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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 BUSIA COUNTY WATER COMPANY, MUNICIPALITIES, HOSPITALS AND FUNDS FOR THE FINANCIAL YEAR 2024/2025 (1<sup>st</sup> JULY, 2024 TO 30<sup>th</sup> JUNE, 2025):

SECTOR	NO.	ENTITY
WATER COMPANY	1	BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED
MUNICIPALITIES	2	BUSIA MUNICIPALITY
		MALABA MUNICIPALITY
HOSPITALS	4	ALUPE SUB COUNTY HOSPITAL
		BUSIA COUNTY REFERRAL HOSPITAL
		TESO NORTH SUB COUNTY HOSPITAL
		NAMBALE SUB COUNTY HOSPITAL
FUNDS	5	BUSIA AGRICULTURAL DEVELOPMENT FUND
		BUSIA COUNTY ALCOHOLIC DRINKS CONTROL FUND
		BUSIA COUNTY CLIMATE CHANGE FUND
		BUSIA COUNTY COOPERATIVE ENTERPRISE DEVELOPMENT FUND
		BUSIA COUNTY PUBLIC (OFFICERS) REVOLVING FUND

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TABLED BY	SEN. OLOTSI
COMMITTEE	
CLERK AT TABLE	WILLIAM

MARCH 2026

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## ACRONYMS/ABBREVIATION

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

## DEFINITION OF TERMS

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 exercise 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 the county funds, within six months after the end of each financial year.

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Busia County Water Company, Municipalities, Hospitals and Funds for the Financial Year 2024/2025. The entities considered include Busia Water and Sewerage Services Company Limited; Busia Municipality, Malaba Municipality; Alupe Sub County Hospital, Busia County Referral Hospital, Teso North Sub County Hospital, Nambale Sub County Hospital; Busia Agricultural Development Fund, Busia County Alcoholic Drinks Control Fund, Busia County Climate Change Fund, Busia County Cooperative Enterprise Development Fund and Busia County Public (Officers) Revolving Fund.

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

## **COMMITTEE MEMBERSHIP**

The membership of the Committee comprises of the following Senators-

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

## **COMMITTEE SECRETARIAT**

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

## **ESTABLISHMENT OF THE COMMITTEE**

The Committee was first constituted on 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 Busia Water and Sewerage Services Company Limited; Busia Municipality, Malaba Municipality; Alupe Sub County Hospital, Busia County Referral Hospital, Teso North Sub County Hospital, Nambale Sub County Hospital; Busia Agricultural Development Fund, Busia County Alcoholic Drinks Control Fund, Busia County Climate Change Fund, Busia County Cooperative Enterprise Development Fund and Busia County Public (Officers) Revolving Fund 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 Busia County pursuant to Article 179(4) as witness to respond to the audit queries raised in the reports under consideration on Wednesday, 21<sup>st</sup> January 2026.

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

All the entities received a qualified opinion from the Auditor-General, indicating material discrepancies and insufficient documentation preventing the issuance of an unqualified audit report.

Some of the key findings across the entities include: long-outstanding payables, non-revenue water at levels exceeding regulatory benchmarks; long outstanding receivables, budgetary control issues, unremitted statutory deductions; operating Without Valid License from WASREB; unsupported share capital and lack of Autonomy in the Operations and management of the municipalities; Non-compliance with the Kenya Quality Model for Health Policy Guidelines and weaknesses in internal controls and governance.

The Committee has made comprehensive recommendations directed at the Governor of Busia County and relevant accounting officers to address the identified audit issues within specified timeframes.

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

## **REPORT STRUCTURE**

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

**CHAPTER ONE** is a record of the audit queries raised in the Auditor-General's report on Busia Water Company for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

**CHAPTER TWO** is a record of the audit queries raised in the report of the Auditor-General for Busia Municipalities (Busia Municipality and Malaba Municipality) for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

**CHAPTER THREE** is a record of the audit queries raised in the report of the Auditor-General for Busia Hospitals for the Financial Year 2024/2025, along with the Committee's observations and recommendations for each audit query.

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

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

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

1. **Non-Revenue Water (NRW)** – The Committee observed that the Water Company recorded NRW levels that significantly exceeded the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB). This was mostly attributed to physical losses from dilapidated infrastructure, commercial losses from inaccurate meter reading and billing, and illegal connections. Busia Water and Sewerage Services Company Limited had non-revenue water of 43% or 276,267 cubic meters (M<sup>3</sup>).
2. **Deficiencies in Financial Reporting** – The Committee noted widespread inaccuracies and errors in the preparation and presentation of financial statements. Furthermore, both Accounting Officers and Managing Directors exhibited challenges in complying with Section 62 of the Public Audit Act, Cap. 412B, by failing to submit supporting documents to auditors on time. This impedes the accountability and audit process, while the persistent delays in finalizing complete financial statements point to a lack of requisite competencies and experience within the entities.
3. **Non-Adherence to Accounting Standards** – The committee observed that accountants of the water company faced challenges in fully adopting the International Public Sector Accounting Standards (IPSAS) framework. The Committee noted that while the Public Sector Accounting Standards Board (PSASB) periodically updates these standards to reflect emerging issues and best practices, many water companies struggle with their application, as evidenced by recurring audit queries.
4. **Non-Compliance with Ethnic Inclusivity Requirements** – The Committee observed significant non-compliance with the National Cohesion and Integration Act, Cap. 7N, and Section 65(1)(e) of the County Government Act, Cap. 265. These provisions mandate that public offices represent ethnic diversity and that at least 30% of entry-level posts be filled by candidates from outside a county's dominant ethnic community.
5. **Material Uncertainty Regarding Going Concern** – The committee noted that the water company reported negative working capital during the review period, rendering them unable to meet short-term financial obligations as they fall due. Their continued operation is heavily reliant on financial support from County Executives or development partners, raising material doubts about their long-term financial sustainability.
6. **Non-remittance of statutory deductions** – The Committee observed that the water company had continuously failed to remit statutory deductions to various institutions such as the Kenya Revenue Authority, the National Health Insurance

Fund, the National Social Security Fund, and pension schemes. This practice violates several laws, including the Retirement Benefits Act (Cap. 197) and the Income Tax Act (Cap. 470), and has led to the continuous accrual of interest and penalties.

7. **Weak Budgetary Control and Performance** – The Committee observed that the water company had widespread weaknesses in budget execution. Water companies frequently failed to adhere to approved budget ceilings, resulting in either over-utilization or under-utilization of appropriated funds. In several instances, funds were re-allocated to unbudgeted items without prior Board approval. These issues are compounded by high revenue shortfalls and the preparation of unrealistic budgets.
8. **Incomplete Transfer of Assets and Liabilities** – The Committee observed that the water company had not fully completed the transfer of assets and liabilities from the defunct local authorities and Regional Water Works Development Agencies, as required by the Water Act, Cap.372. This omission prevents these companies from presenting a true and fair view of their financial position in their books of account.
9. **Breach of various provisions of the law** – The Committee observed that there was broad non-compliance with various legal and regulatory frameworks. This includes, but is not limited to, the Public Finance Management Act, Cap. 412A, Public Audit Act, Public Finance Management (County Government) Regulations, 2015, the Water Act, the Companies Act, Cap.486, the Income Tax Act (Cap. 470), 1974, the Retirement Benefits Act, 1997, the Pensions Act, the County Government Act, the Accountants Act, Cap.531 and Water Service Regulatory Board (WASREB) guidelines.
10. **Late submission of documents and inaccuracies in Financial Statements** – The Committee observed a pattern of late submission of audit documents and financial statements that contained numerous inaccuracies. The delays hinder the audit process and may indicate an attempt to falsify records, while the prevalence of errors suggests a lack of competence that could potentially facilitate fraudulent activities.

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

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

1. **Mitigation of Non-Revenue Water** – The Governor ensures the Board of Directors and Accounting Officers should institute comprehensive measures to reduce Non-Revenue Water, addressing both physical and commercial losses. These measures should include the adoption of Geographic Information System (GIS) technology for real-time detection of bursts and leakages, installation of

smart meters to ensure accurate billing, rehabilitation of dilapidated infrastructure, and the development of institutional anti-corruption policies with robust enforcement mechanisms to curb illegal connections. Furthermore, management should disclose the proportional breakdown of physical and commercial losses, expressed as percentages, in their periodic reports.

2. **Enhancement of Record Keeping and Audit Compliance** – The Governor ensures the Board and Accounting Officers must ensure proper record keeping and provide all requisite supporting documents to the Auditor-General in accordance with Section 9(1)(e) of the Public Audit Act, Cap. 412B, within the stipulated audit timelines. Adherence to the provisions of the Accountants Act, Cap. 531, is mandatory. Failure to comply with these requirements shall necessitate the invocation of Section 62 of the Public Audit Act by the Committee.
3. **Capacity Building on Financial Reporting Standards** - The Governor, the Board of Directors, in consultation with the Public Sector Accounting Standards Board (PSASB), should facilitate continuous capacity building for finance officers and management on International Public Sector Accounting Standards (IPSAS) to improve the quality of financial reporting and enhance compliance. The Board must ensure that all accounting personnel possess the requisite competency and experience as mandated by the Accountants Act. Additionally, the Accounting Officer should enforce strict adherence to the financial reporting template prescribed by the National Treasury. These measures will strengthen the maintenance of books of account, improve the accuracy of financial statements, and ensure their timely submission to the Auditor-General.
4. **Compliance with Ethnic Inclusivity and Diversity Requirements** - The Board and County Government to make deliberate efforts to progressively comply with section 7 (1) and (2) of the National Cohesion and Integration Act and Section 65(1) (e) of the County Governments Act on diversity, realization of the one-third rule on recruitment in public institutions and ethnic inclusivity. In addition, the Board and the County Governments should establish a diversity policy to comply with the law. Compliance status shall be reviewed in subsequent audit periods.
5. **Strengthening Financial Sustainability and Asset Management** - The Board, Accounting Officers and the County Governments should implement strategic and innovative measures to enhance the financial health and self-sustainability of water companies. This includes reviewing and regularizing existing assets, finalizing service provider agreements from the defunct local authorities, and maintaining updated asset registers that accurately reflect the current financial position. Companies must determine and ascertain their commercial viability as required by the PSASB. Any financial support received from the County

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

6. **Timely Remittance of Statutory Deductions** - County Governments, Boards, and Accounting Officers shall ensure the timely remittance of all statutory deductions to the relevant authorities, including the Kenya Revenue Authority, the National Health Insurance Fund, and the National Social Security Fund, to prevent the accumulation of avoidable interest and penalties that exacerbate company liabilities. The Accounting Officer must comply fully with the Income Tax Act (Cap. 470), the Retirement Benefits Act (Cap. 197), and the Pensions Act (Cap. 189). The Board is required to provide a clear plan and commitment for the repayment of any outstanding statutory deductions; failure to do so will result in the Committee recommending appropriate enforcement measures.
7. **Prudent Budgetary Planning and Control** - The Board and accounting officers should prepare realistic budgets and revenue projections to prevent issues of revenue shortfalls that negatively impact service delivery. In the budget preparation process, the Board should consider previous budgetary allocations and ensure that any proposed increases are reasonable and justified. The Board must also seek the necessary statutory approvals by forwarding budget estimates to the County Executive Committee member for water, who shall subsequently submit them to the County Treasury as required by law. Additionally, water companies are encouraged to automate their billing systems to enhance revenue collection efficiency.
8. **Strict Adherence to Statutory and Regulatory Frameworks** - The Board and accounting officers of the water companies are directed to ensure strict compliance with all relevant laws and regulations, including but not limited to the Public Finance Management Act, the Public Audit Act, the Public Finance Management (County Government) Regulations, 2015, the Water Act, the Accountants Act, the Companies Act, the Income Tax Act, the Employment Act, Cap.226, the Pension Act, the Retirement Benefits Act and the Water Services Regulatory Board (WASREB) guidelines. Non-compliance shall attract appropriate sanctions.
9. **Expediting Transfer of Assets and Liabilities** - The Governors should engage the Inter-Governmental Relations Technical Committee (IGRTC) and the relevant Regional Water Works Development Agencies to fast-track on the transfer of the assets and liabilities so that they reflect a true position of the companies in their books of account.

10. **Maintenance of Updated Fixed Asset Registers** - The Board of Directors and the managing director should ensure the water companies maintains updated fixed asset registers in compliance with section 136 (1) of the Public Finance Management (County Government) Regulations, 2015 and in the format prescribed by the National Treasury and submit the same to the Auditor-General within 60 days from the adoption of this report.

#### **GENERAL OBSERVATIONS FOR MUNICIPALITIES**

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

1. **Lack of Operational Autonomy of Municipalities** – The Committee observed that various municipalities lacked operational independence from the County Executive in areas of management, function and finances. This contravened sections 12 on Management independence, 20 on functional independence, 45 and 46 on financial independence of the Urban Areas and Cities Act, 2011 CAP. 275, which collectively guarantee municipalities the autonomy necessary for effective governance.
2. **Deficiencies in Financial Reporting and Standards Compliance** – The Committee observed that there were numerous inaccuracies and errors in the financial statements of municipalities, raising concerns about the capacity of the officers responsible for their preparation. Furthermore, municipalities face persistent challenges in adapting to the International Public Sector Accounting Standards (IPSAS) framework required for the preparation of their financial statements.
3. **Challenges in Applying Updated Accounting Standards-** The Committee observed that the Public Sector Accounting Standards Board (PSASB) periodically reviews IPSAS to address emerging issues and align with best practices. County entities, including municipalities, struggled to apply the updated standards, as evidenced by the audit queries.
4. **Asset Management-** The Committee observed that the assets belonging to municipalities were still being held and managed by the county executives. Consequently, this made the municipalities not to maintain and update the asset registers which was contrary to section 104(1)(h) of the Public Finance Management Act, 2012 . Thus, the true financial position of the municipalities could not be reflected in the financial statements.
5. **Late Submission of Audit Documents-** The Committee noted that the Auditor-General encountered significant challenges due to the late submission of supporting documents by municipalities during the audit process. This delay hinders the accountability and audit process and contravenes Section 62 of the Public Audit Act, Cap. 412B, which mandates timely provision of documentation.

6. **Weak Budgetary Control and Performance** – The Committee observed that municipalities had weaknesses in executing their approved budgets and did not adhere to the approved budget ceilings set for programs. The municipalities either over-utilized or under-utilized the appropriated funds. Further, some Municipalities prepared unbalanced budgets contrary to regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015.

#### **GENERAL RECOMMENDATIONS FOR MUNICIPALITIES**

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

1. **Enforcement of Municipal Autonomy** - The County Executive Committee member responsible for lands, housing, and urban development should, within sixty (60) days of the adoption of this report, take immediate steps to operationalize Sections 12, 20, 45, and 46 of the Urban Areas and Cities Act, 2011, by formally delegating management, functional, and financial powers to the Municipal Boards and Managers. The Municipal Boards shall thereafter provide a compliance report to the County Assembly and the Senate Committee on County Public Investments and Special Funds.
2. **Strengthening Financial Reporting Capacity**- The Municipal Manager and the head of finance shall, in consultation with the County Treasury and the Public Sector Accounting Standards Board (PSASB), develop and implement a continuous capacity-building program for all finance officers on the application of International Public Sector Accounting Standards (IPSAS). This program shall commence within sixty (60) days of the adoption of this report and shall be repeated quarterly to ensure updated knowledge of revised standards. Further, the Municipal Manager shall ensure that all financial statements prepared from the financial year 2024/25 onwards fully comply with the most current IPSAS framework as issued by the PSASB. Any deviation shall be explicitly explained and justified in the notes to the financial statements.
3. **Transfer of Assets and Maintenance of Asset Registers** -The County Executive Committee member responsible for finance and economic planning shall, within sixty (60) days of the adoption of this report, execute a formal instrument transferring custody and management of all assets belonging to the municipality. Upon transfer, the Municipal Manager shall immediately cause the preparation and regular updating of a comprehensive fixed asset register in compliance with Section 104(1)(h) of the Public Finance Management Act, 2012, and National Treasury guidelines. A copy of the transferred asset register shall be submitted to the Auditor-General within thirty (30) days of completion.
4. **Timely Submission of Audit Documents** - The Municipal Manager and the head of finance are hereby directed to ensure that all supporting documents

requested by the Auditor-General are submitted within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B. The Municipal Board shall institute an internal tracking mechanism to monitor compliance, and any officer found to have caused undue delay shall be subject to disciplinary action.

5. **Adherence to Approved Budgets** - The Municipal Manager should enforce strict adherence to approved budget ceilings for all programs and should ensure that any reallocation of funds between programs receives prior written approval from the Municipal Board and, where required, the County Treasury. A quarterly budget performance report shall be prepared and submitted to the Municipal Board for review.

## **GENERAL OBSERVATIONS FOR HOSPITALS**

The Committee observed that-

1. **Non-Compliance with Kenya Quality Model for Health Policy Guidelines** - The Committee observed that the hospitals did not fully comply with the Universal Healthcare standards as they were inadequately staffed and were not equipped with all the medical equipment for the hospitals to be fully operational.
2. **Resource and Infrastructure Constraints:** The Committee observed that healthcare workers frequently operate in facilities that lack essential resources, including adequate medical supplies and equipment necessary for the delivery of quality care. This shortage of basic resources is demoralizing for healthcare professionals and significantly limits the overall effectiveness of service delivery to patients.
3. **Lack of a proper billing system in hospitals;** The Committee observed that the absence of proper billing systems in hospitals results in substantial revenue losses and operational inefficiencies. Patients are not always billed accurately for services rendered, and in some instances, patients evade billing altogether by departing from facilities without completing payment formalities.
4. **Pharmaceutical Supply Chain Challenges** - The Committee observed persistent challenges in the pharmaceutical supply chain, including frequent stock-outs, delays in drug deliveries, and the presence of expired drugs in hospital inventories. The Kenya Medical Supplies Authority (KEMSA) drug supply system is hampered by poor forecasting practices, which lead to stock-outs and delivery delays. Additionally, concerns were raised regarding the quality of drugs supplied by KEMSA, with reports of expired or substandard pharmaceuticals being delivered to health facilities.
5. **Inaccuracies of the Financial Statements** - The Committee observed that there were inaccuracies and errors in regards to the preparation and presentation of financial statements in almost all hospitals. Further, the Accountants, and the Managing Directors faced challenges in submitting supporting documents to the auditors on time, contrary to Section 62 of the Public Audit Act, Cap. 412B.

This impedes the accountability and audit process. The persistent delays in preparing complete financial statements indicate a lack of requisite competencies and experience within hospital finance departments.

6. **Non-Compliance with Financial Reporting Standards-** The Committee observed that Accountants experienced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) reporting framework in preparation for financial statements. While the Public Sector Accounting Standards Board (PSASB) periodically reviews IPSAS to address emerging issues and align with international best practices, many hospitals struggle to apply these updated standards, as evidenced by recurring audit queries.
7. **Non-Compliance with Ethnic Inclusivity Requirements** - The Committee observed that some hospitals are non-compliant with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N, which requires that all public offices seek to represent the diversity of the people of Kenya in staff employment and that no public institution shall have more than one-third of its establishment from the same ethnic community. Additionally, Section 65(1)(e) of the County Government Act, Cap. 265, requires that at least 30% of vacant posts at the entry level be filled by candidates who are not from the dominant ethnic community in the county. The Committee noted with concern that some hospitals, such as Migori County Level 4 Hospital, had 92% of their staff originating from the same ethnic community.
8. **Non-remittance of statutory deductions** – The Committee observed that various hospitals had continuously failed to remit statutory deductions to various institutions such as National Health Insurance Fund and National Social Security Fund which is a violation of the law especially the Retirement Benefits Act, Cap.197, the Pensions Act, Cap.189 and the Income Tax Act, Cap.470 which led to continued accrual of interest and penalties.
9. **Weak Budgetary Control and Performance**– The Committee observed that a number of hospitals exhibit weaknesses in budget execution and fail to adhere to approved budget ceilings for programs. Hospitals were observed to either over-utilize or under-utilize appropriated funds. In some instances, funds were reallocated to items that were not budgeted for without prior approval by the Board of Directors. Additionally, hospitals experience high revenue shortfalls attributable to unrealistic budgeting and poor revenue forecasting.
10. **Incomplete Transfer of Assets and Deficient Asset Registers:** The Committee observed that most hospitals have not fully taken custody of assets from the County Executive and consequently do not maintain updated fixed asset registers as required by Section 149(2)(o) of the Public Finance Management Act, 2012, Cap. 412A. As a result, these hospitals are unable to reflect their correct financial

position in their books of account, exposing assets to risk of loss, misuse, or misappropriation.

11. **Widespread Statutory and Regulatory Non-Compliance:** The Committee observed significant non-compliance with various provisions of the law, including but not limited to the Public Finance Management Act, Cap. 412A, the Public Audit Act, Cap. 412B, the Public Finance Management (County Government) Regulations, 2015, the Income Tax Act, Cap. 470, the Retirement Benefits Act, Cap. 197, the Pensions Act, Cap. 189, the County Government Act, Cap. 265, and the Accountants Act, Cap. 531.

## **GENERAL RECOMMENDATIONS FOR HOSPITALS**

The Committee recommends that-

1. **Compliance with Kenya Quality Model for Health Policy Guidelines** - The Governor should ensure the Accounting Officer submit 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 encourage the ongoing training and prioritize new recruitments to fill gaps in medical personnel, ensuring specialized services can be offered in-house.
2. **Investment in Essential Medical Resources** - County Governments should prioritize investment in essential medical resources, including adequate medical supplies, protective gear, and functioning equipment. This investment will enable healthcare workers to provide effective care and sustain their motivation to serve in underserved areas.
3. **Implementation of Integrated Hospital Management Information System** - Hospitals should implement an Integrated Hospital Management Information System with automated billing capabilities that facilitate seamless patient registration, accurate billing, and efficient discharge processes. This system will minimize manual errors and ensure that every patient is billed accurately and promptly upon discharge.
4. **Automation of KEMSA Inventory Management** - KEMSA should deploy an automated Inventory Management System (IMS) to monitor drug stocks at every stage of the supply chain. Real-time tracking will enable timely reordering before stocks run low, thereby reducing stock-outs and ensuring continuous availability of essential drugs. Additionally, barcoding and digital tracking systems should be introduced to monitor drug expiration dates throughout the supply chain, allowing KEMSA to track expiring stock and recall drugs nearing expiry before dispatch to hospitals.

5. **Compliance with Record Keeping and Audit Requirements** - The Board and the Accounting Officer should ensure proper record keeping and provide all supporting documents to the Auditor-General in accordance with Section 9(1)(e) of the Public Audit Act, Cap. 412B, during the audit period, and adhere to the provisions of the Accountants Act, Cap. 531. Failure to comply shall result in the Committee invoking Section 62 of the Public Audit Act.
6. **Capacity Building on Financial Reporting Standards** - The Board of Directors, in consultation with the Public Sector Accounting Standards Board (PSASB), should facilitate continuous capacity building on financial reporting standards for finance officers and management in hospitals to improve the quality of reporting and enhance compliance. The Board should ensure that accountants possess the requisite competency and experience in financial management as required by the Accountants Act. Furthermore, the Accounting Officer should ensure compliance with the financial reporting template prescribed by the National Treasury. These measures will strengthen the maintenance of books of accounts, improve the preparation of financial statements, and ensure timely submission of statements and documents to the Auditor-General.
7. **Compliance with Ethnic Inclusivity Requirements** - The Board and County Government should make deliberate and progressive efforts to comply with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N, and Section 65(1) (e) of the County Governments Act, Cap. 265, regarding diversity, the realization of the one-third rule in public sector recruitment, and ethnic inclusivity. To this end, the Board and County Governments should develop and adopt a formal diversity policy aimed at achieving full compliance with the law. Compliance status shall be reviewed in the subsequent audit period.
8. **Timely Remittance of Statutory Deductions** - County Governments, the Board, and Accounting Officers shall ensure timely remittance of all statutory deductions to the relevant institutions to prevent the accrual of interest and penalties that further increase hospital liabilities. The Accounting Officer shall comply with the provisions of the Income Tax Act, Cap. 470, the Retirement Benefits Act, Cap. 197, and the Pensions Act, Cap. 189. The Board shall provide a detailed plan and commitment for the repayment of any outstanding statutory deductions; failure to do so shall result in the Committee recommending appropriate enforcement measures.
9. **Preparation of Realistic Budgets and Revenue Projections** - The Board and Accounting Officers should prepare realistic budgets and revenue projections to avert revenue shortfalls that negatively impact hospitals' service delivery. In the budget preparation process, the Board should consider previous budgetary allocations and ensure that any proposed increases are reasonable and justified.

Additionally, the Board should seek the necessary approvals by forwarding budget estimates to the County Executive Committee member for health, who shall then submit them to the County Treasury as required by law. Further, hospitals should automate their billing systems to enhance revenue collection and financial control.

10. **Transfer of Assets and Maintenance of Fixed Asset Registers** - The Governor should ensure that all assets are formally transferred to hospitals to enable them to reflect their true financial position in their books of account. The Board of Directors and the Managing Director should ensure that hospitals maintain updated fixed asset registers pursuant to Section 136(1) of the Public Finance Management (County Government) Regulations, 2015, in the format prescribed by the National Treasury, and submit the same to the Auditor-General within sixty (60) days of the adoption of this report.
11. **Strict Adherence to Statutory and Regulatory Frameworks** - The Board and Accounting Officers of hospitals shall strictly adhere to all relevant laws, including but not limited to the Public Finance Management Act, Cap. 412A, the Public Audit Act, Cap. 412B, the Public Finance Management (County Government) Regulations, 2015, the Accountants Act, Cap. 531, the Income Tax Act, Cap. 470, the Employment Act, Cap. 226, the Pensions Act, Cap. 189, and the Retirement Benefits Act, Cap. 197. Non-compliance shall attract appropriate penalties and sanctions.

#### **GENERAL OBSERVATIONS FOR FUNDS**

The committee made the following observations on Funds-

1. **Inaccurate and Unsupported Financial Statements** -The Committee observed recurring material misstatements across all the funds, including unaccounted payments, inaccurate statements of comparison of budget and actual amounts, unsupported variances, and omissions in the statement of financial performance. These inaccuracies point to weak bookkeeping, inadequate review processes, and limited capacity in IPSAS compliance among finance officers handling the funds.
2. **Weak Governance and Non-Compliance with Enabling Legislation** - The Committee observed that many funds operated without legally mandated governance structures and regulatory frameworks. Several funds operated for extended periods without duly constituted Management Committees, while others operated without approved regulations contrary to their respective enabling legislation. Additionally, some funds made expenditures and transfers beyond their constitutional and statutory mandate, contrary to the Fourth Schedule of the Constitution of Kenya, 2010.

3. **Underfunding and Poor Budget Performance** - The Committee observed that many funds recorded significant revenue shortfalls due to delayed disbursements from the National Treasury, negatively affecting planned activities and service delivery to the residents of Busia County. Furthermore, where funds were available, absorption of expenditure remained low, with significant under-utilization of appropriated funds within the financial year, undermining the purpose for which the funds were established.

### **GENERAL RECOMMENDATIONS FOR FUNDS**

The Committee made the following recommendations on Funds-

1. **Financial Reporting and Compliance** - The Governor ensures all accounting officers prepare accurate financial statements in full compliance with IPSAS, with timely bank reconciliations, properly authorized journal adjustments, and complete supporting documentation submitted to the Auditor-General as required under Section 47(2) of the Public Audit Act, Cap. 412B and Regulations 90 and 103(1) of the Public Finance Management (County Governments) Regulations, 2015. Continuous capacity building should be provided to finance officers, and accounting officers who fail to maintain complete financial records should face administrative action under Section 199 of the Public Finance Management Act, Cap. 412A.
2. **Debt Recovery and Efficient Deployment of Funds** - The Governor ensures all fund accounting officers develop and implement structured debt recovery plans with clear timelines, responsible officers, and follow-up mechanisms, and that aging analyses of long-outstanding receivables are conducted to facilitate write-off of irrecoverable debts with proper approvals in line with Section 130(2)(d) of the Public Finance Management (County Governments) Regulations, 2015. Available fund balances should be efficiently deployed in compliance with Regulation 83 of the same Regulations, including exploring partnerships with financial institutions to enhance loan disbursement and recovery and avoid accumulation of idle balances.
3. **Governance and Regulatory Compliance** - The Governor ensures all county funds are governed by duly constituted management committees at all times and operate within approved regulatory frameworks in compliance with their respective enabling legislation. All future expenditures and transfers must strictly comply with the constitutional and statutory mandate of each fund, and the Auditor-General should monitor and report on the governance status of all funds in the subsequent audit cycle.
4. **Budgetary Control and Timely Disbursement** - The Governor ensures all accounting officers implement proper budgetary control measures to ensure revenue targets are fully realized and appropriated funds are absorbed within

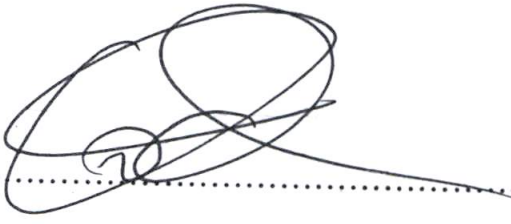
approved timelines, in line with Regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. The National Treasury should ensure timely disbursement of funds to counties in accordance with the Senate-approved cash flow schedule to prevent revenue shortfalls that disrupt service delivery, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply.

**ACKNOWLEDGEMENTS**

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

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

SIGNED:.....  
..



DATE:.....  
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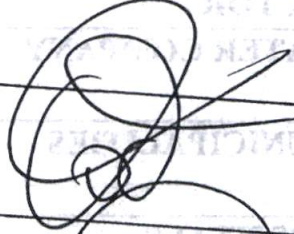
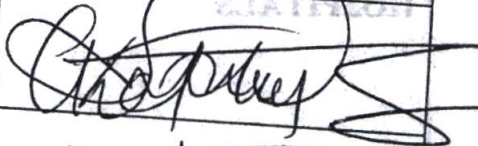
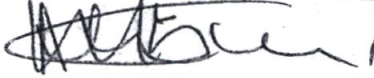
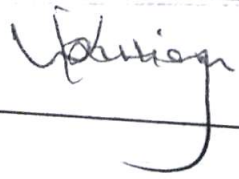

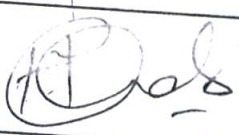
25/03/2026

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

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

<b>SECTOR</b>	<b>NO.</b>	<b>ENTITY</b>
<b>WATER COMPANY</b>	<b>1</b>	<b>BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED</b>
<b>MUNICIPALITIES</b>	<b>2</b>	<b>BUSIA MUNICIPALITY</b>
		<b>MALABA MUNICIPALITY</b>
<b>HOSPITALS</b>	<b>4</b>	<b>ALUPE SUB COUNTY HOSPITAL</b>
		<b>BUSIA COUNTY REFERRAL HOSPITAL</b>
		<b>TESO NORTH SUB COUNTY HOSPITAL</b>
		<b>NAMBALE SUB COUNTY HOSPITAL</b>
<b>FUNDS</b>	<b>5</b>	<b>BUSIA AGRICULTURAL DEVELOPMENT FUND</b>
		<b>BUSIA COUNTY ALCOHOLIC DRINKS CONTROL FUND</b>
		<b>BUSIA COUNTY CLIMATE CHANGE FUND</b>
		<b>BUSIA COUNTY COOPERATIVE ENTERPRISE DEVELOPMENT FUND</b>
		<b>BUSIA COUNTY PUBLIC (OFFICERS) REVOLVING FUND</b>

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

No.	Name	Signature
1.	Sen. Godfrey Atieno Osotsi, CBS, MP (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 COMPANY

### 1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025

The Governor of Busia County, Hon. Dr. Paul Otuoma, EGH appeared before the Committee on Wednesday, 21<sup>st</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Busia Water and Sewerage Services Company limited for the financial year 2024/2025. The Governor was accompanied by:

1. Mr. Andrew Nakitari- CECM Finance.
2. Mr. John Oscar Juma- County Secretary
3. Mr. Nobert Omanyo Wabwire- Managing Director, Busia Water

### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Busia Water and Sewerage Services Company Limited for the period under review on the following basis-

#### 1. Unconfirmed Trade and Other Payables Balance

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.188,144,220 whereby, over three years old amounting to Kshs.166,366,740. The Company did not provide documentation to support various creditors balances. Creditors from the defunct Kakamega-Busia Company Limited amounting to Kshs.23,059,812 had no transfer agreements showing that the stated liability had been transferred to the Busia Water and Sewerage Services Company Limited from the defunct water company.

#### Management Response

Management Stated that;

Trade and other payable balance relate to historical balances that have accumulated over several years.

Regarding supplier circularization, the Company has received invoices, demand notices, court orders, and auctioneers' notifications relating to the pending payable.

Regarding the creditors inherited from the former Kakamega-Busia Water Company, Management attached a transfer deed for the same.

#### Committee Observation

The Committee observed that the water company had payables amounting to Kshs. 166,366,740 that had been pending for over three years. The management had also not provided documentation to support various creditors balances at the time of audit.

## **Committee Recommendation**

**The Committee recommends—**

- i. the Governor should ensure that the water company comply with regulation 41(2) of The Public Finance Management (County Governments) Regulations, 2015; and**
- ii. the Governor shall ensure that the accounting officer prepares and submits a debt repayment plan to the Auditor-General and the Senate within 60 days of the adoption of this report. The Plan must clearly specify timelines for the settlement of outstanding payables.**

## **2. Unconfirmed Ownership of Land**

The statement of financial position reflects property, plant and equipment balance of Kshs.3,924,224 with Nil land balance.

The annual report and financial statements on background information indicates that the Company operates through seven (7) schemes namely Amukura, Amagoro, Malakisi, Mundika, Matayos, Nambale and Bunjumba – Burinda which the Company used for provision of water services.

However, the Company did not have ownership documents for the land they occupy since the land was under the ownership of Lake Victoria North Water Works Development Agency (LVNWWDA).

The size of the land could not also be established and evidence of the ownership by LVNWWDA was not provided.

## **Management Response**

Management stated that;

Lake Victoria North Water Works Development Agency (LVNWWDA) is holding the land ownership documents for the Company's schemes due to outstanding loan obligations which were utilized in the development of water and sanitation infrastructure across the seven schemes.

Currently the management is engaging the relevant stakeholders, and LVNWWDA, to resolve the outstanding loan obligations of Ksh 1,286,999,336 and facilitate the eventual transfer and registration of the assets in the Company's name.

## **Committee Observation**

The Committee observed that the water company did not have ownership documents of the 7 parcel of lands as the land was owned by Lake Victoria North Water Works Development Agency (LVNWWDA).

### **Committee Recommendation**

**The Committee recommends—**

- i. the Governor ensures that the water company formulates a repayment plan to fully repay its outstanding obligation of Ksh 1,286,999,336 to Lake Victoria North Water Works Development Agency (LVNWWDA), so as to complete the transfer of the title deeds of the queried parcels of land. Further, the Governor ensures that the water company submits a status update to the Senate within 60 days of the adoption of this report; and**
- ii. the Auditor-General keeps the matter in view in the subsequent audit cycle.**

### **3. Long Outstanding Trade Receivables**

The statement of financial position reflects a balance of Kshs.207,403,181 in respect of trade and other receivables This is a 38% increase from the previous year balance of Kshs.150,768,307.

Review of records provided revealed that 92% of the gross receivables or Kshs.196,854,131 had remained outstanding for over 120 days.

The financial statements indicate long-term and short-term trade and other receivables balances of Kshs.42,933,346 and Kshs.164,469,835 respectively, both totalling Kshs.207,403,181.

However, the balances were not disclosed separately in the statement of financial position as required by IPSAS 1 on presentation of financial statements.

### **Management Response**

Management stated that;

It has initiated several measures including legal action to address the issue:

1. Issuing of Demand Notices –
2. Disconnection Notices – In accordance with the Company's Debt Management Policy,.
3. Enhanced Revenue Collection – Through rigorous implementation of the Debt Management Policy.

### **Committee Observation**

The Committee observed that the water company had receivables amounting to Kshs.196,854,131 that had been outstanding for over 120 days. Further, the water company did not disclose balances of the receivables in separate financial statements as required by IPSAS 1 on presentation of financial statements.

### **Committee Recommendation**

**The Committee recommends that—**

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

#### **4. Unsupported Share Capital**

The statement of financial position indicates ordinary share capital balance of Kshs.100,000, made up of 20,000 fully paid ordinary shares with a par value of Kshs 5 each, as detailed in Note 20 to the financial statements. However, it was observed that some of these shares were originally allotted to directors who have since left the Company. This has resulted in outdated records that no longer reflect the Company's current position both internally and at the Registrar of Companies. While the Company has taken steps to file for the cessation of these former directors, the changes have not been officially updated.

#### **Management Response**

Management stated that;

The Company is following up with the Registrar of Companies through the office of the County Attorney to ensure that the changes are officially updated, including the filing of CR12 forms reflecting the cessation of former directors.

#### **Committee Observation**

The Committee observed that the water had outdated records of the water company's directors.

### **Committee Recommendation**

The Committee recommends that the Governor ensures the water company finalizes the process of updating the CR12 forms with the registrar of companies to show the most current shareholding of the water company within 90 days of the adoption of this report.

### **5. Unsupported Customer Deposits**

The statement of financial position reflects refundable customers deposit balance of Kshs.11,122,823 However, the designated customer deposit accounts maintained at two commercial banks reflect total balance of Kshs.1,508,470, resulting to an unexplained variance of Kshs.9,614,353.

### **Management Response**

Management stated that;

The variance of Kshs 9,614,353 can be explained as follows: Ksh4,979,485 was for customer deposit handed over from the former Kakamega-Busia water Company without cash transfer . Kshs4,634,868 was utilized for critical operations and is yet to be refunded in full.

To remedy this issue, the following measures have been implemented:

Prioritization of Customer Deposits – The Board approved allocation of 10% of monthly revenue toward settlement of outstanding trade payable. Currently a total of Kshs.594,255 have been refunded to the Customer Deposit Account, reducing the outstanding balance to Kshs 4,040,613.

### **Committee Observation**

The Committee observed that there was a unexplained variance of Kshs.9,614,353 in the refundable customers deposit balance and the designated customer deposit accounts which was attributed to customer deposit ledgers that were received from former Kakamega-Busia water Company.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer should undertake prior year adjustments to reconcile the variance of Kshs.9,614,353 in the statement of financial position in the subsequent audit cycle FY 2025/2026. The Auditor-General to keep this in view in the subsequent audit cycle;
- ii. the Governor ensure the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section

62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

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

### **Emphasis of matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.114,578,760 and Kshs.28,649,790 respectively, resulting to a budget under- funding of Kshs.85,928,970 representing 75% of the budget.

Similarly, the statement reflects final recurrent expenditure budget of Kshs.93,516,820 against actual expenditure of Kshs.27,148,519 resulting to under-expenditure of Kshs.66,368,301 or 71% of the budget.

Further, the statement reflects final capital expenditure budget of Kshs.21,061,942 and actual on comparable basis of Kshs.2,151,473 resulting to under-expenditure of Kshs.18,910,469 representing 90% of the budget.

#### **Management Response**

Management stated that;

The company projected to receive Kshs 84,578,760 from company own source.

However, only Kshs. 22,248,160 was realized. Kshs 30M was projected to come from grants and only Kshs.5M was realized.

To address the deficit management has:

1. Enhancement of Own- Source Revenue:
2. Enhancement of grants from County Treasury

#### **Committee Observation**

The Committee noted that water company had an under- funding of Kshs.85,928,970 representing 75% of the budget and an under-expenditure of Kshs.66,368,301 or 71% of the 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 Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and
- ii. the National Treasury ensures timely disbursement of funds to counties.

### **Other matters**

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

In the report for the previous year, several issues were raised under the Report on the Financial Statements, Emphasis of Matter, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on Effectiveness of Internal Controls, Risk management and Governance, as detailed in Appendix I. However, Management has not resolved the issues or given any explanation for the delay in resolving the issues.

#### **Management Response**

Management stated that;

The management wish to state that the prior year matters are the same issues in the current year under review.

#### **Committee Observation**

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

### **Committee Recommendation**

The Committee recommends that—

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

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

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

### 1. Inadequate Management of Non- Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.52,925,607 which, as disclosed in Note 6 to the financial statements includes water sales amounting to Kshs.21,278,408.

During the year under review, records from the Company revealed that it produced 644,80 cubic meters (M<sup>3</sup>) of water out of which 368,538 cubic meters (M<sup>3</sup>) or approximately 57% was distributed and billed to customers.

However, the balance of 276,267 cubic meters (M<sup>3</sup>) or approximately 43% of the total volume produced was not billed, which represent non-revenue water. This is contrary to the Water Services Regulatory Board (WASREB) guidelines which provides an allowable maximum loss of 25%.

### Management Response

Management stated that;

Management agrees with the audit observation and confirms that several interventions are underway to reduce Non-Revenue Water (NRW) levels across all schemes:

- Bulk production meters have been installed at Malakisi Treatment Works, with additional installations planned for other production points to improve accuracy in system input measurement.
- The Company has repaired leaking storage tanks at Milimani Busia (500 m<sup>3</sup>), Matayos (500 m<sup>3</sup>), and Bukhakhala (100 m<sup>3</sup>) to minimize reservoir losses.
- The Company, through Lake Victoria North Water Works Development Agency, has procured and deployed None Revenue Water management equipment, including a test bench, pipe locators, leak detectors, and ultrasonic flow meters to facilitate systematic leak detection and metering accuracy verification.
- Engagements with private sector partners under proposed Public-Private Partnership (PPP) arrangements
- To reduce commercial losses, the Company has installed 700 consumer meters across its schemes to improve billing accuracy and meter reading efficiency.

### Committee Observation

The Committee observed that the water company had non-revenue water of 43% or 276,267 cubic meters (M<sup>3</sup>) which was above the allowable threshold of allowable maximum loss of 25%.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Accounting Officer should put in place comprehensive measures to mitigate on the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;**
- ii. the Governor to ensure the accounting officer segregates NRW to both Physical or Commercial losses so that the water company can ascertain and identify the specific mitigating measures to undertake in order to reduce the Non-Revenue water;**
- 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.**

### **2. Failure to Prepare and Submit Quarterly Financial Reports**

During the year under review, Management did not prepare and submit quarterly financial reports in accordance with Section 166(3) of the Public Finance Management Act, 2012 which states that not later than fifteen days after the end of each quarter, the Accounting Officer shall submit the quarterly report to the County Treasury.

#### **Management Response**

Management stated that;

Failure to prepare quarterly financial reports for three quarters was primarily due to lack of technical staff. However, the technical staff have been seconded from the County Executive. Currently the management commits to ensuring timely preparation and submission of quarterly financial reports compliance with the Public Finance Management Act, 2012, and relevant National Treasury circulars.

#### **Committee Observation**

The Committee observed that Water Company failed to prepare and submit quarterly financial reports to the county treasury.

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer responsible for the water company should prepare and submit to the County Treasury, quarterly reports regarding the financial and non-financial status of the water company in accordance with section 166 of the Public Finance Management**

**Act, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.**

### **3. Use of Outdated Water Tariff's Structure**

The statement of profit or loss and other comprehensive income reflects total revenue of Kshs.84,327,237 out of which Kshs.52,925,607 relates to operating revenue.

Review of operations of the Company revealed that the entity is currently operating under a tariff structure dating back to 2014. The tariff has not been revised despite changes in economic environment. Similarly, at the time of audit, the Company had not carried out the required public participation to support submission of a new tariff application to WASREB.

#### **Management Response**

Management stated that;

Management concurs with the audit observation. The management has since prepared and formally submitted a comprehensive tariff review application to WASREB, inclusive of the required supporting documentation. The submission is currently awaiting evaluation and feedback from the Regulator.

The management has also commenced internal planning to strengthen and streamline customer engagement processes in line with regulatory expectations.

#### **Committee Observation**

The Committee observed that the water company used expired water tariffs to bill their customers. The water company applied for renewal of the tariffs, however, the process is yet to be completed.

#### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer engages WASREB to fast-track the approval of a new water tariff and provide a status update within 60 days from the adoption of this report; and**
- ii. the Governor ensures that the Accounting Officer and the Board of Directors ensure that the water company makes tariff applications or seek extensions two years in advance to avoid the lapse before renewal.**

### **4. Operating Without Valid License from WASREB**

As previously reported, the Company operated in the year under review without a valid water license from the Water Services Regulatory Board (WASREB) to enable them conduct water business.

### **Management Response**

Management stated that;

The Company has applied for a Water Service Provision License with WASREB, in accordance with the Water Act 2016 and WASREB Guidelines. The application fee of Kshs. 75,000 has been paid, license negotiations concluded, and the Company now awaits public participation, which will be conducted concurrently with the ongoing tariff review.

### **Committee Observation**

The Committee observed that operated without a valid water license from the Water Services Regulatory Board (WASREB).

### **Committee Recommendation**

**The Committee recommends that the governor ensures the water company concludes the application process of the water license and public participation process within 90 days of the adoption of this report.**

## **5. Unremitted Statutory Deductions**

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.34,212,176 for the year ending 30 June, 2025. Review of the payroll and relevant supporting documents revealed that there were unremitted statutory deductions totalling Kshs.13,954,505 comprising of NSSF Kshs.2,906,849, Social Health Authority (SHA) Kshs.254,015, LAPTRUST Kshs.5,763,866 and Pay-As-You-Earn (PAYE) Kshs.5,029,775. Further, the Company had not filed tax returns with Kenya Revenue Authority (KRA) from 2021 to 2025 financial years.

### **Management Response**

Management stated that;

It has been experiencing persistent cash flow constraints, which have affected the timely remittance of statutory deductions. Despite these challenges, the outstanding SHIF contributions has since been cleared to ensure uninterrupted employee access to medical services.

Management has initiated engagements with the respective statutory bodies to agree on structured repayment arrangements for the outstanding PAYE. The management has already paid the 1st instalment of Kshs 400,000 . Similarly, a comprehensive arrears schedule for NSSF and LAPTRUST is being finalized for presentation to the Board for approval of a phased repayment plan aligned to the Company's cash flow projections.

### **Committee Observation**

The Committee observed that the water company had unremitted statutory deductions totalling Kshs.13,954,505 comprising of NSSF Kshs.2,906,849, Social Health Authority (SHA) Kshs.254,015, LAPTRUST Kshs.5,763,866 and Pay-As-You- Earn (PAYE) Kshs.5,029,775.

### **Committee Recommendation**

The Committee recommends that the Governor ensures—

- i. the Accounting Officer engages NSSF, SHA, LAPTRUST and KRA with the aim of formulating a payment agreement to settle the outstanding statutory deductions amounting to Kshs.13,954,505 and provide a detailed status report on the same to the Auditor-General for subsequent reporting within 60 days from the adoption of this report;
- ii. the Accounting Officer adheres to regulation 22(2)(a) of the Public Finance Management (County Government) Regulations, 2015, which provides that the accounting officer to comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided by legislation, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply;
- iii. the Board of Directors ensures the Water Company adheres to Section 19(4) of Employment Act, Cap.226 in regard to remittance of employee remuneration deductions in accordance with the time period specified by the relevant bodies, failure to which the provisions of section 87 of the Employment Act on penalties for offences shall apply;
- iv. the County Executive Committee Member in charge of water should continuously monitor the financial performance of the water company in line with section 184 of the Public Finance Management Act and report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance; and
- v. the Auditor-General should review and provide a status update on the implementation of these recommendations and provide a report on this matter in the subsequent audit cycle.

### **6. Weaknesses in Transport Equipment Management**

Review of motor vehicle records revealed the Company had five (5) motor vehicles and four (4) motor cycles whose ownership documents were in the name of Lake Victoria North Water Works Development Agency and there was no evidence provided for audit review indicating that Management had initiated the process of transferring the ownership to the Company.

### **Management Response**

Management stated that the motor vehicles and motorcycles were acquired under infrastructure development and asset financing arrangements facilitated by the Lake Victoria North Water Works Development Agency (LVNWWDA) and, as such, ownership has not yet been transferred due to outstanding loans.

Management is engaging LVNWWDA to resolve the outstanding loans and asset transfer arrangements and to facilitate the formal transfer and registration of the vehicles and motorcycles in the Company's name upon resolution of the underlying obligations.

### **Committee Observation**

The Committee observed that the water had 5 motor vehicles and 4 motor cycles whose ownership documents were in the name of Lake Victoria North Water Works Development Agency.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor fast tracks the transfer of ownership of all assets to the Company within 90 days of the adoption of this report and provide a status update of the same to the Senate within 90 days;
- ii. the Governor engages the Lake Victoria North Water Works Development Agency (LVNWWDA) to resolve the outstanding loan obligations and ownership of the vehicles and motorcycles within 90 days of the adoption of this report and submit a status report of the same to the Senate within 90 days of the adoption of this report.

### **7. Non- Compliance with Data Protection Act**

The Company operates a web- based billing management system that collects revenue and stores sensitive critical client information.

However, there was no evidence of the appointment of a Data Protection Officer (DPO) or the registration of a data processor and data controller.

### **Management Response**

Management stated that;

The Company has fully complied with the provisions of the Data Protection Act, 2019 by designating a data protection officer to ensure adherence to the regulatory requirements.

### **Committee Observation**

The Committee observed that the water company did not have the registration of a data processor and data controller. However, appointed a Data Protection Officer (DPO).

#### **Committee Recommendation**

The Committee recommends that the Governor ensures the water company completes the registration of a data processor and data controller as required by the Data Protection Act, 2019 within 90 days of the adoption of this report and provide a status update of the same to the Senate within 90 days of the adoption of this report.

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

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

#### **1. Inadequate Information Communication Technology**

The audit of ICT function revealed major gaps in governance and operational management.

The organization lacks a formal ICT strategic plan, which is essential for aligning technology initiatives with its overall goals. Key governance structures, which includes the ICT Strategy and Steering Committees, have not been established. Further, the Company organogram indicates that, the ICT department reports to the Commercial Manager and not directly to the Managing Director, which undermines ICT strategic management initiatives.

Additionally, Management has not developed and implemented a backup policy, data classification policy and change management policy.

#### **Management Response**

Management has taken cognizance of the audit observation regarding inadequate ICT internal controls and governance and commits to immediately strengthen ICT governance frameworks, enhance internal controls, and implement robust oversight mechanisms to ensure secure, efficient, and fully compliant ICT operations. Currently, the draft ICT Policy is awaiting validation.

#### **Committee Observation**

The Committee observed that the water company did not have an ICT steering committee in place to assist in development of ICT policy framework to enable the company realize long term ICT strategic goals.

### **Committee recommendation**

**The Committee recommends that the Governor ensures the County Executive Committee Member (CECM) - Finance puts in place all internal control systems such as the ICT policy as provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of all the water companies. Further, the management to submit evidence of the same to the Auditor-General for verification.**

## **2. Inadequate Internal Controls on Water Billing**

### **2.1. Prolonged Use of Estimated Bills**

Analysis of the billing estimates data indicates that 3,398 accounts had their bills estimated with estimated bills totalling Kshs.2,292,975. Further analysis revealed that 346 accounts had been estimated consecutively for more than six (6) months for the period between 1 July, 2024 to 30 June, 2025, amounting to Kshs.1,456,557.

### **Management Response**

Management stated that;

Management wish to state that prolonged estimated billing was occasioned to flat- rate and/or un metered accounts (approximately 1,811 accounts) with old or faulty meters, unknown accounts on the ground, double-allocated accounts, meter reading challenges, and limited field resources.

### **Committee Observation**

The Committee observed that 346 accounts had been estimated consecutively for more than six (6) months.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the water company installs smart meters for accurate billing and submit status of the same to the Senate within 60 days of the adoption of this report.**

### **2.2. Accounts Billed and not Paid**

Comparative analysis of water meters billing and payments reports revealed that as at 30 June, 2025, a total of 2,214 accounts were billed a total of Kshs.14,248,406 during the review period. However, the accounts did not have a corresponding payment. No explanation was provided for this anomaly.

### **Management Response**

Management stated that;

Management would like to state that the billed accounts without corresponding payments was attributed to instances of double account allocation, and demolition of

certain business premises in 2023 which rendered some accounts inactive without being deactivated, resulting in continued billing. Additionally, a number of customer accounts could not be traced during the review period.

**Committee Observation**

The Committee noted that the 2,214 accounts were billed. However, the accounts did not have a corresponding payment.

**Committee Recommendation**

The Committee recommends that the Auditor-General keeps this matter in view in the subsequent audit cycle.

**2.3. Active Accounts not Billed**

Comparative analysis of water meters and billing revealed that as of 30 June, 2025, a total of 488 active accounts did not receive any billing during the review period. It was not explained why the active accounts were not billed for the whole year.

**Management Response**

Managements stated that;

Management wish to state that active accounts that were not billed during the review period arose primarily due to delayed reporting by meter readers for accounts that were not receiving water because of broken pumps or line destruction by road works. The system continued generating bills for these accounts throughout the year.

**Committee Observation**

The Committee observed that 488 active accounts were not billed for the whole year.

**Committee Recommendation**

The Committee recommends that the Governor ensures the water company installs smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages and submit status of the same to the Senate within 60 days of the adoption of this report.

## CHAPTER TWO: MUNICIPALITIES

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

The Governor of Busia County, Hon Dr. Paul Otuoma, EGH appeared before the Committee on Wednesday, 21<sup>st</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Busia Municipality for the financial year 2024/2025. The Governor was accompanied by:

1. Mr. Andrew Nakitari- CECM Finance.
2. Mr. John Oscar Juma- County Secretary
3. Mr. Nobert Omanyo Wabwire - Municipal Manager

### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Busia Municipality for the period under review on the following basis-

#### 1. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.163,006,841 as disclosed in Note 24 to the financial statements. However, the Municipality did not have a depreciation policy and therefore the rates applicable on the various assets and the computation of the depreciation and amortization expense could not be ascertained.

Further, Note 19.4(c) to the financial statements on significant accounting policies relating to property, plant and equipment did not disclose the rates applicable on the various assets and the computation of the depreciation.

In addition, property, plant and equipment balance includes additions for the year amounting to Kshs.113,743,785. However, the list of assets additions was not provided for audit verification. In addition, the statement reflects property, plant and equipment balance of Kshs.163,006,841, while Note 24 to the financial statements reflects a balance of Kshs.161,006,841, resulting to unreconciled variance of Kshs.2,000,000.

#### Management Response

Management stated that;

It has initiated the process of developing the depreciation policy which is at the draft stage. Similarly the list of property, plant and equipment additions for the year have since been availed for verification. In the subsequent financial year the anomaly will be addressed.

#### Committee Observation

The Committee observed that municipality did not have a depreciation policy to the guide the municipality on computation of depreciation and amortization. However, the

municipality, as confirmed by the Auditor-General was in the process of developing a depreciation policy. The Municipality did not provide a list of assets additions during the audit process constituting an offense in section 62 (1) of the Public Audit Act, Cap.412B.

#### **Committee Recommendation**

The Committee recommends that—

- i. the governor ensures that the municipality concludes the process of developing the depreciation policy within 60 days of the adoption of this report, further the municipality should ensure the development of the Depreciation policy is done in accordance to the PSASB requirements;
- ii. the governor should ensure that the accounting officer undertakes adjustments to the financial statement so as to reflect the true value of the assets and the Auditor-General should keep the matter in view in the subsequent audit cycle; and
- iii. the governor ensures that the Accounting Officer ensures timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B.

#### **2. Inaccuracy of the Statement of Cash Flows**

The statement of cash flows reflects net cash flows from operating activities amounting to Kshs.72,917,521. However, re- calculation of the amount shows an amount of Kshs.119,055,356 resulting to unexplained variance of Kshs.46,137,835.

#### **Management Response**

The management is in agreement with the observation of the auditor and commits to correct the anomaly in the subsequent financial year under prior year matters.

#### **Committee Observation**

The Committee observed that there was an unexplained variance of Kshs.46,137,835 from net cash flows from operating activities amounting to Kshs.72,917,521 and its recalculation amount of Kshs.119,055,356.

#### **Committee Recommendation**

The Committee recommends that—

- i. the governor ensures that the Accounting officer undertakes reconciliation of the financial statements within 60 days of the adoption

- of this report, and the Auditor-General should keep the matter in view in the subsequent audit cycle;
- ii. the governor takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply. Further, the Governor submits a status update report of the administrative action taken to the Senate within 60 days of the adoption of this report;
  - iii. the governor ensures that the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;
  - iv. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;
  - v. the governor ensures the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and
  - vi. the governor ensures the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.

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

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

### **1. Collection of Own Generated Revenue**

The statement of financial performance for the year ended 30 June, 2021 indicates that the Municipality was financed solely through revenue allocated by the County Government. No revenues arising from rates, fees, levies, charges and other revenue raising measures which is retained by the urban area was collected contrary to Section 172(a) of the Public Finance Management Act, 2012.

Further, conferment of municipal status may have been made without satisfying criterion of demonstrable revenue collection or revenue collection potential contrary to Section 9 (3)(c) of the Urban Areas and Cities Act, 2011.

#### **Management Response**

Management stated that;

The management has come up with a revenue sharing formula to operationalize a county revenue allocation criterion for funding of the Municipalities, this will enhance revenue collection and reporting.

The management through a cabinet resolution has given directive to have Busia Municipality have its own independent budget hived from the Department of Lands, housing and urban development.

#### **Committee Observation**

The Committee observed that the Municipality was financed solely through revenue allocated by the County Government casting doubt on whether it satisfies criteria of demonstrable revenue collection to sustain its operations.

#### **Committee Recommendation**

The Committee recommends that the Governor ensures the operation of Municipality is undertaken to delegated functions as gazetted by county government. The Governor should ensure that the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012.

### **2. Lack of Autonomy in the Operations and Management of the Municipality**

The Municipality of Busia was granted Municipal Charter on 6 June, 2018 which was supposed to grant operational independence from the County Government of Busia. However, review of the operations of the Municipality revealed lack of autonomy as Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board. Further, the County Government

has continued to perform a number of functions which were transferred to the Municipality and the Board could not carry its roles as envisaged.

This was contrary to Section 9(1) of the Urban Areas and Cities Act, 2011 which states that, the County Governor may, on the resolution of the County Assembly, confer the status of a Municipality on a town that meets the criteria set out in Subsection (3), by grant of a charter in the prescribed form and Section 12(1) of the Urban Areas and Cities Act, 2011, which states that the Management of a city and municipality shall be vested in the County Government and administered on its behalf by a Board, a Manager appointed pursuant to Section 28 and such other staff or officers as the County Public Service may determine.

#### **Management Response**

Management stated that;

The Cabinet has passed a resolution to create Municipality vote heads away from the department of Lands, Housing and Urban Development, revenue sharing formula and opening of operational accounts. This will enable municipality perform its role efficiently geared to enhance budgetary control, utilization and reporting.

#### **Committee Observation**

The Committee observed that Busia Municipality lacked operational independence which was contrary to Section 9(1) of the Urban Areas and Cities Act, 2011 and and Section 12(1) of the Urban Areas and Cities Act, 2011.

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures the operation of Municipality is undertaken to delegated functions as gazetted by county government. The Governor should ensure that the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012.**

#### **3. Operating without Established By-laws**

Review of the policies and programs of Busia Municipality for the financial year 2020/2021 revealed that the Municipality had not developed and enacted the requisite by-laws necessary for the governance and administration of municipal functions contrary to Section 21(1)(f) of the Urban Areas and Cities Act, 2011 which states that, subject to the Constitution and any other written law, the Board of a city or municipality shall, within its area of jurisdiction make by-laws or make recommendations for issues to be included in by-laws. By-laws are essential for operationalizing the Municipality Charter and enabling the enforcement of decisions and implementation of programs related to urban governance, service delivery, planning, regulation, and public order.

### **Management Response**

Management stated that;

The management wish to state that the process of establishment and enactment of municipal by-laws is on going and currently at the technical committee stage.

### **Committee Observation**

The Committee recommends that the municipality did not have established by-laws.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the municipality establishes by-laws in accordance to Section 21(1)(f) of the Urban Areas and Cities Act, 2011, within ninety (90) days from the adoption of this report and the Auditor General to keep this matter in view in the subsequent audit cycle.**

### **3. Late Submission of Financial Statements**

The Busia Municipality submitted financial statements to the Auditor-General for the year ended 30 June, 2021 on 8 July, 2025, more than three (3) years and nine (9) months after the statutory deadline of 30 September, 2021. This was contrary to Section 149 (2)(k) of the Public Finance Management Act, 2012 which provides that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned, not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

### **Committee Observation**

The Committee observed that the financial statements for the period under review were submitted on 8<sup>th</sup> July 2025 which was past the stipulated timeline as put across in section 164(4) of the Public Finance Management Act, 2012.

### **Committee Recommendation**

**The Committee recommends that—**

- i. The Governor ensures that the Municipality adheres to section 164(4) of the Public Finance Management Act, 2012 and submit financial statements not later than three months after the end of a financial year, 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 ensures timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, Cap.412B, failure to which the Committee**

shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B.

**4. Failure to Submit Municipality Budget for Approval by the County Assembly**

The statement of comparison of budget and actual amounts reflects final total revenue budget of Kshs.96,016,700 and final total expenditure budget of Kshs.136,562,391. However, no evidence was provided for audit review to confirm that the Municipality Board had forwarded the annual estimates to the County Governor for onward submission to the County Assembly for approval as required by Section 45 of the Urban Areas and Cities Act,2011.

**Management Response**

The Municipality currently do not have a separate budget vote and hence budget ceilings, the municipal budget is prepared at the Department of Lands, Housing and Urban development as a sub vote within the department's budget ceilings. However, the cabinet in its 38th meeting held on 26<sup>th</sup> August 2025 approved separation of municipal vote heads from the department of Lands and create separate votes for each municipality. Cabinet also approved the granting of IFMIS rights to municipal key staff.

**Committee Observation**

The Committee recommends that no evidence was provided for audit review to confirm that the Municipality Board had forwarded the annual estimates to the County Governor for onward submission to the County Assembly for approval.

**Committee Recommendation**

The Committee recommends the Governor ensures that the municipality should submit its budget for every financial year to the County Assembly for approval in accordance to Section 45 of the Urban Areas and Cities Act, 2011, failure to which, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B.

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

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

## **Lack of Key Policy Documents (ICT) Internal Controls and Governance**

### **a) Risk Management**

The Municipality lacked a risk management policy to guide the identification, assessment, and mitigation of risks, including fraud prevention.

In the absence of such a framework, it was unclear how the Municipality evaluated potential risks or implemented measures to mitigate them and prevent fraud.

### **Management Response**

Management stated that;

The management is in agreement with the observation of the auditor. However, the management wish to state that the process of developing the Risk Management Policy is on going and currently there is a draft awaiting validation.

### **Committee Observation**

The Committee observed that the municipality did not have a risk management policy.

### **Committee Recommendation**

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

### **b) Asset Management Policy**

There was no asset management policy to ensure proper control and safeguarding of municipal assets such as furniture, computers and motor vehicles. This absence raised concerns about assets accountability and long-term sustainability.

The management is in agreement with the observation of the auditor. However, the management wish to state that the process of developing the Asset Management Policy is on-going and currently there is a draft awaiting validation.

### **Management Response**

Management stated that;

The management is in agreement with the observation of the auditor. However, the management wish to state that the process of developing the Asset Management Policy is ongoing and currently there is a draft awaiting validation.

### **Committee Observation**

The Committee observed that the municipality did not have an asset management policy.

**Committee Recommendation**

**The Committee recommends that the Governor ensures that the municipality implements an asset management policy within 60 days of the adoption of this report so as to ensure depreciation is done in accordance to the PSASB requirements to reflect the true financial position of the municipality and the Auditor-General should keep the matter in view and report to the Committee in the next audit cycle.**

**c) Solid Waste Management**

Although a draft solid waste management policy dated December, 2019 existed, it had not been approved or adopted at the time of the audit. As a result, Busia Municipality was not in compliance with Article 42 of the Constitution, which guarantees every person the right to a clean and healthy environment. Site visit confirmed the environmental impact of this policy gap, revealing widespread dumping of food waste, plastics, and other debris.

The lack of an enforceable waste management policy had contributed significantly to pollution and environmental degradation within the municipality.

**Management Response**

Management stated that;

The management wish to state that the waste management policy is being developed by a consultant.

**Committee Observation**

The Committee observed that the municipality did not have a solid waste management.

**Committee Recommendation**

**The Committee recommends that the municipality implements a solid waste management policy within 60 days of the adoption of this report municipality and the Auditor-General should keep the matter in view and report to the Committee in the next audit cycle.**

## **2.2 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MALABA MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Busia County, Hon. Hon.Dr. Paul Otuoma, EGH appeared before the Committee on Wednesday, 21<sup>st</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Malaba Municipality for the financial year 2024/2025. The Governor was accompanied by:

1. Mr. Andrew Nakitari- CECM Finance
2. Mr. John Oscar Juma- County Secretary
3. Mr. Nobert Omanyo Wabwire - Municipal Manager

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

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Malaba Municipality for the period under review on the following basis-

#### **1. Unconfirmed Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.573,866 as disclosed in Note 24 to the financial statements. However, the Municipality did not have a depreciation policy and therefore the rates applicable on the various assets and the computation of the depreciation and amortization expense could not be ascertained.

Further, Note 19.4(c) to the financial statements on significant accounting policies relating to property, plant and equipment did not disclose the rates applicable on the various assets and the computation of the depreciation.

In addition, property, plant and equipment balance includes additions for the year amounting to Kshs.655,847. However, the list of assets additions was not provided for audit verification.

#### **Management Response**

The Management Stated;

The management is in agreement with the observation of the auditor.

However, the management has initiated the process of developing the depreciation policy which is at the draft stage. Similarly, the list of property, plant and equipment additions for the year have since been availed for verification. In the subsequent financial year the anomaly will be addressed.

#### **Committee Observation**

The Committee observed that municipality did not have a depreciation policy. The Municipality had not provided a list of assets additions for audit review.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor recommends that the accounting officer ensures that the municipality implements a depreciation policy within 60 days of the adoption of this report so as to ensure depreciation is done in accordance to the PSASB requirements to reflect the true financial position of the municipality and the Auditor-General should keep the matter in view and report to the Committee in the next audit cycle;
- ii. the Governor should ensure that the accounting officer undertakes adjustments to the financial statement so as to reflect the true value of the assets and the Auditor-General should keep the matter in view in the subsequent audit cycle; and
- iii. the Governor ensures the Accounting Officer ensures timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B.

### **2.Inaccuracy of the Statement of Cash Flows**

The statement of cash flows erroneously reflects total payments of Kshs.1,589,548 under net cash flows from operating activities. Further, reconciliation of cash generated from operations re-computed amount of Kshs.656,047 has not been disclosed in Note 33 to the financial statements.

### **Management Response**

Management stated that;

The management is in agreement with the observation of the auditor and commits to correct the anomaly in the subsequent financial year under prior year.

### **Committee Observation**

The Committee observed that an amount of Kshs.656,047 had not been disclosed in the financial statements.

### **Committee Recommendation**

The Committee recommends that—

- i. the governor ensures that the accounting officer undertakes reconciliation of the financial statements within 60 days of the adoption of this report, and the Auditor-General should keep the matter in view in the subsequent audit cycle;

- ii. the governor takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply. Further, the Governor submits a status update report of the administrative action taken to the Senate within 60 days of the adoption of this report;
- iii. the governor ensures that the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;
- iv. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;
- v. the governor ensures the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and
- vi. the governor ensures the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.

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

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

### **1. Non- collection of Own Generated Revenue**

The statement of financial performance for the year ended 30 June, 2024 indicates that the Municipality was financed solely through revenue allocated by the County Government. No revenues arising from rates, fees, levies, charges and other revenue raising measures which is retained by the urban area was collected contrary to Section 172(a) of the Public Finance Management Act, 2012.

Further, conferment of municipal status may have been made without satisfying criterion of demonstrable revenue collection or revenue collection potential contrary to Section 9 (3)(c) of the Urban Areas and Cities Act, 2011.

#### **Management Response**

Management stated that;

County treasury is working on enacting and operationalize a county revenue allocation criterion for funding of the Municipalities, this will enhance revenue collection and reporting.

Through the County treasury, directorate of Budget, the management has given directive to have Malaba Municipality have its own independent budget hived from the Department of Lands, housing and urban development budget to enable municipality perform its role efficiently. This is geared to enhance budgetary control, utilization and reporting.

#### **Committee Observation**

The Committee observed that the municipality was financed solely through the county government of Busia.

#### **Committee Recommendation**

The Committee recommends that the Governor ensures the operation of Municipality is undertaken to delegated functions as gazetted by county government. The Governor should ensure that the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012.

### **2. Lack of Autonomy in the Operations and Management of the Municipality**

The Municipality of Malaba was granted Municipal Charter on 6 June, 2018 which was supposed to grant operational independence from the County Government of Busia. However, review of the operations of the Municipality revealed lack of autonomy as Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board. Further, the County Government has continued to perform a number of functions which were transferred to the Municipality and the Board could not carry its roles as envisaged.

### **Management Response**

The management is in agreement with the auditors' observation. However, the Cabinet has passed a resolution to create Municipality vote heads away from the department of Lands, Housing and Urban Development.

### **Committee Observation**

The Committee observed that Malaba Municipality lacked operational independence.

### **Committee Recommendation**

The Committee recommends that the Governor ensures the operation of Municipality is undertaken to delegated functions as gazetted by county government. The Governor should ensure that the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012.

### **3. Operating without Established By-laws**

Review of the policies and programs of Malaba Municipality for the financial year 2023/2024 revealed that the Municipality had not developed and enacted the requisite by-laws necessary for the governance and administration of municipal functions contrary to Section 21(1)(f) of the Urban Areas and Cities Act, 2011 which states that, subject to the Constitution and any other written law, the Board of a city or municipality shall, within its area of jurisdiction make by-laws or make recommendations for issues to be included in by-laws.

### **Management Response**

Management stated that;

The management wish to state that the process of establishment and enactment of municipal bylaws is on going and currently at the technical committee stage.

### **Committee Observation**

The Committee observed that the municipality did not have established by-laws which was contrary to Section 21(1)(f) of the Urban Areas and Cities Act, 2011 .

### **Committee Recommendation**

The Committee recommends that the Governor ensures that the municipality establishes by-laws in accordance to Section 21(1)(f) of the Urban Areas and Cities Act, 2011, within ninety (90) days from the adoption of this report and the Auditor General to keep this matter in view in the subsequent audit cycle.

#### **4. Late Submission of Financial Statements**

The Malaba Municipality submitted financial statements for the year ended 30 June, 2024 on 4 February, 2025, more than four (4) months after the statutory deadline of 30 September, 2024. This was contrary to Section 149 (2)(k) of the Public Finance Management Act, 2012 which provides that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned, not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor- General for audit, with a copy to the County Treasury.

#### **Committee Observation**

The Committee observed that the financial statements for the period under review were submitted on 4<sup>th</sup> February 2025 which was past the stipulated timeline as put across in section 164(4) of the Public Finance Management Act, 2012.

#### **Committee Recommendation**

The Committee recommends that—

- i. The Governor ensures that the Municipality adheres to section 164(4) of the Public Finance Management Act, 2012 and submit financial statements not later than three months after the end of a financial year, 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 ensures timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B.

#### **5. Failure to Submit Municipality Budget for Approval by the County Assembly**

The statement of comparison of budget and actual amounts reflects final total revenue budget of Kshs.2,245,595. However, no evidence was provided to confirm that the Municipality Board had forwarded the annual estimates to the County Finance Committee for onward submission to the County Assembly for approval as required by Section 45 of the Urban Areas and Cities Act, 2011.

#### **Management Response**

The Municipality currently do not have a separate budget vote and hence budget ceilings, the municipal budget is prepared at the Department of Lands, Housing and Urban development as a sub vote within the department's budget ceilings. However, the cabinet in its 38<sup>th</sup> meeting held on 26<sup>th</sup> August 2025 approved separation of

municipal vote heads from the department of Lands and create separate votes for each municipality. Cabinet also approved the granting of IFMIS rights to municipal key staff.

#### **Committee Observation**

The Committee noted that no evidence was provided for audit review to confirm that the Municipality Board had forwarded the annual estimates to the County Governor for onward submission to the County Assembly for approval.

#### **Committee Recommendation**

The Committee recommends the Governor ensures that the municipality should submit its budget for every financial year to the County Assembly for approval in accordance to Section 45 of the Urban Areas and Cities Act, 2011, failure to which, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B.

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

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

#### **1. Lack of Key Policy Documents (ICT) Internal Controls and Governance**

##### **a) Risk Management Policy**

The Municipality lacked a risk management policy to guide the identification, assessment, and mitigation of risks, including fraud prevention.

In the absence of such a framework, it was unclear how the Municipality evaluated potential risks or implemented measures to mitigate them and prevent fraud.

#### **Management Response**

Management stated that;

The management is in agreement with the observation of the auditor.

However, the management wish to state that the process of developing the Risk Management Policy is ongoing and currently there is a draft awaiting validation.

#### **Committee Observation**

The Committee noted that the municipality did not have a risk management policy.

### **Committee Recommendation**

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

### **b) Asset Management Policy**

There was no asset management policy to ensure proper control and safeguarding of municipal assets such as furniture, computers, and motor vehicles. This absence raised concerns about assets accountability and long-term sustainability.

### **Management Response**

Management stated that;

The management is in agreement with the observation of the auditor. However, the management wish to state that the process of developing the Asset Management Policy is ongoing and currently there is a draft awaiting validation.

### **Committee Observation**

The Committee observed that the municipality did not have an asset management policy.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the municipality implements an asset management policy within 60 days of the adoption of this report so as to ensure depreciation is done in accordance to the PSASB requirements to reflect the true financial position of the municipality and the Auditor-General should keep the matter in view and report to the Committee in the next audit cycle.**

### **c) Solid Waste Management Policy**

Although a draft solid waste management policy dated December 2019 existed, it had not been approved or adopted at the time of the audit. As a result, Malaba Municipality was not in compliance with Article 42 of the Constitution, which guarantees every person the right to a clean and healthy environment. Site visit confirmed the environmental impact of this policy gap, revealing widespread dumping of food waste, plastics, and other debris.

The lack of an enforceable waste management policy had contributed significantly to pollution and environmental degradation within the Municipality.

**Management Response**

Management stated that;

The management wish to clarify that Malaba Municipality was not in existence in 2019 as the charter was issued in March 2020. However, the management is in the process of developing waste Management Policy which is at the draft stage.

**Committee Observation**

The Committee observed that the municipality did not have a solid waste management.

**Committee Recommendation**

The Committee recommends that the municipality implements a solid waste management policy within 60 days of the adoption of this report municipality and the Auditor-General should keep the matter in view and report to the Committee in the next audit cycle.

## CHAPTER THREE: HOSPITALS

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

The Governor of Busia County, Hon. Dr. Paul Otuoma, EGH, appeared before the Committee on Monday 23<sup>rd</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Alupe Sub County Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- |                      |                        |
|----------------------|------------------------|
| 1. Mr. Gypson Wafula | - Chief Officer Health |
| 2. Dr. Loice Ohenga  | - Med. Sup, Alupe      |

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Alupe Sub County Hospital for the financial year on the following basis—

##### 1. Inaccuracy of Medical/Clinical Costs

The statement of financial performance shows medical/clinical costs of Kshs. 2,828,572. However, the balance differs with the corresponding supporting Note 15 balance of Kshs. 2,896,298 resulting to an reconciled variance of Kshs. 67,726. Further, Note 15 shows closing inventory adjustment balance of Kshs 1,063,566 whose supporting document and nature were not provided. In the circumstances, the accuracy and completeness of medical/clinical costs of Kshs.2,896,298 could not be confirmed

##### Management Response

The management notes the observation of the auditor and wishes to state that variance was occasioned by the understatement of the medical/clinical of Kshs. 67,726. which has since been amended in quarter 1 of FY 2025/2026. The management hereby avails the supporting documents for Kshs.1,063,566 for audit verification.

##### Committee Observations

The Committee observed that understatement in the financial statements of the medical costs resulted in a variance of Kshs. 67,726.

##### Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly

report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

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

## **2. Inaccuracy of General Expenses**

The statement of financial performance and Note 21 shows general expenses of Kshs. 2,142,103. However, Note 21 shows closing inventory adjustment balance of Kshs. 83,238 whose supporting documents and nature were not provided for audit review. In the circumstances, the accuracy and completeness of general expenses of Kshs. 2,142,103 could not be confirmed.

### **Management Response**

The management notes the observation of the auditor and wishes to state that the supporting documents for closing inventory of Kshs. 83,238 has since been availed for audit verification.

### **Committee Observations**

The Committee observed that whereas the supporting documents for closing inventory were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

### **Committee Recommendations**

The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

### **3. Inaccuracy of Medical Services Contracts Gains/Losses**

The statement of financial performance shows medical services contracts gains/losses of Kshs. 33,845. However, management has not disclosed the nature of transaction and workings in relation to the gain/Loss.

In the circumstances, the accuracy and completeness of medical services contracts loss of Kshs. 33,845 could not be confirmed

#### **Management Response**

The management notes the observation of the auditor and wishes to clarify that the amount of Kshs. 33,845 comprised of waivers granted to two patients as per approval of the waiver committee.

#### **Committee Observations**

The Committee observed that management did not disclose the nature of transactions and workings for medical services contracts gains/losses.

#### **Committee Recommendations**

The Committee recommends that-

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

### **4. Inaccuracy of Depreciation and Amortization Expense**

The statement of financial performance and Note 32 show depreciation and amortization expense of Kshs. 44,841. However, there was no depreciation policy and

depreciation rates used were not disclosed in the financial statements. Further, the assets movement schedule on Note 32 to the financial statements shows opening period incorrectly as 01 July 2025 instead of 01 July 2024.

In the circumstances, the accuracy and completeness of the depreciation and amortization expense of Kshs. 44,841 could not be confirmed.

### **Management Response**

The management notes the observation of the auditor on non-disclosure of depreciation rates used however; the anomaly will be corrected in the subsequent year. The management used 30% and 2.5% as rates for depreciation on ICT equipment and Plant and Medical equipment respectively as per the National Assets and Liabilities Management (NALM).

### **Committee Observations**

The Committee observed that the hospital did not disclose the depreciation rates used for their assets in the financial statements.

### **Committee Recommendations**

**The Committee recommends that-**

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

### **5. Accuracy of the Statement of Financial position**

The statement of financial performance shows total expenses of Kshs. 12,160,180. However, recalculation of the total expenses shows a balance of Kshs. 12,093,182 resulting to unreconciled variance of Kshs. 66,998. In the circumstances, accuracy and completeness of the total expenses of Kshs. 12, 160,180 could not be confirmed

### **Management Response**

The management notes the observation of the auditor and wishes to confirm anomaly has since been corrected in the subsequent year FY2025/2026 quarter 1 Financial Statements under prior year matters.

### **Committee Observations**

The Committee observed that there were posting errors in the financial statement resulting in a variance of Kshs. 66,998.

### **Committee Recommendations**

The Committee recommends that-

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

### **6. Inaccuracy of Receivables from Exchange Transactions**

The statement of financial position and Note 29 shows receivables from exchange transactions of Kshs. 3,677,717. However, the balance includes an impairment allowance of Kshs. 33,845 whose nature was not disclosed and supporting schedule was not provided for audit review. In the circumstances, the accuracy and completeness of receivables from exchange transactions of Kshs. 3,677,717 could not be confirmed.

### **Management Response**

The management would wish to clarify that the impairment allowance of Kshs. 33,845 was the amount waived on two patients charge sheets as per the attached documents.

### **Committee Observations**

The Committee observed that management did not disclose the nature of impairment allowance of Kshs.33,845 in the financial statements.

### **Committee Recommendations**

The Committee recommends that-

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

### **7. Failure to Value Property Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs. 152,755. However, the balance excludes undetermined value of land, buildings, motor vehicles, furniture and fittings owned by the Hospital. No explanation was provided for failure to value the assets and include them in the financial statements.

In the circumstances, the accuracy, and completeness of the property, plant and equipment balance of Kshs. 152,755 could not be confirmed.

### **Management Response**

The management notes the auditor's observation regarding the non-disclosure of certain assets in our financial statement for the year under review. This was due lack of valuation amounts for the said assets. The management will to make budgetary allocation for asset valuation in the FY 2026/2027.

### **Committee Observations**

The Committee observed that assets were not disclosed in the financial statements due to lack of valuation of the assets.

## **Committee Recommendations**

The Committee recommends that-

- i. the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;
- ii. upon completion of the 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
- iii. 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.

### **8. Inaccuracy of the Statement of Changes in Net Assets**

The statement of changes in net assets shows capital fund balance of accumulated surplus and capital fund balance of Kshs. 104,017. However, the supporting schedule and bank statement in relation to capital grants of Kshs. 104,017 were not provided for audit review. In the circumstances, the accuracy and completeness of the capital fund balance could not be confirmed.

### **Management Response**

The management would wish to clarify that the capital fund balance of Kshs. 104,017.75 was an opening balance in the operation bank accounts as at 25<sup>th</sup> October 2024 when the facility was granted Entity status.

### **Committee Observations**

The Committee observed that the supporting schedule and bank statement in relation to capital grants Kshs. 104,017.75 were not provided for audit review. Management clarified that the amount was an opening balance of the capital fund.

### **Committee Recommendations**

The Committee recommends that the governor should ensure that the Accounting Officer ensures timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

### **9. Inaccuracy of the Statement of Cash Flows**

The statement of cash flows shows net increase/decrease in cash and cash equivalents of Kshs 1,649,403 and Kshs NIL for cash and cash equivalent balance as at 01 July, 2024. However, the statement shows cash and cash equivalents as at 30<sup>th</sup> June 2025 of Kshs 1,753,457 resulting to unreconciled variance of Kshs. 104,017. In the circumstances, the accuracy and completeness of the opening cash and cash equivalents balance NIL could not be confirmed.

#### **Management Response**

Management acknowledges the audit observation regarding variance of Kshs. 104,017. and wishes to state that this was occasioned by an error of omission in the statement of cash flow as evidenced in the cash and cash equivalent as at 1st July 2024. However, this has been corrected in the FY2025/2026 quarter 1.

#### **Committee Observations**

The Committee observed that there was an error of omission in the statement of cash flow resulting in a variance of Kshs. 104,017.

#### **Committee Recommendations**

The Committee recommends that-

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

### **10. Inaccuracy of the statement of Comparison of Budget and Actual Amounts**

Review of the statement of comparison of budget and actual amounts revealed the following anomalies:

- i. The statement shows performance differences in relation to grants and subsidies Kshs. 380,596, deficit of Kshs. 134, 557 and total operational expenditure paid of Kshs. 1,404,062. However, recalculation of the amounts shows grants and subsidies Kshs 490, 296, deficit Kshs. 700,041 and total operational expenditure paid Kshs. 1,458,916 resulting to unreconciled variances of Kshs. 109,900, Kshs 565,484 and Kshs. 54,854 respectively.
  - ii. The statement shows medical cost of Kshs. 3,959,864, employee costs Kshs. 400,500, remuneration of directors Kshs. 230,000, repairs and maintenance of Kshs. 2,488,566, grants and subsidies actual expenditure balance of Kshs. 3,958,600 and general expenses of Kshs. 2,225,341. However, the balances differ with the statement of cashflows on medical cost of Kshs. 3,294,981, employee cost Kshs. 273,000, remuneration of directors Kshs 227,000, repairs and maintenance of Kshs 1,977,026, grants and subsidies Kshs. 3,558,600 and general expenses of Kshs. 2,111,153 resulting to unreconciled variances of Kshs. 664,883, Kshs. 127,500, Kshs. 3000, Kshs 511,540, Kshs. 400,000 and 114,188 respectively.
- In the circumstances, accuracy and completeness of the statements of comparison of budget and actual amounts could not be confirmed.

#### **Management Response**

- i. The management notes the observation of the auditor and wishes to state that there was a computation error. However, this has been corrected in the FY2025/2026 quarter 1 Financial statements.
- ii. The variances Kshs. 664,883, Kshs. 127,500, Kshs. 3000, Kshs. 511,540, Kshs. 400,000 and 114,188 relating to trade payable were occasioned by different treatment of payable in the statement of performance and statement of cash flow due to disclosure of all payable in statement of performance and Actuals in the statement of cash flow.

#### **Committee Observations**

The Committee observed that there was computation errors and different treatment of payables in the financial statement resulting in errors.

#### **Committee Recommendations**

The Committee recommends that-

- i. **the Governor ensures that the Accounting Officer to takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public**

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

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

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

### **1. Non-Compliance with Kenya Quality Model for health Guidelines**

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

Personnel	Level Standard	4	Actual Numbers	Deficit
Medical Officers	16		6	10
Anaesthesiologists/ anaesthetic-diploma	2		0	2
General Surgeons	2		0	2
Gynecologists	2		0	2
Pediatrics	2		0	2
Radiologists/radiographer- no degree	2		0	2
Kenya Registered Community Health Nurses	75		15	60
BScN Nurses	40		0	40
Kenya Enrolled Nurses	6		5	1
<b>Total</b>	<b>147</b>		<b>21</b>	<b>123</b>

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

Service	Level Standard	4	Actual Numbers	Deficit
Beds	150		130	20
Resuscitative/defibrillator	2		1	1
New born unit Incubators	5		3	2
New born unit cots	5		0	5
Functional ICU beds	6		0	6
High Dependency Unit (HDU) beds	6		0	6
Renal Unit	5		0	5
Maternity and General Theatre	2		2	0
Morgue	1		0	1
Autopsy	1		0	1
Ambulance	1		1	0
<b>Total</b>	<b>184</b>		<b>137</b>	<b>47</b>

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. 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, the Hospital may not provide the highest standard of healthcare services, including reproductive health care as envisioned for a Level 4 County Hospital.

### **Management Response**

Management acknowledges the audit observation regarding deficiencies in meeting the standards set out in the Kenya Quality Model for Health Policy Guidelines for a Level 4 hospital on staffing and equipping and wishes to clarify as follows;

The hospital recognizes that there are significant gaps in the authorized staffing establishment, with critical medical specialist, community health nurses and other health professionals not fully in place.

As a short-term measure to address the gaps in human resource for health, the County Public Service Board approved and provided guidelines for recruitment of key health staff on locum/ short term contract and currently the facility has engaged nurses and other technical staff on short term basis.

Regarding medical equipment, there is a current arrangement with NESP to supply medical equipment. So far, the facility has benefited from the supply of modern ultra sound machine.

### **Committee Observations**

The Committee observed that-

1. the Hospital's staff complement did not meet the requirements of the Kenya Quality Model for Health.
2. the County Public Service Board approved and provided guidelines for recruitment of key health staff on short term contract.
3. the facility has engaged nurses and clinical officers on short term basis.

### **Committee Recommendations**

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward;
- ii. within ninety (90) days of the adoption of this report, the Committee recommends that the Governor ensures the hospital develops and

implements a comprehensive plan, with appropriate budgetary allocations, to acquire and operationalize the required facilities and equipment to provide all services required for a Level 4 hospital. The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle; and

- iii. the Governor ensures the officer in charge of the facility has the requisite academic and professional qualifications in accordance with the Health Act, 2017 and provide evidence of measures taken to address the matter to Senate within 60 days of the adoption of this report.

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

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

### **1. Lack of Internal Audit Function and Reports**

During the year under review the hospital did not have the internal audit function to review risk assessment processes and evaluation of operational effectiveness through reviews of internal controls.

In the circumstances the absence of operational internal audit unit creates a significant gap in the hospital's governance and control framework, increasing its vulnerability to various risks.

### **Management Response**

Management acknowledges the audit observation regarding the lack of an internal audit function. However, it wishes to state that the facility utilized the services of the County Departmental Internal Auditors to carry out audit for the period under review and currently the facility has requested for a Resident Auditor.

### **Committee Observations**

The Committee observed that the facility utilized the services of the County Departmental Internal Auditors to carry out audit for the period under review.

### **Committee Recommendations**

The Committee recommends that the hospital management ensures compliance with regulations 153(1), 155(5) and 167(1) of the Public Finance Management (County Governments) Regulations, 2015 and have an audit committee in place to guide in the internal operations of the hospital. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

## **2. Failure to Maintain Board Members Personal Files and Undertake Board Performance Evaluation**

Review of the Board composition revealed that management did not maintain Board Members personal files and Board members performance evaluation reports to establish performance targets for individual members at the full Board for the year under review contrary to section 11 of Chapter 1 of Mwongozo Code of Governance for State Corporations which states that the board should conduct an annual evaluation to appraise its performance. The evaluation is to be carried out in accordance with the Board Evaluation Tool.

Further, review of Board and Sub-committees' composition revealed that the Board lacks a board member with the requisite financial expertise and the Board's composition did not consistently reflect the mix of skills and competencies necessary for effective committees functioning as defined under Governance Parameter 1.1 (6) of Mwongozo Code of Governance.

In the circumstances, the effectiveness of the board's oversight could not be confirmed.

### **Management Response**

Management acknowledges the audit observations regarding the Board's failure to conduct board evaluation for the financial year under review. However, it wishes to state that the evaluation has since been captured in the Board work plan for FY 2025/2026. Further, the Board members personal files have since been availed for audit review.

### **Committee Observations**

The Committee observed that-

1. The Board failed to maintain personal files for Board Members and did not conduct an annual Board performance evaluation for the year under review.
2. The Board lacked a member with requisite financial expertise.
3. The composition did not consistently reflect the required mix of skills and competencies as stipulated under Governance Parameter 1.1(6) of the Mwongozo Code.

### **Committee Recommendations**

The Committee recommends that the Board should ensure strict compliance with the Mwongozo Code by conducting annual Board performance evaluations and maintain comprehensive and up-to-date personal files for all Board members, including qualifications, appointments, and performance records. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

### **3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BUSIA COUNTY REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Busia County, Hon. Dr. Paul Otuoma, EGH, appeared before the Committee on Monday 23<sup>rd</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Busia County Referral Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- |                      |                            |
|----------------------|----------------------------|
| 1. Mr. Ahmed Hefow   | - Chief Officer Finance    |
| 2. Dr. Namulala Emma | - Med. Sup, Busia Refferal |

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

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Busia County Referral Hospital for the financial year on the following basis—

##### **1. Unsupported Rendering of Services Income-Medical Service Income**

The statement of financial performance reflects an amount of Kshs. 104,834,391 in respect of rendering of services-medical service income, as disclosed in Note 11 to the financial statements. However, provided supporting ledgers indicated total revenue of Kshs. 89,991,450 resulting to unreconciled variance of Kshs. 14,842,941. Further, no reconciliations were provided between the revenue collected, amounts banked and the balances reported in the financial statements

##### **Management Response**

The management acknowledges the auditors' observations. The variance of Kshs. 14,842,941 was hospital bill waivers of Kshs. 649,527 and pending SHA claims of Kshs. 14,193,414. The supporting schedule for Kshs. 649,527 and Kshs. 14,193,414 have since been provided for audit review.

##### **Committee Observations**

The Committee observed that whereas the supporting documents for hospital bill waivers and pending SHA claims were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act

##### **Committee Recommendations**

**The Committee recommends that the governor should ensure that the Accounting Officer ensures timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation**

and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

## **2. Non-Disclosure of Property, Plant and Equipment**

The statement of financial position reflects a balance of Kshs. 267,181 in respect of property, plant and equipment as disclosed in Note 32 to the financial statements, representing assets acquired during the year under review (additions). However, physical verification and review of asset records revealed that the Hospital occupied a substantial parcel of land and owned thirty-five (35) buildings, three (3) motor vehicles, assorted furniture and fittings, computers, and various specialized medical equipment that had not been valued and included in the financial statements.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 267,181 could not be confirmed.

### **Management Response**

The management notes the auditor's observation regarding the non-disclosure of certain assets in our financial statement for the year under review. This was due lack of valuation amounts for the said assets. The management will to make budgetary allocation for asset valuation in the FY 2026/2027.

### **Committee Observations**

The Committee observed that the hospital's assets were not disclosed in the financial statements as they were not valued.

### **Committee Recommendations**

The Committee recommends that-

- i. the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- ii. upon completion of the 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**
- iii. 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**

## **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget totaling to Kshs. 74,629,142 and Kshs.105,304,185 for actuals resulting to an overfunding amounting to Kshs. 30,675,043 or 141% of the budget.

Similarly, the statement reflects expenditure budget and actual on comparable basis of Kshs.74,178,537 and Kshs.52,374,299 respectively resulting to under-expenditure of Kshs. 21,804,238 or 29% of the budget.

### **Management Response**

The Management notes the observation the auditor wishes to state that the enactment of the Busia County Health Facilities Improvement Financing Act, 2024 in September 2024, which the hospital got the status of an entity to collect revenue and spend as per requirements of the Act, led to increased revenue collection due to improved service delivery.

The under expenditure of funds was as a result of revenue received in the last quarter (quarter 4) of the financial year 2024/2025 which was spent in the first quarter of the following financial year 2025/2026.

### **Committee Observations**

The Committee observed that the hospital reported over-collection of revenue by Kshs. 30,675,043 (141%) and under-expenditure of Kshs. 21,804,238 (29%), indicating weaknesses in budget forecasting and absorption of funds.

### **Committee Recommendations**

**The Committee recommends that-**

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

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

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

### 1. Failure to Meet Level 4 Hospital Requirements

Records maintained by the facility and analysis of healthcare staffing and physical verification of medical equipment available at the facility revealed the following shortfalls against what was required by the Kenya Quality Model for health Guidelines of a Level 4 facility as follows.

#### Medical Specialists

Personnel	Level 4 Standard	Actual Numbers	Deficit	Percentage (%)
Medical Officers	16	15	1	6
Anaesthesiologists	2	0	2	100
Radiologist	2	1	1	50
<b>Total</b>	<b>20</b>	<b>16</b>	<b>4</b>	<b>20%</b>

In addition, the Hospital lacked equipment and machines recommended in the Health Policy Guidelines as shown below;

Services	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage (%)
Resuscitative in Labour Ward	2	0	2	100
New Born Unit incubators	5	4	1	20
New Born Unit Cots	5	0	5	100
Functional ICU Beds	6	4-Not Operational	2	33.3
High Dependency Units (HDU) Beds	6	6-Not operational	0	100
Renal Units with at Least 5	5	0	5	100

Dialysis Machines				
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In addition, the hospital level of preparedness for handling patients in critical condition was lacking to a greater degree in that despite having fully equipped beds both for ICU and HDU they were not operational at the time of audit due to lack of staff.

**Management Response**

Management acknowledges the observation on non-compliance with selected Kenya Quality model of Health Policy Standards for a level 4 hospital, particularly in staffing, equipment, bed capacity and mortuary facilities.

As a corrective measure, the hospital, in collaboration with the County Department of Health and County Public service Board, continues to pursue recruitment and deployment of critical staff, including medical officers, clinicians and nurses and has implemented interim measures such as temporary engagements on locum basis and secondments to mitigate service delivery gaps.

However, as long-term measure, the facility through the office of the Chief Officer-Medical Services and UHC has written a letter to the County Public Service Board to request for employment of cadre specific staff.

Further, on the issue of critical care department (ICU and HDU), the management has redeployed internal trained staff to operationalize the unit pending employment of more staff.

Management wishes to state that currently the equipment status has improved since the number of incubators have increased to 8 from 4 and new born unit cots from none to 10.

**Committee Observations**

The Committee observed that the hospital did not meet Level 4 requirements under the Kenya Quality Model for Health Guidelines, with staffing gaps at 20% deficit in key specialists and critical equipment shortages, while existing ICU and HDU facilities remained non-operational due to inadequate staffing, compromising readiness to handle critical cases.

**Committee Recommendations**

**The Committee recommends that-**

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

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

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

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

### **1. Lack of Effective Internal Audit Function**

Review of overall governance and internal audit function records revealed that the Hospital lacked an independent internal audit department that reported directly to the Board Management. The facility relied on the County Executive Function of internal audit for independent review of its operations. During the year under review the County Executive internal audit had carried out a review of the Hospital's processes but management was yet to be informed of the findings.

Additionally, the Hospital did not have proper mechanism for whistle blowing where cases of fraud can be reported by staff and nay member for appropriate action.

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

### **Management Response**

Management notes the audit observation regarding the lack of internal audit function. However, it wishes to state that the facility requested the services of the internal audit and audit committee of the County executive which performs the internal audit function.

### **Committee Observations**

The Committee observed that the hospital requested the services of the Executive internal audit and audit committee.

### **Committee Recommendations**

**The Committee recommends that the hospital management ensures compliance with regulations 153(1), 155(5) and 167(1) of the Public Finance Management (County Governments) Regulations, 2015 and have an audit committee in place to guide in the internal operations of the hospital. The Auditor-General to keep the matter in view and report in the subsequent audit cycle**

#### **2. Weakness in Information Communication Technology (ICT) Internal Controls**

Review of hospital Information Technology (IT) environment revealed that the hospital operates on donated Hospital management Information System by the County Government of Busia for key areas including finance, revenue, records and patient management. However, the system's reliability on revenue collection and reporting could not be confirmed.

Critical weaknesses were observed in ICT governance, operations and infrastructure that comprise system integrity, data security and business continuity.

In the circumstances, the effectiveness of controls over ICT systems and data processed, stored and maintained through the systems could not be confirmed.

### **Management Response**

The management notes the observations and recommendations raised by the Office of the Auditor-General regarding Information Technology governance and controls at Busia level 4 Hospital. They acknowledge the identified gaps and confirm that measures are being undertaken to strengthen ICT governance, improve system reliability, and enhance information security across the Hospital.

### **Committee Observations**

The Committee observed that the hospital operates a donated Hospital Management Information System whose reliability on revenue collection and reporting could not be confirmed, with noted weaknesses in ICT governance, system integrity, data security, and business continuity, undermining the effectiveness of ICT controls.

### **Committee Recommendations**

**The Committee recommends that within 90 days of the adoption of this report, the Governor ensures that the hospital management establishes a robust ICT governance and control framework aligned with recognized standards to**

**strengthen oversight, accountability, and system reliability. The framework to be submitted to the Senate and a copy to the Auditor-General.**

### **3. Failure to Maintain Risk Management Policy and Risk Register**

Review of internal controls and documentations revealed that the Hospital does not maintain risk policy and register. In the absence of an active risk register and updated risk management framework, the Hospital's operations are carried without structured risk identification, assessment or mitigation strategies. This indicated a lack of risk awareness and preparedness within the facility.

In the circumstances, the hospital is exposed to poor risk management and preparedness due to the absence of risk-informed processes.

#### **Management Response**

The management currently has a draft Risk Management Policy which is under revision for adoption and implementation.

#### **Committee Observations**

The Committee observed that the hospital has a draft Risk Management Policy and is waiting for its operationalization.

#### **Committee Recommendations**

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

### 3.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TESO NORTH SUB COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Busia County, Hon. Dr. Paul Otuoma, EGH, appeared before the Committee on Monday 23<sup>rd</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Teso North Sub County Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Innocent Ombuko - County Attorney
2. Dr. Evans Kiplagat - Med. Sup Teso North

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Teso North Sub County Hospital for the financial year on the following basis—

##### 1. **Doubtful Recover-ability of Receivables from Social Health Authority (SHA)**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.5,142,935 representing claims submitted to the Social Health Authority (SHA). However, review of the SHA portal revealed claims totaling to Kshs. 4,197,920 were rejected. The rejections were attributed to the hospital's failure to file the required claim forms and submission of inadequately prepared discharge summaries, which lacked essential patient information and details regarding the patients' conditions both at admission and discharge. Further, no evidence was provided for audit to demonstrate that the hospital management made any efforts to follow up or recover the rejected claims.

In the circumstances, the accuracy and full recover-ability of receivables from exchange transactions balance of Kshs. 5,142,935 could not be confirmed.

##### **Management Response**

The management acknowledges the audit observation and wishes to clarify that the amount of Kshs. 5,142,935 reflected in the financial statements relates to SHA claims that arose within the year under review, but rejected after the close of the year.

In line with IPSAS and the accrual basis of accounting, receivables are recognized when the service has been rendered and a claim is due, not at the point of payment. Since the rejection occurred after year-end, management plans to write them off in the books of account FY 2025/2026.

##### **Committee Observations**

The Committee observed that the amount of Kshs. 5,142,935 related to SHA claims during the year under review but were rejected after the close of the financial year.

### **Committee Recommendations**

The Committee recommends that-

- i. the Accounting Officer should ensure timely submission of documents including evidence of resubmission and follow-up of rejected or partially approved SHA claims during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit; and
- ii. the Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, submit the outstanding amount from SHA. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.

### **Emphasis of Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs. 21,190,911 and Kshs. 24,758,041 respectively resulting in over-funding of Kshs. 3,567,130, or 17% above the budget. Similarly, the hospital expended Kshs. 14,730,841 against an expenditure budget of Kshs. 16,968,350 resulting to an under-expenditure of Kshs. 2,237,509 or 13% of the budget.

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

### **Management Response**

The management notes the observation the auditor and wishes to state that the enactment of the Busia County Health Facilities Improvement Financing Act, 2024 in September 2024, which the hospital got the status of an entity, to collect revenue and spend as per the requirements of the Act, led to increased revenue collection due to improved service delivery.

The under expenditure of funds was as a result of commitments awaiting delivery before payments at the end of financial year 2024/2025 which was paid in the first quarter of the subsequent financial year 2025/2026.

### **Committee Observations**

The Committee observed that the hospital recorded revenue over-performance of 17% and under-expenditure of 13%, indicating weaknesses in budget planning and execution, which affected implementation of planned activities and service delivery.

### **Committee Recommendations**

The Committee recommends that-

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

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

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

#### **1. Medical Equipment Functionality and Asset Management Controls**

Review and physical verification of medical equipment at Teso North Sub-County hospital revealed significant deficiencies across several departments, including missing and non-functional equipment, contrary to requirements. The key observations revealed the following:

- i. The mortuary had a storage capacity of 16 bodies (four chambers, each holding four bodies). However, as of November, 2025, it was holding 41 bodies, resulting in severe overcrowding. In addition, the cold room was non-functional, compromising the preservation of bodies and posing health risks.
- ii. The theater department had two anesthetic machines, only one was functional, potentially affecting surgical operations and patient safety.
- iii. The hospital had only one laundry machine, which was not operational, raising concerns about hygiene and infection control.

- iv. The radiology department only had one X-ray machine which was not functional. In addition, there was only one ultrasound machine which was not fully functional limiting the diagnostic capabilities.
- v. The fridge in the laboratory for storage of samples was not functional, risking sample integrity. In addition, out of two microscopes only one was partially functional, affecting diagnostic accuracy. Further, the autoclave sterilizing machine which was purchased seven years ago had not been installed rendering it unused.
- vi. Out of two incubators in the laboratory only one was functional including the water bath which was non-functional.

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, the hospital may not be able to deliver on its mandate

### **Management Response**

The management acknowledges the audit observation regarding physical verification of medical equipment at Teso North Sub-County hospital revealing deficiencies across several departments, including missing and non-functional equipment, contrary to requirements. Management wishes to clarify that at the time of audit:

- I. The hospital mortuary was overcrowded with bodies this was occasioned by unclaimed bodies that stood at 28. The facility in collaboration with the Department has initiated the legal process for disposing the unclaimed bodies.
- II. One anesthetic machine was faulty in the theatre; the management has since repaired the anesthetic machine and is now functional.
- III. The laundry machine was faulty and after assessment it was found to be irreparable thus the hospital has plans to acquire a new one in the subsequent financial year.
- IV. One radiology machine has since been repaired and is now functional. v. The autoclave sterilizing machine has been installed and is now functional.
- V. The laboratory fridge has since been repaired and is fully functional.
- VI. Both of the incubators were functional but only one was in use

### **Committee Observations**

The Committee observed that physical verification of the hospital revealed significant deficiencies in functionality and adequacy of critical medical equipment, including non-functional and underutilized assets across key departments, as well as overcrowding

and non-functional mortuary facilities, compromising service delivery and compliance with health standards.

### **Committee Recommendations**

The Committee recommends that-

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

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

Review of hospital records, interviews and verification of services offered, equipment used and medical specialists revealed that the hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by 53% of the authorized establishment as follows;

<b>Personnel</b>	<b>Level Standard</b>	<b>4 Number in Hospital</b>	<b>Variance</b>	<b>Variance in Percentage (%)</b>
Medical Officers	16	7	9	56
Anaesthesiologists	2	0	2	100
General Surgeons	2	1	1	50
Gynecologists	2	1	1	100
Radiologists	2	0	2	100
Registered Community Health Nurses	75	38	37	49

<b>Total</b>	<b>101</b>	<b>47</b>	<b>54</b>	<b>53%</b>
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In addition, the hospital lacked the necessary equipment and machines outlined in the health Policy Guidelines as detailed below;

Services	Level Hospital Standard	Actuals in the Hospital	Variance	Variance Percentage (%)
Baby Cots	5	1	4	80
Functional ICU Beds	6	0	6	100
High Dependency Units (HDU) Beds	6	6	6	100
Renal Units with Dialysis Machines	5	0	5	100
Bed Capacity	150	100	50	33%

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, the hospital may not be able to deliver on its mandate.

#### **Management Response**

Management acknowledges the audit observation and wishes to clarify that efforts to address these gaps are on-going including the following:

1. As a short-term measure to address the gap on Human Resource for Health the County Public Service Board has approved and provided guidelines for the recruitment of key health staff on locum / short term contracts and currently the facility is in the process of engaging staff on locum and short-term contract basis.
2. The County Government of Busia in partnership with the National Government through the National Equipment Service Program (NESP) the facility is receiving medical equipment which will address the existing challenges. The facility has so far received an ultrasound machine.

#### **Committee Observations**

The Committee observed that the hospital did not meet Universal Health Coverage requirements, with a 53% staffing deficit and significant shortfalls in critical equipment

and infrastructure, limiting its capacity to provide essential health services in line with national standards.

### **Committee Recommendations**

The Committee recommends that-

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

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

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

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

During the Financial year under review, the hospital did not have a risk management strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks. As a result, the Management did not perform formal risk assessments on all key financial risk areas such as cash, revenue and expenditure. This was contrary to Regulation 158 of the Public Finance Management (County Governments (Regulations, 2015. In the absence of a risk management policy, the Management was not in a position to identify individual risks, significance areas, likelihood of occurrence of identified risks and the appropriate control measures.

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

#### **Management Response**

The management currently has a draft Risk Management Policy which is under revision for adoption and implementation.

#### **Committee Observations**

The Committee observed that the hospital has a draft Risk Management policy that is under revision for operationalization.

#### **Committee Recommendations**

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

#### **2. Information and Communication Technology (ICT) Internal Control Weaknesses**

During the year under review, the Hospital did not have an approved ICT strategic policy, ICT continuity plan, disaster recovery plan and there was no ICT steering committee to assist in the development of ICT Policy framework to enable the hospital to realize long-term ICT strategic goals.

In the circumstances, the effectiveness of internal controls on ICT environment could not be confirmed

#### **Management Response**

Management acknowledges the audit observation regarding weaknesses in ICT internal controls at Teso North Sub-County Hospital, including the absence of an approved IT strategic plan, IT continuity plan, disaster recovery plan, and an ICT Steering Committee. Management wishes to clarify that it has since initiated the development of an ICT policy which is in draft phase.

#### **Committee Observations**

The Committee observed that the hospital did not have an ICT policy in place.

#### **Committee Recommendations**

The Committee recommends that hospital board ensures that the Hospital puts in place all internal control systems such as a Risk Management and Disaster recovery plan as provided under section 158 (1) of Public Finance Management

(County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the management to submit evidence of the same to the Auditor-General for verification.

### **3. Weakness in Board Governance Structure**

The statement of financial performance reflects Board of Management expenses totaling to Kshs. 102,500. However, the following unsatisfactory issues were noted:

- i. The Board operated without an approved charter, contrary to Section 1.1 1 of Mwongozo Code of Governance for State Corporations, which requires the Board of Directors to develop and adopt a Board Charter which defines the roles, responsibilities and functions of the Board.
- ii. The Board did not have an approved annual Board work plan and calendar as stipulated under Chapter 1.9 of Mwongozo Code of Governance.
- iii. No evidence was provided of any Board member being a bona fide member of ICPAK as per Mwongozo code.
- iv. Board did not conduct an annual evaluation of its performance at the end of the period as required by Mwongozo guidelines.

In the circumstances, the effectiveness of governance in the hospital could not be confirmed.

### **Management Response**

Management acknowledges the audit observation and wishes to state the following;

- i. The management wishes to state that at the time of audit the hospital lacked a board charter however, it has since developed one that defines their roles, responsibilities and functions.
- ii. The management similarly has developed the annual Board work plan for the FY2025/2026.
- iii. The management acknowledges that at the time of audit the hospital lacked a bona-fide member of ICPAK as per Mwongozo Code however, the management is in the process of appointing at least one member with the qualifications.
- iv. The management confirms that the Board has since included in their workplan conducting of annual evaluation of its performance as per the Mwongozo guidelines.

### **Committee Observations**

The Committee observed that the Board operated without key governance structures, including a Board Charter, annual work plan, financial expertise (ICPAK membership), and performance evaluation, contrary to Mwongozo guidelines, undermining effective governance and oversight.

### **Committee Recommendations**

The Committee recommends that the within 60 days of the adoption of this report, the Governor should ensure that the Board develops and adopt a comprehensive Board Charter that clearly defines roles, responsibilities, and functions in line with the Mwongozo Code of Governance for State Corporations. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

#### **4. Inventory Management Control Weaknesses**

The statement of financial position and Note 31 to the financial statements reflect inventories balance of Kshs. 2,562,634. However, physical verification of the inventories revealed that the hospital did not have adequate storage space for various items in the stores. Further non-pharmaceutical store which lacked enough ventilation was also used to store food items risking food contamination.

In the circumstances, the existence and effectiveness of the internal controls on inventory Management could not be confirmed.

#### **Management Response**

Management acknowledges the audit observation and wishes to state that during the year under review, the hospital faced limited storage infrastructure, which constrained proper arrangement and segregation of inventory items. However, corrective measures to address these deficiencies has been taken to reduce exposure to damage and deterioration.

#### **Committee Observations**

The Committee observed that the hospital's inventories were stored in inadequate facilities, including non-ventilated stores used for food items, exposing them to contamination and undermining the effectiveness of internal controls.

#### **Committee Recommendations**

The Committee recommends that the Governor, through the Accounting Officer, should ensure compliance to Regulation 104(1) of the Public Finance Management (County Government) Regulations which states that the accounting officer of a procuring entity to set up an inventory management system which shall be managed by the head of the procurement function, for the purpose of control and managing its inventory, stores.

### **3.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAMBALE SUB COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Busia County, Hon. Dr. Paul Otuoma, EGH, appeared before the Committee on Monday 23<sup>rd</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nambale Sub County Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- |                     |                     |
|---------------------|---------------------|
| 1. Dr. Ogara Daniel | - Med. Sup Namabale |
| 2. CPA Ruth Ipuwa   | - Accountant        |

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

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Nambale Sub County Hospital for the financial year on the following basis—

##### **1. Unsupported Rendering of Service Income**

The statement of financial performance and Note 11 to the financial statements indicates rendering of services - medical service income amounting to Kshs. 13,643,346, which includes other medical services income of Kshs. 10,490,499. However, the other medical services income was supported by a ledger amounting to Kshs. 9,420,682, resulting in an unexplained variance of Kshs. 1,069,817.

In the circumstances, the accuracy and completeness of rendering of services- medical service income amounting to Kshs. 13, 643,346 could not be confirmed.

##### **Management Response**

Management notes the audit observation and wishes to clarify that variance of Kshs. 1,069,817 was occasioned by summation error on the schedule supporting the amount of Kshs. 10,490,499 which has since been corrected.

##### **Committee Observations**

The Committee observed that there was a summation error during the preparation of the financial statements resulting in a variance of Kshs. 1,069,817.

##### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor ensures that the Accounting Officer to takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act,**

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

### **Emphasis of Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 17,470,205 and Kshs. 13,643,346 respectively, resulting to a budget under-funding of Kshs.3,826,859 representing 12% of the budget.

Similarly, the hospital spent Kshs.9,760,224 against an actual receipt of Kshs. 13,643,346 resulting to under- absorption of Kshs. 3,883,122 or 28% of the receipts.

In addition, the hospital reflects final expenditure budget of Kshs 10,844,693 against actual expenditure of Kshs 9,760,224 resulting to under absorption of Kshs. 1,084,469 or 10% of the budget.

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

### **Management Response**

Management acknowledges the audit observation and wishes to state that under-funding of Kshs. 3,826,859 was mainly caused by industrial strikes witnessed during the financial year which interrupted continued service delivery.

The under-absorption of 1,084,469 was primarily due to delays in reimbursements from the Social Health Authority (SHA).

### **Committee Observations**

The Committee observed that the under-funding by the hospital was as a result of industrial strikes that interrupted continued service delivery and attributed the under-absorption to late disbursement of funds from SHA.

### **Committee Recommendations**

**The Committee recommends that-**

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

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

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

**1. Non-Compliance with Kenya Quality for Health Policy Guidelines on Staffing and Equipment**

Review of the hospital staffing levels, services and equipment revealed that the hospital had twenty- one (21) medical professionals as opposed to the recommended one hundred and forty-seven (147) resulting to a shortage of one hundred and twenty-six (126) professionals as detailed below:

Personnel	Level Standard	4	Actual Numbers	Deficit
Medical Officers	16		1	15
Anaesthesiologists/ anaesthetic-diploma	2		0	2
General Surgeons	2		0	2
Gynecologists	2		0	2
Pediatrics	2		0	2
Radiologists/radiographer- no degree	2		1	1
Kenya Registered Community Health Nurses	75		19	56
BScN Nurses	40		0	40
Kenya Enrolled Nurses	6		0	6
<b>Total</b>	<b>147</b>		<b>21</b>	<b>126</b>

In addition, the facility lacked adequate equipment and machines outlined in the Health Policy Guidelines as shown below;

Service	Level Standard	4	Actual Numbers	Deficit
Beds	150		52	98
Resuscitative/defibrillator	2		1	2
New born unit Incubators	5		0	5
New born unit cots	5		0	5
Functional ICU beds	6		0	6
High Dependency Unit (HDU) beds	6		0	6
Renal Unit	5		0	5
Maternity and General Theatre	2		1	1

Morgue	1	0	1
Autopsy	1	0	1
Ambulance	1	1	0
<b>Total</b>	<b>184</b>	<b>54</b>	<b>130</b>

Further, the hospital had a capacity of fifty-two (52) beds as compared to the required minimum of one hundred and fifty (150) beds, resulting to a shortage of ninety-eight (98) beds, and did not offer radiology services and renal/dialysis services contrary to the requirements of Kenya Quality Model Health Checklist for Level 4 Hospitals.

In the circumstances, the ability of the hospital to offer services designated for the respective level could not be confirmed.

### **Management Response**

Management acknowledges the audit finding regarding deficiencies in meeting the standards set out in the Kenya Quality Model for Health Policy Guidelines for a Level 4 hospital, including staff and equipment.

The hospital recognizes that there are significant gaps in the authorized staffing establishment, with critical medical specialists, community health nurses, and other health professionals not fully in place.

As a short-term measure to address the gaps in human resource for Health, the County Public Service Board approved and provided guidelines for recruitment of key health staff on locum/ short term contract and currently the facility has engaged nurses and clinical officers on short term basis.

### **Committee Observations**

The Committee observed that-

1. the Hospital's staff complement did not meet the requirements of the Kenya Quality Model for Health.
2. the County Public Service Board approved and provided guidelines for recruitment of key health staff on short term contract.
3. the facility has engaged nurses and clinical officers on short term basis.

### **Committee Recommendations**

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing

existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward;

- ii. within ninety (90) days of the adoption of this report, the Committee recommends that the Governor ensures the hospital develops and implements a comprehensive plan, with appropriate budgetary allocations, to acquire and operationalize the required facilities and equipment to provide all services required for a Level 4 hospital. The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle; and
- iii. the Governor ensures the officer in charge of the facility has the requisite academic and professional qualifications in accordance with the Health Act, 2017 and provide evidence of measures taken to address the matter to Senate within 60 days of the adoption of this report.

## **2. Lack of Personal Files for Board of Management Members**

During the year under review, the hospital had eight (8) Board of Management members. However, a personal file was not maintained at the hospital which contains the appointment letters, written acceptance and academic qualifications of members.

Further, the current Board does not have a member with a financial expertise. This was contrary to Mwongozo Code of Governance, Governance Parameter 1.1 (11) which states that the Corporation Secretary will ensure that a record of the appointment letter, gazette notice and written acceptance by the board member are kept in the personal file of the Board member, and Governance Parameter 1.1(6) which states that at least one member should be a financial expert meaning that he or she has the necessary qualifications and expertise in financial management or accounting and is bona-fide member of a professional body regulating the accountancy profession and in compliance with the requirements thereof.

In the circumstances, Management was in breach of law

### **Management Response**

Management acknowledges the audit observation and wishes to state that the Board members personal files have since been availed for audit review. The management notes the anomaly in the lack of financial expertise among the members and commits to appoint in order to comply with the Mwongozo Code of Governance.

### **Committee Observations**

The Committee observed that the hospital did not maintain a personal file for the Board of management members and that the board did not have a financial expert contrary to the Mwongozo guide.

### **Committee Recommendations**

The Committee recommends that within sixty (60) days of the adoption of this report, the Governor submits the approved staff establishment of the board Members in line with Parameters 1.1(6) and 1.1 (11) of Mwongozo Code of Governance. The Auditor-General to keep the matter in view and report to the Senate in the subsequent audit cycle.

#### **3. Failure to Open Facility Improvement Bank Account**

Review of bank accounts documents revealed that the hospital had not opened a special purpose operated a special facility improvement financing bank account. This was contrary to section 5(2) of the Facility Improvement Financing Act, 2023, which provides that there shall be opened a Facility Improvement financing for each public health facility into which there shall be paid all monies by or on behalf of the respective public health facility.

In the circumstance management is in breach of the law.

#### **Management Response**

The management wishes to clarify that the facility has two bank accounts: the first bank account is the revenue (FIF Collection account) number 1255604875; the second account is the hospital operation accounts no 1263844375 both at KCB Busia Branch.

#### **Committee Observations**

The Committee observed that the hospital had two bank accounts, whereby one was for FIF Collection and the other was the hospital operations account.

#### **Committee Recommendations**

The Committee recommends that the Governor ensures compliance to section 5(2) of the Facility Improvement Financing Act, 2023, which provides that there shall be opened a Facility Improvement financing for each public health facility into which there shall be paid all monies by or on behalf of the respective public health facility. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

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

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

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

During the year under review, the hospital did not have a risk management policy in place, and the Management did not conduct risk assessment during the year under audit review. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 that states-(a) the County Government entity develops risk management strategies, which include fraud prevention mechanisms; and (b) the county government entity develops a system of risk management and internal controls that builds robust business operations.

In the circumstances, Management was in breach of law

#### **Management Response**

The management currently has a draft Risk Management Policy which is under revision for adoption and implementation.

#### **Committee Observations**

The Committee observed that the hospital has a draft Risk Management Policy and is waiting for its operationalization by the County Assembly.

#### **Committee Recommendations**

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

#### **2. Failure to Establish Internal Audit Unit and Audit Committee**

Review of the hospital's organogram revealed that the hospital did not have an internal audit function and an Audit Committee. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires county Government entities to establish audit committees in accordance with the prescribed regulations to monitor the entities' governance process, accountability process and control systems, offer objective advice on issues concerning internal control, regulatory requirements and governance.

In the circumstances, Management was in breach of law and the effectiveness of internal controls and risk management could not be confirmed.

#### **Management Response**

Management notes the audit observation regarding the lack of internal audit function. However, it wishes to state that the facility requested the services of the internal audit

and audit committee of the County Executive which performs the internal audit function.

#### **Committee Observations**

The Committee observed that the management requested for the services of the Executive internal audit and audit committee to perform the internal audit function.

#### **Committee Recommendations**

**The Committee recommends that the hospital management ensures compliance with regulations 153(1), 155(5) and 167(1) of the Public Finance Management (County Governments) Regulations, 2015 and have an audit committee in place to guide in the internal operations of the hospital. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.**

#### **3. Failure to Conduct Board of Management Evaluation**

During the year under review, hospital's Board of Management did not conduct an annual evaluation to appraise its performance. This was contrary the Mwongozo Code, which requires Board to conduct an annual evaluation to appraise its performance. The evaluation was to be carried out in accordance with the Board Evaluation Tool.

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

#### **Management Response**

Management acknowledges the audit finding regarding the failure to conduct a board evaluation for the financial year under review.

Management wishes to clarify that the board has since developed and included self-evaluation program in their annual work plan. This will ensure annual board self-evaluation are conducted to assess the effectiveness, governance standards and the overall performance of the board.

#### **Committee Observations**

The Committee observed that management has developed and included self-evaluation program in their annual work plan.

#### **Committee Recommendations**

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

## CHAPTER FOUR: FUNDS

### 4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BUSIA AGRICULTURAL DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Busia County, Hon. Dr. Paul Otuoma, EGH, appeared before the Committee on Monday, 23<sup>rd</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Busia Agricultural Development Fund for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Andrew Nakitare - CECM Finance
2. Mr. Gypson Wafula - Chief Officer Finance

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Busia Agricultural Development Fund for the financial year on the following basis—

##### 1. Unrecovered Loans Overdue

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.54,619,353 as disclosed in Note 13 to the financial statements. However, the Fund did not indicate the dates when the loans were issued and no ageing analysis was provided to show how long the debts were overdue.

Further, the amount includes non-performing loans of Kshs.50,730,600 issued between 2016 and 2024. No evidence or explanation was provided by Management on why the loans have not been repaid. Management has not taken legal action to recover the loans from the farmers. In addition, Management has failed to build a revolving fund as enshrined in the Act and Regulations.

In the circumstances, the valuation and recoverability of the balance of Kshs. 54,619,353 could not be confirmed.

##### Management Response

The management agrees with the Auditor's observation and has since availed the schedule indicating the dates when the loans were issued and ageing analysis for audit verification. The management wishes to confirm that the existing Act and Regulation does not have the robust mechanism of recovery of loan on defaulters. However, the management has initiated amendments to the Act which is at publication stage in the Assembly.

In addition, the following recovery measures have been taken to recover the outstanding loan balances;

- i. Management is doing follow ups on guarantors to assist in pursuing defaulters to pay their loans and guarantors to honor their obligations.
- ii. The management make follow up on loanees at ward level to remind them on obligation to repay their loans. Through these efforts recoveries are trickling in

### **Committee Observations**

The Committee observed that-

1. the balance includes non-performing loans amounting to Kshs. 50,730,600 issued between 2016 and 2024, with no evidence of recovery efforts such as legal action.
2. Management has not operationalized an effective revolving fund as required by the Act and Regulations.

### **Committee Recommendations**

The Committee recommends that-

- i. **The governor ensures that the fund has a strengthened loan management and recovery mechanisms by maintaining complete loan records, including issuance dates and ageing analysis, to facilitate monitoring;**
- ii. **Within 60 days of the adoption of this report, the Governor ensures that the fund manager implements a structured recovery strategy, including enforcement of guarantor obligations and consideration of legal action against persistent defaulters; and**
- iii. **Management should expedite amendments to the Act to enhance recovery provisions and ensure full operationalization of a sustainable revolving fund.**
- iv. **The Auditor-General to keep the matter in view and report on the strategies put in place to ensure operationalization of the fund.**

### **Emphasis of Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs. 28,870,251 and Kshs. 8,932,755 respectively resulting to under-funding of Kshs. 19,937,496 or 69% of the budget. In addition, it was observed that the Fund budgeted to receive Kshs. 20,000,000 from the County Government out of which no amount was actually received. The Fund expended Kshs. 1,782,565 against an approved budget of Kshs. 28,870,251 resulting to under-performance of Kshs. 27,087,686 or 94% of the budget.

In the circumstances, the under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

### **Management Response**

The management agrees with auditor's observation and would like to clarify that the underfunding was caused by non-disbursement of Kshs. 20,000,000 by county treasury. The fund underperformance was as a result of non-disbursement of loans to farmers until an effective and efficient loan recovery mechanism is in place.

### **Committee Observations**

The Committee observed that-

1. The Fund recorded final receipts of Kshs. 8,932,755 against a budget of Kshs. 28,870,251, resulting in an under-funding of Kshs. 19,937,496 (69%).
2. the Fund did not receive the budgeted Kshs. 20,000,000 from the County Government.
3. expenditure amounted to Kshs. 1,782,565 against an approved budget of Kshs. 28,870,251, resulting in under-performance of Kshs. 27,087,686 (94%).

### **Committee Recommendations**

The Committee recommends that-

- i. **Management should strengthen budgetary planning and control by aligning budgets with realistic and confirmed funding sources, including close engagement with the County Treasury to ensure timely disbursements;**
- ii. **the Fund should enhance absorption capacity through timely implementation of planned activities and establish clear mechanisms to ensure funds are utilized as intended. Where disbursements are delayed, Management should revise plans accordingly to minimize the impact on service delivery.**

### **Other Matter**

#### **1. Unresolved Prior Year Matters**

In the previous year audit, issues were raised under Report on the Financial Statements and Emphasis of Matter. However, the issues had not been resolved and no satisfactory explanation was provided for the delay in resolving the issues.

<b>AUDIT ISSUE</b>	<b>ACTION TAKEN BY MANAGEMENT</b>	<b>STATUS (resolved/not resolved)</b>
Unrecovered overdue loan	The management has initiated the amendment of the Act to sufficiently address the recovery mechanism on loan defaulters. The Act is in County Assembly at publication stage.	On going
Budgetary control and performance	The management is awaiting the completion of the amendment process in respect of the Act that will address recovery mechanism to be able to continue funding	Not resolved
Unresolved prior year matters	The management appeared before the Senate committee for FY 2023/2024 and is yet to receive committee recommendations.	Not resolved

**Committee Observations**

The Committee observed that the fund management had addressed some of the issues raised and submitted to the senate committee and is waiting for the final report.

**Committee Recommendations**

**The Committee recommends that-**

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**
- ii. The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

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

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

### **1. Unlawful Operation of the Fund**

Review of documents provided for audit and the annual report and financial statements revealed that the Busia County Agricultural Development Fund was established on 16 May, 2014 which translates to eleven (11) years of operation.

However, there was no approval for continuity of operation from the County Assembly to enable the fund to continue in operation after 30 June, 2024 when the period lapsed as required by Regulation 197 (1) of the Busia County Agricultural Development Fund Regulations, 2015, which states that the establishment of a County Public Fund shall at the minimum meet the following requirements (i) the initial approval for establishment of a County Public Fund shall be for a maximum period of ten (10) years, beyond which the County Executive Committee and County Assembly approvals shall be sought.

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

### **Management Response**

The management would like to clarify that The Busia Agricultural Development Fund Board of Trustees through CECM Agriculture has initiated amendments to ADF ACT 2014 as the law requires. The Amendment Bill is ongoing at the County Assembly of Busia and is at publication stage.

### **Committee Observations**

The Committee observed that The Amendment Bill is ongoing at the County Assembly of Busia and is at publication stage.

### **Committee Recommendations**

**The Committee recommends that the Governor, through the County Assembly expedites the ongoing amendment to the Busia County Agricultural Development Fund Regulations, 2015 to provide a clear legal framework for continuity. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.**

#### 4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BUSIA COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Busia County, Hon. Dr. Paul Otuoma, EGH, appeared before the Committee on Monday, 23<sup>rd</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Busia County Alcoholic Drinks Control Fund for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Andrew Nakitare - CECM Finance
2. Mr. Gypson Wafula - Chief Officer Finance

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Busia County Alcoholic Drinks Control Fund for the financial year on the following basis—

##### 1. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.2,978,060 in respect to receivables from licenses and liquor application as at 30 June, 2025, as disclosed in Note 18 to the financial statements. Analysis of the ageing of the receivables from exchange transactions revealed that as at 30 June, 2025, 50% or Kshs.1,494,500 of the receivables had remained outstanding for more than three (3) years. There was no evidence of effort taken to recover these debts.

In the circumstances, the accuracy and full recoverability of the long outstanding receivables amounting to Kshs. 1,494,500 could not be confirmed.

##### Management Response

The management notes the observation of the auditor and wishes to state that the process of recovering the outstanding license fee arrears is ongoing and currently Kshs. 412,760 has since been recovered. Measures has been put in place to ensure that No alcoholic Drinks outlet will be issued with the current License before they clear the previous Financial Year License fee in arrears.

##### Committee Observations

The Committee observed that-

1. The statement of financial position reflects receivables from exchange transactions amounting to Kshs. 2,978,060 as at 30 June 2025.

2. The ageing analysis indicates that Kshs. 1,494,500 (50%) has been outstanding for over three (3) years, with no evidence of adequate recovery efforts undertaken during the period.
3. Management has managed to recover Kshs. 412,760 of the outstanding amounts.

### **Committee Recommendations**

The Committee recommends that-

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

### **Emphasis of Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs. 9,577,000 and Kshs. 4,790,490 respectively, resulting to under-funding of Kshs. 4,786,510 or 50% of the budget. In addition, the Fund expended Kshs. 4,606,145 against an approved budget of Kshs. 9,577,000 resulting to under-performance of Kshs. 4,970,855 or 52% of the budget.

In the circumstances, the under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

#### **Management Response**

The management wishes to state that under funding and under performance was as a result of non-receipt of Kshs. 3,400,000 from the County Treasury and Kshs. 1,386,510 from uncollected Liquor licenses.

Efforts to request the transfer of funds from the County Treasury has been made through written communications and enforcement for collection of outstanding arrears.

#### **Committee Observations**

The Committee observed that-

1. The Fund reported actual receipts of Kshs. 4,790,490 against a budget of Kshs. 9,577,000, resulting in an under-funding of Kshs. 4,786,510 (50%).
2. The expenditure amounted to Kshs. 4,606,145 against the approved budget, leading to under-performance of Kshs. 4,970,855 (52%).
3. The management attributed the budgetary shortfalls to late disbursement of funds by the County Treasury.

### **Committee Recommendations**

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

- i. **Management should strengthen budgetary planning and control by aligning budgets with realistic and confirmed funding sources, including close engagement with the County Treasury to ensure timely disbursements;**
- ii. **the Fund should improve revenue collection strategies, particularly on liquor license fees, through strict enforcement and monitoring of arrears; and**
- iii. **the Fund should enhance absorption capacity through timely implementation of planned activities and establish clear mechanisms to ensure funds are utilized as intended. Where disbursements are delayed, Management should revise plans accordingly to minimize the impact on service delivery.**

#### **Other Matter**

##### **1. Unresolved Prior Year Matters**

In the previous year audit, three issues were raised in the Audit Report as follows:

- i. Un-collected Liquor licensing fee revenue
- ii. Non-Disbursement of funds by the County treasury
- iii. Irregular utilization of fund Revenue

However, no evidence was provided indicating whether the issues have been resolved or not.

In the circumstances, the issues remain unresolved

#### **Management Response**

The management notes the observation of the auditor and attached the implementation status report on prior year matters.

#### **Committee Observations**

The Committee observed that the management had not resolved some of the issues raised by the auditor in the previous financial year.

## **Committee Recommendations**

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

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(I) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**
- ii. The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

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

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

### **1. Irregular Utilization of Fund Revenue**

The statement of financial performance reflects revenue totaling to Kshs. 6,274,050 in respect of liquor license and application fee out of which Kshs.4,790,490 was actual revenue received and Kshs. 1,483,560 was receivable revenue.

However, Management transferred Kshs.1,500,000 or 31% of the receipts to the County Revenue Fund. Management also incurred actual expenditure of Kshs. 3,106,145 or 50% of total revenue on administration of the Fund which was above the legal ceiling of 10%. Further, no evidence was provided to demonstrate that any amount was transferred to the National Authority for the Campaign Against Alcohol and Drug Abuse (NACADA), contrary to Section 6(5) of the Busia County Alcoholic Drinks Act, 2014 which requires that the Fund's receipts be shared in the ratio of 70%, 20% and 10% to the County Revenue Fund, transfers to National Campaign Against Drug Abuse (NACADA) and administration expenses respectively.

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

### **Management Response**

The non remittance was occasioned by unfavorable and unrealistic percentages of Fund distribution as stipulated in the Act and Regulation. However, the management has initiated the process of amending the Act on the same which has since been tabled in the Cabinet.

### **Committee Observations**

The Committee observed that-

1. Kshs. 3,106,145 (50%) was spent on administration, exceeding the legal limit of 10%.
2. no funds were remitted to the National Authority for the Campaign Against Alcohol and Drug Abuse (NACADA), contrary to Section 6(5) of the Busia County Alcoholic Drinks Act, 2014.

### **Committee Recommendations**

The Committee recommends that-

- i. Management should ensure strict compliance with the provisions of the Act regarding revenue allocation and expenditure ceilings. All future revenue should be distributed in accordance with the prescribed ratios, including timely remittance to NACADA and adherence to the 10% cap on administrative expenses;
- ii. Management should fast-track the proposed amendments to the Act to address practical challenges while ensuring that any changes are formally approved before implementation; and
- iii. Internal controls should also be strengthened to monitor compliance with statutory requirements and prevent recurrence.

### **2. Stalled Construction of Butula Rehabilitation and Treatment Centre Project**

The annual report on Management Discussion and Analysis under on-going projects revealed that the Fund through the Department of Trade Investment, Industrialization, Cooperatives and SMEs was in the process of implementing the construction of Butula Rehabilitation and Treatment Centre. The project was on-going and was at 45% completion stage. Further, it was observed that in 2024-2025 financial year there was no allocation of funds to the project by County Executive of Busia. In addition, there was no information on when the project started, who was contracted, the contract price and the project implementation duration.

In the circumstances, the public may not get value for the money spent in the project.

### **Management Response**

The management is in agreement with the observation of the Auditor. The management intends to prioritize the project in the next supplementary Budget FY 2025/2026. The project information has since been availed for audit verification.

### **Committee Observations**

The Committee observed that-

1. The Butula Rehabilitation and Treatment Centre project was reported to be at 45% completion; however, no budgetary allocation was made for the project in the 2024/2025 financial year.
2. The management intends to prioritize the project in the next supplementary Budget FY 2025/2026.

#### **Committee Recommendations**

**The Committee recommends that the Governor should prioritize allocation of adequate funds in the next supplementary budget to facilitate completion of the project. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.**

#### 4.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BUSIA COUNTY CLIMATE CHANGE FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Busia County, Hon. Dr. Paul Otuoma, EGH, appeared before the Committee on Monday, 23<sup>rd</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Busia County Climate Change Fund for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Andrew Nakitare - CECM Finance
2. Mr. Gypson Wafula - Chief Officer Finance

#### REPORT ON THE FINANCIAL STATEMENTS

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

##### 1. Inaccuracy of the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects surplus of Kshs. 29,536,008 which has not been reconciled with the net cash flows from operating activities amount of Kshs.73,379,807 reflected in the statement of cash flows.

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

#### Management Response

The management notes the observation of the auditor and would like to clarify that in the Statement of Comparison of Budget and actual amounts, Kshs. 29,536,008 was the Surplus which was reflected in the Statement of Cash flows as at 30th June 2025 reflected as Cash and cash equivalent.

#### Committee Observations

The Committee observed that the statement of comparison of budget and actual amounts reflects a surplus of Kshs. 29,536,008 which has not been reconciled with the net cash flows from operating activities amount of Kshs. 73,379,807 reported in the statement of cash flows.

#### Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly

report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

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

## **2. Inaccuracy of the Statement of changes in Net Assets**

The statement of changes in net assets reflects net assets balance of Kshs.83.380,826 as at 30 June, 2025. However, the statement includes prior year adjustments balance of Kshs. 2,750,000 whose nature was not disclosed or explained, and journal entries and supporting documents were not provided for audit review.

In the circumstances, the accuracy of Revenue and completeness of net assets balance of Kshs. 83.380,826 could not be confirmed.

### **Management Response**

The Management notes the observation of the auditor and wishes to clarify that Kshs 2,750,000 was erroneous depreciation charge for the Motor Vehicle which was purchased and paid in two Instalments in FY2023/2024 and the final payment being done in the year under review FY2024/2025. The prior year adjustment to correct the anomaly was done in the year under review.

### **Committee Observations**

The Committee observed that-

1. There were prior year adjustments amounting to Kshs. 2,750,000 whose nature was not disclosed or adequately explained, and no supporting journal entries or documentation were provided for audit verification.
2. Management clarified that the amount related to was erroneous depreciation charge for the Motor Vehicle.

### **Committee Recommendations**

The Committee recommends that-

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

### **3. Variances in revenues from Non-Exchange Transactions**

The statement of financial performance and Note 1 to the financial statements reflects public contributions and donations amounting to Kshs.164,356,863. However, the amount reported in the Project Management Unit (PMU) financial statements totals Kshs.12,721,885 resulting in unexplained and unreconciled variance of Kshs.151,634,978.

In the circumstances, the accuracy of revenue from non-exchange transactions of Kshs. 164,356,863 could not be confirmed.

#### **Management Response**

The management would like to state that Kshs. 164,356,863 was the total Cash received during the year under review while Kshs. 12,721,885 was cash allocated by CARA for the year. The balance of Kshs. 151,634,978 was Revenue for the FY 2023/2024 but received in the year 2024/2025.

#### **Committee Observations**

The Committee observed that Kshs. 164,356,863 was cash receive during the year under review, Kshs. 12,721,885 was cash allocated by CARA and Kshs. 151,634,978 was Revenue for the FY 2023/2024 but received in the year 2024/2025.

#### **Committee Recommendations**

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;
- ii. the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;and
- iii. the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the fund.

#### **Emphasis of Matter**

##### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis totaling Kshs. 453,233,404 and Kshs. 281,884,750 respectively, resulting to under-funding of Kshs. 171,348,654 or 38% of the budget. Further, the Fund incurred actual expenditure of Kshs. 245,014,785 against approved expenditure of Kshs. 453,233,404 resulting to under-performance of Kshs.208.218.618 or 46% of the budget.

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

##### **Management Response**

The management notes the observation of the auditor and wish to state that the underfunding was occasioned by non-disbursement of Kshs.171,348,654 from National Treasury in the year under review. This subsequently affected the planned activities leading to under performance.

##### **Committee Observations**

The Committee observed that-

1. The Fund experienced significant under-funding and under-performance, with actual revenue of Kshs. 281,884,750 against a budget of Kshs. 453,233,404 (38% shortfall) and actual expenditure of Kshs. 245,014,785 against approved expenditure of Kshs. 453,233,404 (46% under-performance).
2. Management attributed the budgetary shortfall to late disbursement by the national treasury.

#### **Committee Recommendations**

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

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

#### **Other Matter**

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

In the previous year audit, several issues were raised under Report on the Financial Statements, Emphasis of Matter, Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the status of resolution of these matters has not been disclosed under progress on follow up of prior year auditor's recommendations section of the financial statements.

#### **Management Response**

No response was given.

#### **Committee Observations**

The Committee observed that the fund management had not adequately addressed issues raised in the previous financial year.

## **Committee Recommendations**

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

- i. The Governor ensures that the Accounting Officer resolves any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**
- ii. The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

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

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

### **1. Implementation of Projects without Feasibility Studies**

#### **1.1 Procurement of Tree Seedlings**

The statement of financial performance reflects use of goods and services amounting to Kshs. 245,014,786 as disclosed in Note 6 to the financial statements, which includes Kshs. 14,891,103 for supply and delivery of tree seedlings and establishment of assorted tree nurseries. However, review of supporting documents and verification of the project on 5 September, 2025 revealed the following anomalies:

- I. There was no evidence to confirm that an environmental impact assessment was carried out prior to the purchase of the tree seedlings as required by Section 42 of the Environmental Management and Coordination Act, 1999 and no report was provided for audit to demonstrate how the project would impact the environment.**
- II. There was no evidence that written approval was sought from the Director General of Environment as required by law.**
- III. The Management did not provide evidence of feasibility studies or surveys and reports indicating the types of tree seedlings that were required based on the climate and the type of soil, the seedling quality, the source of seedlings, the age and size of the seedlings among others. In the absence of a report on the project's environmental implications, it was not possible to ascertain whether environmental risks were adequately identified and mitigated.**

In the circumstances, Management was in breach of the law and value for money on the expenditure of Kshs. 14,891,103 in respect of procurement of tree seedlings could not be confirmed.

### **Management Response**

- i. The management notes the audit observation and would also like to clarify that this project did not require Environmental Impact Assessment (EIA) to be done. From the second schedule of Environmental Management and Coordination Act, (EMCA) 1999 as read with Legal Notice 31 of 2019, lists categories of projects to undergo the EIA.
- ii. According to Sec 6 of the EIA/ Environmental Audit, 2003 stipulates procedures of applying/seeking grant of the EIA license from National Environmental Management Authority in this case Director General. From the above response in (i), this project did not warrant such approval.
- iii. In species matching and identification of seedlings to suit a specific ecological zone, are already mapped in Kenya. For this purpose, it was to cross reference against the already established list that outlines a particular species for particular region. In this regard there was no need for feasibility studies.

### **Committee Observations**

The Committee observed that the Fund spent Kshs. 14,891,103 on procurement of tree seedlings and establishment of nurseries without providing evidence of environmental impact assessments, approval from the Director General of Environment, or feasibility studies to determine appropriate species, seedling quality, or suitability for the area.

### **Committee Recommendations**

**The Committee recommends that the governor should ensure that the Accounting Officer ensures timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

#### **1.2 Rehabilitation of Degraded Areas and Water Projects**

The statement of financial performance reflects use of goods and services amounting to Kshs. 245,014,786 as disclosed in Note 6 to the financial statements, which includes Kshs. 38,906,467 for rehabilitation of water projects and degraded areas. However, review of supporting documents provided for audit revealed the following unsatisfactory matters:

- I. Management did not provide evidence of feasibility studies and reports carried out to ascertain the entire eco-system was inspected to identify

whether there was an assessment and diagnosis, source rehabilitation and operational and institutional improvements and choice of particular preferred method of rehabilitation for the particular areas or zones and how the project was to be implemented so as to stop degradation.

- II. There was no evidence of development of an overall environmental management plan for the degraded areas to be rehabilitated as required by Section 42(2) of the Environmental Management and Coordination Act, 1999. There was no Gazette Notice provided declaring the areas that were supposedly rehabilitated as degraded areas as required by the Environmental Management and Coordination Act, 1999.
- III. There was no environmental impact assessment report prior to implementation of the projects.

Further, physical verification carried out on 5 September, 2025 at Akatagorait in Teso South revealed that only a very small section of the supposed degraded area had gabions installed and bamboo trees planted.

In the circumstances, the public did not achieve value for money on expenditure of Kshs. 38,906,467 in rehabilitation of degraded areas and water projects.

#### **Management Response**

- i. From the Participatory Climate Risk Assessment (PCRA report) that led to the development of county climate action plan, it identifies the area as climate risk prone area hence the need to intervene. Upon this identification the technical team developed an Environmental & Social Management plan (ESMP) to rehabilitate the area.
- ii. An Environmental & Social Management plan (ESMP) was developed to rehabilitate the area. And approval was sought from NEMA.
- iii. As a Government we are bound by Article 69 of COK 2010 to conserve and rehabilitate the environment and such projects conform to this obligation.
- iv. There was an EIA report developed and approved.

#### **Committee Observations**

The Committee observed that-

1. Expenditure of Kshs. 38,906,467 was incurred on rehabilitation of degraded areas and water projects without evidence of feasibility studies, environmental management plans, or Gazette notices declaring the areas as degraded, as required under Section 42(2) of the Environmental Management and Coordination Act, 1999.
2. Physical verification at Akatagorait revealed minimal implementation, raising concerns over value for money and effectiveness of the projects.

#### **Committee Recommendations**

The Committee recommends that the governor should ensure that the Accounting Officer ensures timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

## **2. Unprocedural Award of Contracts**

### **2.1 Proposed Construction of Buyofu-Madibo Road Box Culvert for Disaster Risk Reduction-Nambale**

During the year under review, a tender No. BSA/CG/WIENRCCE/05/2024/2025 was awarded to a local contractor for construction of Buyofu-Madibo Road Box Culvert for Disaster Risk Reduction-Nambale at contract Sum of Kshs. 7,419,592. As at the time of audit in September, 2025, a total of Kshs. 4,012,500 had been paid to the Contractor.

The Notification of Award Letter reference number BSA/CG/S/006/2024/2025 was issued to the contractor on 22 October, 2024, while the contractor accepted the tender award through acceptance letter reference number DEBLE/BSA/002, on 25 October, 2024. However, the Local Service Order number 4122 was raised on 22 October, 2024 before the acceptance of award by the contractor.

In addition, the contract agreement was entered into on 5 November, 2024. This was way later after Local Service Order had been issued which was in contravention of Section 135(4) of the Public Procurement and Asset Disposal Act, 2015 which provides that no contract is formed between the person submitting the successful tender and the accounting officer of a procuring entity until the written contract is signed by the parties.

### **Management Response**

The acceptance letter dated 25th October 2024 was issued as an additional formalization of an already concluded acceptance through the award letter that was dated 22 October, 2024 which the contractor had signed. This is in line with Section 135 of Public Procurement and Asset Disposal Act 2015 which states that; "the procurement contract shall be formed when the successful tenderer accepts the notification of award."

The LSO was therefore issued on 22 October, 2024 on the basis of valid constituted contract to facilitate timely project implementation.

### **Committee Observations**

The Committee observed that the Local Service Order (LSO) for the Buyofu-Madibo Road Box Culvert project was issued on 22 October 2024, prior to the contractor's formal acceptance of the tender on 25 October 2024 and before the contract agreement was signed on 5 November 2024. This contravenes Section 135(4) of the Public

Procurement and Asset Disposal Act, 2015, which requires a contract to be formally signed before execution, raising concerns over procedural compliance.

### **Committee Recommendations**

**The Committee recommends that the Governor ensures that the Fund Manager complies with Section 135(4) of the Public Procurement and Asset Disposal Act, 2015, and safeguard against potential legal and financial risks.**

#### **2.2 Augmentation of Busijo Water Project for Water Resilience Building**

During the year under review, a tender number BSA/CG/WIENRCCE/17/2024/2025 was awarded to a local contractor for the Augmentation of the Busijo Water Project for Water Resilience at a contract sum of Kshs. 36,989,202.68.

However, an award letter, reference number BSA/CG/C/S/019/2024/2025, was issued to the contractor on 22 October, 2024, while the Local Service Order (LSO) No. 4127 was also issued on the same day, prior to the contractor submitting a formal letter of acceptance, which was received on 4 November, 2024. Additionally, the Local Service Order was issued before the contract agreement was formally signed, which took place on 5 November, 2024 contrary to Section 135(4) of the Public Procurement and Asset Disposal Act, 2015 which provides that no contract is formed between the person submitting the successful tender and the Accounting Officer of a procuring entity until the written contract is signed by the parties.

Further, the letter of award was issued to the successful bidder on 22 October 2024, while the regret letters were issued to eight (8) unsuccessful bidders on 19 September, 2024, a date preceding the issuance of either a notice of intention to award or the actual award, contrary to procurement provisions of Section 87(3) of the Public Procurement and Asset Disposal Act, 2015.

In addition, analysis of the payment schedule revealed that, although the contract sum for the augmentation of the Busijo Water Project for Water Resilience was Kshs.36,989,202, actual payments totaled Kshs. 36,998,446, resulting in an overpayment of Kshs.9.244. This reflects weaknesses in financial controls and monitoring systems, and undermines the County Treasury's role as outlined in Section 104(1) (i) of the Public Finance Management Act, 2012, which mandates the Treasury to ensure the proper management, control, and accounting of public finances, in order to promote the efficient and effective use of the County's budgetary resources.

In the circumstances, the regularity of the procurement processes could not be confirmed and Management was in breach of the law.

### **Management Response**

The acceptance letter dated 25th October 2024 was issued as an additional formalization of an already concluded acceptance through the award letter that was dated 22 October, 2024 which the contractor had signed. This is In line with Section 135 of Public Procurement and Asset Disposal Act 2015. which states that; "the procurement contract shall be formed when the successful tenderer accepts the notification of award."

The LSO was therefore issued on 22 October, 2024 on the basis of valid constituted contract to facilitate timely project implementation.

Regarding the management had already acknowledged the over payment of Kshs. 9,244.12 and had taken steps to recover the same in the Retention Money.

### **Committee Observations**

The Committee observed that-

1. The Local Service Order (LSO) was issued on 22 October 2024 before the contractor's formal acceptance on 4 November 2024 and before the contract agreement on 5 November 2024, contrary to Section 135(4) of the Public Procurement and Asset Disposal Act, 2015.
2. Regret letters to eight unsuccessful bidders were issued on 19 September 2024, prior to notice of intention to award or actual award, contrary to Section 87(3) of the Act.
3. Payments exceeded the contract sum by Kshs. 9,244, indicating weaknesses in financial controls and monitoring, undermining the County Treasury's oversight role under Section 104(1)(i) of the Public Finance Management Act, 2012.

### **Committee Recommendations**

**The Committee recommends that the Governor ensures that the Fund Manager complies with Section 135(4) of the Public Procurement and Asset Disposal Act, 2015, and safeguard against potential legal and financial risks.**

#### **3. Failure to Conduct Monitoring and Reporting on Compliance of Public/Private Entities.**

During the year under review, Management did not provide a report prepared by the County Director of Climate Change stating whether public and private entities are in compliance with the assigned climate change duties, contrary to Section 37(1) of the Busia County Climate Change Act, 2021 which states that the County Director of Climate Change may, with the representative of the National Environment Management Authority monitor, investigate and report on whether the public and private entities are in compliance with the assigned climate change duties, and in performance of this function she or he shall (2) report to the Steering Committee on the performance of functions under Subsection (1) on annual basis, and such report shall form part of the Report by the Steering Committee to the County Assembly.

In the circumstances, Management was in breach of the law

### **Management Response**

The monitoring and reporting of compliance of Public/Private Entities by the director of climate change shall be guided by regulations. Section 36 (1) states that the Steering Committee shall make regulations governing the nature and procedure for reporting on performance of climate change duties by private entities, including monitoring and evaluation of compliance. So far, there are no regulations.

### **Committee Observations**

The Committee observed that-

1. Management did not provide any report on whether public and private entities complied with assigned climate change duties, as required under Section 37(1) of the Busia County Climate Change Act, 2021. This constitutes non-compliance with statutory obligations for monitoring and reporting.
2. Management indicated that the absence of regulations guiding the process contributed to the non-reporting.

### **Committee Recommendations**

The Committee recommends that within 90 days of the adoption of this report, the Governor ensures the County Director of Climate Change establishes a regulatory framework to guide monitoring and reporting of compliance by public and private entities to ensure monitoring and reporting is conducted annually in line with the law. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

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

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

### **1. Lack of Approved County Climate Change Action Plan**

During the year under review, Management did not provide an action plan running for a period of five years which was approved by the Steering Committee and also presented to the County Assembly for Adoption, which was contrary to Section 31 (1) of the Busia County Climate Change Act 2021 which states that the Executive Member in Charge of Climate Change matters shall, in consultation with the Steering Committee and relevant sectors and through a participatory process involving relevant stakeholders, formulate a County Climate Change Action Plan.

Further, Section 33 states that the County Climate Change Action Plan shall be approved by the Steering Committee and submitted to the County Executive Committee Member in Charge of Climate Change for onward transmission to the County Assembly for adoption and copied to the National Directorate of Climate Change.

In the circumstances, the effectiveness of Climate Change management could not be confirmed.

### **Management Response**

The Management would like to state that Action Plan was prepared and submitted to the Cabinet for approval as required.

### **Committee Observations**

The Committee observed that Action Plan was prepared and submitted to the Cabinet for approval.

### **Committee Recommendations**

**The Committee recommends that within 90 days of the adoption of this report, management should ensure that the County Climate Change Action Plan is formally approved by the Steering Committee and submitted to the County Assembly for adoption and operationalization.**

#### **2. Lack of Annual Climate Change Response Report**

During the year under review, Management did not provide annual climate change response report in reference to the implementation of the County Climate Change Action Plan and other climate change response actions and impacts which had been submitted to the County Assembly for review, discussion and debates, contrary to Section 39(1) of the Busia County Climate Change Act, 2021 which states that the County Director of Climate Change shall within three months after the end of every financial year, publish publicly and submit a report on the implementation of the County Climate Change Action plan and other climate change response actions and impacts to the County Assembly for review, discussion and debate and (3) a copy of the report issued under Subsection (1) shall be forwarded to the National Directorate of Climate Change for information purposes.

In the circumstances, management of climate change response was ineffective.

### **Management Response**

The management would like to state that the report was submitted to the assembly and to the national directorate of climate change.

### **Committee Observations**

The Committee observed that management did not provide the annual climate change response report as at the time of audit, as required under Section 39(1) of the Busia County Climate Change Act, 2021. The submission was made to the County Assembly after the audit.

#### **Committee Recommendations**

**The Committee recommends that management should ensure timely preparation, submission, and retention of annual climate change response reports to the County Assembly and National Directorate of Climate Change to enhance accountability and demonstrate effective monitoring of climate change interventions.**

#### 4.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BUSIA COUNTY COOPERATIVE ENTERPRISE DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Busia County, Hon. Dr. Paul Otuoma, EGH, appeared before the Committee on Monday, 23<sup>rd</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Busia County Cooperative Enterprise Development Fund for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- |                        |                         |
|------------------------|-------------------------|
| 1. Mr. Andrew Nakitare | - CECM Finance          |
| 2. Mr. Gypson Wafula   | - Chief Officer Finance |

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Busia County Cooperative Enterprise Development Fund for the financial year on the following basis—

##### 1. Misstatement of Net Assets

The statement of changes in net assets indicates total net assets balance of Kshs.67,650,820 which comprises revolving fund and accumulated deficit balances of Kshs.115,005,000 and Kshs.47,354,180 respectively. However, during the year under review, the accumulated deficit was further increased by unexplained transfers amounting to Kshs.2,000,000.

In the circumstances, the accuracy and completeness of total net assets balance of Kshs. 67,650,820 could not be confirmed.

##### Management Response

The Kshs 2,000,000 was prior year adjustments done in the financial year 2023/2024 but the figure was omitted under changes in net assets, and has since been carried to the financial statements for year 2024/2025 under the change in net assets.

##### Committee Observations

The Committee observed that the Kshs 2,000,000 was prior year adjustments done in the financial year 2023/2024.

##### Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer takes appropriate administrative action on responsible officers within the Accounts and

Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

- ii. the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and
- iii. the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the fund.

## **2. Unexplained Variance in Inter-Governmental Transfers**

The statement of financial performance and Note 7 to the financial statements reflect transfers from the County Government amounting to Kshs.5,500,000. However, the financial statements of County Executive of Busia reflect a corresponding transfer of Kshs.17,000,000 resulting in an unexplained variance of Kshs.11,500,000.

In the circumstances, the accuracy and completeness of transfers from the County Government amounting to Kshs. 5,500,00 could not be confirmed.

### **Management Response**

The management is in agreement with the Auditor general that at the time of audit, the transfer of Kshs. 17,000,000 had been initiated but not yet paid to CEDF account. Therefore, the management can only confirm receipt of Kshs. 5,500,000 as evidenced in the bank statement.

### **Committee Observations**

The Committee observed that the Fund recorded transfers from the County Government of Kshs. 5,500,000, while the County Executive's records reflected Kshs. 17,000,000, which had been initiated but not yet paid to CEDF account, resulting in an unexplained variance of Kshs. 11,500,000.

### **Committee Recommendations**

The Committee recommends that the Governor ensures that the County Treasury reconciles and documents all inter-county transfers promptly, ensuring that amounts initiated but not yet received are clearly tracked and reported to enhance transparency and accuracy in financial reporting.

### **3. Doubtful Recoverability of Long Outstanding Loan Balances**

The statement of financial position reflects a current portion of long-term receivables from exchange transactions balance of Kshs.66,255,514 as disclosed in note 18 to the financial statements. The balance represents loans amounting to Kshs.108,069,985 which were issued from year 2014 up to 2021 to ninety-three (93) co-operative societies. The loans ledger indicates that the outstanding balance should have been fully repaid by the year 2023. However, no explanation or documentation was provided for audit to account for the delayed repayment and Management efforts made to recover the outstanding balances.

In the circumstances, the accuracy, completeness and recoverability of current portion of long-term receivables from exchange transactions balance of Kshs. 66,255,514 could not be confirmed.

#### **Management Response**

The management response is putting efforts to recover the outstanding loans by engaging the management of various defaulting co-operative societies.

#### **Committee Observations**

The Committee observed that-

1. Long-term loans of Kshs. 108,069,985 issued to 93 cooperative societies between 2014 and 2021 have not been fully repaid as of 2025, with a current portion of Kshs. 66,255,514 outstanding.
2. No documentation or explanation was provided to support delayed repayments or management's recovery efforts.

#### **Committee Recommendations**

The Committee recommends that the Governor through-

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

(County Governments) Regulations, 2015 and the Auditor-General to provide a status update on the same during the subsequent audit cycle.

### **Emphasis of Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects approved receipts budget and actual on comparable basis of Kshs.41,965,000 and Kshs.5,500,000 respectively, resulting to under-funding of Kshs.36,465,000 or 87% of the budget. Similarly, the statement reflects expenditure budget and actual on comparable basis of Kshs.41,965,000 and Kshs.9,872,730 respectively, resulting in under-expenditure of Kshs.32,092,270 or 76% of the budget.

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

#### **Management Response**

The Management wishes to confirm that it had budgeted for Kshs. 13,400,000 as revenue projections of Kshs. 10,00,000 s transfer from the treasury. However, it only received Kshs. 5,500,000 causing the underfunding.

#### **Committee Observations**

The Committee observed that the Fund experienced significant under-funding and under-expenditure, with actual receipts of Kshs. 5,500,000 against a budget of Kshs. 41,965,000 (87% shortfall) and actual expenditure of Kshs. 9,872,730 against a budget of Kshs. 41,965,000 (76% under-spending)

#### **Committee Recommendations**

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, ensures timely disbursement of funds from the County treasury, and reconciles all budgeted and actual amounts to prevent significant variances in future financial periods; and
- ii. the Fund manager should institute proper and realistic budget planning. The Office of the Auditor-General to confirm the effectiveness of the mitigating measures put in place by the Fund and report in the subsequent audit cycle.

#### **Other Matters**

1. Unresolved Prior year Audit Matters

In the audit report of the previous year, several issues were raised. Although Management has indicated that some of the issues have been resolved in Annex 1 to the financial statements on progress on follow up of auditor's recommendations, no evidence was provided indicating whether or not the issues have been resolved.

In the circumstances, the issues remain unresolved.

### **Management Response**

The management has since received a final report from the County assembly public investment and Accounts committee report of the Auditor-General on the financial statements see extract of the reports on prior year matters.

### **Committee Observations**

The Committee observed that several prior-year audit issues remain unresolved as no evidence was provided to confirm that management has addressed the matters highlighted in the previous audit report.

### **Committee Recommendations**

The Committee recommends that-

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(I) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and
- ii. The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.

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

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

### **1. Unsecured Loans Issued to Cooperatives**

The statement of financial position and Note 18 to the financial statements reflect current portion of long-term receivables from exchange transactions amounting to Kshs 66,255.514 relating to loans issued to various co-operative societies. However, no

documentation was provided to confirm the existence of collateral pledged against these loans. This was contrary to Section 197 of the Public Finance Management Act, 2012 which requires public entities to safeguard public assets and ensure prudent financial management. Additionally, sound credit management practices require that loans be secured to mitigate the risk of default.

In the circumstances, Management was in breach of the law

### **Management Response**

The Management is in agreement; the mostly unsecured loans were issued as majority of the co-operatives which were supported were new and they needed working capital to enhance their capacities. However, going forward the management has finalized the Bill to repeal the current Co-operative Fund Act 2014 to make it mandatory to secure all loans and partner with other financial institutions in the lending operations of the co-operatives issued with loans were start up co-operatives which were supported in terms of share capital capacity hence no securities were attached.

### **Committee Observations**

The Committee observed that the Fund's long-term loans to cooperative societies totaling Kshs. 66,255,514 were largely unsecured, with no evidence of collateral to mitigate default risk which contravenes Section 197 of the Public Finance Management Act, 2012.

### **Committee Recommendations**

The Committee recommends that within 90 days of the adoption of this report, the Governor to finalize the proposed amendments to the Co-operative Fund Act and operationalize the Act to mandate secured lending. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

#### **2. Unstructured Banking Arrangements and Accounts Management**

During the year under review, the Fund was operating three separate bank accounts. However, the Management did not provide a documented framework or justification for the existence, purpose, or operational distinction of these accounts. Further, all three accounts were utilized for administrative expenditures, with no clear functional segregation or defined mandates. The absence of structured banking arrangements and account-specific controls undermines transparency, weakens financial oversight, and increases the risk of duplication or misallocation of resources. This was contrary to Section 149(1)(a) of the Public Finance Management Act, 2012, which requires that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized.

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

### **Management Response**

The Fund has three operational accounts Main account; where sums of money which may from time to time be voted by the County Assembly for that purpose is channeled. Administrative account; where money is paid out of the fund and any expenditure approved by the Member of the Executive Committee and incurred in connection with the administration of the Fund. Loan collection account; is for the collection of receivables which represent the repayment of capital, interest, income from any investment and any money borrowed by the fund with the approval by the County Assembly.

### **Committee Observations**

The Committee observed that the Fund operated three bank accounts; Main, Administrative, and Loan Collection; without providing a documented framework or justification for their existence and use. All accounts were used for administrative expenditures, with no clear segregation of functions, undermining transparency, financial oversight, and compliance with Section 149(1)(a) of the Public Finance Management Act, 2012.

### **Committee Recommendations**

**The Committee recommends that within 90 days of the adoption of this report, the Governor through the Fund Manager should formalize a banking framework that clearly defines the purpose, use, and operational controls of each account.**

#### **3. Irregular Withdrawals and Inter-Bank Transfers**

The statement of financial position and Note 17 to the financial statements indicates cash and cash equivalents balance of Kshs. 1,395.306. However, an amount of Kshs.1,668,310 was transferred from the loan collection account to administrative account, contrary to the intended purpose of retaining collections for loan issuance. Further, the Fund Accountant made direct cash withdrawals amounting to Kshs 9,684,160 from the three bank accounts and paying for Fund's expenses using the cash withdrawn. This was contrary to Section 149(1)(a) of the Public Finance Management Act, 2012, which requires that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized.

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

### **Management Response**

They are in agreement with the Auditor General's observation. However, the management relied on the Public Financial Management Act 2015 section 91(1) on the

management of imprest transactions. A sample of transactions paid through the imprest system is attached. Most of the Fund activities involved outdoor activities and aligned with the administration of the Fund. Hence, the management will in future engage in cashless transactions while paying for Fund expenses to reduce transaction risks.

#### **Committee Observations**

The Committee observed that the Fund transferred Kshs. 1,668,310 from the Loan Collection Account to the Administrative Account, and the Fund Accountant made direct cash withdrawals totaling Kshs. 9,684,160 to pay Fund expenses. These actions contravened Section 149(1)(a) of the Public Finance Management Act, 2012.

#### **Committee Recommendations**

**The Committee recommends that within 90 days of the adoption of this report, the Governor through the Fund Manager should formalize a banking framework that clearly defines the purpose, use, and operational controls of each account.**

#### 4.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BUSIA COUNTY PUBLIC (OFFICERS) REVOLVING FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Busia County, Hon. Dr. Paul Otuoma, EGH, appeared before the Committee on Monday, 23<sup>rd</sup> March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Busia County Public (Officers) Revolving Fund for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- |                        |                         |
|------------------------|-------------------------|
| 1. Mr. Andrew Nakitare | - CECM Finance          |
| 2. Mr. Gypson Wafula   | - Chief Officer Finance |

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Busia County Cooperative Public (Officers) Revolving Fund for the financial year on the following basis—

##### 1. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.205,078,261 as disclosed in Note 18 to the financial statements. However, receivables amounting to Kshs. 103,262,478 have been outstanding for more than one year and Management did not provide evidence of efforts made to collect the long outstanding debts.

In the circumstances, the accuracy and recoverability of the receivables from exchange transactions balance of Kshs. 103,262,478 could not be confirmed.

##### Management Response

The management notes the observation of the fund receivables of Kshs. 103,262,478. However, it's imperative to note that these are long receivables that have not matured. The Fund has projected to receive in subsequent financial years from loan repayments through normal payroll deductions, standing orders and direct deposits where applicable as per the Fund's Act and Regulations.

##### Committee Observations

The Committee observed that receivables from exchange transactions totaling Kshs. 103,262,478 have been outstanding for more than one year, with no evidence provided of recovery efforts.

##### Committee Recommendations

The Committee recommends that-

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

## 2. Inaccuracy of the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects general expenses amounting to Kshs.66,802 whose source has not been clarified.

In the circumstances, the accuracy and completeness of general expenses amounting to Kshs. 66,802 reflected in the statement of comparison of budget and actual amounts could not be confirmed.

### Management Response

The management wishes to clarify the amount in question relates to depreciation expense for the year as disclosed in note 22 to the financial statements as per the attached.

### Committee Observations

The Committee observed that an amount of Kshs. 66,802 reported as general expenses in the statement of comparison of budget and actual amounts was not clearly supported or explained.

### Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and
- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1)

of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

### **Emphasis of Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects approved revenue budget and actual on comparable basis totaling Kshs.58,959,709 and Kshs.5,480,897 respectively, resulting to under-funding of Kshs.53,478,812 or 91% of the budget. Similarly, the Fund incurred actual expenditure of Kshs.8,799,508 against approved expenditure of Kshs.58,959,709 resulting to an under-expenditure of Kshs.50,093,399 or 84% of the budget.

There is need for the Busia County (Public officers) Revolving Fund to relook its budget making process with a view to planning a realistic budget to achieve its intended objectives.

Further, there was no evidence that was provided to confirm that the Fund Administration Committee caused budget estimates of the revenue and expenditure of the Fund to be prepared and approved by the Assembly.

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

### **Management Response**

The management notes the observation of the auditor. However, it wishes to clarify that the actual expenditure for the year under review was not Kshs.8,799,508 as observed by the auditor but Kshs 36,699,508. This comprised of Kshs.8,799,508 expensed under use of goods and Kshs.27,900,000 loans given out to staff which was expensed.

The underfunding was occasioned by unremitted payroll deductions for loan repayment which subsequently led to under performance.

### **Committee Observations**

The Committee observed that-

1. The Fund recorded significant under-funding of 91% (Kshs. 5,480,897 against a budget of Kshs. 58,959,709) and under-expenditure of 84% (Kshs. 8,799,508 against a budget of Kshs. 58,959,709).
2. no evidence was provided to confirm that budget estimates were prepared and approved by the Fund Administration Committee and the County Assembly.

### **Committee Recommendations**

**The Committee recommends that-**

- i. Management should strengthen the budgeting process by preparing realistic and evidence-based budgets aligned to expected revenue flows, including payroll deductions;**
- ii. The Fund Administration Committee should ensure timely preparation, review, and formal approval of budget estimates by the County Assembly, with proper documentation retained for audit; and**
- iii. expenditure classification should be clarified to distinguish between operational expenses and loan disbursements to enhance accuracy, transparency, and compliance with public financial management requirements.**

#### **Other Matters**

##### **1. Unresolved Prior Year Matters**

In the audit report of the previous year, one issue each was raised under the report on financial statements, Emphasis of Matter and Report on Lawfulness and Effectiveness in use of Public Resources. However, the issue disclosed under progress on follow up of prior year Auditor's recommendations section of the financial statements differs with the ones raised in the previous year audit Report.

In the circumstances, the issues remain unresolved

#### **Management Response**

The management notes the observation of the auditor and attached a report on the implementation status on prior year matters.

#### **Committee Observations**

The Committee observed that the management had not resolved some of the audit queries raised in the previous financial year.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(1) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**

- ii. **The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

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

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

### **1. Non-Remittance of Payroll Deductions to the Revolving Fund**

The statement of financial position and as disclosed in Note 18 to the financial statements reflects current and long-term receivables from exchange transactions balance of Kshs.205,078,261. Included in this balance is a balance of Kshs.35,885,269 representing payroll deductions that were not remitted to the revolving fund.

This non-remittance constitutes a serious financial irregularity given that the Fund operates as a revolving facility intended to provide financial support to staff who may need to utilize the benefit. Withholding such a substantial amount compromises the Fund's core objective and disrupts the Fund's financial sustainability and directly denies eligible staff timely access to its benefits.

This was contrary to Regulation 22 of the Public Finance Management (County Governments) Regulations, 2015 which states that Accounting Officers shall, in accordance with Article 226(2) of the Constitution and Section 149 (1) of the Act, be accountable to the County Assembly for ensuring the most effective means of achieving desired program outcomes are used and for maintaining effective systems of internal control and the measures taken to ensure that they are effective.

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

### **Management Response**

Management notes the observation of the auditor on non-remittance of loan deductions. However, it has made concerted efforts requesting for the same to be remitted to the Fund.

### **Committee Observations**

The Committee observed that payroll deductions amounting to Kshs. 35,885,269 were not remitted to the Revolving Fund, despite being recovered from staff. This undermines the Fund's sustainability and its ability to provide timely financial support, and constitutes non-compliance with Regulation 22 of the Public Finance Management (County Governments) Regulations, 2015.

### **Committee Recommendations**

**The Committee recommends that-**

- i. The Governor should take immediate action to ensure that all outstanding payroll deductions amounting to Kshs. 35,885,269 are remitted to the Revolving Fund without further delay and enforce accountability for the non-remittance;
- ii. The Governor through the Fund Manager should establish and operationalize a robust, automated remittance and reconciliation framework with the County Treasury and payroll units to ensure timely and complete transfer of deductions; and
- iii. regular reconciliations should be undertaken and documented, and any variances promptly investigated, with responsible officers held accountable to safeguard the sustainability and integrity of the Fund.

## **2. Prolonged Loan Default and Weaknesses in Recovery Mechanisms**

During the year under review, eleven (11) beneficiaries of the Fund, failed to make any loan repayments, resulting in the accumulation of Kshs.3,039,585 in principal and Kshs.334,266 in interest for just the year under review. These repayments were expected within the specified period but were not honored.

The prolonged default, which extended beyond one year, significantly increased the risk of non-recovery and indicates a likely extension of the loan repayment timelines.

In the circumstances, the situation revealed notable weaknesses in the Fund's debt recovery processes and exposed gaps in loan governance, internal controls and oversight mechanism.

### **Management Response**

The management wishes to clarify that the eleven officers are staff who were given loans in the financial year 2024/2025 and whose loan repayment is through the payroll deductions which have not been submitted to the Fund at the time of audit.

### **Committee Observations**

The Committee observed that eleven (11) beneficiaries failed to make loan repayments, resulting in outstanding amounts of Kshs. 3,039,585 in principal and Kshs. 334,266 in interest.

### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor through the County Treasury should ensure resolution of delays in remittance of payroll deductions to facilitate recovery of the outstanding loans; and

- ii. **clear enforcement measures should be instituted for persistent defaults, including escalation procedures and accountability for responsible officers, to enhance loan governance and safeguard the Fund's sustainability**

# ANNEXTURES

*Minutes of the Committee*



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

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

**PRESENT**

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

**ABSENT WITH APOLOGY**

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

**SECRETARIAT**

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

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

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

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

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

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

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

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

**1. Kajido County**

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

**2. Kiambu County**

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

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

### 3. Homabay

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

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

4. Migori

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

5. Kisii

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

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

6. Machakos

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

7. Baringo

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

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

8. Isiolo

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

9. Busia

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

10. Kakamega

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

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

11. Bungoma

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

12. Kitui

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

13. Siaya –

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

#### 14. Laikipia

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

#### 15. Turkana

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

#### 16. Narok

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

#### 17. Uasin Giishu

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

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

18. Nairobi

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

19. Meru

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

20. Trans-Nzoia

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

21. Nakuru

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

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

## 22. Kilifi

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

## 23. Kericho

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

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

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

**Committee resolution**

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

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

There was no any other business.

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

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



**SIGNED: ..... DATE: .....31.03.2026.....**

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