senior County Government officials have been in acting positions beyond the stipulated six months period, contrary to Section 34(5)(b) of the Public Service Commission Act, 2017.

#### **Committee Recommendation**

- i. **The Committee recommends that the Governor ensures the Board of Management expedites the recruitment of substantive holders for the affected positions within the next quarter as committed, and submits a progress report to the Senate within 60 days of the adoption of this report, in compliance with Section 34(5)(b) of the Public Service Commission Act, 2017; and**
- ii. **the Auditor-General monitors compliance and provides a status update in the subsequent audit cycle.**

### **3. Non –Revenue water**

The statement of profit or loss and other compressive income reflects operating revenue of kshs. 8,611,400 in respect of water sales as disclosed in Note 1 to the financial statements. As previously reported, the company did not maintain records of the volume of water produced as there was no master installed in the intake point. Although the company charges varying rates to different classes of customers, the exact classification of customers and corresponding rates charged for water consumed was not disclosed. Further, management did not provide meters to the clients and as such it was not possible to establish actual volume of water produced and sold and determine acceptable non-revenue water level.

In the circumstances, it was not possible to confirm how the billing is done and this may lead to great losses which may negatively affect the operations of the company.

### **Management Response**

It is true that the company has no records to show the volume of water produced, sold and later determine the unaccounted for water (UFW) or non-revenue water (NRW).

This is due to the following reasons;

- i. Lack of master meters on our production side in both schemes Kapsowar and Kapcherop to account the volume of water produced per day hence per month.
- i. Lack of consumer meters to account water sales per month.

The water company inherited the water supplies with no meters and it is now working on acquiring master meters for production areas, metering institutions, hotels, rental premises, carwash businesses and other clients who use high volumes of water in order to reduce non- revenue water. This is however being done in phases due to financial constraints.

The company has also requested our development partners like county government of Elgeyo Marakwet, North Rift valley works development agency and other stakeholder to partner in purchasing bulky meter due to the high cost of acquisition. The Agency has already sourced for some funds and the contractor is currently on the ground doing infrastructural improvements in both schemes and scope of work will include metering.

Apart from metering the company has done the following;

- Has employed enough plumbers to patrol and repair any leakages to reduce physical losses.
- Established hotline desk office phones 0797608478/0786420820 at kapsowar and 0759227749/0787527135 at Kapcherop for reports of any leakages and bursts.
- Replaced the old distribution lines to new ones of high quality to reduce leakages and bursts in both schemes kapcherop and kapsowar.
- The reduction/elimination of illegal connection by branding in both schemes to identify our customers.

The company will collaborate and work closely with the Water Services Regulatory Board (WASREB) and other relevant authorities to ensure compliance with non-

revenue water benchmarks and to seek guidance on best practices for reducing water losses.

We believe that with the correct policies and strategies this matter will be addressed in the subsequent financial years.

### **Committee Observation**

The Committee observed that-

- i. the Company had no master meters at intake points, no consumer meters, and no official tariff records, making it impossible to determine the actual volume of water produced and sold or establish the level of non-revenue water, contrary to Section 3.4 of the WASREB Standards for Non-Revenue Water Management Guidelines, 2014.
- ii. management has initiated measures including employing plumbers, replacing old distribution lines, and engaging development partners for metering, however, no meters have been installed.

### **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 should investigate the causes of high NRW, including potential commercial theft, illegal connections, staff collusion, or administrative lapses, and provide a status update to the Senate within 90 days of adoption of this report.

#### **4. Lack of License from water service Regulatory Board (WASREB)**

During the year under review, the company was operating without a valid license from WASREB, contrary to section 72(c) of the water Act, 2016 which gives WASREB the mandate of setting license conditions and accrediting water service providers.

In the circumstances, the company's operations were not in compliance with the law.

### **Management Response**

It is very true that during the year under review, the Company was operating without a valid license from WASREB, contrary to Section 72(c) of the Water Act, 2016, which gives WASREB the mandate of setting license conditions and accrediting water service providers. However, the company management, NRWWDA, county government and the BOD has been working tirelessly and closely with the Regulator (WASREB) to ensure that the company is registered as soon as possible. During the last engagement with the regulator and the Agency NRWWDA and the management of the company the checklist and the guidelines were deliberated on and the Agency is currently undertaking infrastructural improvement works in both Kapsowar and Kapcherop schemes and proposed procurement of master/customer meters, billing system, treatment chemicals and office and laboratory equipment to enable the company meet some of the requirements for registration/licensing. The progress made can be seen from the inauguration of the new board of directors and the Governance training held in Kenya School of Government Mombasa facilitated by the NRWWDA, Kenya School of Government and WASREB courtesy of Gatsby Africa early this year. This will regularize the Company's operations by obtaining a valid license from WASREB and ensure continuous compliance with all regulatory requirements.

### **Committee Observation**

The Committee observed that the Company was operating without a valid WASREB license, contrary to Section 72(c) of the Water Act, 2016.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer develops and submits a roadmap with clear timelines for obtaining a valid WASREB license to the Senate within 60 days of the adoption of this report. The Auditor-General to monitor progress in the subsequent audit cycle.**

## **5. Breach of data protection laws in management of the company.**

Review of the data handling and processing activities of revealed that company collects personal and sensitive data of their customers including address, number

of homes and premises plot numbers and telephone numbers. However, the following breaches of the data protection laws were observed.

- i. Management had not registered with the data commissioner as data controller or data processor respectively despite having unlimited access to public personal data hence breaching data confidentiality principle of the data protection act.
- ii. The company had not established personal data retention schedule as required by data protection regulations
- iii. The company had not established appropriate time limits for the periodic review of the need for the continued storage of personal data for any of the law enforcement purposes.
- iv. Management had developed and published a policy reflecting the entity's personal data handling practices.
- v. Management had not implement the elements necessary to safeguard the principle of storage limitation including having in place means of managing policies and procedures for information security, assessing the risk against the security of personal data and putting in place measures to counter identified risk and regularly reviewing and testing the revenue management system to uncover vulnerabilities.
- vi. Management had not implemented the elements necessary to safeguard the principle of storage limitation including having in place a clear internal procedure for deletion and destruction of personal data of subjects, determining what data and length of storage of personal data that is necessary for the purpose and formulating internal statements of implementing them.
- vii. Management had not conducted data protection impact assessment prior to processing of the data

This was contrary to section 18(2) of data protection act, 2019 which states that no person shall act as a data controller or data processor unless registered 19(2) (a) of the data protection (general) regulations 2021 which requires a data controller or data processor to establish personal data retention shedule with appropriate time limits for the periodic review of the need for continued storage of personal data that is no longer necessary or where the retention period is reached.

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

**Management Response.**

The auditor's observation regarding breach of data protection law in the management of customers and employee information is true. The management recognizes the importance of compliance with the legislation regarding data protection and we are committed to maintaining the highest standards of privacy and data security. From the observations listed above, the company intends to register with the data protection commission, develop policies and procedures for data handling, establish personal data retention schedule, review periodically time limits for personal data storage and conduct data protection impact assessment prior to processing of the data. The management also plans to train and create awareness to all staff on handling data privacy especially in handling tax payer personal and sensitive data processed in the process of revenue collection.

#### **Committee Observation**

The Committee observed that the Company collected personal data of customers without registering with the Data Commissioner, and had not established data retention schedules, data handling policies, or data protection impact assessment procedures, contrary to Section 18(2) of the Data Protection Act, 2019.

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer expedites registration with the Office of the Data Protection Commissioner and implements all required data protection policies and procedures within 60 days of the adoption of this report. The Auditor-General to verify compliance in the subsequent audit cycle.**

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

### **Conclusion**

#### **1. Failure to develop policies**

During the year under review, management did not have in place approved and operational risk management policy, a strategic plan, employee code of conduct and procedures manual water rationing billing policy, procurement policy, finance policy, business continuity plan, water quality policy and whistle blowing policy. This was contrary to regulation 158(1) of the public finance management (county governments) regulations, 2015 which requires that the accounting officers shall ensure that the county government entity develops risk management strategies, which control that

builds robust business operations. In addition, there was no evidence of risk identification, risk assessment and evaluation of likelihood of risk occurrence and its impact on entities operation.

In the circumstances, operation of the company may be hindered.

### **Management Response**

The company acknowledges the absence of a number of critical policies which have not yet been developed. This is largely attributed to the size and governance issues during the inception of the company, limited technical capacity, competing operational priorities and inadequate budget allocation for policy development activities. However, the company has relied on National laws, Government circulars, Board Resolutions and informal standard operating procedures to guide its operations. The management has prioritized policy formulation as part of the current strategic plan and the absence of a formal policy development framework which contributed to delays is currently work in progress awaiting formalization. The board has directed the management to fast-track development of all mandatory policies to avoid exposure to compliance risks under sector regulations.

Management has put in place the following measures;

- a) Development of a policy Formulation Framework within two months
- b) Compilation of a policy Register – identifying all required policies (ready)
- c) Prioritization of critical policies;
  - Finance policy
  - Procurement policy
  - Human resource policy
  - Risk management policy
  - Customer service policy
  - Water quality policy
  - Debtors policy
  - Creditors policy
- d) Formation of an internal policy Development Committee
- e) Engagement of external experts to support in drafting
- f) Submission of at least five of the above policies to the Board within the current financial year

- g) During the supplementary budget making process we will allocate funds for policy development.

The management appreciates the issues raised by the auditors and agrees that the failure to develop policies has been a significant internal control weakness. Detailed steps are now underway to ensure that all the required policies are developed, approved and implemented accordingly.

### **Committee Observation**

The Committee observed that the Company did not have approved and operational policies including a Risk Management Policy, Strategic Plan, Human Resources Policy, Procurement Policy, Finance Policy, Business Continuity Plan, and Water Quality Policy, contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer develops and submits a roadmap with clear timelines for the development and Board approval of all critical policies to the Senate within 60 days of the adoption of this report. The Auditor-General to monitor compliance in the subsequent audit cycle, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply.**

#### **2. Failure to carry out internal audit.**

The company operation were not subjected to internal audit reviews during financial year 2024/2025 contrary to the regulation 153(a) (b) and (c) of the public finance management (county governments) regulations 2015 which requires the internal auditor to review and evaluate budgetary performance financial management, transparency and accountability mechanism and processes in county government entities, including county assembly ;(b)give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization; and (c) review the effectiveness of the financial and non-financial performance management system of the entities.

In the circumstance, internal controls were not evaluated.

### **Management Response**

The company's operation were not subjected to internal audit reviews during financial year 2024/2025. Management appreciates the observations made and hereby provides the following corrective actions;

### **1. Establishment of Internal Audit Function**

Due to staffing and resource constraints Management has already requested the county government to second an auditor to assist the company in setting up an internal audit department to ensure it is fully operational.

### **2. Internal Audit Charter and Framework**

The Company does not currently have an approved Internal Audit Charter. The management will prepare a draft charter which will be presented to the Board Audit and Risk Committee for review and approval at the next scheduled meeting. Once approved, it will provide the formal mandate and operational framework for the internal audit function.

### **Staffing and Capacity Constraints**

The primary reason for failure to carry out internal audits has been lack of adequate and qualified personnel in the Internal Audit Unit. The position of Internal Auditor has remained vacant due to financial constraints and delays in secondment of one by the county government due to shortage of Auditors in the department.

### **3. Internal Audit Planning**

Due to absence of substantive internal audit personnel, the Company was unable to prepare and implement a risk-based annual internal audit plan. Management recognizes this as a weakness and commits that once the function is operationalized, a comprehensive annual internal audit plan will be developed and submitted to the Audit and Risk Committee for approval.

### **4. Budgetary Provisions**

In previous financial years, budgetary allocation for internal audit activities was inadequate. Management will make specific budgetary provisions in the current and upcoming financial year to support the recruitment and training/capacity building of internal audit staff and execution of planned audit assignments

### **5. Compliance and Risk Implications**

Management acknowledges that failure to conduct internal audits is not consistent with good corporate governance practices and may not fully comply with the Public Finance Management Act, WASREB corporate governance guidelines, and general internal control requirements.

In the absence of internal audit reviews, management has relied on supervisory controls and external audit processes to provide oversight. However, we recognize that these are not adequate substitutes for an independent internal audit function.

We are committed to strengthening internal controls, improving governance practices, and ensuring full compliance with all regulatory requirements going forward.

### **Committee Observation**

The Committee observed that the Company's operations were not subjected to internal audit reviews during the financial year 2024/2025 due to lack of qualified personnel and financial constraints, contrary to Section 155(1) of the Public Finance Management Act, 2012.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer expedites the establishment of a functional internal audit unit, including securing secondment of a qualified auditor, developing an Internal Audit Charter, and preparing a risk-based annual internal audit plan within 60 days of the adoption of this report. The Auditor-General to monitor the establishment and functionality of the internal audit function in the subsequent audit cycle.**

### **3. Failure to have in place a service charter for the company**

Verification of the company's records revealed that management did not develop and display a service charter. As a result, the public and stakeholders lack a formal document outlining the services offered, service delivery timelines, and feedback or grievance-handling) act 2015 which requires the public service a public institution or where permitted and authorized officer shall develop guidelines for the provision to the public of timely and promotion of transparency and accountability.

In the circumstances, timeliness of service delivery could not be confirmed.

The audit was conducted in accordance with ISSAI2315 and ISSA 2330. The standards

require that I plan and perform the audit to obtain assurance about whether effective processes and system of internal controls, risk management and overall governance obtained in sufficient and appropriate to provide a basis for my conclusion.

### **Management Response**

Management acknowledges that the Company did not have a formally approved and publicly displayed Service Charter during the audit period. This was due to delays in developing, validating, and obtaining Board approval for the document.

The delay in having a Service Charter in place was occasioned by the following factors:

- a) Transition challenges during organizational restructuring from community water supply to company
- b) Limited technical capacity in drafting a comprehensive charter aligned to regulatory requirements
- c) Delays in internal consultations and stakeholder engagement
- d) Competing operational priorities, particularly in service delivery

Management recognizes that failure to have a Service Charter in place is not in line with good corporate governance practices and does not fully comply with applicable regulatory requirements, including WASREB guidelines and general public service accountability standards. However, despite the absence of a formal Service Charter, the Company continued to guide service delivery using; WASREB service provision guidelines, Management directives and internal procedures, Customer complaint handling practices and informal service standards. We acknowledge that these measures are not an adequate substitute for an approved and publicly available Service Charter and a draft Service Charter is being developed in line with sector regulations and customer service best practices for submission to the Board for review and approval.

Management acknowledges the importance of a Service Charter in promoting transparency, accountability, and improved customer service. The Company is fully committed to ensuring that an approved Service Charter is in place, publicly accessible, and regularly reviewed in compliance with regulatory and governance requirements. Measures have been instituted to ensure that such governance gaps do not recur in the future.

### **Committee Observation**

The Committee observed that the Company did not develop and display a Service Charter, denying the public and stakeholders a formal document outlining services offered, service delivery timelines, and grievance handling mechanisms, and that despite management committing to develop one, no approved charter was in place.

### **Committee Recommendation**

**The Committee recommends that—**

- I. the Governor ensures the Accounting Officer fast-tracks the finalization, Board approval, and public display of the Service Charter within 60 days of the adoption of this report, in compliance with WASREB guidelines and general public service accountability standards; and**
- iii. the Auditor-General verifies the existence and operationalization of the approved Service Charter in the subsequent audit cycle.**

## CHAPTER TWO: MUNICIPALITY

### 2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ITEN TAMBACH MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Elgeyo Marakwet County Hon. Wisley Rotich appeared before the Committee on Wednesday 28<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Iten Tambach Municipality for the Financial Year 2024/2025. The Governor was accompanied by the following officers-

1. Mr. Alphaeus K. Tanui -CECM Finance
2. Mr. Lazarus chebii - County Secretary
3. Mr. Felix Kirongo -Managing Director
4. Mr. Josphat Kerich - Deputy Manager

#### REPORT ON THE FINANCIAL STATEMENTS

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

##### 1. Non-Disclosure of Staff Cost

The statement of financial performance reflects staff costs of Nil amount as disclosed in Note 13 to the financial statements. The financial statements reported zero employee costs despite the Municipality having two (2) staff of its own and unknown number of seconded staff from the County Executive whose salaries were paid by the Executive but not quantified and recognized as in-kind income and expended as employee costs.

##### Management Response

It is acknowledged, as noted in the audit findings, that staff costs relating to the two Municipal staff and staff seconded to the Municipality were not recognized as income in kind and correspondingly expensed as employee costs in the Municipality's financial statements. The staff costs were, however, budgeted for and paid under the Department of Lands, Physical Planning and Urban Development, and were therefore disclosed in the financial statements of the County Executive. The Municipality appreciates the audit team for the thorough review and constructive observations made during the audit process. Management has taken note of the recommendation and commits to ensuring that such staff costs are appropriately recognized and disclosed in the Municipality's financial statements in subsequent financial periods to enhance compliance with applicable accounting and reporting standards.

### **Committee Observation**

The Committee observed that the Municipality reported zero employee costs despite having two staff of its own and an unknown number of seconded staff from the County Executive, contrary to IPSAS 1, Paragraph 25.

### **Committee Recommendation**

The Committee recommends that the Governor ensures the Accounting Officer recognizes and discloses all staff costs including in-kind contributions from the County Executive in the Municipality's financial statements in compliance with IPSAS 1, Paragraph 25, and submits evidence of the same to the Senate within 60 days of the adoption of this report, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply.

## **2. Misstatement of property plant and equipment**

Property, plant and equipment reported as Kshs.142,844,602 (Note 24). However, the costs of Work in Progress (WIP) of Kshs.29,130,470 was not included and the expenditure on WIP was not recognized in the financial statements as either an expense or capital expenditure. In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.142,844,602 could not be confirmed.

### **Management Response**

Kshs29,130,470 relates to work in progress brought down from financial year 2022/2023. This cost was included in the property, plant and equipment figure brought down of Kshs. 204,586,569. The work in progress was completed and Paid in the financial year 2023/2024. Copies of completion and handing over certificates.

### **Committee Observation**

The Committee observed that the property, plant and equipment balance of Kshs.142,844,602 was understated by Kshs.29,130,470 due to non-inclusion of work in progress, resulting in a correct balance of Kshs.171,975,072, contrary to IPSAS 1.

### **Committee Recommendation**

The Committee recommends that-

- i. the Governor ensures the Accounting Officer undertakes prior year adjustments to reconcile the variance of Kshs.29,130,470 in the property, plant

- and equipment balance in the subsequent audit cycle FY 2025/2026, and the Auditor-General to keep this matter in view in the subsequent audit cycle;
- ii. the Governor ensures the Accounting Officer complies with Section 149(2)(b) of the Public Finance Management Act, Cap. 412A and Section 47(2) of the Public Audit Act, Cap. 412B in the preparation and management of financial and accounting records, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply; and
  - iii. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with Section 155 of the Public Finance Management Act, Cap. 412A, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply.

### 3. Unsupported Cash and Cash Equivalents

Cash and cash equivalents balance of Kshs.33,810,748 was disclosed in the financial statements. However, review of bank statements and bank certificates revealed that the bank accounts are in the name of Elgeyo Marakwet County Executive rather than the Municipality.

#### Management Response

Cash and Cash Equivalents figure of kshs33,810,748 was held in the following Kenya urban support program (KUSP) accounts operated and controlled by Iten Tambach Municipality.

S.no	Account Name	Account Number	Amount (Kshs)
1	Iten municipality urban dev grant(kes)	1000372238	1,185
2	Elgeyo Marakwet Urban infr Gra (kes)	1000743107	33,809,300
3	EMC KUSP UIG FUND ACCT,	1260823156	263
	<b>Total</b>		<b>33,810,748</b>

The Municipal management has initiated the process of opening its operational and retention accounts.

### **Committee Observation**

The Committee observed that the cash and cash equivalents balance of Kshs.33,810,748 was held in accounts in the name of Elgeyo Marakwet County Executive rather than the Municipality, and that as at January 2026, the Municipality had not yet opened its own operational and retention accounts despite initiating the process.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer expedites the opening of the Municipality's own operational and retention accounts and submits evidence of the same to the Senate within 60 days of the adoption of this report, in compliance with IPSAS 1, Paragraph 27, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply.**

### **Unresolved Prior Year Audit Matters**

Several issues were raised in prior year audit reports 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. The issues remained unresolved as at 30 June 2025.

### **Management Response**

Management did not respond to this issue.

### **Committee Observation**

The Committee observed that management did not provide a response or status update on the outstanding prior year audit matters,

### **Committee Recommendation**

**The Committee recommends that —**

- i. the Governor ensures that the Accounting Officer resolves all outstanding prior year audit matters as required by Section 149(2)(1) 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 O LAWFULLNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES.**

### **4. Lack of Operational and Financial Independence of the Municipality**

Iten Tambach Municipality was granted a Municipal Charter on 28 December 2018, which was supposed to grant operational independence from the County Government. However, the Municipality's budget was prepared by the County Executive, expenditure was controlled by the County Treasury, and the Municipality did not have an independent operations account.

#### **Management Response**

The funds allocated to Iten Tambach Municipality for the financial year 2024/2025 were budgeted by the County executive under the department of Lands, housing and urban development and approved as part of the consolidated county budget. The Municipality has a board and a manager vested with the responsibility of management of the Municipality.

The county executive committee has approved budget line and consideration of allocation of funds to the Municipality in this current budget process.

#### **Committee Observation**

The Committee observed that despite being granted a Municipal Charter on 28 December 2018, the Municipality continued to lack operational and financial independence, with its budget prepared by the County Executive, expenditure controlled by the County Treasury, and no independent bank accounts opened as at January 2026, contrary to Section 20 of the Urban Areas and Cities (Amendment) Act, 2019.

#### **Committee Recommendation**

**The Committee recommends that-**

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

- ii. the Governor takes all the necessary steps to ensure the Municipality achieves full operational independence in accordance with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, cap.275 and the Auditor General to verify the implementation of this recommendation in the next audit cycle;
- iii. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government; and
- iv. the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor to keep this matter in view and report in the subsequent audit cycle.

#### **5. Failure to Develop Integrated Urban Development Plan**

The Municipality developed and published the Iten Tambach Municipality Integrated Urban Development Plan covering the period 2019-2023. However, the plan expired in 2023 without evaluation and no new plan had been developed, contrary to Section 38 of the Urban Areas and Cities Act, 2011, which requires a city or urban area to prepare an integrated urban development plan. The Municipality may therefore not have achieved the strategic objectives outlined in the expired plan.

#### **Management Response**

The Municipality management has embarked on the process of developing integrated Urban development plan for period 2025-2029. A draft copy of the Iten Municipality integrated urban development plan.

#### **Committee Observation**

The Committee observed that a draft plan for 2025-2029 has been developed but is yet to be approved.

#### **Committee Recommendation**

The Committee recommends that the Governor ensures the Accounting Officer fast-tracks the finalization and approval of the Integrated Urban Development Plan for 2025-2029 and submits evidence of the same to the Senate within 60 days of the adoption of this report, in compliance with Section 38 of the Urban Areas and Cities Act, 2011. The Auditor-General to verify progress in the subsequent audit cycle.

## **6. Failure to Observe Safety Requirements at the Workplace**

As previously reported, Management did not conduct risk assessments related to the safety and health of its employees, did not register the premises with the Director of Occupational Safety and Health Services, and had no written statement of general policy on safety, contrary to Section 6(3) of the Occupational Safety and Health Act, 2007.

### **Management Response**

The management commits to register its premises with the director of occupational safety and health services, conduct risk assessments and develop a written occupational safety and health policy to comply with the law and enhance safety at workplace.

### **Committee Observation**

The Committee observed that the Municipality did not conduct risk assessments, register its premises with the Director of Occupational Safety and Health Services, and had no written occupational safety and health policy, contrary to Section 6(3) of the Occupational Safety and Health Act, 2007.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer registers the Municipality's premises with the Director of Occupational Safety and Health Services, conducts risk assessments, and develops and implements a written occupational safety and health policy within 60 days of the adoption of this report, in compliance with Section 6(3) of the Occupational Safety and Health Act, 2007, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply.**

## **7. Failure to Establish an Institutional Risk Management Policy Framework**

The Municipality did not have an Institutional Risk Management Policy Framework, contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer of a County Government entity to develop and implement risk management strategies. The absence of a formal framework left no structured process for identification, assessment, mitigation, and monitoring of risks affecting the achievement of organizational objectives.

### **Management Response**

Management confirms that at the time of audit the Municipality did not have institutional risk management policy framework.

The municipal management has since developed institutional risk management policy framework awaiting approval of board and cabinet. Copy of a draft institutional risk management policy framework was provided.

#### **Committee Observation**

The Committee observed that the Municipality did not have an Institutional Risk Management Policy Framework, contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, and that management only committed to future development without providing any evidence of progress.

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer develops, approves, and implements a comprehensive Institutional Risk Management Policy Framework within 60 days of the adoption of this report, and submits evidence of the same to the Senate, in compliance with Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply. The Auditor-General to verify compliance in the subsequent audit cycle.**

#### **8. Non-disclosure of Remuneration of the Board Members and for the Municipality.**

During the year under review, the Board of the Municipality held two meetings. However, the financial statements did not disclose costs related to the Municipality Board allowances, committees, conferences and seminars, contrary to Paragraph 25 of IPSAS 1 — Presentation of Financial Statements, which requires fair presentation of all financial transactions including remuneration of board members.

#### **Management Response**

Currently the Municipality is depending on donor grant (UIG) to finance its operations. Board remuneration and employee costs are ineligible expenditure under this grant.

The board allowances are budgeted and paid by the county executive and therefore disclosed in the financial statements of the county executive.

#### **Committee Observation**

The Committee observed that management indicated board allowances are paid by the County Executive and disclosed in the County Executive's financial statements, however, they remain undisclosed in the Municipality's own financial statements.

### **Committee Recommendation**

The Committee recommends that the Governor ensures the Accounting Officer discloses all board remuneration and related costs as in-kind contributions in the Municipality's financial statements in compliance with IPSAS 1, Paragraph 25, and submits evidence of the same to the Senate within 60 days of the adoption of this report, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply.

### **9. Human Resource and Staffing**

Management operated with an undisclosed number of staff seconded from the Elgeyo Marakwet County Executive without formal secondment letters, as supporting documents were not provided for review. In addition, the Municipality had only two full-time employees against an establishment of one hundred and fifty-four (154), leading to severe understaffing. Employee costs were also not disclosed in the financial statements, contrary to Paragraph 25 of IPSAS 1 — Presentation of Financial Statements.

### **Management Response**

Staff seconded to the Municipality from the county executive have formal letters of secondment. Copies attached. The Municipality has an approved staff establishment.

### **Committee Observation**

The Committee observed that the Municipality operated with only two full-time employees against an establishment of 154, representing severe understaffing, and that the staff establishment provided was under the Department of Housing, Lands and Urban Development rather than being an independent Municipal establishment, contrary to IPSAS 1, Paragraph 25.

### **Committee Recommendation**

The Committee recommends that the Governor ensures the Municipality develops and approves its own independent staff establishment and progressively fills vacant positions to address the severe understaffing, and submits evidence of the same to the Senate within 60 days of the adoption of this report. The Auditor-General to monitor progress in the subsequent audit cycle.

### **10. Weak Governance and Ineffective Oversight by the Municipal Board**

Review of the Board records revealed that the Municipal Board convened only two meetings during the year instead of the required four, contrary to Section 20(1) of the Urban

Areas and Cities (Amendment) Act, 2019, which requires Municipal Boards to provide oversight of the management of municipalities by holding regular meetings, approving budgets, and monitoring the implementation of plans.

### **Management Response**

The new board took oath of office in the second quarter on 18<sup>th</sup> December 2024. The board could not therefore hold four meetings as required by law. The two board meetings were held on 10/01/2025 and 04/04/2025 for 3<sup>rd</sup> and 4<sup>th</sup> quarters respectively.

### **Committee Observation**

The Committee observed that Board meeting minutes, oath of office, and gazette notice were verified by the Auditor-General.

### **Committee Recommendations**

**The Committee recommends that the Municipal Board strictly comply with Section 20(1) of the Urban Areas and Cities (Amendment) Act, 2019, going forward. Given that the board is now fully constituted with the oath of office administered and the gazette notice published, the board must ensure that four regular meetings are held in the upcoming financial year to provide the requisite oversight.**

### **10. Failure to meet the Objectives of the Municipality**

The Municipality did not have a current Integrated Urban Development Plan after the 2019-2023 plan expired. The 2024/2025 Annual Investment Plan with an estimated budget of Kshs.89,802,100 was not implemented. The Environmental and Social Impact Report published in April 2023 remained unimplemented at the time of audit, and no ongoing or completed projects were reported during the year, contrary to Section 36(2) and Section 38 of the Urban Areas and Cities Act, 2011.

### **Management Response**

The Municipality anticipated to receive urban development grant of Kshs 89,802,100 from world bank in the financial year 2024/2025. This amount was not received and therefore the municipality was not able to implement its development activities as planned.

The Municipality has embarked on the process of developing urban integrated development plan for the period 2025-2029.

### **Committee Observation**

The Committee observed that the Municipality did not implement its 2024/2025 Annual Investment Plan due to non-receipt of the anticipated World Bank grant of Kshs.89,802,100, and that the Integrated Urban Development Plan expired in 2023 without evaluation or replacement. The Committee further noted that no ongoing or completed projects were reported during the year.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures adequate and timely funding is provided to the Municipality to enable implementation of its planned activities, and that the Accounting Officer fast-tracks the finalization of the Integrated Urban Development Plan for 2025-2029 and submits evidence of the same to the Senate within 60 days of the adoption of this report, in compliance with Section 36(2) of the Urban Areas and Cities Act, 2011.**

### **12.Non-Implementation of Annual Investment Plan**

The Municipality published its Annual Investment Plan for the Financial Year 2024/2025 which envisaged infrastructural development within the Municipality, mainly the construction of roads, drainage, and the purchase of a solid waste management truck, with an estimated budget of Kshs.89,802,100. However, as at the time of audit in September 2025, the plan remained unimplemented, raising concerns about the Municipality's ability to deliver on its mandate.

### **Management Response**

The Municipality did not receive any funding in the financial year 2024/2025 from either the county executive or any development partner and therefore could not implement its annual investment plan.

### **Committee Observation**

The Committee observed that the Municipality's Annual Investment Plan for FY 2024/2025 with an estimated budget of Kshs.89,802,100 remained unimplemented due to non-receipt of funding from both the County Executive and development partners, thereby denying residents the intended infrastructural benefits.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures adequate funding is allocated to the Municipality in the subsequent financial year to enable implementation of its annual investment plan, and that the Accounting Officer submits a status report to**

**the Senate within 60 days of the adoption of this report on the measures taken to secure funding for planned activities.**

### **7. Non-Implementation of Environmental and Social Impact Assessment and Management Report of April 2023**

The Municipality published a report on Environmental and Social Impact Assessment and Management in April 2023, which outlined prevailing environmental and natural resource challenges and specific strategies to mitigate them. However, as at the time of audit in September 2025, this report had not been implemented, casting doubt as to whether the intended environmental benefits would accrue to the community.

#### **Management Response**

Management acknowledged that the findings of the Environmental and Social Impact Assessment and Management Report of April 2023 were not implemented due to lack of funding, and committed to implementing the report once resources become available.

#### **Committee Observation**

The Committee observed that the Environmental and Social Impact Assessment and Management Report of April 2023 remained unimplemented due to lack of funding, casting doubt as to whether the intended environmental benefits would accrue to the community.

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures budgetary provisions are made for the implementation of the Environmental and Social Impact Assessment and Management Report of April 2023, and that the Accounting Officer submits a time-bound implementation plan to the Senate within 60 days of the adoption of this report. The Auditor-General to monitor progress in the subsequent audit cycle.**

## CHAPTER THREE: HOSPITALS

### 3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ITEN COUNTY REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Elgeyo Marakwet County Hon. Wisley Rotich appeared before the Committee on Wednesday 16<sup>th</sup> March 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Iten County Referral Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers

- |                          |                          |
|--------------------------|--------------------------|
| 1. Mr. Alphaeus K. Tanui | -CECM Finance            |
| 2. Mr. Lazarus chebii    | - County Secretary       |
| 3. Ms. Monicah Rotich    | - CECM Health            |
| 4. Dr. Lawrence Kogos    | - Medical Superintendent |

#### REPORT ON THE FINANCIAL STATEMENTS

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

##### 1. Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.84,650,285 as disclosed in Note 29 to the financial statements. However, the schedules provided for audit revealed that there were receivables amounting to Kshs.32,512,049 owed by the defunct National Hospital Insurance Fund (NHIF) that were more than three hundred and sixty (360) days differing with the ageing analysis disclosed in the financial statements. In addition, Management did not provide an explanation of the efforts made to recover the long outstanding receivables.

In the circumstances, the accuracy, completeness and authenticity of receivables from exchange transactions balance of Kshs.84,650,285 could not be confirmed.

##### Management Responses

The facility has updated its Financial Statement and an ageing analysis to reflect the Kshs. 32,512,049 owed by defunct National Hospital Insurance Fund (NHIF). The facility has also written a demand notice to Social Health Authority (SHA) to settle the outstanding remittance; however, they have not yet honored.

##### Committee Observation

The Committee observed that-

- i. receivables of Kshs.32,512,049 owed by the defunct NHIF were outstanding for more than 360 days and were not accurately reflected in the ageing analysis, and
- ii. management did not demonstrate adequate efforts to recover the long outstanding amount despite issuing a demand notice to the Social Health Authority (SHA).

### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, puts in place recovery measures for the outstanding receivables of Kshs.32,512,049 from the Social Health Authority (SHA) with clear timelines, and the Auditor-General to review the implementation of the measures and provide a status update in the subsequent audit cycle; and**
- ii. **the Governor ensures the Accounting Officer undertakes regular review of all long outstanding trade receivables and, with the Board's approval, writes off irrecoverable debts in line with Section 130(2)(d) of the Public Finance Management (County Governments) Regulations, 2015.**

### **2. Accuracy of the Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.595,629,340 as disclosed in Note 32 to the financial statements. Review of records revealed that the Hospital did not maintain a comprehensive fixed asset register detailing assets owned, their locations, acquisition dates, net values, and custodians. In addition, no valuation report from a qualified and recognized valuer was provided to support the recorded asset values.

In the circumstances, valuation, accuracy and completeness of the property, plant and equipment balance of Kshs.595,629,340 could not be confirmed.

### **Management responses.**

The hospital management has reviewed and updated its fixed asset register to ensure that the updated register include mandatory details such as identification/serial numbers, acquisition dates, item descriptions, locations, classes, and custodian. The management is in the process of tagging all its assets.

The facility management wrote a letter on 5<sup>th</sup> August, 2025 requesting Government approved valuer to conduct asset valuation of all fixed and movable assets. Copy of the

Letter requesting Government was provided and there has been frequent follow ups by the management to ensure that valuation is done within 2025/2026 Financial Year.

#### **Committee Observation**

The Committee observed that management has updated the asset register and written to Government valuer, however, the valuation exercise is yet to be completed.

#### **Committee Recommendation**

The Committee recommends that-

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

#### **Emphasis of Matter**

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

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis amount of Kshs.266,788,178 and Kshs.300,126,581, respectively, resulting in to an over-funding of Kshs.33,338,404 or 13% of the budget. Similarly, the Hospital spent on recurrent expenditure of Kshs.244,387,954 against an actual receipt of Kshs.300,126,581 resulting to an under-expenditure of Kshs.55,738,627 or 19% of the actual receipts. Further, it was noted that the Hospital operated with an unbalanced budget.

The under absorption of the budget may have negatively affected implementation of the planned programmes and thus adversely affecting service delivery by the Hospital.

### **Management Responses**

The facility managed to increase its revenue to Kshs.300,126,581 representing 13% over the budget due to addition of services like the new Mother and Baby unit and Neurosurgery services, however, the actual fund expensed was Kshs. 244,387,954, this was occasioned by delays in Social Health Authority claims reimbursement. The facility has regularly followed up for claims settlement.

### **Committee Observation**

The Committee observed that-

- i. the Hospital recorded an over-funding of Kshs.33,338,404 or 13% above the revenue budget, however, expenditure of Kshs.244,387,954 against actual receipts of Kshs.300,126,581 resulted in an under-expenditure of Kshs.55,738,627 or 19%, attributed to delays in SHA claims reimbursement.
- ii. the Hospital operated with an unbalanced budget.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures the Accounting Officer complies with Regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 on exerting budgetary control measures and enhancing absorption of allocated funds, failure to which provisions of Section 199 of the Public Finance Management Act on penalties for offences shall apply; and
- ii. the Governor ensures the Accounting Officer implements a robust system to track, submit, and follow up on all SHA claims in a timely manner to minimize delays in reimbursement and improve budget absorption, and submits a status report to the Committee within 60 days of the adoption of this report.

## **Basis for Conclusion**

### **1. Use of Spreadsheet as an Accounting System.**

Review of the financial statements revealed that the Hospital had an Information Management System (A1 Health) for management of its core business which did not have an accounting module. The Hospital used spread sheet for recording and posting transactions which did not guarantee the internal check achieved through an inbuilt double entry system in an Enterprise Resource Management System that has an accounting module or is integrated with Accounting System. In addition, the financial records, ledgers and cash books were maintained in a spreadsheet with no backup system and this lacked an audit trail. In addition, the use of spreadsheet did not provide for approval and authorization of transactions contrary to Regulation 102(3) on financial records and automation of financial operations which requires an Accounting Officer to satisfy himself or herself that transactions are authorized and recorded and that there is sufficient audit trail which shall identify the person who approved the transaction.

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

### **Management Responses**

The hospital management had engaged A1 Health system provider to operationalize the accounting module, additionally, in collaboration with the County Department of Health, we are in the process of selecting a suitable system that will enable all facilities to automate the accounting and procurement functions. The ICT team is also evaluating the new Tiberbu Health Management Information System (HMIS) from Ministry of Health (Digital Health Authority) to assess whether it can accommodate the accounting function before fully implementing it.

### **Committee Observation**

The Committee observed that –

- i. the Hospital used spreadsheets for recording and posting financial transactions, which lacked an audit trail, inbuilt double entry system, backup system, and approval and authorization controls, contrary to Section 68(2)(c) of the Public Finance Management Act, 2012.
- ii. despite management engaging the A1 Health system provider and evaluating the Tiberbu HMIS, no tangible actions have been taken to implement a fully integrated accounting system.

## **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submits a time-bound implementation plan for the adoption of a fully integrated accounting system with an audit trail, double entry functionality, and transaction authorization controls, in compliance with Section 68(2)(c) of the Public Finance Management Act, 2012; and**
- ii. the Governor ensures the Accounting Officer puts in place an adequate data backup system to safeguard all financial records pending full implementation of the integrated accounting system, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply. The Auditor-General to verify progress in the subsequent audit cycle.**

### **2. Incomplete and Stalled Construction of the Amenity Complex**

Physical inspection of the amenity complex construction project at Iten County Referral Hospital, implemented by the County Executive of Elgeyo Marakwet, revealed that the project remains incomplete and stalled. The project commenced in June, 2023 with a contract period of 180 days and a contract sum of Kshs.10,987,030 but as at the time of audit in October, 2025 the contractor was not on site, and the project works had stalled. Records show that the contractor had been paid Kshs.7,336,210, representing approximately 66.8% of the contract sum.

Further, the contractor requested for an extension of 180 days (six months) which was approved by Management. However, despite the extension there was no evidence of resumed construction activities and the site appeared abandoned. Physical verification established that only 70% of the work had been completed. The remaining works, which included finishes, installation of doors and windows, sanitary fittings, electrical works, and plumbing and mechanical works, had not been undertaken. The continued delay and abandonment of the project has denied the public access to enhanced healthcare services and the intended benefits of the Amenity Complex

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

### **Management Response**

The management has been following up on completion of the amenity wing, the contractor had sought an extension of contract period which was approved and the pending works were to be completed by 4th November, 2025. The contractor however did not resume works leading to termination. Copy of the termination letter was provided for committee scrutiny.

### **Committee Observation**

The Committee observed that-

- i. the amenity complex construction project at the Hospital, with a contract sum of Kshs.10,987,030, remained incomplete and stalled at 70% completion despite the contractor being paid Kshs.7,336,210 representing 66.8% of the contract sum. And
- ii. despite a 180-day extension being approved, the contractor did not resume works and the contract was subsequently terminated.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures the Accounting Officer expedites the procurement of a new contractor to complete the remaining works within a defined timeline, and submits a status report to the Committee within 90 days of the adoption of this report; and
- ii. the Governor ensures the Accounting Officer pursues recovery of any funds paid to the terminated contractor for works not executed and provides evidence of the same to the Committee, in compliance with the Public Procurement and Asset Disposal Act, 2015.

### **2. Use of Asbestos Roof**

Physical inspection of buildings within the Hospital revealed that the administration blocks, laundry, clinics, laboratory, staff quarters, and administration corridors had asbestos roofs, even after the ban on the use of asbestos material in 2006. This may lead to increased exposure to several serious diseases, including asbestosis, mesothelioma and lung cancer. This was contrary to Section 3 of the Public Health Act, Cap 247 which gives provisions on use of poisonous substances and Environmental Management and Coordination (Waste Management) Regulations, 2006, which classify asbestos as hazardous waste.

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

## Management Response

The facility management has engaged the County Department of Health services to include disposal of the asbestos in the next Financial Year budget as the facility has not been funded by county level development funds. The disposal of the asbestos was approved by the facility disposal committee.

## Committee Observation

The Committee observed that several buildings within the Hospital had asbestos roofs despite the ban on asbestos material since 2006, posing serious health risks including asbestosis, mesothelioma, and lung cancer, contrary to Section 3 of the Public Health Act, Cap 247 and the Environmental Management and Coordination (Waste Management) Regulations, 2006. The Committee further note that while the disposal has been approved by the facility disposal committee, no budgetary provisions have been made.

## Committee Recommendation

The Committee recommends that—

- i. the Governor ensures budgetary provisions for the removal and disposal of all asbestos roofing materials within the Hospital and ensures the exercise is completed within a defined timeline, in compliance with Section 3 of the Public Health Act, Cap 247 and the Environmental Management and Coordination (Waste Management) Regulations, 2006; and
- ii. the Governor ensures the Accounting Officer submits a time-bound action plan for the removal and replacement of asbestos roofing to the Committee within 90 days of the adoption of this report, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply.

### 3. Non-Compliance with Kenya Quality Model for Health Policy Guidelines

Verification of services offered, equipment used and number of medical specialists at the Hospital revealed that during the year under review, the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits as analyzed in the table below:

Staff Deficits				
Staff Requirements	Level standard	5	Number in Hospital	Percentage (%)
Medical Officers	50		11	39

Anesthesiologist	7	0	7	100
General Surgeons	4	2	2	50
Gynecologists	4	2	2	50
Pediatrics	4	2	2	50
Radiologists	4	2	2	50
Kenya Registered Community Health Nurses	250	117	164	66
<b>Total</b>	<b>323</b>	<b>136</b>	<b>218</b>	<b>67</b>

Further, the Hospital had deficits in services and equipment as indicated in the table below:

<b>Services Deficits (Equipment and Machines Deficit)</b>				
<b>Staff Requirements</b>	<b>Level 5 Hospital standard</b>	<b>Actuals in the Hospital</b>	<b>Variances</b>	<b>Percentage (%)</b>
Beds	500	266	150	30
Resuscitative (2 in labour and 1 in theatre)	3	2	1	33
Newborn Unit Incubators	10	10	0	0
Newborn Unit Cots	10	20	0	0
Functional ICU Beds	12	3	9	75
High Dependency Unit (HDU) Beds	12	2	10	83
Renal Unit with At least 5 Dialysis Machines	5	5	0	0
Seven Functional Operational Theatres - Maternity and General	7	3	0	0
<b>Total</b>	<b>559</b>	<b>311</b>	<b>170</b>	<b>20%</b>

These deficiencies contravene the First Schedule of Health Act, 2017 and hence implies 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. Further, this contravened the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage (UHC).

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

### **Management responses**

The hospital has not met the required Kenya Quality Model for Health Policy Guidelines standards due to budget constraints.

To address the issue of insufficient medical specialists and other medical staff, the hospital has engaged 89 casual staff with approval of County Public Service Board. Additionally the facility is implementing a locum policy for more specialized services and evidenced provided.

Moreover, three medical officers have been released for specialist training in critical care, anesthesiology, general surgery, and pediatrics which will help alleviate the shortages once they finalise their training.

#### **i) Equipment and Infrastructure Deficits**

To address the shortage of critical infrastructure & equipment such as ICU/HDU beds and theatre, the management is actively engaging the County Assembly through the Equitable Development Act (EDA) allocation to finance these infrastructural deficiencies and to procure the necessary medical equipment to meet the Level 5 hospital standards.

The hospital has also implemented placement of renal equipment with BBraun Limited, see attached agreement (Annex 5 (c)). We are also collaborating with donors and development partners to secure funding and donations for essential medical equipment. We have successfully constructed an Eye theatre by Operation Eyesight Universal (OEU) .

#### **Committee Observation**

The Committee observed that despite reported improvements in staffing and equipment, the Hospital still falls short of the required Level 5 standards under the Health Act, 2017 the Kenya Quality Model for Health and Article 43(1) of the Constitution of Kenya, 2010, with significant gaps remaining in critical personnel and essential units.

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

- i. within ninety (90) 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 5 hospital. The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.

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

### Basis for Conclusion

#### 1. Maintenance of the CT Scan Machine and the building

The statement of financial performance reflects repairs and maintenance amount of Kshs.24,484,278 as disclosed in Note 19 to the financial statements. Included in the balance is Kshs.8,019,912 in respect of service and maintenance of CT scan machine. However, audit verification revealed that although the CT scan machine was operational, the air conditioner was not operational. Further, windows and doors had no panes therefore exposing the Hospital to possible loss of equipment.

In the circumstances, the effectiveness and management of the CT scan machine could not be confirmed.

#### Management response

After the expiry of the maintenance contract by the National Government, the county contracted Megascop Health Care to service the CT scan. The contract didn't include the maintenance of the building. However, the hospital has requested the department of public works for the BQs for repair of the CT scan room. This will be done in this financial year.

#### Committee Observation

The Committee observed that-

- i. the CT scan machine was operational however, the air conditioner was not operational and windows and doors had no panes, exposing the Hospital to possible

loss of equipment, contrary to Regulation 202(b) of the Public Finance Management (County Governments) Regulations, 2015.

- ii. BQs for repair of the CT scan room have been requested but repairs are yet to be undertaken.

### **Committee Recommendation**

The Committee recommends that the Governor ensures the Accounting Officer undertakes the repair of the CT scan room including the air conditioner, windows, and doors within the current financial year as committed, and ensures future maintenance contracts include the maintenance of the building and supporting infrastructure. The Auditor-General to verify completion of the repairs in the subsequent audit cycle.

## **2. Breach of Data Protection Laws in the Management of Patient Data at The Hospital**

Review of the Hospital operations revealed that it collects and processes data of patients during its day-to-day operational activities. The Hospital also handles data related to its employees and suppliers. The data collected and processed by the Hospital are personal and sensitive in nature such as patient medical history, patient current health conditions, mobile phone number details, next of kin, bank account details, patient dependents, mobile money accounts, Social Health Insurance Fund (SHIF) membership details, date of birth, national identification/passport numbers among others. The Hospital collects data without meeting the provisions of Section 18(2) of Data Protection Act, 2019 which states that no person shall act as a data controller or data processor unless registered with the Data Commissioner and further fails to adhere with Regulations of the Data Protection (General) Regulations, 2021 which stipulates how data should be managed.

In the circumstances, the Hospital was in breach of the laws.

### **Management Response**

The hospital management has applied for registration as data collector to the office of Data Protection Commissioner and is in the process of finalizing the compliance.

### **Committee Observation**

The Committee observed that-

- i. the Hospital collects and processes sensitive personal data including patient medical history, bank account details, and national identification numbers without being registered with the Data Commissioner, contrary to Section 18(2) of the Data Protection Act, 2019 and the Data Protection (General) Regulations, 2021.
- ii. management has applied for registration with the Office of the Data Protection Commissioner and is in the process of finalizing compliance.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer expedites the registration with the Office of the Data Protection Commissioner and finalizes all compliance requirements under the Data Protection Act, 2019 and the Data Protection (General) Regulations, 2021, and submits evidence of registration to the Senate within 60 days of the adoption of this report and the Auditor-General verifies compliance in the subsequent audit cycle.**

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

### **3. Weak ICT Control Environment**

Review of the Information and Communications Technology controls for the Hospital revealed that although the Hospital's server rooms have Closed Circuit Television (CCTV) and server rooms had (CCTV) cameras for surveillance of these facilities, the physical access to the facilities was not effectively controlled since the entrance of the sever rooms lacked biometric access controls. Further, the Hospital did not have in place ICT Strategic Committee, ICT Strategic Plan, or a comprehensive ICT Policy. In addition, the Hospital did not have a disaster recovery and Business Continuity Plan and an offsite backup which could be useful in restoring operations in case of any emergencies/disasters. The Hospital was in contravention of Regulation 110(1) of the Public Finance Management (County governments) Regulations, 2015 which requires that the Accounting Officer for a County Government entity shall institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity. In the event of a disaster, the operations of the Hospital may come to a complete shut down and irrecoverable loss of critical operational and strategic data.

In the circumstances, the effectiveness of internal controls and governance on ICT control environment could not be confirmed.

### **Management response**

The management has instituted changes and currently the Server room has controlled access using key and lock. We have proposed to budget in Financial year 2026/2027 installation of Biometric access to fully have managed access.

The Hospital does not have its independent ICT policy however, we utilize the Elgeyo Marakwet County ICT strategic committee, ICT strategic plan and ICT policy. The facility has a business continuity plan.

The hospital is planning to acquire a cloud storage space from a trusted host through ICT Authority to mitigate risks in the next financial year.

### **Committee Observation**

The Committee observed that the Hospital's server rooms lacked biometric access controls, and the Hospital did not have an independent ICT Strategic Committee, ICT Strategic Plan, comprehensive ICT Policy, or an offsite backup system, contrary to Regulation 110(1) of the Public Finance Management (County Governments) Regulations, 2015. The Committee noted that management has instituted key and lock access controls and relies on the County ICT policy, however, biometric access and offsite backup are yet to be implemented. The matter is partially addressed.

### **Committee Observation**

The Committee observed that-

- i. the Hospital's server rooms lacked biometric access controls, and the Hospital did not have an independent ICT Strategic Committee, ICT Strategic Plan, comprehensive ICT Policy, or an offsite backup system, contrary to Regulation 110(1) of the Public Finance Management (County Governments) Regulations, 2015.
- ii. management has instituted key and lock access controls and relies on the County ICT policy however biometric access and offsite backup are yet to be implemented.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures budgetary provisions are made in the Financial Year 2026/2027 for the installation of biometric access controls to the server rooms,

- and submits evidence of the same to the Senate within 60 days of the adoption of this report;
- ii. the Governor ensures the Hospital expedites the acquisition of cloud storage space through the ICT Authority and develops its own independent ICT Strategic Plan and comprehensive ICT Policy, in compliance with Regulation 110(1) of the Public Finance Management (County Governments) Regulations, 2015; and
  - iii. the Auditor-General verifies the implementation of the ICT controls in the subsequent audit cycle

#### **4. Lack of Health Facility Management Committee**

The statement of financial performance reflects Board of Management expenses amount of Kshs.992,000 as disclosed in Note 17 to the financial statements. However, review of the Hospital records revealed that the term for entire Health Facility Management Committee ended on 30 June, 2025. There was no evidence of the appointment of new Health Facility Management Committee. This was contrary to Section 19 of The Facilities Improvement Financing Act, 2023, which states that the appointments of the members to the Committee shall be in such a manner that the respective expiry of their terms shall fall at different dates. The Management operates without requisite oversight which compromise the effective running of the Hospital and it points to a failure in succession planning on part of Management.

In the circumstances, the effectiveness of risk management and governance on facility management could not be confirmed.

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

#### **Management Response.**

It's true that at the time of audit, the term of the hospital board member had expired, however, a new board has been appointed by the County Executive Committee Member for Health Services and gazette on 9<sup>th</sup> January, 2026. Copy of the board was provided for scrutiny.

**Committee Observation**

The Committee observed that a new board has since been appointed and gazetted on 9th January 2026.

**Committee Recommendation**

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

### 3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TAMBACH SUB- COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Elgeyo Marakwet County Hon. Wisley Rotich appeared before the Committee on Wednesday 16<sup>th</sup> March 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Tambach sub-County Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers

- |                          |                        |
|--------------------------|------------------------|
| 1. Mr. Alphaeus K. Tanui | -CECM Finance          |
| 2. Mr. Lazarus chebii    | - County Secretary     |
| 3. Ms. Monicah Rotich    | - CECM Health          |
| 4. Mr. Jeremiah Kibwot   | - Chief Officer Health |

### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Tambach Sub-County Hospital on the following basis:-

#### 1. Lack of Ownership Documents

Review of financial statements revealed that the statement of financial position disclosed property, plant and equipment balance of Kshs.49,744,407 as detailed in Note 32 to the financial statements. However, Management did not provide ownership documents and valuation reports to support the amounts disclosed in respect of land and buildings. Further, verification of the asset register provided by the Hospital revealed that the listed assets did not indicate the historical or additional cost, work-in-progress, asset identification or serial number, acquisition date, description of asset and, location. In addition, the land and buildings register did not have a recording of each parcel of land and terms on which it was held.

In the circumstances, the accuracy completeness and ownership of property plant and equipment balance of Kshs.49,744,407 could not be confirmed.

#### Management Response

Tambach Subcounty Hospital does not have a title deed as the area has not been demarcated; World Bank has supported demarcation and we are in the process of securing the Title deed. The Financial Statement disclosed net book value of kshs 49,744,407 as at 30<sup>th</sup> June 2025, However, at the time of audit, valuation had not been done but the facility had engaged Government valuer to support the facility to carry out valuation of all property, plant and equipment in order to get accurate value to update in our asset register.

## **Committee Observation**

The Committee observed that—

- i. the Hospital disclosed a property, plant and equipment balance of Kshs.49,744,407 without a supporting valuation report, as the valuation exercise had not been conducted at the time of audit despite management having engaged a Government Valuer; and
- ii. the asset register was incomplete, lacking critical details including historical cost, asset identification numbers, serial numbers, acquisition dates, and location of assets.

## **Committee Recommendation**

The Committee recommends that-

- i. **the Governor ensures that the valuation of all assets of Tambach Sub-County Hospital is fast-tracked, and the management submits the valuation report to the Auditor-General for verification during the subsequent audit cycle;**
- ii. **the Governor makes budgetary provisions for the valuation exercise to ensure a seamless and timely process in ascertaining the accurate value of all property, plant and equipment;**
- iii. **upon completion of the valuation exercise, the Accounting Officer updates the asset register within 90 days to incorporate the accurate values, and submits the updated register to the Auditor-General for verification;and**
- iv. **the Governor ensures the Accounting Officer ensures the existing asset register is further updated to capture all required details including historical cost, work-in-progress, asset identification numbers, serial numbers, acquisition dates, descriptions, and location of each asset, in the format prescribed by the Public Sector Accounting Standards Board (PSASB).**

## **2. Inaccurate Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balances of Kshs.1,383,401 as disclosed in Note 27 to the financial statements. However, reconciliation statements and bank balance confirmation certificates were not provided for audit verification.

In the circumstances, the accuracy and completeness of cash and cash equivalents balances of Kshs.1,383,401 could not be confirmed.

### **Management Response**

The statement of financial position reflects cash and cash equivalent balance of Kshs 1,384,401 as disclosed in note 27 to the financial statement, the facility has provided copy of the cash book, reconciliation statement and bank balances for scrutiny.

### **Committee Observation**

The committee observed that the management provided the cashbooks, bank reconciliations and bank certificate.

### **Committee Recommendation**

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

### **3. Non-Provision of Trial Balance and Journal Entries**

Management did not provide a trial balance to support the balances in the financial statements. Further, there was a significant change in balance disclosed in the financial statements submitted on 29 August, 2025 and 3 November, 2025 in respect to total revenue and expenses from Kshs.70,779,288 to Kshs.8,547,704 and Kshs.67,567,822 to Kshs.10,038,497 respectively which were not supported with journals.

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

### **Management Response**

The variance in revenues and expenditure from Kshs 70,779,288 and Kshs. 67,567,822 to Kshs. 8,547,704 and Kshs. 10,038,497 respectively was as a result of recognizing purchase of ambulance, salaries paid to county employees and drugs received from county government in the facility financial statement, the same has been moved to related party balances Notes 45 of the financial statement. Copy of the trial balances was provided for committee verification.

### **Committee Observation**

The committee observed that the hospital provided the trial balance and was verified by the auditor.

### **Committee Recommendation**

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

#### **4. Unsupported Receivables**

The statement of financial position reflects receivables from exchange transactions balance of Ksh.2,965,801 being unreimbursed NHIF claims. However, no ageing analysis and ledger details were provided to support the accounts receivables balance in the financial statements.

In the circumstances, the accuracy and completeness of receivables balance of Kshs.2,965,801 could not be confirmed

#### **Management Response**

Ageing analysis has been done and amended in the financial statement of Kshs 2,965,801 for FY 2024-25 comprises of kshs 1,142,825 for receivables less than one year and kshs 1,822,976 for receivables between 1-2 years This are unreimbursed claims from Kenya prisons, defunct N.H.I.F and Social Health Authority.

#### **Committee Observation**

The committee observed that the management provided the ageing analysis for unreimbursed NHIF claims and verified by the committee.

#### **Committee Recommendation**

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

#### **5. Failure to Disclosed In-Kind Contributions from the County Government**

During the year, it was observed that the Hospital received In-Kind contributions from the County Government of Kshs.62,650,475 which was not disclosed in the financial statements. Further, ledgers were not provided to support revenue from rendering of medical services of Kshs.6,321,168 and transfers from the County Government of Kshs.2,226,536.

In the circumstances, the accuracy and completeness of the In-Kind contributions of Kshs.62,650,475 could not be confirmed.

#### **Management Response**

In-kind contribution from county government of **Kshs 62,650,475** consisted of salaries to employees Kshs 52,822,116 drawing rights for Kemsas Kshs 2,828,359 and purchase of ambulance Kshs 7,000,000/ paid for by the county government, in the amended financial statement this has been treated as other related part transactions, Note 45 of the Financial Statement. Actual revenue collected by the facility for the financial year consist of **Kshs 6,321,168** revenue for rendering services sthe ledgers and corresponding bank statement.

The others were FIF Transfers from County Government of Kshs 1,227,164 on 8<sup>th</sup> July 2024, Kshs 844,372 on 6<sup>th</sup> Nov 2024 and Kshs 155,000 on 7<sup>th</sup> Nov 2024 totaling to Kshs 2,226,536 (FIF)transfers.

#### **Committee Observation**

The Committee observed that the ledgers and amended financial statements were provided, verified, and the anomalies confirmed to have been corrected.

#### **Committee Recommendation**

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

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

Note 32 to the financial statements reflects property, plant and equipment balance of Kshs.49,744,407 which has not been supported with an asset register. In addition, the statement of financial performance reflects depreciation expenses of Kshs.2,874,194. However, the method of depreciation adopted and rates applied by Management was not disclosed in the Notes to the financial statement.

In the circumstances, the accuracy of depreciation charged of Kshs.2,874,194 could not be confirmed.

#### **Committee Observation**

The Committee observed that the asset register depreciation method both were subsequently submitted, verified, and confirmed accurate.

#### **Committee Recommendation**

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

### **7. Unsupported Inventory**

The statement of financial position reflects inventory balance of Kshs.3,169,582 comprising of inventories held which includes consumables stores and medical supplies as disclosed in Note 31 to the financial statements. However, there were no stock sheet reports to support the balances. In addition, the Hospital had not provided for audit an approved Inventory Management Policy to provide formal guidance on the management of inventory.

In the circumstances, the accuracy of inventory balance of Kshs.3,169,582 could not be confirmed.

#### **Management Revenue**

End of Financial year stock take was done and counter checked with bin cards, sampled bin cards as at 30<sup>th</sup> June, 2025 for both drugs and foodstuffs. The facility is also in the process of implementing an automated system to manage drugs and non-pharmaceuticals to improve commodity management. Copy of the management of Tambach Sub-County has a draft inventory management policy was provided for scrutiny.

### **Committee Observation**

The Committee observed that management provided a stock take report which was reviewed and verified, however, the Inventory Management Policy remains in draft form and is yet to be formally approved.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer fast-tracks the review and formal approval of the Inventory Management Policy within 60 days of the adoption of this report, in compliance with IPSAS 12, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply**

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Failure to Maintain Revenue Cash Book**

Note 11 to the financial statements reflects revenue from rendering services amount of Kshs.6,321,168. However, Management did not maintain a revenue cashbook with details of daily billings and collections per patient, transfers to fund account, withdrawal through Authority to Incur Expenditure (AIEs) and revenue receivables. This was contrary to Section 100 of the Public Finance Management Regulation (County Governments), 2015 which states that the Accounting Officer shall keep in all offices concerned with receiving cash or making payments a cashbook showing the receipts and payments and shall maintain

such other books and registers as may be necessary for the proper maintenance and preparation of the accounts of the vote for which he is responsible.

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

**Management Response**

Tambach sub county hospital maintains separate collection and expenditure accounts, once funds are transferred to expenditure account, an A.I.E is issued by chief officer. The facility had prepared revenue cash book and reconciled the cash book as at 30<sup>th</sup> June, 2025. We plan to implement an automated system that will enable instant reporting of the collections.

**Committee Observation**

The committee observed that the management provided a sample of Authority to incur expenditure (AIE) documents and the revenue cash book which were verified.

**Committee Recommendation**

The Committee recommends that the matter be marked as resolved.

**2. Non-Compliance with Universal Health Coverage (UHC) Requirements**

Review of Hospital records and verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by eighty-six (86) staff or 85% of the one hundred and one (101) authorized establishment.

Staff Requirements	Level Standards	Number In Hospital	Variance	Percentage %
Medical Officer	16	0	16	100
Anaesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynaecologists	2	0	2	100
Paediatricians	2	0	2	100

Staff Requirements	Level Standards	Number In Hospital	Variance	Percentage %
Radiologist	2	0	2	100
Registered community Health Nurses	75	15	60	20
<b>Total</b>	<b>101</b>	<b>15</b>	<b>86</b>	<b>85</b>

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

Service	Level Hospital Standard <sup>4</sup>	Actuals in the Hospital	Variance	Percentage (%)
Bed Capacity	150	36	114	76
Incubators (New-born)	5	2	3	60
Cots	5	1	4	80
Resuscitative in Theatre	1	0	1	100
Resuscitative in labour wards	12	0	12	100
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machines	5	0	5	100

Service	Level Hospital Standard	4 Actuals in the Hospital	Variance	Percentage (%)
Functional Operating Theatres Maternity and General	1	0	1	100

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

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

#### **Management Response**

The management recognizes that the hospital is not compliant to UHC requirements on human resource or staff norms and infrastructure/equipment due to constrained resources; however, the county government has a locum policy in place meant to bridge the staffing shortages. Secondly, a specialized service provider (anesthetist) has been posted to operationalize the theatre. A clear proposal has been made for funding during public participation to equip the hospital and construct other necessities such as the radiology unit and more wards.

#### **Committee Observation**

The Committee observed that-

- i. within sixty (90) 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**

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

### **Basis for Conclusion**

#### **1. Ineffectiveness of the Hospital Management Committee**

Review of Hospital Management Committee records revealed that the Committee operated without an approved Charter which defines the roles, responsibilities and functions of the Committees.

In the circumstances, the effectiveness of the Hospital's oversight and governance could not be confirmed.

#### **Management Response**

The management used a draft board charter defining roles and responsibilities of hospitals board members see as the board charter, the roles and responsibilities of each member is also captured in the appointment letter.

#### **Committee Observation**

The Committee observed that the Hospital Management Committee operated without an approved Board Charter, with management relying on a draft charter and appointment letters to define roles and responsibilities.

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer fast-tracks the finalization and formal approval of the Board Charter within 60 days of the adoption of this report, to clearly define the roles, responsibilities, and functions of the Hospital Management Committee, in compliance with Section 79(2) of the Public Finance Management Act, 2012, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply.**

#### **2. Weakness in Issuance, Usage and Storage of Medical Supplies**

As previously reported, review of the management of pharmaceuticals and non-pharmaceuticals commodities at the Hospital revealed that undetermined quantities of various drugs had expired. Further, the stock cards used to issue drugs to various departments in the Hospital did not indicate the batch number and the expiry dates of the drugs. Therefore, it was difficult to establish whether the issuance of drugs was on First Expiry First Out (FEFO) basis. This was contrary to Section 162(3) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that stores, inventory and assets that are procured by a public entity shall not be allowed to suffer deterioration from any preventable cause and overstocking of any particular item shall be avoided.

In the circumstances, effectiveness of internal controls on issuance and storage of medical supplies could not be confirmed.

### **Management Response**

In order to resolve the weaknesses in issuance, usage and storage of medical supplies, the facility has automated the process by installing a system that records all drugs received and issued to clients, the stock levels can be known instantly at the click of a button (Medflow) as evidenced by system printout provided. We have also a draft inventory management policy to enable seamless commodity management.

### **Committee Observation**

The Committee observed that –

- i. undetermined quantities of drugs had expired and stock cards lacked batch numbers and expiry dates, making it difficult to confirm FEFO compliance.
- ii. While management installed the Medflow automated system, the Inventory Management Policy remains in draft form and unapproved.

### **Committee Recommendation**

The Committee recommends that the Governor ensures the Inventory Management Policy is formally approved within 60 days of the adoption of this report, strict adherence to the FEFO principle is enforced, and the Auditor-General verifies the functionality of the Medflow system during the subsequent audit cycle, in compliance with Section 162(3) of the Public Procurement and Asset Disposal Act, 2015.

**CHAPTER FOUR: FUNDS**

#### **4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ELGEYO MARAKWET COUNTY FUNDS FOR THE FINANCIAL YEAR 2024/2025**

In accordance with Article 229(4) of the Constitution as read together with section 7(1) of the Public Audit Act, Cap. 412B, during the period under review, the Auditor-General audited the financial statements of various funds in Elgeyo Marakwet 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. Elgeyo Marakwet County Assembly Catering Services Revolving Fund
2. Elgeyo Marakwet Alcoholic Drinks and Control Fund-executive
3. Elgeyo Marakwet Car and Mortgage Revolving Fund-executive
4. Elgeyo Marakwet County Climate Change Fund
5. Elgeyo Marakwet Education Fund-executive.

#### **Committee Observation**

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

#### **Committee Recommendations**

The Committee recommends that 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 Elgeyo Marakwet County 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.

# ANNEXTURES

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



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

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

**PRESENT**

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

**ABSENT WITH APOLOGY**

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

**SECRETARIAT**

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

**A. OFFICE OF THE AUDITOR GENERAL**

Mr. Mark Gachanja                      Liasion

**B. ETHICS AND ANTI CORRUPTION COMMISSION**

Mr. Patrick Kinoti                      -Liaison Officer

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

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

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

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

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

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

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

1. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kisumu County for the Financial Year 2024/2025 (1<sup>st</sup> July, 2024 to 30<sup>th</sup> June, 2025)-**
  - a. Kisumu Water and Sanitation Company (KIWASCO)
  - b. City Of Kisumu
  - c. Ahero County Hospital
  - d. Chulaimbo County Hospital
  - e. Kisumu County Hospital
  - f. Kombewa County Referral Hospital
  - g. Lumumba Sub County Hospital
  - h. Migosi Sub County Hospital
  - i. Muhoroni County Hospital
  - j. Nyakach County Hospital
  - k. Kisumu County Mortgage & Car Loan (Executive) Fund
  - l. Kisumu County Mortgage & Car Loan Assembly Fund
  - m. Kisumu Lakefront Development Corporation
  - n. Kisumu County Emergency Fund
  - o. Kisumu County Bursary Fund
  - p. Kisumu County Climate Change Fund
  - q. Kisumu County Covid-19 Emergency Response Fund Account
  - r. Kisumu County Education Fund
  - s. Kisumu County Women, Youth and People with Disabilities Fund

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There was no any other business.

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

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



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

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