

18

PARLIAMENT
OF KENYA
LIBRARY

REPUBLIC OF KENYA



DATE	31/3/26
TABLED BY	ootsi
COMMITTEE	CPIC tse
CLERK AT THE TABLE	Lilian

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 KIRINYAGA COUNTY WATER COMPANIES, MUNICIPALITIES, HOSPITALS AND FUNDS FOR THE FINANCIAL YEAR 2024/2025 (1st JULY, 2024 TO 30th JUNE, 2025):

SECTOR	NO.	ENTITY
WATER COMPANIES	2	KIRINYAGA COUNTY WATER AND SANITATION PLC(KICOWASCO)
		RUKANGA MAKUTANO WATER AND SANITATION PLC. (RUMAWASCO)
MUNICIPALITIES	1	KERUGOYA -KUTUS MUNICIPAL
HOSPITALS	3	SAGANA SUB - COUNTY LEVEL 4 HOSPITAL
		KIANYAGA SUB COUNTY LEVEL 4 HOSPITAL
		KIMBIMBI SUB COUNTY LEVEL 4 HOSPITAL
FUNDS	6	KIRINYAGA COUNTY EXECUTIVE EMERGENCY FUND
		COUNTY GOVERNMENT OF KIRINYAGA EXECUTIVE MORTGAGE FUND
		KIRINYAGA EXECUTIVE CAR LOAN & MORTGAGE FUND
		KIRINYAGA COUNTY ALCOHOLIC DRINKS CONTROL FUND
		KIRINYAGA COUNTY CLIMATE CHANGE FUND
		KIRINYAGA COUNTY EXECUTIVE BURSARY FUND

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

MARCH 2026

30/3/26

TABLE OF CONTENTS

21

ACRONYMS/ABBREVIATION	3
DEFINITION OF TERMS	5
PREFACE	6
COMMITTEE MEMBERSHIP	7
ESTABLISHMENT OF THE COMMITTEE	8
EXECUTIVE SUMMARY	9
REPORT STRUCTURE	10
GENERAL OBSERVATIONS FOR WATER COMPANIES	11
GENERAL RECOMMENDATIONS FOR WATER COMPANIES	12
GENERAL OBSERVATIONS FOR MUNICIPALITY	13
GENERAL RECOMMENDATIONS FOR MUNICIPALITY	13
GENERAL OBSERVATIONS FOR HOSPITALS	14
GENERAL RECOMMENDATIONS FOR HOSPITALS	15
ACKNOWLEDGEMENTS	17
CHAPTER ONE: WATER COMPANIES	20
1.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIRINYAGA COUNTY WATER AND SANITATION PLC(KICOWASCO) FOR THE FINANCIAL YEAR 2024/2025	20
1.2 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR RUKANGA MAKUTANO WATER AND SANITATION PLC. (RUMAWASCO)FOR THE FINANCIAL YEAR 2024/2025	31
CHAPTER TWO: MUNICIPALITY	44
2.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KERUGOYA KUTUS MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025	44
CHAPTER THREE: HOSPITALS	54
3.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIANYAGA SUB- COUNTY LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025	54
3.2 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR SAGANA SUB- COUNTY LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025	66
3.4 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIMBIKIMBI SUB- COUNTY LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025	76
CHAPTER FOUR: FUNDS	90
4.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIRINYAGA FUNDS FOR THE FINANCIAL YEAR 2024/2025	90

ACRONYMS/ABBREVIATION

AAP	Audit Action Plan
Cap.	Chapter (of the Laws of Kenya)
CBA	Collective Bargaining Agreement
CBS	Chief of the Order of the Burning Spear
CECM	County Executive Committee Member
COS	Chief of Staff
CPAIC	County Public Accounts and Investments Committee
CPISFC	County Public Investments and Special Funds Committee
CRF	County Revenue Fund
CS	County Secretary
ERP	Enterprise Resource Planning
FA	Finance Accountant
FIF	Facility Improvement Fund
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
HMC	Hospital Management Committee
HRH	Human Resources for Health
ICT	Information and Communications Technology
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
KICOWASCO	Kirinyaga County Water and Sanitation Company PLC
KIRIWASCO	Kirinyaga Water and Sanitation Company
KNUT	Kenya National Union of Teachers
KQMH	Kenya Quality Model for Health
K-WASH	Kenya Water and Sanitation Programme
M³	Cubic Metres
MD	Managing Director
MP	Member of Parliament
NEMA	National Environment Management Authority
NRW	Non-Revenue Water
PFM	Public Finance Management
PIAP	Performance Improvement Action Plan
PLC	Public Limited Company

PPAD	Public Procurement and Asset Disposal
PPRA	Public Procurement Regulatory Authority
PPRD	Public Procurement and Asset Disposal Regulations
PSASB	Public Sector Accounting Standards Board
PWD	Persons with Disabilities
RUMAWASCO	Rukanga Makutano Water and Sanitation Company PLC
SO	Standing Order
TWWDA	Tana Water Works Development Agency
UHC	Universal Health Coverage
WASREB	Water Services Regulatory Board

DEFINITION OF TERMS

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

PREFACE

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

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

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

This report covers the consideration by the Committee of the Auditor-General's reports on financial statements of Kirinyaga County water companies, Municipality and Hospitals for the Financial Year 2024/2025. The entities covered are: Two water companies (Kirinyaga Water and Sanitation Company Limited Poconos, Rukanga Water and Sanitation Company Limited Plc; One municipality (Kerugoya-Kutus Municipality) and three hospitals (Sagana Sub-County Level 4 Hospital, Kianyaga Sub-Sub County level 4 Hospital and Kimbimbi Sub-County level 4 Hospital).

COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators-

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

COMMITTEE SECRETARIAT

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

ESTABLISHMENT OF THE COMMITTEE

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

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

EXECUTIVE SUMMARY

This report presents the Select Committee on County Public Investments and Special Funds' observations and recommendations following its consideration of the Auditor-General's reports on six (6) entities in Kirinyaga County for the Financial Year 2024/2025. The entities under review comprise two (2) water companies-Kirinyaga Water and Sanitation Company (KIRIWASCO) and Rukanga Water and Sanitation PLC (RUMAWASCO); one (1) municipality-Kerugoya-Kutus Municipality; and two (3) hospitals-Kianyaga Sub-County Level 4 Hospital, Sagana Sub-County Level 4 Hospital and Kimbikimbi Sub-County Level 4 Hospital.

All six (6) entities received Qualified Opinions from the Auditor-General, signifying the existence of material audit issues that necessitate urgent management attention and decisive corrective action. The persistence of these audit queries underscores systemic weaknesses in financial management, internal controls, and governance structures across the entities.

The key issues identified across the water companies and municipality include, but are not limited to: Non-Revenue Water (NRW) levels significantly exceeding the regulatory benchmarks set by the Water Services Regulatory Board (WASREB); excessive personnel costs above WASREB prescribed thresholds; long outstanding trade receivables and payables; non-compliance with the National Cohesion and Integration Act, 2008 regarding staff ethnic diversity; lack of land title deeds for company properties; unresolved prior year audit matters; and budgetary control weaknesses with significant variances between approved budgets and actual revenues.

For the three hospitals, the key audit issues include: failure to disclose, value and tag assets in financial statements; inaccuracies in the opening cash and cash equivalents; significant staff shortages impeding effective Universal Health Coverage delivery, with Kianyaga operating at 72% of the authorised establishment; non-compliance with the National Cohesion and Integration Act, 2008 with over 94% of staff from a single ethnic community; under-establishment of Hospital Management Committees; failure to develop waiver policies, risk management policies and strategic plans; weaknesses in internal audit arrangements; lack of operational autonomy due to centralisation of key functions at the County Government level; and expired pharmaceutical commodities held in store in breach of NEMA Regulations, 2016.

The Committee has formulated comprehensive recommendations directed at the Governor of Kirinyaga County, the County Executive Committee Member responsible for health, water and finance, and the respective Accounting Officers of the affected entities. These recommendations are designed to address the identified audit issues within specified timeframes and to prevent recurrence through the strengthening of internal control systems and governance frameworks.

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 Kirinyaga Water Companies- Kirinyaga Water and Sanitation Company (KIRIWASCO) and Rukanga Water and Sanitation PLC (RUMAWASCO) for the Financial Year 2024/2025, along with the Committee's observations and corresponding recommendations for each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for Kirinyaga-Kutus Municipality for the Financial Year 2024/2025. Each audit query is presented alongside the management response, the Committee's observations, and the specific recommendations formulated by the Committee to address the identified deficiencies.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for Kirinyaga County Hospitals- Kianyaga Sub-County Level 4 Hospital, Sagana Sub-County Level 4 Hospital and Kimbikimbi Sub-County Level 4 Hospital for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

GENERAL OBSERVATIONS FOR WATER COMPANIES

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

1. **Excessive Non-Revenue Water:** Non-Revenue Water (NRW) levels in both companies significantly exceed the 25% regulatory benchmark prescribed by the Water Services Regulatory Board (WASREB). KIRIWASCO recorded NRW at approximately 48.99%, while RUMAWASCO's NRW figures also remained elevated. This represents a substantial loss of public resources, undermines the financial viability of the companies, and points to weaknesses in infrastructure maintenance, revenue collection, and commercial loss management.
2. **High Personnel Costs:** Personnel costs as a percentage of total operating and maintenance expenditure in both companies exceeded the benchmarks prescribed by WASREB. KIRIWASCO's personnel costs stood at 55% of total expenditure, well above the recommended 35% threshold. This indicates potential overstaffing, operational inefficiencies, and the need for rationalisation of human resources.
3. **Long Outstanding Trade Receivables and Payables:** Both companies reported significant long outstanding trade receivables and payables, indicating weak debt recovery mechanisms, constrained revenue generation capacity, and challenges in meeting financial obligations. These outstanding balances pose risks to the financial sustainability of the entities.
4. **Staff Ethnic Diversity Non-Compliance:** Both companies demonstrated non-compliance with Section 7(2) of the National Cohesion and Integration Act, 2008, with the majority of staff drawn from the dominant ethnic community in the county. This persistent non-compliance undermines the principles of national cohesion and equity in public service.
5. **Unresolved Prior Year Audit Issues:** Numerous audit issues from prior financial years remain unresolved in both companies, pointing to inadequate follow-up mechanisms, weak accountability structures, and a lack of commitment by management and boards to address recurring audit queries.
6. **Budget Control Weaknesses:** Both companies recorded significant variances between approved revenue budgets and actual revenue realised, primarily attributable to structural limitations within the current tariff regime and delays in tariff review approval from WASREB, thereby constraining revenue generation.

GENERAL RECOMMENDATIONS FOR WATER COMPANIES

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

1. **Non-Revenue Water Reduction Plans:** The Governor should direct the management of both water companies to develop and implement comprehensive Non-Revenue Water (NRW) reduction plans within sixty (60) days. These plans shall include specific annual reduction targets, measurable milestones, infrastructure rehabilitation programmes, installation of bulk meters and consumer meters, enhanced leak detection mechanisms, and strategies to combat illegal connections. Progress against these targets shall be reported quarterly to the County Executive Committee and the Auditor-General.
2. **Personnel Cost Rationalisation:** The Governor should ensure that the Accounting Officers of both companies develop and implement staff rationalisation plans with specific annual reduction targets to achieve WASREB benchmarks within a period not exceeding eighteen (18) months. The plans shall include a comprehensive human resource audit, review of staffing levels against service delivery requirements, and containment of recruitment pending revenue growth.
3. **Debt Recovery and Payables Management:** The Governor should direct the Accounting Officers to implement robust debt recovery strategies and prepare comprehensive debt settlement plans for all outstanding trade payables. Both companies should establish dedicated debt management units and engage legal mechanisms where necessary to recover long-outstanding receivables.
4. **Staff Ethnic Diversity:** The Governor should ensure that the Accounting Officers of both companies develop deliberate measures to ensure staff diversity at entry level when filling vacant positions, in compliance with Section 7(2) of the National Cohesion and Integration Act, 2008. All future recruitment shall be advertised in national newspapers and on company websites to attract candidates from all ethnic communities.
5. **Tariff Review Expediting:** The Governor should actively engage WASREB to expedite the approval of revised tariffs for both water companies. The current tariff regime has constrained revenue generation, contributing to budget shortfalls and financial sustainability challenges. Approved tariffs should be implemented promptly upon gazettment.
6. **Resolution of Prior Year Audit Queries:** The Governor should instruct the Accounting Officers to establish audit steering committees in each water company, chaired by a senior management official, with the mandate to oversee

the resolution of all outstanding prior year audit queries. A detailed action plan for clearing each query, with assigned responsibilities and timelines, shall be submitted to the County Executive Committee and the Auditor-General within sixty (60) days.

7. **Enhanced Monitoring and Reporting:** The County Executive Committee Member in charge of water should undertake regular quarterly monitoring of the financial and operational performance of both water companies. Monitoring reports shall be submitted to the County Executive Committee, the County Assembly, and the Auditor-General.

GENERAL OBSERVATIONS FOR MUNICIPALITY

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

1. **Revenue Performance Challenges:** The Municipality recorded significant shortfalls in its own-source revenue generation targets, with actual revenues falling below approved budgetary provisions. This undermines the Municipality's operational independence and fiscal sustainability as contemplated under the Urban Areas and Cities Act, 2011.
2. **Non-Revenue Water Concerns:** The Municipality, through its water service delivery obligations, faced persistent challenges relating to non-revenue water, reflecting weaknesses in infrastructure management, metering, and billing systems that negatively impact service delivery and revenue generation.
3. **Unresolved Prior Year Audit Issues:** Several audit issues from prior financial years remain unresolved, pointing to persistent weaknesses in the Municipality's governance structures, financial management systems, and internal controls.

GENERAL RECOMMENDATIONS FOR MUNICIPALITY

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

1. **Revenue Enhancement Strategy:** The Accounting Officer, in consultation with the Municipal Board, should within ninety (90) days develop and implement a comprehensive revenue generation strategy aimed at increasing own-source revenues. The strategy shall include identification of potential local revenue sources, installation of revenue collection systems, public education on local taxes and fees, and establishment of internal controls to prevent revenue leakages.
2. **Resolution of Prior Year Audit Queries:** The Accounting Officer should develop and maintain a comprehensive Audit Action Plan within thirty (30) days to

systematically track and address all outstanding audit queries. The plan shall assign specific responsibilities to designated officers, set clear timelines for resolution, and provide for quarterly progress reviews by the Municipal Board and the Audit Committee.

3. **Strengthened Internal Controls and Governance:** The Municipal Board, in collaboration with the Accounting Officer, should undertake a comprehensive review of the Municipality's internal control systems and governance structures within 120 days. This review shall identify weaknesses in financial management, procurement, human resource management, and compliance functions.
4. **Enhanced Oversight by County Government:** The County Executive Committee Member responsible for urban development should undertake regular quarterly monitoring of the financial and operational performance of Kerugoya-Kutus Municipality. Monitoring reports shall be submitted to the County Executive Committee, the County Assembly, and the Auditor-General.

GENERAL OBSERVATIONS FOR HOSPITALS

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

1. **Systemic Asset Management Failure:** All three hospitals fundamentally failed to comply with accounting standards and the PFM Act by not valuing, tagging, or maintaining a complete and accurate register of their assets. This was evidenced by "Nil" balances for Property, Plant, and Equipment in financial statements despite the existence of substantial physical assets like land, medical equipment, and vehicles.
2. **Persistent and Severe Understaffing:** The hospitals are critically understaffed, operating well below their authorized establishments (e.g., Kianyaga at 72%, Kimbimbi at 71%). The deficits span across essential medical cadres including medical officers, nurses, radiologists, and physiotherapists, which directly undermines the quality of healthcare delivery and the achievement of Universal Health Coverage (UHC) goals.
3. **Breaches of Ethnic Diversity Requirements:** All hospitals are in gross violation of the National Cohesion and Integration Act, 2008, with staff composition ranging from 94% from a single ethnic community. The situation is worsened by the Hospital Management Committees/Boards being composed entirely of members from one ethnic community, which is a direct contravention of constitutional values on diversity and representation.
4. **Governance Deficiencies and Delayed Oversight:** The delayed appointment and under-establishment of Hospital Management Committees (HMCs) and Facility Improvement Fund (FIF) Boards was a recurrent issue. This directly led to

significant budget under-absorption (as high as 40% at Kimbimbi), stalling critical programs and service delivery. This points to a systemic failure at the County Government level in ensuring timely and proper governance structures for its health facilities.

5. **Weaknesses in Internal Control and Financial Management:** There is a consistent pattern of weak internal controls. Key observations including no Waiver Policies, absence of Internal Audit, poor Inventory Management and lack of Autonomy
6. **Lack of Strategic Planning and Risk Management:** The hospitals operate without essential policy documents such as strategic plans, operational plans, and risk management policies, as well as IT disaster recovery plans. This indicates an absence of forward-looking management and exposes them to unmitigated operational and data security risks.

GENERAL RECOMMENDATIONS FOR HOSPITALS

The Committee recommends that the Governor, through the County Executive Committee Member for Health and the County Public Service Board, takes the following actions to address the systemic deficiencies in Kirinyaga County Hospitals:

1. **Comprehensive Asset Verification and Valuation:** Immediately engage a qualified valuer to conduct a comprehensive valuation of all land, buildings, equipment, and other assets across all three hospitals. All assets must be tagged, and a detailed, computerized asset register compliant with PSASB guidelines must be maintained and reconciled annually.
2. **Urgent Human Resources for Health Recruitment Plan:** Develop and implement an urgent, time-bound recruitment plan to fill the critical staffing deficits at all Level 4 hospitals. Priority must be given to specialist cadres (medical officers, radiologists, physiotherapists, etc.) to ensure the facilities can deliver on their mandate and meet UHC standards. Succession planning and staff rationalization should be formalized.
3. **Ensure Full Compliance with Diversity and Inclusion Laws:** The County must take immediate steps to comply with the National Cohesion and Integration Act, 2008, and Article 232 of the Constitution.
4. **Strengthen Governance and Timely Oversight:** Ensure that all Hospital Management Committees and FIF Boards are fully constituted with the statutory minimum of members (at least seven) and are appointed **before** the commencement of each financial year to prevent delays in budget approval and execution.
5. **Establish and Enforce Robust Financial and Operational Controls** by adopting a Waiver Policy, establishment of a dedicated internal audit function for the health sector and implement a robust, automated inventory management system with strict

controls, regular physical counts, and timely disposal of expired pharmaceuticals in compliance with NEMA and Pharmacy and Poisons Board regulations.

6. **Develop and Implement Mandatory Planning and Risk Documents:** Direct all hospital Accounting Officers to develop, adopt, and operationalize essential governance documents, including a Strategic Plan, an Operational Plan, a Risk Management Policy, and an IT Disaster Recovery and Business Continuity Plan, within a defined timeframe.

ACKNOWLEDGEMENTS

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

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

SIGNED:

DATE:

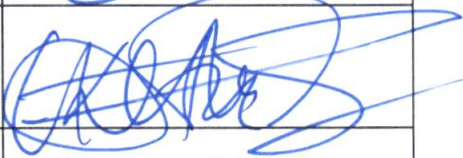
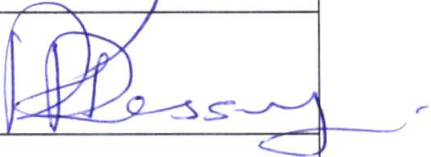
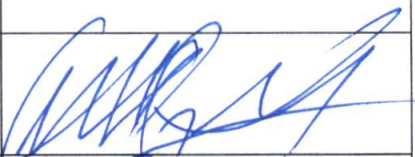
HON. SEN. GODFREY ATIENO OSOTSI, CBS, MP

CHAIRPERSON

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

SECTOR	NO.	ENTITY
WATER COMPANIES	2	KIRINYAGA COUNTY WATER AND SANITATION PLC(KICOWASCO)
		RUKANGA MAKUTANO WATER AND SANITATION PLC. (RUMAWASCO)
MUNICIPALITIES	1	KERUGOYA -KUTUS MUNICIPAL
HOSPITALS	3	SAGANA SUB - COUNTY LEVEL 4 HOSPITAL
		KIANYAGA SUB COUNTY LEVEL 4 HOSPITAL
		KIMBIMBI SUB COUNTY LEVEL 4 HOSPITAL
FUNDS	6	KIRINYAGA COUNTY EXECUTIVE EMERGENCY FUND
		COUNTY GOVERNMENT OF KIRINYAGA EXECUTIVE MORTGAGE FUND
		KIRINYAGA EXECUTIVE CAR LOAN & MORTGAGE FUND
		KIRINYAGA COUNTY ALCOHOLIC DRINKS CONTROL FUND
		KIRINYAGA COUNTY CLIMATE CHANGE FUND
		KIRINYAGA COUNTY EXECUTIVE BURSARY FUND

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

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

CHAPTER ONE: WATER COMPANIES

1.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIRINYAGA COUNTY WATER AND SANITATION PLC(KICOWASCO) FOR THE FINANCIAL YEAR 2024/2025

The Governor of Kirinyaga County, Hon. Ann Waiguru, EGH appeared before the Committee on Monday, 2nd February 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the on Kirinyaga County Water and Sanitation Plc for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|-----------------------------|-------------------------------------|
| 1. Ms. Jacqueline Njogu | -CECM Finance |
| 2. Mr. Henry Antony Kimathi | -County secretary (CS) |
| 3. Mr. Peter Murimi | - County Chief Officer (CCO)- Water |
| 4. Ms. Jane Murage | -Finance Accountant (FA) KICOWASCO |
| 5. Dr. Cyrus Munyua | -MD KICOWASCO |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the on Kirinyaga County Water and Sanitation Plc for the financial year on the following basis—

1. Long outstanding Trade Receivables

The statement of financial position as at 30 June, 2025 and as disclosed in Note 29 to the financial statements reflects net trade and other receivables of Kshs 179,081,391. Further Note 29(a) to the financial statements reflects gross trade and other receivables balance of Kshs. 195,641,055. During the financial year under review, the Company made a general provision of Kshs.19,564,106 representing 10% of gross trade receivable of Kes. 195,641,055 indicating an inability of recoverability. Further, examination of records and schedules provided for audit review revealed debts of Kshs. 153,652,126.27 have been outstanding for a long time and appear unrecoverable, with some outstanding for more than four years.

In the circumstances, the accuracy and recoverability of the trade and other receivables amount of Kshs.179,081,391 could not be confirmed.

Management Response

The current outstanding debt is Ksh179, 081,391 composed of Kshs 28,324,154 which relates to terminated accounts, Kshs 88,359,244 to disconnected accounts, and Kshs

62,397,993 to active accounts. Of the balances under active accounts, Kshs 29,461,070 is owed by Government institutions.

The Company has made the following efforts on debt recovery:

- a) Sending reminder messages and entering in to part payment plans with domestic and commercial customers. Appendix 1(a) Sample of Part payment plan
- b) Sensitization of terminated customers to revive their accounts and clear their debts through payment plans.
- c) Sending demand letters to Government institutions and customers with huge arrears. Appendix 1 (b) Sample of demand letters
- d) Engaging water police unit in recovering the arrears. Appendix 1(c) Invitation letter

Committee Observations

The Committee observed that the Company had long outstanding trade receivables of Kshs.195,641,055, of which Kshs.153,652,126 appeared unrecoverable, some outstanding for more than four years.

Committee recommendations

The committee recommends that:

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

2. Budget Control and Performance

The statement of comparison of budget and actual amounts for the period ended 30 June, 2025 reflects a final approved budget of operational revenue of Kshs 290,623,405 and actual on comparable basis of Kshs 194,642,162 resulting to a performance difference of Kshs 95,981,243 or 33% of the final budget.

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

Management Response

The variance between the approved operational revenue budget and the actual revenue realized during the period under review is primarily attributable to structural limitations within the current tariff regime, which has not adequately adjusted to prevailing inflationary pressures, thereby constraining revenue generation. This shortfall affected the full implementation of some planned activities during the period.

To address this, the Company has initiated a comprehensive tariff review, which is currently at an advanced stage, and is expected to enhance revenue sufficiency going forward. Additionally, management has strengthened revenue forecasting, enhanced revenue collection strategies, and improved planning, monitoring, and control mechanisms to optimize resource utilization and minimize similar variances in future financial periods. Appendix 2 tariff application letter and response from WASREB

Committee Observations

The Committee observed that the Company recorded a significant revenue shortfall of Kshs.95,981,243 (33%) against the approved budget, indicating weaknesses in budget preparation, revenue forecasting, and execution. The tariff review, which is critical to revenue sustainability, remains pending WASREB approval. The issue has not been addressed.

Committee recommendations

The committee recommended that:

- i. the Governor ensures the Accounting Officer pursues the new tariffs approval from WASREB and provides a status update to the Senate within sixty (60) days of the adoption of this report;**
- ii. the Governor ensures the Accounting Officer sets up realistic revenue targets in budget preparation to avoid budgetary shortfalls and complies**

with Regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures; and

iii. the Auditor-General keeps this matter in view and provides a status update in the subsequent audit cycle.

3. High Non-Revenue Water Threshold

During the financial year under review, the Company produced a total of 5,223,308 M3 of water out of which only 2,664,603 M3 (Kes. 177,673,948) was billed (sold). A total of 2,558,705 M3 or approximately 48.99% represented non-revenue water. However, the Unaccounted-for water loss was by 23.99% higher than the recommended ratio of 25% by the WASREB guidelines.

In the circumstances, the abnormal water loss of 23.99% may have resulted in a loss of sales estimated at Kshs.170,534,079 when computed at the current billing rate.

Management Response

The reported NRW for the financial year 2024/25 was based on design capacity and not the actual production, however the master meter was installed in July 2025 and is operational from November 2025 to date. Going forward, this will enable the determination of NRW based on actual production figures. Appendix 3 (a) Photo of the installed master meter

The company has a well elaborate NRW reduction plan, which has been aligned with company's strategic plan 2021-2026 and tariff conditions gazette on 3rd February 2023 which has identified critical areas and contributors of NRW, action plans, resources required, responsible persons and target results. Appendix 3 (b) NRW Reduction Plan.

The company has a project program in line with the NRW reduction Plan i.e. Kerugoya Kutus Bulk Water Supply Project Lot I. A bulk master meter was installed at the Muratiri Treatment Works that is measuring the actual production currently at the test period.

NRW has also been attributed by old and dilapidated infrastructure. To this end, the Company has made a Proposal to TWWDA requesting for funding on Rehabilitation of water distribution infrastructure in Kerugoya and Kutus town to minimizing illegal connections, leakages and burst. Appendix 3 (c) Project proposal for the Replacement Works of the Distribution Network for Kerugoya and Kutus Towns

The company has a performance for Improvement Action Plan heavily focusing on the NRW reduction strategy and investments therein under the K-WASH programme. Appendix 3(d) Extract of Performance for Improvement Action Plan

Currently the company has reduced NRW from 52.22% for the FY2023/2024 to 48.99% in the FY2024/2025

Committee Observations

The Committee observed that NRW at 48.99% is significantly above the WASREB benchmark of 25%, representing nearly twice the allowable water loss threshold. While the Company has shown improvement from 52.22% in 2023/2024, the rate of reduction is insufficient. The absence of a functional master meter until July 2025 further undermined accurate NRW measurement.

Committee recommendations

The Committee recommends that—

- i. the Governor should ensure that the Accounting Officer puts in place comprehensive measures to mitigate on the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;
- ii. the Governor ensures that the Accounting Officer segregates NRW to both Physical or Commercial so that the water company can ascertain and identify specific mitigating measures to effectively address and reduce the NRW levels; and
- iii. the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put place to reduce cases of theft and illegal connections.

4. Non-Compliance with the Water Services Regulatory Board Regulations on Personnel Costs

The statement of profit or loss and other comprehensive income reflects personnel costs of Kshs.134,917,215 representing about 55% of the total expenditure of Kshs.

243,922.834. The amount is higher than the recommended threshold of 35% in accordance with the Water Services Regulatory Board (WASREB) guidelines.

In the circumstances, the excess personnel costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable level.

Management Response

The company has put the following measures to attain 35% in accordance with the Water Service Regulatory Board (WASREB) Guidelines:

- Through a board meeting held on 28th January 2025 it was resolved that further employment should be freezed until further notice.
- The current CBA 2022/2023-2025/26 is also based on performance where salary increase is pegged on revenue growth. This will enhance the staff performance hence increasing revenue.
- The company strategic plan 2021/2026 has set road map on company revenue growth.

Committee Observation

The Committee observes that the Company's personnel costs constitute 55% of total expenditure, which is 20% above the WASREB recommended threshold of 35%, potentially impacting profitability and sustainability, and notes that the Company has frozen further employment and tied salary increments to revenue growth under the current CBA.

Committee recommendation

The Committee recommends that—

- i. **the Governor ensures the water company puts in place measures to improve revenues as well as cap the personnel costs in compliance with WASREB guidelines, targeting the 35% benchmark within eighteen (18) months of the adoption of this report;**
- ii. **the Governor ensures the Accounting Officer undertakes a comprehensive staffing audit to identify opportunities for rationalisation of the workforce and reduction of personnel costs without compromising service delivery standards; and**
- iii. **the Auditor-General monitors compliance with WASREB personnel cost guidelines and provides a status update in the subsequent audit cycle.**

5. Lack of Staff Ethnic Diversity

Review of human resource records revealed that during the year under review, the Company had 159 employees. It was, however, noted that 145 members of staff which translates to 91% are from the dominant ethnic Community. Additionally, the whole of core management and all newly recruited employees during the year were from the same dominant community. This contravenes the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008 and Section 65(e) of the County Government Act, 2012 which requires County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

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

Management Response

Most of our staff were recruited during the company's inception in year 2006 when Section 7 (1) & (2) of the National Cohesion and Integration Act, 2008 was not in place.

In the event of arising vacancies in Kirinyaga County Water and sanitation PLC we encourage all people to apply through circulating the advert in the company's website and newspaper of national circulation clearly indicating that the Company is an equal opportunity employer and we receive responses from interested applicants.

The Company Respects Section 7 (1) & (2) of the National Cohesion and Integration Act, 2008 and is working towards meeting the legal requirement for diversity. Currently the Company it's at 3% and undertake to improve despite the recruitment challenges.

Committee Observation

The Committee observed that 91% of staff being from the dominant ethnic community represents a persistent breach of the National Cohesion and Integration Act, 2008. The Company's explanation that staff were recruited before the Act was in force does not justify the continued failure to address diversity, particularly in new recruitments.

Committee recommendation

The Committee recommends that—

- i. the Governor ensures management comes up with deliberate measures to ensure staff diversity at entry level when filling vacant positions, in full**

compliance with Section 7(2) of the National Cohesion and Integration Act, 2008;

- ii. all future recruitment vacancies are advertised in newspapers of national circulation and on the Company's website to attract applicants from diverse ethnic backgrounds; and
- iii. the Auditor-General monitors compliance with the National Cohesion and Integration Act, 2008 and provides a status update in the subsequent audit cycle.

6. Non-compliance to Affirmative Action on Youth, Gender and Persons with Disabilities

Review of human resource records revealed that the Company had 5 or 3% of total employees with disability which was in contravention of Persons with Disability Act, 2025 Part II Section 5(e) which states that the Council shall endeavor to secure the reservation of five percent of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities.

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

Management Response

Over the past four years, we have made substantial strides in achieving a more balanced gender representation across all levels of the organization. This includes a notable increase in female representation has increased in the organization as follows;

COMPANY GENDER PRESENTATION						
		2021/2022	2022/2023	2023/2024	2024/2025	
1	Female	51	52	56	52	
2	Male	103	105		107	

Over the past four years, we have made substantial strides in achieving a more balanced youths' representation across all levels of the organization. This includes a notable increase in female representation has increased in the organization as follows;

COMPANY YOUTH PRESENTION				
		2021/2022	2022/2023	2024/2025
1	Youths	23	21	35
	Percentage	17.69%	17.51%	19.74%

The company has a total number of 159 staffs and 5 persons with disability. In future persons with disability will be considered in recruitment process.

Committee Observation

The Committee observed that-

- i. Only 5 PWDs (3.14% of 159 staff), breaching the Persons with Disabilities Act, 2025 (Part II, Sec 5(e)), which mandates 5% reservation in casual, emergency, and contractual roles. Management acknowledges the issue but provides only vague future intent, with no concrete plan or timeline.
- ii. Youth representation remains low at 17.69%-19.74% (23-35 youths), dipping in 2022/23. Missing 2023/24 data; falls short of inclusion targets under the National Cohesion and Integration Act.

Committee recommendation

The Committee recommends that the Governor ensures the Accounting Officer of the water company complies with the relevant sections of the law on affirmative action for persons living with disabilities and gender. The Auditor General reviews the matter in the subsequent audit cycle and provide a status update on the mitigating measures taken within 60 days of the adoption of this report.

7. Non-Compliance with Public Procurement Capacity Building Levy order, 2023

The Management of the Company did not cause to be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes contrary to Paragraphs 5 and 6 of Public Procurement Regulatory Authority Circular No 01/2024.

Further, the Management did not remit the Levy amounts to the Authority through the eCitizen payment platform by the 20th day of the subsequent month. In addition, the entity did not file monthly returns by the 20th day of the subsequent month on all levy amounts deducted and remitted to the Authority through the Public Procurement Information portal contrary to Paragraph 5&6 of Public Procurement Regulatory Authority Circular No 01/2024.

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

Management Response.

The Public Procurement Capacity Building Levy Order, 2023 introduced a new levy that became effective in 2024, with its first year of implementation being the 2024/2025 financial year. However, sensitization on implementation of the order had

not been done by PPRA. The Company is in the process of aligning its procurement operations to the requirements of the Order and will ensure compliance with the submission of the levy in the current 2025/2026 financial year for all applicable contracts entered into between the Procuring Entity and engaged vendors.

Committee Observations

The committee noted the breach of statutory provisions that Management failed to:

- Deduct the statutory levy of 0.03% from applicable procurement contracts.
- Remit the deducted amounts to the Authority via the eCitizen platform by the stipulated deadline (20th of the subsequent month).
- File the required monthly returns on the Public Procurement Information Portal; and
- These actions constitute a clear breach of Paragraphs 5 and 6 of PPRA Circular No. 01/2024.

Committee Recommendations

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

8. Non-Remittance of Statutory Deductions

The financial statements and as disclosed in note 43 reflects Kshs 46,123,998 in respect of employee payables. The amount represents statutory deductions unremitted to their various administrative bodies as at the end of the audited financial year. This is contrary to Section 19(4) of Employment Act 2007, which states that an employer who deducts an amount from employee's remuneration in accordance with subsection 19 (1) (a), (f), (g) and (h) shall pay amount so deducted in accordance with time period and another requirement specified in law, agreement, court order or arbitration as the case may be.

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

Management Response

The delay in remittance of statutory deductions was primarily due to financial constraints arising from low revenue generation, as the current tariff structure is insufficient to fully cover operational costs. To address this challenge, the Company has engaged the relevant statutory bodies and agreed on structured payment plans for the settlement of the outstanding arrears.

The Company has made payment of Ksh 18,551,181 on arrears at December 2025.

Committee Observations

The Committee observed that the Company had unremitted statutory deductions of Kshs 46,123,998 as at 30th June 2025 contrary to Section 19(4) of the Employment Act 2007, and notes that Kshs 18,551,181 has since been paid and payment plans agreed with statutory bodies.

Committee recommendations

The Committee recommends that the Governor ensures the Company honours the agreed payment plans with statutory bodies, prioritizes remittance of statutory deductions in the budget, and submits evidence of full clearance of the outstanding arrears to the senate within three months of adoption of this report.

1.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR RUKANGA MAKUTANO WATER AND SANITATION PLC. (RUMAWASCO) FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Kirinyaga County, Hon. Ann Waiguru, EGH appeared before the Committee on Monday, 2nd February 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the on Kirinyaga County Water and Sanitation Plc for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|-----------------------------|------------------------------------|
| 1. Ms. Jacqueline Njogu | -CECM Finance |
| 2. Mr. Henry Antony Kimathi | -County secretary (CS) |
| 3. Mr. Peter Murimi | -County Chief Officer (CCO)– Water |
| 4. Ms. Jane Murage | -Finance Accountant (FA) KIROWASCO |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the on Kirinyaga County Water and Sanitation Plc for the financial year on the following basis—

1. Understated Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs. 25,447,031 in respect of property, plant and equipment as disclosed in Note 20 to the financial statements. As previously reported, review of the asset register provided for audit revealed that the Company has nine (9) parcels of land out of which three (3) parcels of land have not been valued. Further, title deeds to support ownership of the three (3) parcels of land were not provided for audit review.

In the circumstances, the accuracy, completeness and ownership status of the property, plant and equipment balance of Kshs. 25,447,031 could not be confirmed.

Management response

The three plots were allotted to RUMAWASCO by defunct County Council of Kirinyaga. RUMAWASCO management have further engaged County Government of Kirinyaga for provision of the ownership documents which have been provided.

Committee Observation:

The Committee observed that three parcels of land belonging to the Company remain unvalued and without title deeds, resulting in understatement of Property, Plant and Equipment in the financial statements. The County Government of Kirinyaga has provided minutes and allotment letters but formal title processing remains incomplete.

Committee recommendations

The Committee recommends that-

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

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables totaling Kshs. 3,426,757. The amount includes payables amounting to Kshs. 342,675 as disclosed in Note 43 to the financial statements which have remained outstanding for over one year.

No explanation has been provided for non-payment of these debts.

In the circumstances, the accuracy and completeness of payables amount of Kshs. 3,426,757 could not be confirmed.

Management response

RUMAWASCO pro-poor tariff limits available resources to match escalating operations expenses hence challenging settlement of trade payables.

The management has applied to WASREB for tariff adjustment in order to improve revenue to provide resources to expand water coverage and more connections and also pay trade payables, as per attached.

Committee Observation

The Committee observed that trade payables of Kshs.342,675 have remained outstanding for over one year, indicating cash flow challenges attributable to the constrained pro-poor tariff regime. The WASREB tariff review application remains pending approval.

Committee Recommendation

The Committee recommends that-

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

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs. 18,758,785 and Kshs. 13,963,796 respectively resulting in a revenue shortfall of Kshs. 4,794,989 (or 26%) of the budget. Similarly, the Management expended Kshs. 15,636,054 against actual revenue of Kshs. 13,963,796 resulting in an over-expenditure of Kshs. 1,672,258 or 12% of the budget.

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

Further, the over-expenditure may result in unapproved expenditure contrary to Section 99(2) Public Finance Management (County Government) Regulations 2015, which requires that the approved estimates of expenditure shall form the basis of accounts for the financial year.

Management response

The budget shortfall by 26% was occasioned by budget provision of tariff review from current Kshs. 20 per 1m³ of water to the proposed Kshs. 55 per 1m³. The over-expenditure of 12% was occasioned by unrealized revenue which had been budgeted and was hence financed by trade creditors, resulting in austerity measures including payable management to only critical functions in operation.

Committee Observation

The Committee observed that the Company recorded a revenue shortfall of 26% and over-expenditure of 12%, indicating poor budget management and revenue forecasting weaknesses. The Company operated at a deficit, financing expenditure through trade creditors, which is unsustainable.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer pursues new tariff approval from WASREB to enhance revenue generation capacity;
- ii. the Accounting Officer sets up realistic revenue targets to avoid budgetary shortfalls and complies with Regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on budgetary control measures; and
- iii. the Auditor-General monitors budgetary performance and provides a status update in the subsequent audit cycle.

4. Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements. Review during audit of the Company in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue	REMARKS
1	2023/2024	Understated Property, Plant and Equipment	Addressed in Query 1 page 1

2	2023/2024	Expired tariff structure	Address in query 5 page 3
3	2023/2024	Non –compliance with the law on Ethic composition	Address in query 6 page 4
4	2023/2024	Lack of internal audit function	Address in query 11 page 6
5	2023/2024	Lack of ICT function, ICT steering committee, ICT strategic plan	Address in query12 page 7
6	2023/2024	Lack of Enterprise Resource Planning (ERP)	Address in query 13 page 7
7	2023/2024	Untagged Asset	Solved

Management response

RUMAWASCO was started as a community project hence the audit queries have been historical issues which we have been progressively addressing.

Committee Observation

The Committee observed that numerous prior year audit issues remain unresolved despite the Company's historical origins as a community project. The persistent failure to resolve prior year audit matters indicates inadequate follow-up mechanisms and weak accountability structures.

Committee Recommendation

The Committee recommends that —

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

5. Lack of Approved Water Tariff

Review of records revealed that the Company did not have an approved water tariff in place contrary to Section 73(5) of the Water Act 2016 which gives WASREB the power to approve the regular tariff adjustments for the water service providers.

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

Management response

RUMAWASCO started as community project with pro-poor tariff of Kshs. 20 per cubic meter where tariff review was done by RUMAWASCO/WASREB/Consumers through a vigorous process and was gazetted; however, the community objected it during implementation stage.

The management was subjected to continue with the old pro-poor tariff of Kshs. 20 per 1m³ of water.

Committee Observation

The Committee observed that the Company operates without a formally approved current water tariff, operating on an outdated community-agreed pro-poor rate. The community's resistance to tariff review has constrained revenue generation and compromised the Company's financial sustainability.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the water company has the tariff approved by WASREB within 90 days of adoption of this report in compliance with Section 73(5) of the Water Act, 2016;**
- ii. the Company intensifies community sensitisation on the importance of sustainable cost-reflective tariffs for continued water service provision; and**
- iii. the Auditor-General keeps this matter in view and provides a status update in the subsequent audit cycle.**

6. Non-Compliance with the Law on Ethnic Composition

Review of personnel records revealed that the Company had sixteen (16) staff members out of which fourteen (14) or 88% are from the dominant ethnic community in Kenya, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community. In the circumstances, Management was in breach of the law.

Management response

The company started with its initial staff working as volunteers from the community, thereafter they were absorbed as employees.

The Board has approved a Performance Improvement Action Plan (PIAP) which will enable progressive improvement on company performance and compliance with the law.

Committee Observation

The Committee observed that 88% of staff being from the dominant ethnic community is a breach of the National Cohesion and Integration Act, 2008. While the Company's origins as a community project explains the historical composition, deliberate measures are needed to address diversity in future recruitments.

Committee Recommendation

The Committee recommends that the Governor ensures management comes up with deliberate measures to ensure staff diversity at entry level when filling vacant positions, in compliance with Section 7(2) of the National Cohesion and Integration Act, 2008 and Section 65(1) of the Employment Act, Cap.226.

7. Non-Adherence with the Law on Gender Requirement

Examination and analysis of personnel records revealed that the Company had sixteen (16) staff members out of which twelve (12) or 75% were male while the female consisted of four (4) staff or 25% of the employees in the staff payroll. This is contrary to article 59 (b) to the constitution of Kenya ,2010 which seeks to promote gender equality and equity generally and to Board composition is male 57% and female 43%

Management response

The company has over time been progressively making positive progress in recruitment of both board members and staff towards compliance and current status is as below:

- i. Board composition is male 57% and female 43%;
- ii. RUMAWASCO staff male is 72% and female 28%.

Committee observation

The committee observed the improvement but finds that the two-thirds gender principle is still not fully complied with in staff establishment, and no clear timeline for achieving full compliance has been provided.

Committee recommendation

The committee recommends that the governor ensures that company management adopts a gender mainstreaming plan with clear recruitment, promotion and succession strategies to meet the two-thirds rule and provide an annual status report to the County Assembly and Senate on gender parity progress.

As affirmative above

8. Non-Revenue Water

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects Kshs.13,963,796 in respect to operating revenue which includes Kshs.12,827,227 in respect to revenue from the sale of water. Information available revealed that the Company produced 316,526 cubic meters (M3) of water out of which only 226,744 cubic meters (M3) were billed to the customers. The balance of 89,782 cubic meters or approximately 28% of the total volume of water produced, therefore, represents non-Revenue water (NRW) which was 3% over and above the allowable loss of 25% in accordance with schedule E of Water Service Regulatory Board (WASREB) guidelines. The significant level of Non-Revenue Water could be an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

In the circumstances, the Management was in breach of WASREB guidelines.

Management response

OUR Non-Revenue Water (NRW) is currently 28% with 3% off the regulator benchmark of 25% considering that the Company using pro poor tariffs of ksh 20 per cubic meter which is attributable to

- a) Our tariff for pro poor of ksh 20 /m3 hence limited fund for capital project for NRW reduction
- b) Main pipeline and unit pipe network damage occasioned by road constructions with regular water pipe burst.

OUR Non-Revenue Water (NRW) is currently 28% with 3% off the regulator benchmark of 25% considering that the Company using pro poor tariffs of ksh 20 per cubic meter which we focus on tariff review and our NRW reduction plan.

The management has come up NRW reduction plan which is included in the PIAP Documents.

Committee observation

The Committee observed that RUMAWASCO recorded Non-Revenue Water (NRW) of 28%, which is 3 percentage points above the WASREB regulatory benchmark of 25%, representing a loss of 89,782 m³ of water with an estimated revenue foregone of approximately Kshs.1,797,640 at the current pro-poor tariff rate of Kshs.20 per m³.

Committee recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer implements the NRW reduction plan contained in the PIAP with clear annual milestones, specific measurable targets, assigned responsibilities, and defined timelines for reducing NRW from 28% to within the WASREB benchmark of 25%;**
- ii. the Governor ensures the Accounting Officer expedites the tariff review application with WASREB to obtain a cost-reflective tariff that will generate sufficient revenue to fund capital investments in NRW reduction;**
- iii. the Accounting Officer ensures segregation of NRW into physical losses (leakages, bursts, overflows) and commercial losses (metering anomalies, illegal connections) to enable identification of targeted and cost-effective mitigation measures for each category; and the Auditor-General reviews the implementation of the NRW reduction plan and provides a status update in the subsequent audit cycle.**

9. Unbalanced Budget

The statement of comparison of budget and actual amounts for the year ended 30 June 2025 reflects Kshs. 18,758,785 in final revenue budget against final expenditure budget of Kshs. 19,058,765, resulting in a budget deficit of Kshs. 299,980.

Contrary to Section 31(c) of the PFM (County Government) Regulations, 2015, budgeted revenue and expenditure appropriations shall be balanced.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Management response

The unbalanced budget arose due to type error in the revenue projection, which we however noted when the financial statement had been published.

We have digitized our operating system by implementing billing software (scheme cloud system) and we have also budgeted for Enterprise Resource planning (ERP) to enhance data completeness and accuracy in line with the law.

Committee observations

The Committee observed that Management admitted to the queries and attributed it to a typo error.

Committee recommendations

The committee recommends that-

- i. **The Board should strengthen internal review processes for budgets before approval, including sign-offs by finance, internal audit (once established) and the Board Audit Committee.**
- ii. **The County Treasury and WASREB should provide technical support on budgeting to small water service providers to minimize such errors.**

10. Lack of an Internal Audit Function

During the year under review, audit examination revealed that the Company lacks an established internal audit unit that reviews and appraise its existing internal controls with a view to enhancing the Company's operational efficiency, governance and compliance.

In the circumstances, the adequacy of Company's assurance on operational efficiency, governance and compliance with authorities could not be confirmed.

Management response

RUMAWASCO is small water service provider with limited resources hence currently constrained in effecting the recommended organizational structure including employment of internal audit staff

We have however, sort support from county for provision of audit services from its team as per attached

Committee observation

The Committee observed the interim measure of County secondment but observes that reliance solely on external auditors does not fulfil the requirement for an internal audit function.

Committee recommendation

The committee recommends that the Governor ensures that the Company Management formalises the internal audit arrangement through an MoU with the County Internal Audit unit, defining scope, reporting lines and independence, as a medium-term measure.

11. Lack of a Procurement Function

During the year under review, the Management had not put in place a procurement function including recruitment of a Procurement Officer, to assist in preparation of procurement documents, giving professional opinion on procurement process and provide guidance on general adherence to procurement. This was contrary to Section 45(1) of the Public Procurement and Assets Disposal Act, 2015 which states that for the purpose of ensuring that the accounting officer's decisions are made in a systematic and structured way, an accounting officer shall establish systems and procedures to facilitate decision making for procurement and asset disposal.

In the circumstances, the effectiveness of the procurement function could not be confirmed.

Management response

RUMAWASCO is categorized by WASREB as small water service provider with 1957 active connections providing limited resources hence currently not able to support the recommended organizational structure including employment of procurement officer. We have however, sort support from County Government of Kirinyaga for deployment of procurement personnel from its team as per attached

Committee observation

The Committee observed that procurement processes remain vulnerable without a functional and documented procurement unit structure and the potential non-compliance and exposure to procurement risks.

Committee recommendation

The committee recommends that the Company should operationalise a procurement unit anchored in its organisation structure, even if initially staffed by seconded officers, and ensure it reports functionally to the accounting officer.

12. Lack of an Information and Communication Technology (ICT) Function, ICT Steering Committee and an IT Strategic Plan

During the year under review, audit examination revealed that the Company lacked an Information Technology (IT) function, an IT Steering Committee, and an IT strategic plan,

All of which are essential components for effective management and governance of IT resources. The absence of a dedicated IT function raises concerns about the organization's ability to properly manage and safeguard its technology infrastructure, data, and systems.

In the circumstances, the Company's ability to properly manage and safeguard its technology systems could not be confirmed.

Management response

RUMAWASCO is small water service provider with limited resources hence limited resources to implement ICT function as per regulator he recommended guidelines.

We have developed ICT strategy plan through K WASH programme performance improvement action plan (PIAP) and further engaged WASREB to fast track tariff review process.

however, we have sort support from County Government of Kirinyaga for deployment of ICT officer from its team as per attached

Committee observation

The Committee observed the development of an ICT strategy under PIAP and secondment of an ICT officer as positive steps however governance structures such as an ICT Steering Committee were still not fully institutionalized.

Committee recommendation

The committee recommends that-

- i. **The Governor ensures that board should constitute an ICT Steering Committee to oversee implementation of the ICT strategy and ensure alignment with corporate objectives.**
- ii. **the Company should, within one year, operationalise minimum ICT controls including data backup, user access controls and ICT policy dissemination, and report progress to WASREB.**

13. Lack of an Enterprise Resource Planning (ERP) System and Water Billing System

During the year under review, audit examination revealed that the Company lacked an integrated Enterprise Resource Planning (ERP) system and a dedicated water billing

System, both of which are critical for streamlining operations and enhancing service delivery. The absence of an ERP system raises concerns about the company's ability to effectively manage and integrate its core business processes, such as financial management, procurement, inventory control, and human resources.

In the circumstances, the Company's ability to effectively manage and integrate its core business processes could not be confirmed.

Management response

RUMAWASCO had budgeted procurement of ERP and billing software though our shortfall in revenue realization led to stalling the process.

Committee observations

The Committee observed that-

- i. implementation of a billing system as a key milestone but finds that the wider ERP integration is still pending;
- ii. delays in ERP implementation may continue to limit management's access to reliable, real-time information.

Committee recommendations

The Committee recommends that the Governor ensures that-

- i. the Company prioritizes phased acquisition and implementation of an ERP, starting with core financial and billing modules, within available resources and in consultation with WASREB and the County;
- ii. the Board ensures that ERP and billing system procurement and implementation adhere to ICT and procurement best practices, including user training and change management.

CHAPTER TWO: MUNICIPALITY

2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KERUGOYA KUTUS MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025

The Governor of Kirinyaga County, Hon. Ann Waiguru, EGH appeared before the Committee on Monday, 2nd February 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kerugoya Kutus Municipality for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

- | | |
|----------------------------|------------------------------------|
| 1. Ms.Jacqueline Njogu | -CECM Finance |
| 2. Mr.Henry Antony Kimathi | -County secretary (CS) |
| 3. Mr.Samuel Kanjobe | -CCEM Lands |
| 4. Mr.Paul M.Mudiwa | -Municipal Manager |
| 5. Mr.Peter Murimi | -County Chief officer(CCO)- Water |
| 6. Ms.Jane Murage | -Finance Accountant (FA) KICOWASCO |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the on Kerugoya Kutus Municipal for the financial year on the following basis—

Basis for Qualified Opinion

1. Presentation and Accuracy of the Financial Statements

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

- i. The statement of financial performance reflects Kshs.8,616,051 and Kshs. 5,146,009 as comparative for trade and other receivables and refundable deposits from customers and as disclosed in note 27 and note to the financial statements respectively. However, the said notes do not have comparative amounts.

Management response

Management notes the auditor's observation, regarding the omission for trade and other payables of Kshs. 8,616,051 and 5,146, 009 in note 27 of the financial statements. The financial statement has since been revised, and the prior year adjustment will be done while submitting the financial statement for the financial year 2025-2026

- ii. The statement of financial position and as disclosed in note 21 reflects Kshs. 13,762,060 as comparative balance in respect to receivables from non-exchange transactions. However, the note reflects a nil comparative balance.

Management response

Management notes the auditor's observation, regarding the omission receivables of Kshs. 13,762,060 on note 21 of the financial statements. The financial statement has since been revised, and the prior year adjustment will be done while submitting the financial statement for the financial year 2025-2026

- iii. The statement of comparison of budget and actual amounts reflects Kshs. (35,174,078) as total performance difference in respect to expenditure. However, on recalculation, the amount was a positive figure of Kshs. 35,174,078 arrived at by subtracting actual payments from the final budget amounts. In addition, the statement reflects Kshs. (2,867,334) as performance difference in respect to transfers from county government whereas on recalculation, the amount was Kshs. 2,867,334

Management response

Management notes the auditor's observation, and the financial statement has since been revised, and the prior year adjustment will be done while submitting the financial statement for the financial year 2025-2026

Committee Observations

The Committee observed the persistent inaccuracies in the presentation of financial statements submitted for audit, undermining their reliability and transparency. Specifically, discrepancies exist between the statement of financial performance and notes 27 (trade/other receivables and refundable deposits totaling Kshs. 8,616,051 and Kshs. 5,146,009) and (receivables from non-exchange transactions at Kshs. 13,762,060), where comparative figures are omitted or mismatched. Additionally, the statement of comparison of budget and actual amounts incorrectly shows negative variances for expenditure (Kshs. (35,174,078)) and transfers (Kshs. (2,867,334)), contrary to correct positive calculations.

Committee recommendations

The Committee recommends that the Governor ensures hospital management revises and re-submits the affected financial statements with accurate comparative figures and reconciled variances. The County Treasury should conduct an independent review of internal audit processes to prevent recurrence, with a progress report due to the

Committee by June 2026. Failure to comply may result in withheld funding allocations pending verification.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.57,183,657 and Kshs.54,316,323 respectively, resulting in underfunding of Kshs. 2,867,334 or 5% of the budget. Similarly, out of the Kshs.54,316,323 received, the Municipality spent Kshs.22,009,579 resulting in an under-expenditure by Kshs. 32,306,744 or 59% of total receipts.

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

Management response

The management notes the auditor's observation regarding underfunding and clarifies that the Municipality budgeted for Kshs 35,000,000 in the budget but received Kshs 32,309,300 from the donor.

Regarding Underutilization, it is noted that as of the close of the financial year ending June 2025, the Municipality had not yet received the Kshs 32,309,300 from the donor. This grant was received after the close of the financial year. (See the attached extract of county revenue fund 1)

Other Matter

1. Unresolved Prior Year Matters

In the prior years' audit reports, audit issues were raised under the Report on the Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Municipality in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Balances and Disclosures in the Financial Statements
2	2023/2024	Non- Disclosure of Trade Payables
3	2023/2024	Improper Constituted Kerugoya /Kutus Municipality Board

Management response

The prior year's audit issues were listed as per the template provided by PSASB in the audited financial statement and action taken on those issues provided.

Committee Observation:

The Committee observed that the persistence of unresolved prior year audit matters indicates inadequate follow-up mechanisms and weak accountability structures within the Municipality.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer resolves all outstanding prior year audit matters as required by Section 149(2)(l) of the Public Finance Management Act, Cap. 412A, and submits a comprehensive status report to the Auditor-General within sixty (60) days of the adoption of this report;
- ii. the Accounting Officer prepares and maintains an Audit Action Plan (AAP) to systematically track and address all audit queries in a timely manner, with quarterly progress updates submitted to the County Treasury and the Controller of Budget; and
- iii. the Auditor-General keeps this matter in view and provides a status update in the subsequent audit cycle.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

1. Failure to Fully Constitute Municipality Board

Available records revealed that four members were nominated by various associations as per Section 14 (2) (c) of the Urban Areas and Cities Act, which included a representative from Kenya National Union of Teachers (KNUT) Kirinyaga branch. However, out of the four, only three members were appointed and gazetted.

Management did not provide reasons for exclusion of one member and whether a replacement was done in accordance to the law. In addition, details of the board of Management in the financial statements reflected only three members as representatives of associations out of the required four. This is contrary to Section 14 (2) (c) of the Urban Areas and Cities Act.

In the circumstance the regularity of the composition and the operations of the Board of Management could not be confirmed.

Management Response

Pursuant to section 14 of Urban Areas and Cities Act, 2011. The County Executive appointed nine (9) members to fill the vacant positions left by the outgoing board and forwarded seven names nominated to be members of the Municipal board on 10th November 2023. Consequently, the County Assembly approved six members out of seven names who were submitted by the Executive. (Annex 4: County Assembly letter)

Subsequently, the County Executive wrote to the County Assembly nominating one person to fill up the vacant position on 13th November 2024, which was again rejected.

The County Executive wrote to the County Assembly nominating one person to fill up the vacant position on 25th November 2025, and municipality is awaiting approval of the nominated member. See the attached letter of submission.

Committee Observations

The Senate Committee observed the municipality's ongoing failure to fully constitute its Board of Management as required by Section 14(2)(c) of the Urban Areas and Cities Act, with only three out of four nominated association representatives—including from KNUT Kirinyaga branch appointed and gazetted, while financial statements inaccurately list just three instead of the mandated four. Management's response reveals a protracted process and a pending nomination submitted 25 November 2025 still awaiting approval.

Committee recommendations

The Committee recommends that-

- i. **the Governor ensures the County Executive nominates a suitable fourth association representative compliant with Section 14(2)(c), securing County**

Assembly approval and gazettelement within 21 days, and provide the Committee with supporting documents.

- ii. Treasury to expedite board reconstitution and monitor compliance, submitting a full status report within 60 days of adoption of this report**

2. Failure to Maintain a Valuation Roll for Property

During the year under review, the Municipality did not maintain a valuation roll contrary to Section 36 (1) (d) (ii) of the Urban and Cities Act, 2011. In absence of a valuation roll, Management may not have a comprehensive register of ratable properties within the Municipality and a clear basis for urban planning, land use regulation and infrastructure development.

Failure to maintain an up-to-date valuation roll may result in under- realization of revenue from property rate.

Management Response

The management has recognized the auditors' observations as an accurate representation of the current status. In response,

The management noted the Auditors observation on absence of a valuation roll. In response, the management has undertaken the preparation of County Spatial Plan, along with the municipal local physical and land use development plan which have all been duly approved by the County Assembly.

Furthermore, the municipality has initiated the town zoning process to facilitate the development of the valuation roll.

Committee Observations

The committee observed that-

1. The Committee observed that the Municipality failed to maintain a valuation roll during the year under review, in contravention of Section 36(1)(d)(ii) of the Urban Areas and Cities Act, 2011.
2. While the Committee acknowledged management's response indicating that a County Spatial Plan and a Municipal Local Physical and Land Use Development Plan have been approved by the County Assembly, and that a town zoning process has been initiated, it noted that these measures, while positive, do not constitute a valuation roll and do not directly address the statutory requirement under the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that-

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

3. Lack of Approved Staff Establishment

During the year under review, Kerugoya Kutus Municipality did not have an approved staff establishment. It was therefore not clear how staffing requirements were determined and whether the human resources allocated to the entity were based on any approved human resource management plans. This is contrary to paragraph B 6 (3) of the County Public Service Human Resource Manual, 2013 which provides that in the recruitment process, due consideration will be given to appropriate organizational structure in each department and optimal staffing levels.

In the circumstances, the basis for recruitment and staff posting in the Municipality could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them.

Management response

Management notes the auditor's observation and has now reviewed staff established and initiated approval process by the county executive.

Committee Observations

The Committee observed with that

1. the Municipality operated throughout the financial year under review without an approved staff establishment, contrary to Paragraph B6(3) of the County Public Service Human Resource Manual, 2013.
2. the response does not provide specific timelines for when the approval process will be concluded, leaving uncertainty as to when the Municipality will be fully compliant with the relevant human resource management framework.

Committee Recommendations

The Committee recommends that the Governor ensures that:

- i. the Governor ensures that approval process for the Municipality's staff establishment is concluded expeditiously and within sixty (60) days, ensuring that the approved establishment is aligned with the Municipality's mandate, operational needs, and available budgetary resources.
- ii. All future recruitment, staff deployment, and posting decisions within the Municipality are strictly based on the approved staff establishment and human resource management plans, in compliance with the County Public Service Human Resource Manual, 2013.
- iii. A compliance report confirming the finalization and approval of the staff establishment is submitted to the County Assembly within ninety (90) days.

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effects of the matter described in the Basis for

Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

4. Failure to Conduct Internal Audit

During the year under review, the Municipality was not subjected to any internal audits and Management did not provide for audit review audit work plans, internal audit reports or any minutes to show that there were arrangements in place to conduct internal audit of the Municipality. This is contrary to Section 155 (1), (3) of the Public Finance Management Act which states that a county government entity shall ensure that it complies with this Act and shall have appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the internal assurance on risk management, internal controls and governance could not be confirmed.

Management response

The Management notes the auditor's observation and has reviewed the County's internal auditor work plan to include internal audit for municipality

Committee Observations

The Committee observed that the Municipality was not subjected to any internal audit during the entire financial year under review, contrary to Section 155(1) and (3) of the Public Finance Management Act, 2012. The Committee noted that while management indicated that the County's internal audit work plan has since been revised to include the Municipality, the response lacks specificity on timelines, audit frequency, scope, and accountability measures, and does not adequately address the governance failure that occurred during the year under review.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that dedicated internal audit function for the Municipality is established and operationalized immediately in compliance with the PFM Act, 2012.
- ii. a retrospective internal audit covering the financial year under review is conducted and its report submitted to the County Assembly within ninety (90) days.

CHAPTER THREE: HOSPITALS

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

The Governor of Kirinyaga County appeared before the Committee on Monday, 2nd February 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Kianyaga Sub-County Level 4 Hospital for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

- | | |
|-------------------------|------------------------------------|
| 1. Jacqueline Njogu | -CECM Finance |
| 2. Henry Antony Kimathi | -County secretary (CS) |
| 3. Samuel Kanjobe | -CCEM Lands |
| 4. Paul M.Mudiwa | -Municipal Manager |
| 5. David Njoroge | -MD RUMAWASCO |
| 6. Peter Murimi | -Chief of Staff (COS)- Water |
| 7. Jane Murage | -Finance Accountant (FA) KICOWASCO |
| 8. Dr.Cyrus Munyua | -MD KICOWASCO |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the on Kianyaga Sub-County Level 4 Hospital for the financial year on the following basis—

Basis for Qualified Opinion

A. Failure to Disclose Assets in the Financial Statements

The Statement of Financial Position and as disclosed in Note 32 to the financial statements reflects Nil balance in respect of Property, Plant, and Equipment. A physical inspection of the Hospital premises revealed the following anomalies;

- i. **Failure To Value and Disclose Assets in The Financial Statements;** The Hospital is located on a parcel of land which it holds custody and use for an operating theatre with radiology equipment, motor vehicles, medical equipment, computer accessories, furniture and fittings, hospital beds all of which are in good condition and in use. However, the Hospital did not initiate the process of valuation to determine the assets values and disclose them in the financial statement.

- ii. **Incomplete Assets Register;** The asset register provided for audit lacked key information such as asset description, identification numbers, acquisition date and cost, location, custodianship and condition.
- iii. **Failure to Tag the Hospital Assets;** Physical inspection of the assets revealed that the assets had not been serialized or tagged for identification and consequently, these assets could not be reconciled with the asset register provided for audit review.

In the circumstances, the accuracy and completeness of the Nil property plant and equipment balance in Note 32 to the financial statements could not be confirmed.

Management Response

The management, through the County Government of Kirinyaga, is in the process of engaging a qualified and registered valuer to undertake comprehensive valuation of all Property, Plant and Equipment as evidenced by the attached advert.

The updating of the asset register is ongoing and the management is committed to complete the exercise by the end of the financial year 2025/2026. The updated asset register will include all key information as observed by the auditor and as per PSASB guidelines.

The management is also committed to serialize and tag all the hospital assets for ease of identification by the end of the Financial Year 2025/2026.

Committee Observation:

The Committee observed that the Hospital operates with substantial physical assets, yet the Statement of Financial Position reflects a Nil balance for Property, Plant and Equipment. This represents a fundamental failure in asset management and financial reporting, rendering the financial statements materially misstated. The incomplete asset register and absence of asset tagging further undermine accountability, safeguarding, and stewardship of public assets. While management has initiated the valuation process, no concrete timelines were provided for completion.

Committee Recommendation:

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer expedites engagement of a qualified and registered valuer to comprehensively value all Hospital assets and disclose them in the financial statements in compliance with PSASB guidelines within ninety (90) days of adoption of this report;**

- ii. the Governor ensures the Accounting Officer completes the updating of the asset register to include all key information required under applicable accounting standards, including asset description, identification numbers, acquisition date, cost, location, custodianship and condition, within ninety (90) days;
- iii. the Governor ensures the Accounting Officer serialises and tags all hospital assets for identification and reconciliation with the asset register within ninety (90) days; and
- iv. the Auditor-General verifies compliance and provides a status update in the subsequent audit cycle.

Emphasis of Matter

1. Budgetary Controls and Performance

The statement of comparison of budget and actual amounts reflects total actual expenditure on a comparable basis of Kshs.129,884,648 against total actual receipts on a comparable basis of Kshs.162,625,031 resulting to an under expenditure of Kshs. 32,740,383 or approximately 20%.

From the above analysis, Kianyaga Sub County Level 4 Hospital under absorbed the approved budget by Kshs.32,740,383. This may have led to denied promised and expected services to the citizens of Kirinyaga County.

Management Response

The hospital had a budget under-absorption that resulted from late appointment of Hospital Management Committee (HMC) and Facility Improvement Fund (FIF) Board Members resulting into late approvals of expenditure (SEE ANNEX 2: Approval of HMC by the County Assembly

Committee Observation:

The Committee observed that under-absorption of 20% (Kshs.32,740,383) is significant and indicative of planning and governance weaknesses within the Hospital. The delay in constituting the HMC and FIF Board directly impaired the Hospital's ability to implement planned programmes and deliver services to county residents. While the Committee notes this is an Emphasis of Matter that does not modify the audit opinion, it is a matter requiring urgent attention.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures that the Hospital Management Committee and Facility Improvement Fund Board Members are appointed in a timely

manner before the commencement of each financial year to prevent delays in expenditure approvals;

- ii. the Governor ensures the Accounting Officer develops and implements an expenditure implementation monitoring framework with monthly targets to ensure optimal budget absorption; and
- iii. the Auditor-General keeps this matter in view and provides a status update in the subsequent audit cycle.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

a) Non-compliance with The Levy Order, 2023

The Statement of Financial Performance and as disclosed in Note 15 to the financial statement reflects Kshs.27,246,393 in respect to Medical/Clinical costs. Included in the amount is Kshs.9,625,300 paid to suppliers of goods and services. However, the Hospital failed to retain and remit the capacity building levy to Public Procurement Regulatory Authority contrary to paragraph 5&6 of Public Procurement Regulatory Authority Circular No 01/2024 which provides that procuring entities shall remit the Levy amounts to the Authority through the eCitizen payment platform by the 20th day of the subsequent month.

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

Management Response

For the year under review, effective communication was not made to the hospital management on collecting capacity building levy on all contracts signed for remittance to PPRA. However, upon receiving sufficient advisory, currently, the management has put efforts and measures to ensure compliance by collecting the said levy for remittance to PPRA as evidenced by the attached sample schedule and bank slip

Committee Observation:

The Committee observed that the failure to remit the PPRA capacity building levy constitutes a breach of the law and undermines the regulatory framework for public procurement. While management has since initiated compliance measures, the original failure reflects inadequate awareness and communication of procurement regulatory obligations within the Hospital.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures the Accounting Officer remits all outstanding capacity building levy amounts to PPRA through the eCitizen payment platform, together with any applicable interest and penalties, within sixty (60) days of adoption of this report;
- ii. the Governor ensures the Accounting Officer implements a compliance tracking system to ensure timely remittance of all statutory levies and deductions going forward; and
- iii. the Auditor-General verifies full compliance and provides a status update in the subsequent audit cycle.

b) Non-Compliance with Law on Ethnic Diversity

The statement of financial performance and as disclosed in Note 16 to the financial statements reflect Kshs.94,343,952 in respect of staff cost. Review of payroll revealed that out of a total workforce of Eighty-Six (86) employees, eighty-one (81) constituting 94%, comprised of staff drawn from one ethnic community contrary to Section 7 (2) of the National Cohesion and Integration Act, 2008, which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

Further review of the Hospital's Health Management Committee's composition revealed that all the six (6) Board members were from the same ethnic community.

In the circumstances, Management is in breach of law.

Management Response

At the advent of devolution, the hospital inherited Staff from the former local authorities and National Government staff performing devolved functions. The ratio at this point was more than 94%. The hospital has been addressing this issue progressively. However, the following factors have hampered the progression towards the required 70:30 ratio: -

- i. The nature of recruitment in Counties where majority of the positions falling vacant are at the lower levels therefore attracting high numbers of local candidates
- ii. The open nature of competitive positions where knowledge of the topography and geographical features of the county is a factor
- iii. Highly skilled multi-ethnic staff opting to move to the National Government, or other Counties especially urban Counties or Home Counties.

Committee Observation:

The Committee observed that 94% of staff from one ethnic community is a serious and persistent violation of the National Cohesion and Integration Act, 2008. The situation is further aggravated by the Hospital Management Committee being composed entirely of members from the same ethnic community. While the historical context of devolution is acknowledged, it does not justify the continued failure to address diversity in subsequent recruitments. The issue has not been addressed.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures the Accounting Officer develops a deliberate ethnic diversity action plan with specific targets and timelines to progressively achieve the 70:30 ratio required under Section 7(2) of the National Cohesion and Integration Act, 2008;
- ii. all future vacancies are advertised in newspapers of national circulation and on the County Government's website, clearly indicating that the Hospital is an equal opportunity employer;
- iii. the Governor reconstitutes the Hospital Management Committee to reflect the ethnic diversity requirements under the National Cohesion and Integration Act, 2008; and
- iv. the Auditor-General monitors compliance and provides a status update in the subsequent audit cycle.

c) Deficiencies in Implementation of Universal Health Coverage

Review of records and physical inspection of the Hospital resources to confirm effectiveness in service delivery, equipment used and medical specialists at the time of audit in the month of November 2025, revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy guidelines due to staff deficits by seventy (70) members of staff therefore operating at 72% of the authorized establishment as shown below: -

Staff Requirements	Level standards	4	No. in Hospital	Variances
Medical officers	14		2	12
Dental officers	2		0	2
Radiologist	1		0	1
Nutritional & dietetics officers	4		1	3
Registered Clinical Officers	10		7	3
Occupational therapist	3		0	3
Physiotherapists	3		0	3

Kenya Registered Community Health Nurses	60	17	43
Total	97	27	70

In the circumstances, the Hospital may not be in a position to deliver on its mandate.

Management Response

Management has acknowledged the issue of staff shortages, as evidenced by the Human Resource for Health (HRH) staffing gaps. Plans are being implemented to address these gaps, which include advertising for the vacant positions as evidenced by the attached advert (see **Annex 1: Adverts for vacant positions**). Succession plans are also in place to manage the vacancies arising from attrition and retirement. In addition, short-term management interventions, such as staff rationalization, aim to ensure the optimal utilization of the available HRH within the hospital.

Committee Observation:

The Committee observed that the Hospital is critically understaffed, operating at only 72% of the authorized establishment, with zero medical specialists in dental, radiology, occupational therapy, and physiotherapy. This constitutes a threat to the delivery of Universal Health Coverage and the Hospital's ability to fulfil its mandate as a Level 4 facility.

Committee Recommendation:

The Committee recommends that—

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

2017 and provide evidence of measures taken to address the matter to Senate within 60 days of the adoption of this report.

B. Under-establishment in Hospital Management Committee

Part 3 of the financial statements on the Hospital Management Committee shows that the Hospital is governed by six (6) appointed Hospital Management Committee members contrary to Section 17 (1) of the Facilities Improvement Finance Act which provides that the Health Facility Management Committee shall consist of not less than seven and not more than nine members appointed by the county executive committee with a mix of skills and competencies required for the achievement of the hospital's goals.

In the circumstances, Management is in breach of law.

Management Response

Pursuant to section 17 (1) of the Facility Improvement Finance (F.I.F) Act, 2023, the County Executive appointed seven members to fill vacancies on the Hospital Management Committee and submitted the nominated names to the County Assembly for approval. However, the County Assembly approved only six out of the seven nominated members as evidenced in the attached correspondence (**Annex 2: County Assembly HMC Approval letter**). Currently, the County is in discussions with various stakeholders and professional bodies to fill this vacancy.

Committee Observation:

The Committee observed that while management demonstrated good faith by nominating the required complement of seven members, the County Assembly's approval of only six members left the HMC under the statutory minimum. This constitutes a governance deficiency that needs to be urgently regularised to ensure the Hospital is governed by a fully mandated Committee.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures that the vacant position on the Hospital Management Committee is filled within sixty (60) days of adoption of this report, in compliance with Section 17(1) of the Facilities Improvement Finance Act, 2023, and that evidence of the completed appointment is submitted to the Auditor-General; and**

- ii. the Governor ensures that future HMC appointments reflect the required mix of skills, competencies, and ethnic diversity to uphold good governance and the principles of national cohesion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1. Failure to Develop a Waiver Policy

Note 25 to the financial statements reflect Kshs.303,855 in respect of waivers and exemptions. However, it was established that Kianyaga Sub-County Level 4 hospital had not put in place a formal waiver and exemption policy to regulate the process of granting waivers to patients, contrary to Section 104 (1) (a) of the Public Finance Management Act, 2012 which provides that a county treasury shall monitor, evaluate and oversee the management of public finances and economic affairs of the county government including developing and implementing financial and economic policies in the county;

In the circumstances, it could not be ascertained the criteria the Hospital used in granting of the waivers.

Management Response

Following the observations and recommendation of the auditor to develop a waiver policy, the hospital has made efforts and has developed a policy that outlines the guidelines for granting waivers to ensure fairness and consistency in the waiver procedures.

Committee Observation:

The Committee observed that while the Hospital has since developed a waiver policy, the absence of an approved formal policy during the financial year under review meant that waivers of Kshs.303,855 were granted without documented criteria, exposing the Hospital to risks of revenue loss and inconsistency in public resource management.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures the Accounting Officer formally adopts and operationalizes the developed waiver policy, ensuring it is approved by the Hospital Management Committee and filed with the County Treasury within thirty (30) days of adoption of this report;
- ii. all waivers going forward are processed and documented strictly in accordance with the approved policy; and

- iii. **the Auditor-General verifies the existence and implementation of the waiver policy in the subsequent audit cycle.**

2. Weaknesses in Internal Audit and Committee Oversight

Kianyaga Sub County Level 4 Hospital did not have internal audit arrangements in the year under review despite the fact that the Hospital operates in a high-risk environment characterized by substantial financial transactions, procurement activities, inventory management, and patient service operations, all of which require continuous oversight, control and evaluation. This is contrary to Section 155 (1) (a) of the Public Finance Management (PFM) Act, 2012 which stipulates that every county government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board

Additionally, any issues that could have been identified through internal audit reviews could not be addressed or monitored, as the Hospital did not have an established Audit Committee to oversee the implementation of audit recommendations and ensure accountability.

In the circumstances, existence of effective oversight of internal controls could not be confirmed.

Management Response

There already exists an Internal Audit and Oversight Committee under the County Government of Kirinyaga. The management has engaged the committee to ensure regular audits are undertaken to identify control weaknesses, assess risk exposure and strengthen compliance and accountability mechanisms within the hospital. Attached find Internal Audit Work Plan for financial year 2025/2026.

Committee Observation:

The Committee observed that relying solely on the County Government's central internal audit function, without hospital-level internal audit arrangements or an Audit Committee, is inadequate for a Level 4 facility handling significant public resources. The absence of internal audit reports during the year under review further undermines confidence in the effectiveness of internal controls.

Committee Recommendation:

The Committee recommends that—

- i. **the Governor ensures the Board operationalises dedicated internal audit arrangements for the Hospital by developing and implementing a**

- comprehensive risk-based annual internal audit plan within thirty (30) days of adoption of this report, covering all key operational, financial, and governance areas;
- ii. the Governor ensures the Accounting Officer establishes a functional Audit Committee for the Hospital in compliance with applicable PFM regulations, with quarterly meetings to review audit findings and monitor implementation of recommendations; and
 - iii. the Auditor-General monitors the operationalisation of internal audit arrangements and provides a status update in the subsequent audit cycle.
3. **Failure to Develop a Risk Management Policy and a Strategic Plan**

The Hospital during the year under review did not have a risk management policy that guides in prevention, control and mitigate risk in the event of an eventuality. In addition, the Hospital did not have an approved Strategic Plan and an Operational Plan in place, which are essential policy documents for guiding daily operations and setting long-term objectives. This is contrary to section 158. (1) of the Public Finance Management (county governments) Regulations, 2015 which stipulates that the accounting officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

Consequently, in the event of risk occurrence the Hospital might not recover and the absence of these key planning documents may hinder the Hospital's ability to provide clear direction, measure performance, and communicate priorities and goals to stakeholders.

Management Response

The management is committed to develop a risk management policy that will guide in prevention, control and mitigate risk in the event of an eventuality.

Committee Observation:

The Committee observed that the absence of a risk management policy, strategic plan, and operational plan represents a fundamental governance gap that hinders the Hospital's ability to provide clear institutional direction, measure performance, manage risks proactively, and communicate priorities to stakeholders. Management's response does not provide a concrete timeline for addressing these deficiencies.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures the Accounting Officer develops, adopts, and operationalises a Risk Management Policy in compliance with Section 158(1) of the PFM (County Governments) Regulations, 2015, within ninety (90) days of adoption of this report;**
- ii. the Governor ensures the Accounting Officer develops and adopts a Strategic Plan and an Operational Plan for the Hospital within ninety (90) days, setting out clear institutional objectives, performance targets, and resource plans; and**
- iii. the Auditor-General verifies the existence and operationalisation of these key governance documents in the subsequent audit cycle.**

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

The Governor of Kirinyaga County appeared before the Committee on Monday, 2nd February 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Sagana Sub-County Level 4 Hospital for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

- | | |
|-------------------------|------------------------------------|
| 1. Jacqueline Njogu | -CECM Finance |
| 2. Henry Antony Kimathi | -County secretary (CS) |
| 3. Samuel Kanjobe | -CCEM Lands |
| 4. Paul M.Mudiwa | -Municipal Manager |
| 5. David Njoroge | -MD RUMAWASCO |
| 6. Peter Murimi | -Chief of Staff (COS)- Water |
| 7. Jane Murage | -Finance Accountant (FA) KICOWASCO |
| 8. Dr.Cyrus Munyua | -MD KICOWASCO |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the on Sagana Sub-County Level 4 Hospital for the financial year on the following basis—

Basis for Qualified Opinion

1. Inaccuracies in the Opening Cash and Cash Equivalents

Review of the financial statements provided for audit revealed that, Kshs 57,939 had been presented as the opening accumulated surplus in the statement of changes in net assets which also represents the opening balance for cash and cash equivalents. However, this balance is not reflected in the statement of financial position under current assets – cash and cash equivalents, where the opening cash position should be reported. The amount is also not reflected in the cash and cash equivalents in the disclosure Note to the financial statements. Further, although the same amount has been disclosed as accumulated surplus, it is not reflected under the capital fund, resulting in inconsistent presentation of opening balances across the financial statements. This inconsistency results in an incomplete presentation of the Hospital's cash position and accumulated surplus.

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

Management Response

Facility Improvement Fund (FIF) was operationalized in September 2024. Initially, the hospital collected revenue that was subsequently transferred to the County Revenue Fund (CRF) and all hospital related payments were settled at departmental level and the transactions were disclosed at the County Executive Financial Reports. The opening balance of Ksh.57,939 resulted from an outstanding balance during the year under review.

Committee Observation:

The Committee observed that the inconsistent presentation of opening cash balances across financial statements reflects weaknesses in financial reporting processes. The inaccuracies undermine the accuracy and reliability of the financial statements and indicate a need for strengthened capacity in financial reporting at hospital level.

Committee Recommendation:

The Committee recommends that-

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amount for the year ended 30 June, 2025 reflects final receipts budget of Kshs 15,315,611 against actual operational expenditure of Kshs. 11,727,421 resulting into an under absorption of Kshs 3,588,190 which could hinder the implementation of the programs and activities planned for by the hospital.

Management Response

The hospital had a budget under-absorption that resulted from late appointment of Hospital Management Committee and Facility Improvement Fund (FIF) Board Members resulting into late approvals of expenditure.

Committee Observation:

The Committee observed that the under-absorption of Kshs.3,588,190 is attributable to governance delays in constituting the HMC and FIF Board, which are institutional failures at the County Government level.

Committee Recommendation:

The Committee recommends that the Governor ensures the timely appointment of Hospital Management Committee and Facility Improvement Fund Board Members before the commencement of each financial year, and that the

Accounting Officer develops expenditure monitoring mechanisms to ensure full budget absorption and optimal service delivery.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

2. Lack of Operational Autonomy

Review of the financial reports provided for audit revealed that amounts relating to salaries/wages and pharmaceutical supplies could not be independently verified, as documentation and payroll records are maintained by the County Government rather than the Hospital. Further, critical functions such as human resource management, financial management, and internal audit remain centralized at the County Government level, limiting the Hospital's ability to effectively manage and account for its resources. In addition, the Hospital does not have an approved organogram or staff establishment, contrary to good governance and accountability requirements.

In the circumstances, the current arrangement undermines accountability and transparency in reporting and may hinder the Hospital's ability to plan and implement its operations effectively.

Management Response

The period under review marked the inaugural year of the Facility Improvement Act (FIF), therefore, management lacked sufficient human resources and capacity to operate as a procuring entity in accordance with Section 45 of the PPAD Act 2015 read together with section 23 of the Public Procurement and Asset Regulations (PPRD) 2020. Hence the hospital utilized procurement and accounting services of the County Treasury. However, the hospital management is currently engaging the County Treasury in discussions to satisfy the requirements of being a procuring entity hence achieving operational autonomy

Committee Observation:

The committee observed that

1. while the inaugural year challenges of the FIF operationalisation are acknowledged, the centralisation of critical functions at County Government level creates significant accountability and transparency risks.

2. the absence of an approved organogram and staff establishment further limits the Hospital's governance and planning capacity.
3. Continued dependence on the County Treasury for core management functions is not a sustainable arrangement for a Level 4 facility.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures the Accounting Officer, in collaboration with the County, develops a structured transition plan for the hospital to achieve full operational autonomy as a procuring entity under Section 45 of the Public Procurement and Asset Disposal Act, 2015, within six (6) months of adoption of this report;
- ii. the Governor ensures the Accounting Officer develops and adopts an approved organogram and staff establishment for the Hospital within ninety (90) days, and submits these to the Auditor-General for verification;
- iii. the Governor ensures that payroll records, financial management documentation, and procurement records are progressively transferred to hospital-level management with appropriate capacity building; and
- iv. the Auditor-General monitors progress towards operational autonomy and provides a status update in the subsequent audit cycle.

3. Expired Pharmaceutical Commodities held in Store

The statement of financial position reflects inventory balance of Kshs.7,329,902 as disclosed in Note 31 to the financial statements. Audit review of records and physical verification at the Hospital revealed that the inventory balance included expired pharmaceutical products of undetermined value which had been held in store for periods exceeding the allowable limit. This was contrary to the provisions of Part VI (42) of National Environmental Management Authority (NEMA) Regulations, 2016 which states that no person shall store biomedical waste above 0° C for more than seven days without the written approval of the relevant lead agency, provided that untreated pathological waste shall be disposed of within 48 hours.

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

Management Response

The facility has separated, quarantined, and documented all the expired commodities in FO58. All expired commodities are kept in a designated area within the store, awaiting transit, as the facility does not have an incinerator. In compliance with the Pharmacy and Poisons Act, Cap 244, Pharmaceutical Waste Management, the county is in the process of disposing of all expired commodities. The county has obtained all the necessary documents from National Environment Management Authority (NEMA) and is now awaiting approval from the Pharmacy and Poisons.

Committee Observation:

The Committee observed that the presence of expired pharmaceutical commodities in the hospital store represents both a public health risk and a breach of environmental and pharmaceutical management laws. While the Hospital has quarantined the expired stock and initiated the disposal process, the underlying weakness in inventory management that allowed expired products to accumulate requires systemic correction. The absence of an incinerator further limits the Hospital's capacity for timely disposal.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures the CECM for Health expedites the disposal of all quarantined expired pharmaceutical commodities in full compliance with NEMA Regulations, 2016 and the Pharmacy and Poisons Act, Cap.244, within sixty (60) days of adoption of this report, and submits evidence of completed disposal to the Auditor-General;**
- ii. the Governor explores options for providing the Hospital with access to an incinerator or alternative authorized disposal mechanism to prevent future accumulation of biomedical waste;**
- iii. the Accounting Officer implements robust inventory management controls, including regular stock rotation, expiry date monitoring, and timely reordering protocols, to prevent future accumulation of expired pharmaceutical commodities; and**
- iv. the Auditor-General verifies completion of disposal and adequacy of inventory management controls in the subsequent audit cycle.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK
MANAGEMENT AND GOVERNANCE

Basis for Conclusion

4. Lack of an Approved Disaster Recovery Plan

The Hospital operated an Information Technology (IT) system (Check health Information System) for capturing, storing and processing revenue from rendering services. In addition, the Hospital is responsible for custody of sensitive medical data of patients seeking its services alongside other operational data such as pharmaceutical and non-pharmaceutical inventory management activities. However, the Hospital did not have information back up, an approved IT continuity plan and disaster recovery plan.

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

Management Response

The county Government of Kirinyaga has an Information and Communication Technology (ICT) policy. The hospital management refers to this policy to provide governance and direction on IT matters. However, the Hospital is currently engaging the ICT department and relevant stakeholders to develop an information back up, an approved IT continuity plan and disaster recovery plan.

Committee Observation:

The Committee observed that the absence of a hospital-specific IT disaster recovery and continuity plan exposes sensitive patient data and critical operational systems to significant risk of loss or disruption. Reliance on the County Government's general ICT policy, without a hospital-specific plan, is inadequate for a facility handling medical records and patient data.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures the Accounting Officer, in collaboration with the County ICT department, develops and adopts a hospital-specific IT disaster recovery plan, information backup policy, and IT continuity plan within ninety (90) days of adoption of this report; and
- ii. the Auditor-General verifies the existence and adequacy of the IT disaster recovery plan in the subsequent audit cycle.

5. Lack of Approved Policy and Criteria for Patient Bill Waivers and Irregular Waivers of Patient Bills

Audit review revealed that the Hospital waived patients' bills amounting to Kshs.261,275 during the year. The waivers were based on assessments conducted by a

designated officer who used personal judgment to determine whether a patient qualified as needy. The assessment reports were subsequently approved by a hospital committee that granted the waivers. However, the Hospital did not have a written or approved policy or documented criteria to guide the assessment and approval process. In the absence of an approved policy or formal criteria for granting waivers, the audit team could not confirm the fairness, consistency, and propriety of patient bill waivers amounting to Kshs.261,275.

In the circumstances, this situation exposes the hospital to risks of revenue loss and non-compliance with public finance management principles.

Management Response

Following the observations and recommendation of the auditor to develop a waiver policy, the hospital has made efforts and has developed a policy that outlines the guidelines for granting waivers to ensure fairness and consistency in the waiver.

Committee Observation:

The Committee observed that-

1. waivers of Kshs.261,275 were granted based on personal judgment without a formal policy, undermining accountability and public finance management principles.
2. While the Hospital has since developed a waiver policy, it was not in place during the year under review.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures the Accounting Officer formally adopts and operationalises the waiver policy, ensuring it is approved by the Hospital Management Committee and filed with the County Treasury within thirty (30) days of adoption of this report;
- ii. all future waivers are processed strictly in accordance with the approved policy, with complete documentation maintained for audit review; and
- iii. the Auditor-General verifies the existence and implementation of the waiver policy in the subsequent audit cycle.

6. Weaknesses in Inventory Management and Reporting

The statement of financial position reflects inventory amounting to Kshs.7,329,902 as disclosed in Note 31 to the financial statements. Audit review of the inventory records for the Hospital revealed significant weaknesses in inventory maintenance and control. The balances recorded in the inventory ledger did not reconcile with the amounts disclosed in the financial statements. In addition, there was no evidence to confirm that a physical stock count was conducted at year-end, as no stock-taking sheets or reports were availed for audit review. The laboratory department did not maintain up-to-date bin cards, and the same officer was responsible for receiving and issuing pharmaceutical supplies both in the main store and pharmacy, thereby compromising segregation of duties. Further, the Hospital had expired pharmaceutical products of undetermined value still held in the store.

In the circumstances, the existence and effectiveness of an inventory management system could not be confirmed.

Management Response

The facility conducts a monthly physical count and keeps a soft copy of both subcounty and hospital stock levels. Inventory balances reported both facility and subcounty stocks, since they share the same store. However, the hospital management notes the auditor's observations regarding the need for more efficient and effective inventory management and is committed to addressing these weaknesses with technical assistance from the County Treasury.

Committee Observations

The committee observed the significant discrepancies between the inventory ledger balances and the Kshs.7,329,902 reported in Note 31 of the financial statements. No evidence of year-end physical stock counts was provided casting doubt on the inventory system's existence and effectiveness.

Recommendation:

The Committee recommends that—

- i. the Governor ensures the Accounting Officer implements a comprehensive inventory management system with clearly defined procedures for receiving, issuing, stock-taking, and reconciliation of pharmaceutical and non-pharmaceutical supplies, within sixty (60) days of adoption of this report; and
- ii. the Auditor-General reviews inventory management controls and provides a status update in the subsequent audit cycle.

7. Lack of an Internal Audit Function

Interviews conducted with the Management of the Hospital confirmed non- existence of an internal audit function that is required to check the financial records and issue reports regularly. The Hospital depended on the internal audit staff from the county executive. However, the Management did not provide internal audit reports posing doubt on the active and regular checks on the financial records of the Hospital.

In the circumstances, the existence and effectiveness of assurance of internal control system and risk management could not be confirmed.

Management Response

There already exists an Internal Audit and Oversight Committee under the County Government of Kirinyaga. The management has engaged the committee to ensure regular audits are undertaken to identify control weaknesses, assess risk exposure and strengthen compliance and accountability mechanisms within the hospital. Attached find Internal Audit Work Plan for financial year 2025/2026.

Committee Observation:

The Committee observed that the absence of internal audit reports during the financial year under review demonstrates that the County Government's central internal audit function did not provide adequate coverage for Sagana Sub-County Hospital. The failure to provide internal audit reports renders it impossible to confirm the effectiveness of internal controls during the period.

Committee Recommendation:

The Committee recommends that—

- i. the Governor ensures the County Government's internal audit function is formally assigned specific, scheduled audit coverage for Sagana Sub-County Hospital.**
- ii. the Governor ensures the Accounting Officer develops a hospital-level internal audit plan to be incorporated into the County's overall internal audit work plan, ensuring all key risk areas including procurement, pharmaceuticals, revenue, and patient billing are audited annually; and**
- iii. the Auditor-General monitors the operationalisation of internal audit coverage for the Hospital and provides a status update in the subsequent audit cycle.**

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

The Governor of Kirinyaga County appeared before the Committee on Monday, 2nd February 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Kimbikimbi Sub-County Level 4 Hospital for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

- | | |
|-------------------------|------------------------------------|
| 1. Jacqueline Njogu | -CECM Finance |
| 2. Henry Antony Kimathi | -County secretary (CS) |
| 3. Samuel Kanjobe | -CCEM Lands |
| 4. Paul M.Mudiwa | -Municipal Manager |
| 5. David Njoroge | -MD RUMAWASCO |
| 6. Peter Murimi | -Chief of Staff (COS)- Water |
| 7. Jane Murage | -Finance Accountant (FA) KICOWASCO |
| 8. Dr.Cyrus Munyua | -MD KICOWASCO |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the on Sagana Sub-County Level 4 Hospital for the financial year on the following basis—

Basis for Qualified Opinion

1. Expenditure outside Reporting Period

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects Kshs.55, 667,621 relating to medical/clinical costs. Included in the amount is Kshs.9,389,810 and Kshs.4,156,200 in respect to food and rations and hospital information stationary respectively all totalling Kshs.13,546,010 further included in this is amount was Kshs.5,662,460 worth of expenses incurred by the hospital in the previous financial years when it was operating as a department in the County Government of Kirinyaga.

In the circumstances, the current year's expenses were overstated by Kshs.5, 662,460.

Management Response

Before the operationalization of the Facility Improvement Fund (FIF), the County relied on a budget provided by the County Executive for general office stationery, amounting

to Kshs 2,000,000, and a food and ration budget of only Kshs 48,000,000 for the entire department. The expenses noted by the auditor relate to outstanding payables incurred prior to the FIF's operationalization. Following the implementation of the FIF Act 2023, the hospital management resolved to settle these outstanding debts to foster positive relationships with suppliers and ensure the smooth delivery of services.

Committee Observations

The Committee observed the overstatement of current-year medical/clinical costs by Kshs. 5,662,460 due to the inclusion of prior-year expenses incurred when the hospital operated as a County Government department. This irregularity contravenes standard accounting principles under the Public Finance Management Act, 2012, and International Public Sector Accounting Standards (IPSAS), which require expenses to be recognized within their respective reporting periods.

Committee recommendations

The committee recommends that-

- i. **The Governor ensures that management restate the financial statements by excluding the Kshs. 5,662,460 prior-year expenses and reclassifying them as payables or prior-period adjustments in Note 15, with board approval within 30 days, and**
- ii. **develops a comprehensive legacy debt register for all pre-FIF obligations, subject to annual County Assembly scrutiny, to prevent off-period settlements without legislative oversight.**

2. Failure to Disclose Assets in The Financial Statements

The statement of financial position and as disclosed in Note 32 to the financial statements reflects Nil balance in respect of property, plant, and equipment. A physical inspection of the Hospital premises in the month of November, 2025 revealed the following anomalies;

2.1 Failure to Value and Disclose Assets in The Financial Statements

The hospital is located on a parcel of land and holds in its custody and use an operating theatre with radiology equipment, motor vehicles, medical equipment, computer accessories, furniture and fittings and hospital beds all of which are in good condition however, the hospital has not initiated the process of valuation to determine the assets values and disclose them in the financial statement.

2.2 Incomplete Assets Register

The asset register provided for audit lacked key information such as asset description, identification numbers, acquisition date and cost, location, custodianship and condition.

2.3 Failure to Tag the Hospital Assets

Physical inspection of the assets revealed that they had not been serialized or tagged for identification and consequently, these assets could not be reconciled with the asset register provided for audit review.

In the circumstances, the accuracy and completeness of the Nil property plant and equipment balance in Note 32 to the financial statements could not be confirmed.

Management Response

The management, through the County Government of Kirinyaga, is in the process of engaging a qualified and registered valuer to undertake comprehensive valuation of all Property, Plant and Equipment.

The updating of the asset register is ongoing and the management is committed to complete the exercise by the end of the financial year 2025/2026. The updated asset register will include all key information as observed by the auditor and as per PSASB guidelines.

The management is also committed to serialize and tag all the hospital assets for ease of identification by the end of the Financial Year 2025/2026.

Committee observations

The committee observed that a Nil PPE balance in Note 32 persists despite verifiable assets like land, operating theatre, radiology equipment, vehicles, and beds observed in November 2025, with no valuation initiated, incomplete registers missing descriptions/costs/locations, and untagged assets preventing reconciliation. This violates IPSAS 17 on PPE recognition and Section 66 of PFM Act on asset registers, exposing the hospital to theft and valuation risks. Management's ongoing valuation advert and FY 2025/26 commitments lack timelines or evidence of progress.

Committee recommendations

The committee recommends that the governor ensures that the management expedites asset valuation by a registered valuer within 60 days, tag all items with