

REPUBLIC OF KENYA



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THE SENATE

*Eg*  
*31/03/2026*

THIRTEENTH PARLIAMENT – FIFTH SESSION

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

SECTOR	NO.	ENTITY
WATER COMPANIES	3	NAKURU WATER AND SANITATION COMPANY LIMITED
		NAKURU RURAL WATER AND SANITATION COMPANY LIMITED
		NAIVASHA WATER AND SANITATION COMPANY LIMITED
MUNICIPALITIES	4	GILGIL MUNICIPALITY
		MOLO MUNICIPALITY
		NAKURU CITY
		NAIVASHA MUNICIPALITY
HOSPITALS	3	NAKURU COUNTY REFERRAL AND TEACHING HOSPITAL
		NAIVASHA SUB-COUNTY LEVEL 4 HOSPITAL
		GILGIL SUB-COUNTY LEVEL 4 HOSPITAL
FUNDS	3	NAKURU COUNTY BURSARY FUND
		NAKURU COUNTY CLIMATE CHANGE FUND
		NAKURU COUNTY EMERGENCY FUND

MARCH 2026

*DC-EG*  
*Forwarded & recommended for approval*  
*31/03/2026*

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## ACRONYMS/ABBREVIATION

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

## DEFINITION OF TERMS

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

## **PREFACE**

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

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

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

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Nakuru County water companies, municipalities, hospitals and funds for the Financial Year 2024/2025. The entities considered include Nakuru Water And Sanitation Company Limited, Nakuru Rural Water And Sanitation Company Limited, Naivasha Water And Sanitation Company Limited, Gilgil Municipality , Molo Municipality, Nakuru City, Naivasha Municipality, Nakuru County Referral And Teaching Hospital, Naivasha Sub-County Level 4 Hospital, Gilgil Sub-County Level 4 Hospital, Nakuru County Bursary Fund, Nakuru County Climate Change Fund and Nakuru County Emergency Fund.

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

## COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators-

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

## COMMITTEE SECRETARIAT

- |                              |                            |
|------------------------------|----------------------------|
| 1. Mr. Yussuf Shimoy         | - Clerk Assistant I        |
| 2. Mr. Erick Njogu           | - Clerk Assistant II       |
| 3. Mr. Godfrey Nyaga         | - Clerk Assistant III      |
| 4. Mr. Khatib Omar           | - Clerk Assistant III      |
| 5. Mr. Kennedy Owuoth        | - Fiscal Analyst           |
| 6. Mr. Jeremy Chabari        | - Legal counsel            |
| 7. Mr. Erick Ososi           | - Research Officer I       |
| 8. Ms. Linet Aseka           | - Research Officer III     |
| 9. Mr. Martin Mulandi        | - Research Officer III     |
| 10. Mr. Peter Katana Kahindi | - Research Officer III     |
| 11. Ms. Janice Lekuton       | - Research Officer III     |
| 12. Ms. Hamun Abdille        | - Research Officer III     |
| 13. Mr. David Munene         | - Research Officer III     |
| 14. Mr. Josphat Ng'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 19<sup>th</sup> October, 2022, pursuant to Standing Order No. 194 of the Senate Standing Orders. The County Public Investments and Special Funds Committee (CPISFC) was split from the broad County Public Accounts and Investments Committee (CPAIC) in the 12<sup>th</sup> Parliament for the purpose of clearing audit backlog and to consider many audit thematic areas which had not been subjected to Parliamentary scrutiny since the inception of devolution in the year 2013.

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

## **EXECUTIVE SUMMARY**

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited Accounts of Nakuru Water And Sanitation Company Limited, Nakuru Rural Water And Sanitation Company Limited, Naivasha Water And Sanitation Company Limited, Gilgil Municipality , Molo Municipality, Nakuru City, Naivasha Municipality, Nakuru County Referral And Teaching Hospital, Naivasha Sub-County Level 4 Hospital, Gilgil Sub-County Level 4 Hospital, Nakuru County Bursary Fund, Nakuru County Climate Change Fund and Nakuru County Emergency Fund for the Financial year 2024/2025 (1<sup>st</sup> July, 2024 to 30<sup>th</sup> June 2025) as the primary documents for the interrogation. The Committee invited the Governor, as the Chief Executive Officer of Nakuru County pursuant to Article 179(4) as witness to respond to the audit queries raised in the reports under consideration on Tuesday, 10<sup>th</sup> January 2026 for the water companies ,municipalities, hospitals and funds.

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

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

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

## **REPORT STRUCTURE**

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

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

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

**CHAPTER THREE** is a record of the audit queries raised in the report of the Auditor-General for Nakuru Hospitals (Nakuru County Referral and Teaching Hospital, Naivasha Sub-County Level 4 Hospital, Gilgil Sub-County Level 4 Hospital) for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

**CHAPTER FOUR** is a record of the audit queries raised in the report of the Auditor-General for Nakuru Funds (Nakuru County Bursary Fund, Nakuru County Climate Change Fund and Nakuru County Emergency Fund) for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

## **GENERAL OBSERVATIONS FOR THE WATER COMPANIES**

The Committee observed that-

1. **Systemic Financial Distress:** All three water companies exhibit significant financial instability, characterized by negative working capital, persistent cash flow constraints, and an over-reliance on unsustainable operational models. This distress is evidenced by the accumulation of long-outstanding trade payables, the inability to service long-term debts (such as the legacy AfDB loan), and the use of restricted funds (e.g., customer deposits) for operational expenses.
2. **Governance and Compliance Failures:** A recurring pattern of non-compliance with statutory and regulatory requirements was observed across the entities. Key failures include irregular board compositions (non-compliance with gender balance and disclosure requirements), prolonged acting appointments beyond the six-month statutory limit, and significant violations of ethnic diversity and disability employment thresholds. These failures point to a systemic weakness in corporate governance and human resource management.
3. **Inadequate Asset and Liability Management:** There is a consistent failure to maintain accurate and up-to-date financial records. This is manifested in the lack of revaluation for fully depreciated assets still in use, the absence of reconciliations for inter-entity balances (notably with CRVWWDA), and the significant variances between customer deposit books and actual bank balances. This distorts the true financial position of the companies and hinders effective planning.
4. **Operational Inefficiencies Impacting Financial Sustainability:** The companies face severe operational challenges that directly undermine their financial viability. The most critical are the unsustainable electricity costs, which constitute a disproportionately high percentage of operating expenditure (up to 51% in NAWASSCO), and high levels of Non-Revenue Water (NRW), which remains above the regulatory threshold of 25%. These inefficiencies, coupled with significant under-collection of revenue and weak debt recovery mechanisms, create a cycle of financial strain.

## GENERAL RECOMMENDATIONS FOR THE WATER COMPANIES

The Committee recommends that-

1. **Institutionalize a Turnaround and Debt Resolution Strategy:** The Governor must initiate a comprehensive turnaround strategy for the three water companies. This strategy should include: Engage with the National Government, the Central Rift Valley Water Works Development Agency (CRVWWDA), and the African Development Bank (AfDB) to restructure the long-standing legacy loan, developing an affordable and structured repayment plan. Require each company to develop and implement a strict cash flow management plan, prioritizing the clearance of long-outstanding payables and statutory deductions. The use of restricted funds (e.g., customer deposits) must cease immediately; and Mandate the development of cost-reflective tariffs, subject to regulatory approval, to ensure revenue adequacy and long-term viability.

2. **Enforce Strict Governance and Compliance:** The County Government must take decisive action to enforce compliance with all governance and legal frameworks: Immediately reconstitute the boards of directors to ensure full compliance with Clause 4.2.2(6) of the Corporate Governance Guidelines for the Water Services Sector, 2018, particularly regarding gender composition. All board member credentials must be fully disclosed in financial statements. Ensure all employees in acting capacities for more than six months are either substantively appointed or removed from those roles, in compliance with Section 34(3) of the Public Service Commission Act, 2017.
3. **Strengthen Financial Management and Accountability:** The County Executive Committee Member for Water and the accounting officers must be held accountable for implementing robust financial controls: All three companies must conduct a comprehensive revaluation of property, plant, and equipment, particularly fully depreciated assets still in use, and reflect these revised values in the FY 2025/2026 financial statements. Pursue the collection of long-outstanding trade receivables, including the amounts owed by the County Government. Where recovery is impossible, a formal, board-approved write-off process must be undertaken. A debtor circularization exercise should be conducted to verify the authenticity of all receivables.
4. **Address Critical Operational Inefficiencies:** The Governor should direct the companies to prioritize operational improvements to reduce costs and enhance revenue: Develop and implement a comprehensive energy diversification strategy, including the rapid scaling up of solar power installations, conducting energy audits, and engaging with Kenya Power to negotiate preferential tariffs for essential water service providers.
5. **Non-Revenue Water (NRW) Reduction:** Accelerate the implementation of the NRW reduction plans. This must include the segregation of physical and commercial losses, the completion of zoning (DMAs/TMAs), and the setting of specific, measurable targets with clear timelines to reduce NRW below the 25% regulatory threshold.

## **GENERAL OBSERVATIONS FOR THE MUNICIPALITIES**

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

1. **Late Submission of Audit Documents**– The Committee noted that the Auditor-General encountered significant challenges due to the late submission of supporting documents during the audit process. This delay hinders the accountability and audit process and contravenes Section 62 of the Public Audit Act, Cap. 412B, which mandates timely provision of documentation.
2. **Lack of Operational Autonomy of Municipality** – The Committee observed that the municipalities lacked operational independence from the County Executive in areas of management, function and finances. This contravened sections 12 on Management independence, 20 on functional independence, 45 and 46 on financial independence of the Urban Areas and Cities Act, 2011 CAP. 275, which collectively guarantee municipalities the autonomy necessary for effective governance.
3. **Deficiencies in Financial Reporting and Standards Compliance** – The Committee observed that there were numerous inaccuracies and errors in the financial statements of the municipality, raising concerns about the capacity of the officers responsible for their preparation. Furthermore, the municipality faces persistent challenges in adapting to the International Public Sector Accounting Standards (IPSAS) framework required for the preparation of their financial statements.
4. **Challenges in Applying Updated Accounting Standards**- The Committee observed that the Public Sector Accounting Standards Board (PSASB) periodically reviews IPSAS to address emerging issues and align with best practices. The Municipality struggled to apply the updated standards, as evidenced by the audit queries.

## **GENERAL RECOMMENDATIONS FOR THE MUNICIPALITIES**

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

1. **Timely Submission of Audit Documents** – The Governor ensures that the Municipal Manager and the head of finance ensure that all supporting documents requested by the Auditor-General are submitted within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B. The Municipal Board shall

institute an internal tracking mechanism to monitor compliance, and any officer found to have caused undue delay shall be subject to disciplinary action.

2. **Municipal Autonomy** – The Governor ensures that the County Executive Committee member responsible for lands, housing, and urban development should, within sixty (60) days of the adoption of this report, take immediate steps to operationalize Sections 12, 20, 45, and 46 of the Urban Areas and Cities Act, 2011, by formally delegating management, functional, and financial powers to the Municipal Boards and Managers. The Municipal Boards shall thereafter provide a compliance report to the County Assembly and the Senate Committee on County Public Investments and Special Funds.
3. **Strengthening Financial Reporting Capacity-** the Governor ensures that the Municipal Manager and the head of finance shall, in consultation with the County Treasury and the Public Sector Accounting Standards Board (PSASB), develop and implement a continuous capacity-building program for all finance officers on the application of International Public Sector Accounting Standards (IPSAS). This program shall commence within sixty (60) days of the adoption of this report and shall be repeated quarterly to ensure updated knowledge of revised standards. Further, the Governor ensures that the Municipal Manager shall ensure that all financial statements prepared from the financial year 2024/25 onwards fully comply with the most current IPSAS framework as issued by the PSASB. Any deviation shall be explicitly explained and justified in the notes to the financial statements.
4. **Financial Recovery and Sustainability:** The Governor ensures that the Accounting Officers of the respective municipalities and the City Board, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery to boost financial health and ensure self-sustainability.

## GENERAL OBSERVATIONS FOR HOSPITALS

The Committee observed that-

1. **Inaccuracies in Financial Statements-** The Committee observed that there were inaccuracies and errors in the preparation and presentation of financial statements across all three hospitals. Further, Accounting Officers faced challenges in submitting supporting documents to auditors on time, contrary to Section 62 of the Public Audit Act, Cap. 412B. This impedes the accountability and audit process. The persistent delays in preparing complete financial statements indicate a lack of requisite competencies and experience within hospital finance departments.
2. **Critical Staffing Deficits and Non-Compliance with Kenya Quality Model for Health Policy Guidelines-** The Committee observed that the hospitals did not fully comply with Universal Healthcare standards, as they were inadequately staffed and not equipped with all the required medical equipment to be fully operational. Staffing levels fall significantly below the standards prescribed in the Kenya Quality Model for Health Policy Guidelines across NCRTH, Naivasha Sub-County Level 4 Hospital and Gilgil Sub-County Level 4 Hospital, thereby compromising the attainment of Universal Health Coverage as envisaged under Article 43(1) of the Constitution.
3. **Long-outstanding Receivables and Payables-** The Committee observed that long-outstanding trade receivables and payables, some dating back to 2020, continue to accumulate across all three hospitals, threatening financial sustainability and exposing the hospitals to penalties, interest charges, and potential litigation.
4. **Non-Compliance with Ethnic Diversity Requirements-** The Committee observed that staff ethnic composition in the hospitals violates Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which requires that no public institution shall have more than one-third of its establishment from the same ethnic community. Additionally, Section 65(1)(e) of the County Government Act, Cap. 265 requires that at least 30% of vacant posts at the entry level be filled by candidates who are not from the dominant ethnic community in the county.
5. **Going Concern Risk-** The Committee observed that Naivasha Sub-County Level 4 Hospital and Gilgil Sub-County Level 4 Hospital face material uncertainties in their going concern status, with current liabilities significantly exceeding current assets. The hospitals are technically insolvent and their continued operations are dependent on support from the County Government and creditors. These material uncertainties were not disclosed in the financial statements as required.
6. **Incomplete Transfer of Assets and Deficient Asset Registers-** The Committee observed that all three hospitals have not fully taken custody of assets from the County Executive and consequently do not maintain updated fixed asset registers as required by Section 149(2)(o) of the Public Finance Management Act, 2012, Cap. 412A. As a result, the hospitals are unable to reflect their correct financial position

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

## **GENERAL RECOMMENDATIONS FOR HOSPITALS**

The Committee recommends that-

1. **Compliance with Kenya Quality Model for Health Policy Guidelines-** The Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospitals' staffing shortages. The Governor further ensures that NCRTH, Naivasha Sub-County Level 4 Hospital and Gilgil Sub-County Level 4 Hospital develop and implement comprehensive plans with appropriate budgetary provisions to acquire the necessary equipment and to prioritize new recruitments to fill gaps in medical personnel, ensuring specialized services can be offered in-house.
2. **Capacity Building on Financial Reporting Standards-** The Governor ensures the management teams of all three hospitals, in consultation with the Public Sector Accounting Standards Board (PSASB), facilitate continuous capacity building on financial reporting standards for finance officers and management to improve the quality of reporting and enhance compliance. The hospital management teams should ensure that accountants possess the requisite competency and experience in financial management as required by the Accountants Act. Furthermore, the Accounting Officers should ensure compliance with the financial reporting template prescribed by the National Treasury.
3. **Receivables and Payables Recovery-** The Governor ensures all three hospitals develop and implement aggressive receivables recovery plans for all long-outstanding debts, including formal engagement with SHA, former NHIF and other third-party payers. Provisions for bad and doubtful debts shall be made in accordance with prudent accounting practices. The Accounting Officers further develop structured creditor settlement plans with clear timelines and priority rankings and submit them to the Auditor-General for verification.
4. **Compliance with Ethnic Diversity Requirements-** The management teams of all three hospitals and the County Government should make deliberate and progressive efforts to comply with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N, and Section 65(1)(e) of the County Governments Act, Cap. 265, regarding diversity, the realization of the one-third rule in public sector recruitment, and ethnic inclusivity. To this end, the County Government should develop and adopt a formal diversity policy aimed at achieving full compliance with the law. Compliance status shall be reviewed in the subsequent audit period.
5. **Financial Recovery Plans for Hospitals Facing Going Concern Risks-** The Governor ensures the Accounting Officers of Naivasha Sub-County Level 4 Hospital and Gilgil Sub-County Level 4 Hospital develop formal financial recovery

plans with clearly defined milestones, timelines and accountability measures, and present the plans to the respective Hospital Boards and County Treasury. All material going concern uncertainties shall be disclosed in the financial statements in accordance with applicable financial reporting standards.

6. **Transfer of Assets and Maintenance of Fixed Asset Registers-** The Governor should ensure that all assets are formally transferred to all three hospitals to enable them to reflect their true financial position in their books of account. The hospital management teams should ensure that hospitals maintain updated fixed asset registers pursuant to Section 136(1) of the Public Finance Management (County Government) Regulations, 2015, in the format prescribed by the National Treasury, and submit the same to the Senate and a copy to the Auditor-General within sixty (60) days of the adoption of this report.

## GENERAL OBSERVATIONS FOR FUNDS

The Committee observed that-

1. **Budgetary Issues-**The Committee observed that there was a consistent trend of under-funding and non-compliance with statutory budgetary requirements. For example, the Emergency Fund received only 0.4% of the County Executive's approved budget against the legal requirement of 0.5%, while the Bursary Fund experienced both under-funding and an under-absorption of receipts by 9%, affecting the delivery of social services.

## GENERAL RECOMMENDATIONS FOR FUNDS

The Committee recommends that-

1. **Strengthening Budgetary Control:** The Governor ensures the Accounting Officer complies with Regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015, by exerting strict budgetary control measures to prevent under-absorption of funds meant for public benefit. The Governor ensures that the funds are adequately funded as required by the law.

**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 SENATE SELECT COMMITTEE ON  
COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE  
CONSIDERATION OF THE AUDIT REPORTS OF THIRTEEN COUNTY  
ENTITIES FOR NAKURU FOR THE FINANCIAL YEAR 2024/2025**

<b>SECTOR</b>	<b>NO.</b>	<b>ENTITY</b>
<b>WATER COMPANIES</b>	<b>3</b>	<b>NAKURU WATER AND SANITATION COMPANY LIMITED</b>
		<b>NAKURU RURAL WATER AND SANITATION COMPANY LIMITED</b>
		<b>NAIVASHA WATER AND SANITATION COMPANY LIMITED</b>
<b>MUNICIPALITIES</b>	<b>4</b>	<b>GILGIL MUNICIPALITY</b>
		<b>MOLO MUNICIPALITY</b>
		<b>NAKURU CITY</b>
		<b>NAIVASHA MUNICIPALITY</b>
<b>HOSPITALS</b>	<b>3</b>	<b>NAKURU COUNTY REFERRAL AND TEACHING HOSPITAL</b>
		<b>NAIVASHA SUB-COUNTY LEVEL 4 HOSPITAL</b>
		<b>GILGIL SUB-COUNTY LEVEL 4 HOSPITAL</b>
<b>FUNDS</b>	<b>3</b>	<b>NAKURU COUNTY BURSARY FUND</b>
		<b>NAKURU COUNTY CLIMATE CHANGE FUND</b>
		<b>NAKURU COUNTY EMERGENCY FUND</b>

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

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

## CHAPTER ONE: WATER COMPANIES

### 1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAKURU WATER AND SANITATION COMPANY (NAWASSCO) FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Nakuru County, Hon. Susan Wakarura Kihika, EGH appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nakuru Water and Sanitation Company financial year 2024/2025. The Governor was accompanied by:

- |                      |                         |
|----------------------|-------------------------|
| 1. Mr. Stephen Njogu | - CECM Finance          |
| 2. Mr. Nelson Maana  | - CECM Water            |
| 3. Mr. Samuel Ndegwa | - Chief Officer Finance |

### REPORT ON THE FINANCIAL STATEMENTS

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

#### 1. Failure to Disclose Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities balance of Kshs.1,422,337,929 which exceeds the current assets balance of Kshs.1,363,752,014 resulting to a negative working capital of Kshs.58,585,915. The Company is therefore technically insolvent and its ability to continue as a going concern is dependent upon support from the County Government and its creditors. However, this material uncertainty has not been disclosed in the financial statements. The statement of directors' responsibilities in the financial statements, states that nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the next twelve (12) months from the date of the statement. In the circumstances, the Company's ability to meet its short-term obligations could not be confirmed.

#### Management Response:

Management disputed the finding, stating that it was not true that the Company had a negative working capital because the current liabilities balance of Kshs.1,422,337,929 included a deferred income balance of Kshs.557,844,810 to recognize capital grants which is a book entry. Management argued that no cash outflow will arise from this balance in the future as these grants from development partners are amortized over years.

#### Committee Observations

The Committee observed that-

- i. The Company operated with a negative working capital of Kshs.58,585,915 during the financial year under review, casting doubt on the company's ability to meet its obligations as and when they fall due.
- ii. Management has acknowledged the failure to disclose this material uncertainty in the financial statements and has committed to making the necessary disclosures going forward.
- iii. The implementation of a new tariff in July 2025 is a positive step, but tangible evidence of improved liquidity has not yet been provided.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that ---**

- i. **The Accounting Officer should prepare and submit quarterly reports to the County Treasury in regard to the financial and non-financial status of the water company in line with section 166 of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **The County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act, 2012 and regularly report to the Governor through the County Executive Committee in line with Article 179 (6) of the Constitution; and**
- iii. **The Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability.**

### **2. Unsupported Agency Lease Fees**

The statement of profit or loss and other comprehensive income reflects general and operations expenses amount of Kshs.664,964,362 which as disclosed in Note 11 to the financial statements includes a balance of Kshs.39,468,544 in respect of CRVWDA lease fees. As previously reported, the lease fees relate to repayment of loan of Kshs.994,706,658 procured from the African Development Bank (AfDB) through the defunct Rift Valley Water Services Board in the year 2005. Management has not provided evidence to indicate that the Company has taken possession and ownership of

the assets financed by the loan. Although the company continues to service it, the outstanding loan balance of Kshs1,103,301,036 is not reported in the financial statements as required by the standards. This is also in breach of Section 628(3) of the Companies Act, 2015 which requires accounting records of the Company to contain day-to-day entries of all amounts of money received and spent. Further, Central Rift Valley Water Works Development Agency (CRVWWDA) reflects a receivable amount of Kshs54,289,608, in its financial statements, in respect of loan repayment from Nakuru Water and Sanitation Services Company Limited resulting in a variance of Kshs1,049,011,428 between the two sets of financial statements. In the circumstances, the accuracy and completeness of the CRVWWDA lease fees amount of Kshs.39,468,544 could not be confirmed.

### **Management Response**

Management explained that according to the Water Act 2002, the development of water and sanitation infrastructure was the mandate of Water Service Boards who, under a Service Provision Agreement (SPA), appointed agents to operate and maintain the assets while ownership remained with the Service Boards. The Company was one of the appointed agents of the Rift Valley Water Services Board (RVWSB). Following restructuring under the Water Act 2016, the Company took possession of the assets. Management indicated that documentation to support the transition and the loan liability was being compiled.

### **Committee Recommendation**

**The Committee recommends that---**

- i. Management properly discloses all liabilities of the Company and provides complete supporting documentation in relation to the outstanding loan balance owed to the African Development Bank (AfDB) through CRVWWDA within sixty (60) days of adoption of this report;**
- ii. The Governor directs an urgent engagement with CRVWWDA, the national government and AfDB to reconcile the variance and develop a structured debt resolution and repayment plan; and**
- iii. The Accounting Officer ensures that all inter-entity transactions are reconciled and disclosed in the financial statements in compliance with applicable IPSAS standards.**

### **3. Lack of Valuation of Fully Depreciated Assets**

The statement of financial position reflects property, plant and equipment (PPE) balance of Kshs.661,701,348 as disclosed in Note 16 to the financial statements. However, review of records revealed that several categories of assets with a total historical cost of Kshs.175,047,113 were fully depreciated as at 30 June, 2025. Further, it was observed that the assets are still in use and as such the Company continues to derive economic benefits from them and incurring costs such as fuel, repairs and maintenance. Management has not given a satisfactory reason as to why these assets have not been revalued to reflect their fair values in the financial statements. In the circumstances, the accuracy, completeness and existence of the property, plant, and equipment balance of Kshs661,701,348 as at 30 June, 2025 could not be confirmed.

#### **Management Response:**

Management acknowledged the observation by the Auditor-General that some of the Company's assets were fully depreciated and required revaluation. Management committed to seek approval of a supplementary budget from the Board of Directors and then engage a professional valuer to revalue all existing assets of the Company before the end of June 2026.

#### **Committee Observations**

The Committee observed that-

- i. The failure to revalue fully depreciated assets that are still in use distorts the Company's financial position and does not present a true and fair view of the asset base.
- ii. Management has acknowledged the issue and committed to undertaking a comprehensive revaluation exercise by June 2026.

#### **Committee Recommendations**

The Committee recommends that Governor ensures that---

- i. **The Accounting Officer undertakes a comprehensive revaluation of all fully depreciated assets and discloses the revised values in the financial statements for the year 2025/2026, in compliance with Regulation 22(1)(c) of the Public Finance Management (County Governments) Regulations, 2015;**
- ii. **The Company engages a professional valuer within ninety (90) days of adoption of this report; and**
- iii. **The Board of Directors approves the necessary supplementary budget to facilitate the revaluation exercise without delay.**

#### 4. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.904,320,543. Review of records revealed the following anomalies:

- a) Included in the balance is an amount of Kshs.408,948,464 owed by 13,425 customers whose water accounts have been terminated or remained dormant for a period exceeding one year. The management has not demonstrated the measures taken including legal action to enforce collection of the debts.
- b) Further, the balance includes an amount of Kshs.241,883,014 owed by the County Government of Nakuru on account of sale of water and sewerage services. Out of this balance, an amount of Kshs.215,703,436 was accrued by the defunct Municipal Council of Nakuru which was transferred to County Government of Nakuru and remained outstanding since its takeover in the year 2013.
- c) In addition, the balance includes an amount of Kshs.17,477,375 loaned to NAWASSCOAL Company Limited, a wholly owned subsidiary of the Company, unsupported by loan agreement or repayment plan.
- d) The balance also included VAT recoverable from Kenya Revenue Authority of Kshs.15,093,230 which has been outstanding for more than a year and was not supported with a repayment plan.
- e) Note 20 to the financial statements indicates that the ageing analysis reflects that Kshs.736,437,999 or 97% of the trade receivables were due for more than sixty (60) days.

In the circumstances, the accuracy, completeness and the recoverability of the trade and other receivables balance of Kshs.904,320,543 could not be confirmed.

#### Management Response:

The list of 13,425 customers who owed Kshs.408,948,464 relates to duplicate and untraced accounts inherited from the defunct Municipal Council of Nakuru (MCN) in the year 2004. The company is wooing back defaulters and entering into flexible repayment plans. The company has in place a legal unit to enforce collection.

The amount of Kshs.241,883,014 owed by County Government includes Kshs.215,703,436 that was accrued by the defunct MCN and captured as payable by the County Government during the transition period. The company management is in consultation with the county government for payment.

The amount of Kshs17,477,375 loaned to NAWASSCOAL was disbursed in 3 tranches as per loan agreements. NAWASSCOAL has not been able to start repayment due to financial challenges but is implementing turnaround strategies.

The VAT refund claims of Kshs15,093,230 are for January and March to June 2015. The company is following up with KRA for the refunds.

The company has put in place measures including recovery from customer account deposits, data cleaning, mapping of all customer connections using GIS, a legal unit, and billing on actual consumption.

### **Committee Observations**

The Committee observed that-

- i. The Company has accumulated trade and other receivables amounting to Kshs.904,320,543, with Kshs.408,948,464 from dormant accounts inherited from the defunct MCN in 2004 remaining unresolved for over two decades.
- ii. The County Government of Nakuru owes the Company Kshs.215,703,436, which has remained outstanding since 2013, yet no concrete repayment plan has been established.
- iii. The loan to NAWASSCOAL of Kshs.17,477,375 lacks a structured repayment plan, and the VAT refund of Kshs.15,093,230 from KRA remains uncollected.
- iv. While management has outlined several recovery measures, evidence of their implementation and effectiveness has not been provided.

### **Committee Recommendations**

**The Committee recommends that---**

- i. The Governor through the Accounting Officer should ensure that NAWASSCO undertakes debtor's circularization to confirm the authenticity of the receivables and provide a status update on the same to the Senate within sixty (60) days of the adoption of this report;**
- ii. The Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' ageing schedule to the Auditor-General for review and verification and update the Committee in the subsequent audit cycle;**
- iii. The Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the**

**outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update to the Committee on the matter in the subsequent audit cycle; and**

- iv. **The Governor ensures the Accounting Officer undertakes a detailed analysis of its long outstanding trade receivables and, with the Board's approval, writes off the irrecoverable debts in line with Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.**

## **5. Unsupported General Reserve Balance**

The statement of financial position reflects general reserve balance of Kshs.262,893,992 as disclosed in Note 24 (a) to the financial statements. The balance comprises of operational assets and liabilities amounting to Kshs.443,091,806 and Kshs. (180,197,815) which were inherited from the defunct Nakuru Municipal Council. However, as reported in the previous year, the balance was not supported by a detailed ledger of customer accounts and the deed of transfer. In the circumstances, the accuracy and completeness of the general reserves balance of Kshs.262,893,992 could not be confirmed.

### **Management Response:**

The company has since provided the assets and liabilities deed of transfer agreement signed between the company and the defunct Municipal of Nakuru (MCN) during the company inception in the year 2004.

The company has also provided the required detailed list of customer account balances inherited from the defunct Municipal Council of Nakuru in the year 2004.

### **Committee Observations**

The Committee observed that-

- i. Management has now provided the deed of transfer agreement and the detailed list of customer account balances inherited from the defunct MCN.
- ii. The Auditor-General considered the response satisfactory upon provision of the supporting documentation.

### **Committee Recommendations**

**Noting the mitigation measures taken, the Committee recommends that the query be marked as resolved, but the Accounting Officer should ensure that the general reserve balance is regularly reviewed and reconciled to ensure its continued accuracy in the financial statements.**

### **Emphasis of Matter**

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

The statement of comparison of budget and actual amounts reflects final budget revenue and actual on comparable basis amounts of Kshs.1,415,275,869 and Kshs.1,200,771,153 respectively resulting to an underfunding of Kshs.214,504,716 or 15% of the budget. The under collection of revenue affected the Company's planned activities and may have impacted negatively on service delivery to the residents of Nakuru County.

#### **Management Response:**

The underfunding was due less revenue billing as a result of less volumes of water that was produced compared to the budgeted volumes. The less production of water was due to breakdown of borehole pumps and power failure.

During the year under review, the company had planned to produce 15,624,000 M3 of water per year but it produced 12,458,421 M3 which led to less revenue compared to the budget.

The company produces over 90% its water from boreholes and depends on Kenya Power which experiences a lot of power interruptions thus affecting our water production.

#### **Committee Observations**

The Committee observed that-

- i. The Company recorded an underfunding of Kshs.214,504,716 or 15% of the budget, attributed to reduced water production due to borehole pump breakdowns and power interruptions.
- ii. The over-reliance on borehole water (90%) and Kenya Power expose the Company to systemic operational risks and inadequate contingency planning.

#### **Committee Recommendations**

**The Committee recommends that---**

- i. The Governor ensures that the Accounting Officer ensures strict compliance with section 149(2) (h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standards Board under IPSAS 24 on the presentation of budget information in the financial statements;**
- ii. The Governor ensures that the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- iii. The Company develops a comprehensive infrastructure maintenance and contingency plan to minimize production disruptions and pursues diversification of water sources and energy supply.**

**Other Matter**

**1. Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2025.

**Management Response:**

The prior year audit matters have been reported in the year under review and resolution of the same are on-going and shall be resolved before of 2025/26 financial year.

**Committee Observations**

The Committee observed that the water company had unresolved prior year matters demonstrating the management's lack of action to implement corrective measures in a timely manner.

**Committee Recommendations**

**The Committee recommends that---**

- i. The Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of**

**the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**

- ii. **The Governor ensures the accounting officer submits a detailed status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

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

### 1. Presentation and Disclosure of the Financial Statements

Review of the Company's financial statements revealed that the age of two (2) non-executive directors has not been indicated in the Board of Directors section. Further, key academic/professional qualification of one (1) non-executive director was not indicated. In the circumstances, Management did not comply with the recommended reporting template by the Public Sector Accounting Standards Board (PSASB).

#### **Management Response:**

Chair, we agree with Auditor-General observation. The County Government will provide the personal files of the directors so as to record the age of the two directors and the key academic/professional qualification of one director. The information shall be reported in the financial statements for the year 2025/2026.

#### **Committee Observations**

The Committee observed that accurate and complete disclosure of board members' credentials is a fundamental corporate governance requirement, and management has committed to providing the required information in the subsequent financial year.

#### **Committee Recommendations**

The Committee recommends that the Governor e---

- i. Management ensures that the financial statements are amended accordingly to reflect the correct ages and qualifications of all board members in compliance with Paragraph 27 of International Public Sector Accounting Standard No. 1; and

- ii. The County Government urgently provides the required personal files of the directors to facilitate complete disclosure.

## **2. Irregular Board Composition**

The statement of profit or loss and other comprehensive income reflects board expenses amounting to Kshs.20,026,258 as disclosed in Note 12 to the financial statements. Review of records revealed that the Company operated with seven (7) Non-Executive Board members and one (1) Executive Board member during the year under review. Further, the eight (8) Board members include two (2) women which is contrary to clause 4.2.2 (6) of the Corporate Governance Guideline for the Water Services Sector, 2018 concerning the composition of the board which states that where possible at least three of these members shall be women, provided that the eligibility criteria are not compromised.

### **Management Response:**

we agree with the Auditor-General observation. During the advertisements of the directors positions we have always encouraged women to apply

We shall ensure that the guidelines are followed fully during the next recruitment exercise of the directors or ret.

### **Committee Observations**

The Committee observed that the failure to meet the gender composition requirement of the board is a governance violation that must be urgently remedied. An irregular board composition calls into question the validity of decisions made during the year under review.

### **Committee Recommendations**

**The Committee recommends that the Governor ensures that---**

- i. **Management and the appointing authority ensure compliance with Clause 4.2.2(6) of the Corporate Governance Guidelines for the Water Services Sector 2018 during the next board reconstitution exercise; and**
- ii. **any outstanding board vacancies are filled in a manner that achieves the required gender balance without delay.**

## **3. Staff in Acting Capacity Beyond the Stipulated Period**

Review of payroll and personnel records revealed that seventeen (17) officers were paid acting allowances totaling Kshs.746,333 during the financial year 2024/2025. However, an amount of Kshs.114,881 was irregularly paid to two (2) officers who had acted in various positions for periods exceeding six (6) months. This is contrary to Section 34(3) of the Public Service Commission Act, 2017 which stipulates that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding six months. Review of the two (2) employees' personal files revealed that there was no evidence of recruitment processes or formal confirmations to fill the acting positions.

#### **Management Response:**

The company acknowledges the observation by the Auditor-General regarding staff serving in acting capacity beyond the stipulated six-month period, contrary to Section 34(3) of the Public Service Commission Act, 2017. To address this, the Company has already advertised the vacant positions in line with its recruitment procedures, thereby initiating the process of regularizing appointments and ensuring compliance with the law. The recruitment exercise is scheduled to be concluded within the financial year 2025/2026, after which the positions will be substantively filled.

#### **Committee Observations**

The Committee observed that prolonged acting appointments circumvent proper recruitment procedures and undermine the integrity of the public service. While management has initiated recruitment, the irregular acting payments have already been made.

#### **Committee Recommendations**

**The Committee recommends that the Governor ensures that ---**

- i. Management regularizes or discontinues acting appointments that exceed six (6) months in compliance with Section 34(3) of the Public Service Commission Act, 2017; and**
- ii. The Company accelerates the filling of all vacant substantive positions to prevent future violations.**

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

Review of the payroll and human resources records revealed that the Company has one hundred and fifty-three (153) employees out of which fifty-two (52) or 34% of the staff are from one ethnic community. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 which stipulate that all public establishments shall

seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

#### **Management Response:**

The company acknowledges the observation by Auditor-General and notes that the majority of employees currently in the establishment were inherited from the defunct Municipal Council of Nakuru in 2004. This historical onboarding created an imbalance in ethnic representation. However, in line with Section 65(1)(e) of the County Government Act, 2012, the company will ensure that recruitment within the county public service reflect the diversity of the county and afford equal opportunities to all. The Company will also ensure that future recruitments comply with both the National Cohesion and Integration Act, 2008 and the County Government Act, 2012. To demonstrate its commitment towards addressing this issue, the Company has updated its Human Resource Manual to incorporate diversity requirements. However, during the year under review the company did not conduct any recruitment.

#### **Committee Observations**

The Committee observed that with 34% of staff from one ethnic community, the Company exceeds the one-third statutory threshold. While management acknowledges the historical context, deliberate affirmative recruitment measures are required to correct this imbalance.

#### **Committee Recommendations**

**The Committee recommends that the Governor ensures that---**

- 1. The Board and the accounting officer make deliberate efforts to progressively comply with section 65 of the County Governments Act, 2012, which provides that at least thirty percent 30% of the vacant posts at entry level be filled by candidates who are not from the dominant ethnic community; and**
- 2. The Board and the accounting officer make deliberate efforts progressively in the endeavor to comply with Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.**

#### **5. Non-Compliance with Law on Recruitment of Staff Living with Disabilities**

Review of the human resources records revealed that the Company had one hundred and fifty-three (153) employees out of which four (4) or 3% were persons living with disabilities. This is contrary to Article 54 (2) of the Constitution of Kenya which provides that the State shall ensure the progressive implementation of the principle that at least five percent of the members of the public in elective and appointive bodies are persons with disabilities.

#### **Management Response:**

The Company's Human Resource Manual, specifically Clause 2.0 on Recruitment and Selection, provides clear guidelines on how recruitment is to be conducted. In line with this policy, all vacancies are advertised in at least one daily newspaper with nationwide circulation, and the same adverts are posted on the Company's official website, LinkedIn, and other digital platforms to ensure wide accessibility. The contents of each advert are designed to promote fairness and inclusivity. They specify the job title, qualifications, and experience required, highlight the Company's commitment to equal opportunity employment, and explicitly encourage women and persons living with disabilities to apply.

Currently, the Company has four employees living with disabilities. During the year under review, no recruitment was undertaken; however, the company remains committed to progressively implementing measures to ensure full compliance.

#### **Committee Observations**

The Committee observed that at 3%, the Company falls significantly short of the 5% constitutional threshold for persons with disabilities. Wide advertisement of vacancies does not by itself guarantee compliance; deliberate and proactive efforts are required.

#### **Committee Recommendations**

The Committee recommends that the Governor ensures that the hospital management to conduct staff recruitments in a manner that promotes fairness for persons living with disabilities. This should include targeted outreach and reasonable accommodations to meet the 5% employment threshold mandated by Article 54(2) of the Constitution of Kenya.

### **6. Unsustainable Cost of Electricity**

The statement of profit and loss and other comprehensive income for the year reflects general and operating expenses of Kshs.664,964,362 which as disclosed in Note 11 to the financial statements includes an amount of Kshs.340,168,036 in respect to payment

**ACKNOWLEDGEMENTS**

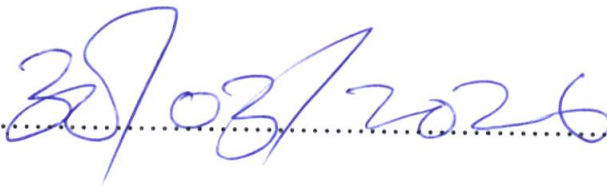
The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate in the execution of its mandate. I also take this opportunity to thank the Members of the Committee for their due diligence and commitment in considering the audit reports. The Committee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

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

SIGNED:.....  
..



DATE:.....  
..



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

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	

of electricity. Review of the supporting ledger revealed that the electricity bills relate to pumping costs from the boreholes which may not be the most efficient method, as this translates to 51% percent of the total expenditure amount of Kshs.664,964,362. The high electricity costs are as a result of failing to adopt more efficient models that cost less such as installation of solar panels. Management explained that the use of solar was being implemented on a pilot basis but it has not translated to savings in the costs of electricity for the year under review. In the circumstances, the Company may be incurring significant expenditure on electricity which affects service delivery to the public due to reduced spending on capital projects.

#### **Management Response:**

This is due to its heavy reliance on groundwater abstraction. Over 95% of the water supplied is sourced from boreholes, many of which exceed depths of 300 metres, resulting in significant energy consumption for pumping operations.

To mitigate these costs, the Company has piloted the use of solar energy as an alternative power source. However, the effectiveness of solar power is constrained by its dependence on daylight and favorable weather conditions. Additionally, most borehole sites have limited land availability, which restricts the installation of more solar panel.

The Company recognizes that a long-term and sustainable solution to high energy costs would be the development of large-scale surface water sources. In this regard, investment by the National and County.

#### **Committee observations**

The Committee observed that electricity costs of Kshs.340,168,036 (51% of total operating expenses of Kshs.664,964,362) were unsustainable and largely driven by heavy reliance on deep-borehole groundwater (over 95% of supply), with limited impact from the then-ongoing pilot solar-energy programme.

#### **Committee recommendations**

**The committee recommends that-**

- i. The Governor should ensure the Company formulates and implements a comprehensive, time-bound strategy for expanding solar-powered pumping and hybrid energy systems across all feasible borehole sites, including land-acquisition or sharing arrangements and projected cost savings.**
- ii. The Governor should champion and expedite joint investment with the National Government in major surface-water infrastructure (dams, reservoirs, and bulk-water transfer schemes) to progressively reduce**

**dependence on deep-borehole groundwater, thereby lowering long-term pumping energy requirements.**

- iii. The Governor should require the Company to set annual, measurable targets for reducing electricity costs per cubic metre of water supplied, with mandatory quarterly reporting to the County Executive Committee and the County Assembly, and performance consequences for failure to meet those targets.**

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

The Governor of Nakuru County, Hon. Susan Wakarura Kihika, EGH appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Nakuru rural Water and Sanitation Company (NARUWASCO financial year 2024/2025). The Governor was accompanied by:

- |                      |                         |
|----------------------|-------------------------|
| 1. Mr. Stephen Njogu | - CECM Finance          |
| 2. Mr. Nelson Maana  | - CECM Water            |
| 3. Mr. Samuel Ndegwa | - Chief Officer Finance |

### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **qualified opinion** on the Financial Statements of the Nakuru rural Water and Sanitation Company (NARUWASCO for the period under review on the following basis.

#### 1. Bank and cash balances

##### *1.1 Inaccuracies in cash and bank balances*

The statement of financial position reflects cash balances of Kshs.44,592,748 and as disclosed in Note 33 to the financial statements. However, this amount differs with the negative cashbook balance of Ksh 13,410,718 resulting to unexplained and unreconciled variance of Ksh.58,003,466.

#### Management Response:

Hon. Chair, we agree with the Auditor that the cash book balance was Kshs. 44,592,748. The relevant cash books provided during audit to support the amount have been provided for verification.

#### Committee Observations:

The committee observed that the persistent variance in cash and bank balances indicates weak internal controls over cash management, contrary to standard accounting practices and PFM Act requirements. Annexes provided need independent verification to confirm reconciliation.

#### Committee Recommendations:

**Management must conduct a full reconciliation within 30 days, implement daily cash book updates, and report progress quarterly to the Committee. Appoint a dedicated cash control officer.**

### ***1.2 Overdrawn Account and Netting Off Bank Balance***

Further, included in the bank balance is one bank account with an overdraft balance of Ksh 10,252,263 which has been netted off in the bank and cash balance of Ksh 44,592,748. This is contrary to section 28 45 of the Public Finance Management Act 2012. In the circumstances, the accuracy, completeness and existence of bank balance Ksh 44,592,748 as at 30th June 2025 could not be confirmed.

#### **Management Response:**

Management has put measures to improve cashflows by achieving revenue targets and controlling expenditure. Among them are; Meter calibration, opening up new areas /sources, desilting Turasha dam, 100% metering, routine inspection and sealing of the meters, replacing faulty and fully depreciated meters, reducing NRW among others.

We also have proposals for solar installations in our boreholes to reduce electricity costs.

#### **Committee Observations:**

##### **The Committee observed that-**

Netting off overdrafts misrepresents financial position and breaches PFM Act. Recent cashbook shows progress but historical issues remain unresolved.

#### **Committee Recommendations:**

##### **The committee recommends that the Governor ensures that-**

**Management should Cease netting practices immediately, close overdrawn accounts, and secure approval for any future borrowing. Provide audited Q3 and Q4 2025/26 cashbooks.**

## **2. Undisclosed value of land**

The statement of financial position reflects property, plant and equipment balance of Kshs.598,827,836 and as disclosed in Note 27a to financial statements. However, the property, plant and equipment balance excludes value of land on which the Company offices are located. In addition, Nakuru Rural Water and Sanitation has not initiated a transfer of land from Rift Valley Water Works and Development Agency, thus they

dont have any document such as allotment letters, share certificate or title deed to show that the land belongs to Nakuru Rural Water and Sanitation company Ltd.

In the circumstances, the accuracy, completeness, ownership and the valuation of the property, plant and equipment balance of Ksh598,827,836 could not be confirmed.

**Management Response:**

- Hon. Chair, we acknowledge that the Company has not yet recognized the land in its asset register. Transfer of assets is yet to be done after the effecting of the water act 2016.
- Central Rift Water Development Agency was tasked to develop the framework to guide transfer plan as per the attached letter.  
(Annex 2.1)
- Management, through a board resolution made in quarter II 2025/2026 undertakes to fast-track the process.

**Committee Observations:**

Lack of land title documents exposes the company to ownership risks nearly 10 years post-Water Act 2016. Delays in transfer undermine asset valuation.

**Committee Recommendations:**

**Fast-track land transfer with CRWWDA within 60 days, obtain title deeds, and include land valuation in next financial statements. Report status monthly. Lack of Asset Revaluation on Fully Depreciated Assets**

**3.Lack of asset revaluation on fully depreciated assets**

The statement of financial position reflects property, plant and equipment amounting to Kshs.598,827,836 which includes fully depreciated assets balance of Kshs.37,654,651 and as disclosed in Note 27a to financial statements. However, review of the asset records revealed that the assets are still in use by the Company but have not been revalued to determine their expected future benefits and obligations associated to them.

In the circumstances, the accuracy, completeness, ownership and the valuation of the property, plant and equipment balance of Ksh598,827,836 could not be confirmed.

**Management Response:**

Management has initiated the process for revaluation of fully depreciated assets and shall be disclosed in the subsequent financial statements.

**Committee Observations:** Continued use of fully depreciated assets without revaluation distorts financial statements and violates IFRS requirements.

**Committee Recommendations:** Complete revaluation by independent valuer by June 2026, disclose in interim reports, and establish annual asset review policy.

#### **4. Long Outstanding Trade Receivables**

The statement of financial position reflects trade and other receivables balance of kshs.221,575,649 as disclosed in note 30 to the financial statements. Review of age analysis in respect to trade receivables revealed that a balance of Ksh 167,590,260 or 67% was outstanding for over one hundred and twenty (120) days. In addition, as previously reported, the balance includes balance of kshs.4,605,749 in respect of Kenya revenue authority (KRA) vat refund that had been outstanding since 2018. Management did not provide evidence of follow up with KRA casting doubt on the ability of the company to recover all the outstanding debts.

This is contrary to regulation 83(2) f of the Public Finance Management act (County Government Regulations 2015) which states that county government entities ought to pursue debtors with appropriate sensitivity and rigor to ensure that amounts are collected and banked promptly.

In the circumstances, the accuracy, completeness, propriety and full recoverability of the outstanding receivables balance of kshs 221,575,649 could not be confirmed

#### **Management Response:**

The company has historical uncollectable debts which were handed over by the Ministry of water and some from the community-based organizations estimated at Kshs 60,046,855. Further, most of these debts are untraceable and therefore arising the need for write-off. Huge amount of this is collectable and we have employed the following strategies to collect; smart metering which has been piloted in Gilgil. The system is configured to assign 80% of token paid to the current consumption and 20% to arrears.

We are entering into part payment agreements with our customers and also issuing demand notices to long outstanding debtors.

VAT refundable from KRA could not be claimed because the company owed KRA a historical PAYE debt. The company has cleared the debt and has initiated the process for the tax refund and the amount shall be refunded in the subsequent financial year.

## **Committee Observations**

The Committee observed that the Company has an amount of Kshs. 167,590,260 or 67% of trade receivables outstanding for over 120 days. The VAT refund from KRA remains uncollected since 2018, and management did not provide evidence of follow-up. The Committee acknowledges the strategies employed to recover debts but notes the lack of evidence for implementation and effectiveness.

## **Committee Recommendations**

The Committee recommends that-

- i. The Governor through the Accounting Officer should ensure that NARUWASCO undertakes debtor's circularization to confirm the authenticity of the receivables and provide a status update on the same to the Senate within sixty (60) days of the adoption of this report;**
- ii. The Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' ageing schedule to the Auditor-General for review and verification and update the Committee in the subsequent audit cycle;**
- iii. The Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update to the Committee on the matter in the subsequent audit cycle; and**
- iv. The Governor ensures the Accounting Officer undertakes a detailed analysis of its long outstanding trade receivables and, with the Board's approval, writes off the irrecoverable debts in line with Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.**

## **5 Long Outstanding Trade Payables**

The statement of financial position reflects trade and other payables balance of Ksh 472,793,327 as disclosed in note 36 to the financial statements. The balance includes an amount of Ksh 53,774,039 of trade payables which remained outstanding for over sixty 60 days. There was no explanation for failure to settle the trade payables. In the circumstances, the accuracy and completeness of the outstanding trade payables balance of kshs 53,774,039 could not be confirmed

## **Management response**

This was occasioned by cash flow challenges due to high cost of production e.g. Electricity and chemical costs.

Other operational costs e.g. Housing Levy, SHIF, NSSF which were not factored in the tariff.

We have payment plans to clear the payables, by the close of quarter II (2025/2026), the trade payables had reduced to Kshs 46,432,169

### **Committee Observations**

The Committee observed that the Company has accumulated significant long outstanding trade and other payables amounting to Kshs. 472,793,327, with Kshs. 53,774,039 outstanding for over 60 days. The company has developed payment plans to clear the payables.

### **Committee Recommendations**

**The Committee recommends that-**

- i. 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;**
- ii. 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; and**
- iii. 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.**

### **6. Unsupported Long outstanding long outstanding Central Rift Valley Water Works Development Agency levy**

Included in the trade and other payables balance of Kshs.472,793,327 is an amount of Kshs.214,025,320 in respect to trade and other payables owed to Central Rift Valley Water Works Development Agency CRWDA as disclosed in note 36 of the financial statements. However, as previously reported, no payments have been made for a number of years and remained unchanged from the previous year's balance. Further, the amount

of Kshs.214,025,320 has not been disclosed in the Agency's books as receivable from the Company. There was a communication with from the County Government to stop the agency fee since water is a devolved function. In the circumstances, the accuracy and validity of the payable to CRWDA balance amounting to Kshs.214,025,320 could not be confirmed.

#### **Management Response:**

The debt owed to CRVWDA arose due to effecting of the Water Act 2002 where 30% of revenue was accruing to the institution.

There was a communication with from the County Government to stop the agency fee since water is a devolved function.

#### **(Annex 6.1)**

Going forward, Management shall negotiate with CRVWDA on writing off the debt since it has been outstanding since 2018.

#### **Committee Observations**

- i. The Committee observed that the Kshs. 214,025,320 owed to CRVWDA has remained unchanged for a number of years, with no reciprocal recognition in the Agency's books.
- ii. The Company has received a communication from the County Government to stop the agency fee since water is a devolved function. Management is negotiating with CRVWDA for a potential write-off.

#### **Committee Recommendations**

- i. **The Committee recommends that the Governor ensures that the Accounting Officer, within 60 days of the adoption of this report, initiates formal negotiations with CRVWDA and other relevant stakeholders to settle or write off the debt and file a report on the same with the Auditor-General for verification.**
- ii. **The Auditor-General to provide a status update on the matter in the subsequent audit cycle.**

#### **7.Undisclosed Value of Land**

The balance excludes value of land on which the Company offices are located. In addition, ownership documents in respect to the land was not provided for audit verification.

#### **Management responses**

Hon. Chair, Central Rift Water Development Agency was tasked to develop the framework to guide transfer plan as per the attached letter.

Management, through a board resolution made in quarter II 2025/2026 undertakes to fast-track the process

## **7. African development Bank (AFDB) loan balances**

### **7.1 Unsupported loan from African Development Bank (AFDB) Loan as part of trade payable**

The statement of profit or loss and other comprehensive income reflects African Development Bank AfDB loan repayment amounting to Kshs.7,085,934 in respect to loan disbursed to Rift Valley Water Services Board for development of various infrastructure as disclosed in Note 24 to the financial statements. However, no supporting documents was provided for audit review to confirm the involvement of company in acquisition and repayment of the loan. In addition, no infrastructure project undertaken by the Board has been handed over to the Water Company. In the circumstances, the accuracy, completeness and validity of the AFDB Loan repayment amounting to Kshs.7,085,934 at June 2025 could not be confirmed.

#### **Management Response:**

The total loan apportioned to the company was Ksh 178,529,739 by Central Rift Water Development Agency. The loan was secured by the CRWWDA, the increment for Ksh 7,085,934 is as a result of an annual provision for the loan repayment as per the attached apportionment schedule. Central Rift Water Development Agency was tasked to develop the framework to guide transfer plan. Despite the provision, the infrastructure developed under AFDB loan is yet to be transferred to the company.

#### **Committee Observations**

The Committee observed that the Company is repaying an apportioned AFDB loan without supporting documentation for its involvement in acquisition or handover of the corresponding infrastructure. The assets financed by the loan have not been transferred to the Company.

#### **Committee Recommendations**

**The Committee recommends that the Governor, through the CECM responsible for matters of water, should engage with the CRVWDA and the IGRTC to ensure the transfer of the assets financed by the AfDB loan is fast-tracked and that the accounting officer ensures that the loan liability and corresponding assets are properly recognized in the financial statements upon transfer.**

## **7.2 Unsupported Repayment AFDB Loan**

The statement of profit or loss and other comprehensive income reflects African Development Bank (AfDB) loan repayment amounting to Kshs.7,085,934 in respect to loan disbursed to Rift Valley Water Services Board for development of various infrastructure as disclosed in Note 24 to the financial statements. However, no supporting documents was provided for audit review to confirm the involvement of company in acquisition and repayment of the loan.

In addition, no infrastructure project undertaken by the Board has been handed over to the Water Company. In the circumstances, the accuracy, completeness and validity of the AFDB Loan repayment amounting to Kshs.7,085,934 at June 2025 could not be confirmed.

### **Management responses**

The loan was acquired by Central Rift Water Development Agency and therefore the company do not have the acquisition documents. The loan was apportioned by the water board. The infrastructure developed under AFDB loan is yet to be transferred to the company.

#### **1. Failure to Revalue Fully Depreciated Assets**

The balance includes fully depreciated assets with acquisition cost of Kshs.32,561,405 which are still in use by the Company but have not been revalued.

In the circumstances, the accuracy, completeness ownership and valuation of the property, plant and equipment balance of Kshs.485,106,248 could not be confirmed.

### **Management responses**

Hon Chair, revaluation process is ongoing

### **Committee Observations**

Continued use of fully depreciated assets without revaluation distorts financial statements and violates IFRS requirements.

### **Committee Recommendations**

**Complete revaluation by independent valuer by June 2026, disclose in interim reports, and establish annual asset review policy.**

#### **1. Material Uncertainty Related to Going Concern**

The statement of financial position reflects current assets totaling Kshs.333,151,608 against current liabilities totaling Kshs.479,122,096 resulting to negative working capital of Kshs.145,970,488. The negative liquidity position was an indication of the

existence of a material uncertainty on the Company's ability to continue as a going concern. Further, the statement of profit or loss and other comprehensive income reflects a loss of Kshs.38,418,876 for the year under review while in the previous year the Company made a loss of Kshs.41,950,880.

The financial statements, however, were prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Nakuru and its creditors. Management did not disclose the material uncertainty related to going concern or measures taken to mitigate this.

In the circumstances, the sustainability of the Company could not be confirmed.

### **Management response**

Hon. Chair, management has put in place measures to ensure the company is financially sustainable and able to continue providing water services to residents of Nakuru county, among them are:

Development and implementation of programs aimed at reducing NRW levels and increase billing revenue which shall enable the company to cover costs; creation of smart DMAs, pressure zoning, meter servicing and replacements, acquisition of NRW equipment e.t.c

The company is also looking forward to cover the emerging costs e.g housing levy, NSSF, SHIF, WRA, increased KPLC bills by incorporating the changes in the next tariff cycle.

Expansion of our service provision to new areas e.g Mogotio, Rongai from Chemususu water project.

### **Committee Observations**

The Committee observed that the water company operated with a negative working capital of Kshs.145,970,488 during the financial year under review, casting doubt on the company's ability to meet its obligations as and when they fall due. The company's ability to continue as a going concern is dependent on financial support from the County Government.

### **Committee Recommendations**

**The Committee recommends that the Governor ensures that the Accounting Officer should prepare and submit quarterly reports to the County Treasury in regard to the financial and non-financial status of the water company in line with section 166 of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

## **2. Non-Remittance Salaries Statutory Deductions and Other Deductions**

The statement of financial position and as disclosed in Note 36 to the financial statements reflected trade and other payable balances of 419,872,873. Included in the balance are amounts of Kshs.52,839,783 and Kshs.34,376,494 in respect to salaries statutory and other deductions and pensions deductions respectively which were deducted from employees of the Company but had not been remitted to the various beneficiary institutions. This is contrary to Regulation 22(2) of the Public Finance Management (County Governments) Regulations, 2015, which provides that in addition to the responsibilities of Accounting Officers provided in the Act, an Accounting Officer designated under the Act or any other Act, shall - (a) comply with any tax, levy, duty, pension, commitments as may be provided for by legislation.

### **Management responses**

Hon. Chair, the company has embarked in full remittance of all salary deductions in the current financial year to avoid accumulation.

We also have payment plans for the arrears i.e. pay current and one-month arrears.

Also, the new tariff shall provide for the staff deductions (NSSF, SHIF, Housing Levy) which were not provided in the current tariff to enable remittance.

### **Committee Observations**

The Committee observed that the Company has failed to remit statutory deductions amounting to Kshs.52,839,783 and pension deductions of Kshs.34,376,494, which is a serious breach of fiduciary responsibility and exposes the company to legal penalties. The company has acknowledged this and has a payment plan in place.

### **Committee Recommendations**

**The Committee recommends that the Governor ensures that the Accounting Officer prioritizes the immediate clearance of all outstanding statutory deductions to avoid legal penalties and interest charges, and submits a detailed repayment plan with verifiable deliverables to the Auditor-General for verification within 60 days of the adoption of this report.**

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

### **1. Non-Revenue Water**

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.375,338,371 which as disclosed in Note 6 to the financial statements related to water sales. However, review of the water records revealed that the Company produced 6,061,654 cubic meters (M3) of water out of which only

3,971,482 cubic meters (M3) were billed to customers resulting to unbilled water or Non-Revenue Water (NRW) of 3,112,910 M3 or 51% of the produced water. This exceeded the set threshold of 25% as recommended by the Water Services Regulatory Board (WASREB) Guidelines by 26%. Further, the Non-Revenue Water amounting to 3,112,910 cubic meters (M3) resulted in loss of sales amounting to Kshs.339,307,190 at the rate of Ksh 109 per cubic meter of the average water sale tariff.

In addition, the Company has not established a Non-Revenue Water function contrary to Paragraph 1.6.2 of Non-Revenue Water Management Standards in Kenya Guidelines of June,2022.

In the circumstances, the significant level of Non-Revenue Water may 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.

#### **Management responses**

- Hon. Chair, we agree that the company sold 3,971,482 cubic meters (M3) and lost 3,112,910 M3 which gives a total production of 7,084,392 M3 and a resultant of 43% NRW and not 51%.
- The company has continued to develop and implement programs aimed at managing the NRW problem. We are targeting to reduce NRW further during the financial year 2025/2026 to below 40% through the following strategies;
  - Establishment of District Metering Areas including smart metering areas.
  - Calibration, servicing, testing and replacement of meters
  - Continuous replacement of the old and dilapidated pipes.
  - Continuous inspection and meter sealing.
  - Pressure monitoring
  - Active leakage control.
- Management has established an NRW coordinating unit in accordance with the regulations. The unit is headed by a NRW Officer with two staff one data analyst and senior artisan.
- Hon. Chair, we agree that the company sold 3,971,482 cubic meters (M3) and lost 3,112,910 M3 which gives a total production of 7,084,392 M3 and a resultant of 43% NRW and not 51%.
- The company has continued to develop and implement programs aimed at managing the NRW problem. We are targeting to reduce NRW further during the financial year 2025/2026 to below 40% through the following strategies;
  - Establishment of District Metering Areas including smart metering areas.
  - Calibration, servicing, testing and replacement of meters
  - Continuous replacement of the old and dilapidated pipes.

- Continuous inspection and meter sealing.
- Pressure monitoring
- Active leakage control.

### **Management responses**

Management has established an NRW coordinating unit in accordance with the regulations. The unit is headed by a NRW Officer with two staff one data analyst and senior artisan.

### **Committee Observations**

The Committee observed that the Non-Revenue Water was at 43% which was way above the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB) guidelines. This represents a significant loss of revenue.

### **Committee Recommendations**

**The Committee recommends that-**

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

### **2. Failure to remit regulatory fees**

The statement of financial position reflects trade and other balance of Kshs.472,793,327 which includes a balance of Ksh 20,941,756 and Ksh 62,866,425 in respect to Water Resources Authority and Water Services Regulatory Board respectively as disclosed in note 36 of the financial statements. The amounts have accumulated over the years and no explanation was provided for non-payment of the levies.

In the circumstances, the company risks legal actions which may lead to avoidable additional costs to litigations, fines, penalties and interest levies.

**Management responses**

Hon. Chair, we acknowledge that arrears for the two institutions have continued to rise due to cashflow challenges.

Management also did a payment plan with Water Resources Authority and payment to reduce arrears has begun.

However, the Company has in place a weekly standing order of Kshs 300,000 from the Revenue Account to WASREB on a weekly basis in order to reduce the regulatory fees balance.

**Committee Observations**

The Committee observed that the Company owes Water Resources Authority Kshs.20,941,756 and WASREB Kshs.62,866,425, which have accumulated over years. While a payment plan exists, the long-standing arrears expose the company to potential legal action and penalties.

**Committee Recommendations**

**The Committee recommends that the Governor ensures the Accounting Officer strictly adheres to the payment plans and submits a quarterly status report on the reduction of these arrears to the Auditor-General for verification until full settlement**

**3. Non-Compliance with Law on Affirmative Action – Staff Ethnic composition**

Review of the payroll data for Company for the year under review, revealed that out of the one hundred and thirty-one (131) officers engaged on permanent basis, seventy-five (75) were from one ethnic community, translating to fifty-seven percent (57%). This is contrary to Section 7 (2) of the National Cohesion and Integration Act, 2008 that prescribes 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 law.

**Management responses**

Hon. Chair, we agree with the findings of the auditor. The company shall make gradual alignment to the necessary laws during recruitment since a substantive number of staff were transferred from National Water Corporation.

No recruitment was done during the financial year under review.

#### **4. Non-Compliance with Law on Affirmative Action – person Living with Disabilities**

Review of the payroll data for Company revealed that out of the two hundred and seventeen (217) active employees in the payroll, there was only one person living with disabilities. This is contrary to the requirements of Section B.23 (2) of the PSC Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that the government shall implement the principle that at least five (5) percent of all appointments shall be for persons with disabilities.

In the circumstance, the management was in breach of the law

#### **Management responses**

Hon Chair, this has been well noted and the company undertakes to consider person living with disabilities if they show interest during recruitment.

#### **Committee Observations**

The Committee observed that 75 out of 131 employees (57%) are from one ethnic community, exceeding the one-third statutory threshold. The historical transfer from National Water Corporation does not excuse non-compliance.

#### **Committee Recommendations**

**The Committee recommends that the Board and the accounting officer make deliberate efforts to progressively comply with section 65 of the County Governments Act, 2012, which provides that at least thirty percent (30%) of the vacant posts at entry level be filled by candidates who are not from the dominant ethnic community; and make deliberate efforts to comply with Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.**

#### **5. Non-disposal of Unserviceable assets**

The property plant and equipment records revealed that the Company had unserviceable motor vehicles and motorcycles which have been grounded over the years. However, the Company have not taken steps to dispose the assets before they deteriorate and they might not recoup any monetary value from them. This is contrary to Public Procurement and Assets Disposal Act 2015 section 162 (3) which states that stores, inventory and assets that are procured by a public entity shall not be allowed to deteriorate from any preventable cause and overstocking of any particular item shall be avoided.

#### **Management responses**

Hon. Chair, we agree with the auditor. Ownership of the grounded assets is under national water and Central Rift Valley Water Works Development Agency. Lack of

ownership documents for the motor vehicles and motorcycles is the main reason for non-disposal of unserviceable Assets. However, CRWWDA have started disposing the assets as per the attached correspondence.

**Committee Observations:**

The Committee observed that the company has not disposed of unserviceable motor vehicles and motorcycles, mainly due to lack of ownership documents. CRWWDA has begun the disposal process.

**Committee Recommendations**

**The Committee recommends that the Governor, through the CECM for water, engages with CRWWDA to expedite the transfer of ownership or formal disposal of the unserviceable assets within 90 days of adoption of this report, and submits a status report to the Auditor-General**

**6. Irregularities on the construction of molo town sewerage system**

The statement of financial position reflects a balance of Ksh 598,827,836 in respect to Property, Plant and Equipment which includes a balance of Ksh 42,842,486 in respect to work in progress and as disclosed in note 27. A of the financial statements. Further, the works includes a balance of Ksh 26,901,533 in respect to construction of Molo Sewerage system rehabilitation and extension project. The contract is was awarded to a local firm via contract No. NRW/10/2024-2025. The contract commenced in 6<sup>th</sup> November2024 and was scheduled for competition after six (6) months. However, review of documents provided for audit revealed the following anomalies.

- i. At the time of audit, the contractor had been paid total amount of Kshs.21,321,991 out of the possible Kshs.23,541,706.41. Management did not provide explanation for the delayed payment of Kshs.2,219,715.50 which could attract penalties if the contractor sought legal redress.
- ii. The second certificate was also not supported by the certificate of completion and certificate of handing over from the project engineer even though based on the certified amounts, the project seemed to be complete.
- iii. There was also no indication that a contract implementation team had been appointed to monitor the project which was complex by nature.

In the circumstances, the propriety and completeness of the project with a cost totaling to Ksh 23,542,706.41 could not be confirmed

**Management response**

- Hon. Chair, we agree with the audit findings. We have a payment plan in place to clear the amount.

- The project implementation team was appointed as per the attached letter of appointment verification.
- The certificate of completion is attached for verification.

### **Committee Observations**

The Committee observed that the contractor had been paid Kshs.21,321,991 out of Kshs.23,541,706.41, with a delayed payment of Kshs.2,219,715.50 that could attract penalties. Management has now provided evidence of a payment plan, appointment of a project implementation team, and a certificate of completion.

### **Committee Recommendations:**

**Noting the mitigation measures taken, the Committee recommends that the query be marked as resolved, but the Accounting Officer should ensure that all future contracts have clear implementation teams and that payments are made in accordance with contract terms to avoid penalties.**

### **Emphasis of Matter**

#### **7. Delayed project implementation**

During the year under review, the Company paid a total amount of Kshs.19,848,138 to two contractors for drilling and equipping of 2 Nos. boreholes and construction of pressed steel ground tank 300m and 2 nos. elevated pressed steel tanks. However, these projects had not been completed by the time of the audit and they were already past their contract completion delivery dates not supported with contract extensions.

### **Management responses**

- Hon. Chair, we agree with the Auditors and submit that: -the drilling and equipping of 2Nos boreholes at Kerma and Roret office - was completed on time and was under Defect Liability Period.
- Construction of steel pressed ground tank 300m and 2No elevated steel pressed tanks.

### **Committee observations**

The committee observed that the tanks remain unfinished past contractual deadlines without documented extensions, indicating poor contractor performance monitoring and potential idling of funds.

### **Committee recommendations**

The committee recommends that the Governor ensures that Management conducts site inspections within 14 days to assess tank construction status, document Committee recommendations

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

### **Basis of Conclusion**

#### **1. Lack of Risk and Disaster Recovery Plan or Business Continuity Plan**

- Available information reveals that the company has not established a disaster recovery plan or business continuity plan which outlines how it will continue operating during an unplanned disruption in service. The Management has not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure; strategies and risk register to mitigate against risks. This is contrary to regulation 158 (1) of the public finance management act (County Governments) 2015.
- In the circumstances, the Company was in breach of law.

### **Management responses**

Hon. Chair, we agree and as advised by the office of the auditor general, management is in the process of developing a disaster recovery plan and have it available for audit verification during the subsequent audit.

### **Committee Observations:**

The Committee observed that the company operated without a disaster recovery plan or business continuity plan during the financial year under review.

### **Committee Recommendations:**

The Committee recommends that the Governor through the County Executive Committee Member (CECM) - Finance ensure that the water company puts in place all internal control systems, such as a Risk Management Policy and Disaster Recovery Plan, as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015, among others, to guide the internal operations of the water company. Further, the board to fast track the approval and adoption of the draft plans and submit evidence of the same to the Auditor-General for verification.

#### **2. Lack of a Climate Change Action Plan**

Review of records provided for audit review revealed that the Company did not have an Integrated Climate Change Action Plan and other implementation projections for the Company's legislative and policy functions. Further, the Company did not designate a

unit with sufficient staff and financial resources to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions into sectoral strategies. In addition, there are no monitoring and review mechanisms, no sustainability mechanisms, and the Company did not undertake public participation and consultations to develop strategies and policies relating to climate change.

In the circumstances, the efficiency and effectiveness of controls in respect to climate change programs could not be confirmed.

### **Management responses**

Hon. Chair, advised by audit, Management is in the process of developing the Climate Change action Plan.

The company has Water safety plan which captures the water catchment, the water system and the respective hazards with its mitigation measures. It outlines the stake holders' strengths and influence, environmental conservation, climate resilient water conservation for safe water service provision while maintaining sufficient quantities.

Among activities done towards climate change are tree planting exercises in Turasha, Mau and Rongai south catchment. Also planted trees in schools in Turi ward.

### **Committee Observations**

The Committee observed that the company lacked an integrated Climate Change Action Plan, though it had a Water Safety Plan and had undertaken some climate-related activities. The management is in the process of developing the action plan.

### **Committee Recommendations**

**The Committee recommends that the Governor through the Accounting Officer fast-tracks the development and approval of the Climate Change Action Plan, ensuring it is aligned with the County Climate Change Act and mainstreamed into the company's strategic plans. The Auditor-General to review and report in the subsequent audit cycle.**

### **1.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAIVASHA WATER AND SANITATION COMPANY (NAIVWASCO) FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Nakuru County, Hon. Susan Wakarura Kihika, EGH appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Naivasha Water and Sanitation Company (NAIVWASCO) **financial** year 2024/2025. The Governor was accompanied by:

- |                      |                         |
|----------------------|-------------------------|
| 1. Mr. Stephen Njogu | - CECM Finance          |
| 2. Mr. Nelson Maana  | - CECM Water            |
| 3. Mr. Samuel Ndegwa | - Chief Officer Finance |

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

The Auditor-General rendered **qualified opinion** on the Financial Statements of the Naivasha Water and Sanitation Company (NAIVWASCO) for the period under review on the following basis.

##### **1. Unsupported Refundable Customer Deposits**

The Company had customers' refundable deposits of Kshs.24,362,306 while the bank account for the same had Kshs.10,977,147, resulting in unaccounted for funds of Kshs.13,385,159. Management spent customer deposit funds without approval. Kshs.2,828,090 in pre-paid amounts were not supported.

##### **Management Response**

Management explained that the variance between the book value and the actual bank balance of customer refundable deposits is a historical issue that originated during the transition from the former Municipal Council to Naivasha Water and Sanitation Company. At the point of handover, the Company inherited the customer deposit balances as per the book records, but no corresponding cash balances were transferred to the Company's bank account. In subsequent years, the Company has consistently sought to reconcile and progressively bridge this variance. During the financial year 2023/2024 the principal balance was Kshs.10,977,147 and has since increased to Kshs.12,490,316.32. On the customer prepayment, the attached report had been provided to the auditors for verification.

##### **Committee Observations**

The Committee observed that management's response agrees with the audit findings. However, the variance in customer deposit funds represents a significant accountability gap. The Committee is concerned that the Company's management spent customer deposit funds without prior approval, which constitutes a serious breach of financial management obligations. The list of repayments was not provided for audit verification.

### **Committee Recommendations**

**The Committee recommends that the Governor ensures that-**

- i. Management engages all parties, including the County Government, to ensure the customer deposit variance is fully resolved within a reasonable timeframe, in compliance with Regulation 99(3) of the Public Finance Management (County Governments) Regulations, 2015;**
- ii. Additional refundable deposits be adequately supported during audit verification; and**
- iii. Management ensures that customer deposits are maintained in a dedicated account and no withdrawals are made without proper Board approval.**

### **2. Misclassification and Unaccounted for Customer Deposits**

Customer deposits collected during 2023/2024 and 2024/2025 of Kshs.4,586,000 were not reflected in the customer deposit account, which increased by only Kshs.136,502. The fixed deposit balance of Kshs.10,977,147 remained unchanged over two years with no interest income recorded or disclosed. The meter deposit schedule also lacked customer-level details.

### **Management Response**

Management acknowledged that for the past two financial years, the Company experienced financial strain due to unsustainable cash flows. In order to sustain ongoing operations and avoid interruption of essential services, the customer deposit funds collected and held in the operational bank accounts were temporarily utilized to cater for the Company's operational needs. However, during the said period, the Board approved that the Company borrows Kshs.3.5M from customer deposits to finance critical emergency works in Mai Mahiu Town after the primary water sources collapsed. This decision was necessitated by the Company's inability to raise adequate funds from its operating revenue, and the urgency to ensure continued water supply to the Mai Mahiu community, which is the Company's core mandate.

## **Committee Observations**

The Committee observed that the response is not in compliance with the law. The utilization of customer deposit funds for operational purposes even with Board approval constitutes a misclassification and misuse of restricted funds. No timeframe was provided for refunding the borrowed amounts. The failure to record interest income on the fixed deposit further undermines financial transparency.

## **Committee Recommendations**

**The Committee recommends that the Governor ensures that-**

- i. Management ensures that customer refundable deposits are updated to match bank balances at all times, and any amounts utilized from such refundable customer deposits be reinstated within a reasonable time, in compliance with Section 68(1)(d) of the PFM Act 2012, Regulation 29 and 31 of the PFM (County Governments) Regulations, 2015, and IPSAS 1; and**
- ii. The meter deposit schedule is updated to include full customer-level details and submitted to the Auditor-General for verification.**

## **Emphasis of Matter**

### **Budget and Budgetary Control**

The financial statements reflect final receipts budget and actual on comparable basis of Kshs.290,803,041 and Kshs.249,401,424 respectively, resulting in underfunding of Kshs.41,401,617 or 14% of the budget. Further, the Company spent Kshs.290,433,763 against actual receipts of Kshs.249,401,424, resulting in under-expenditure of Kshs.41,032,339 or 16% of the actual.

### **Management Response**

Management explained that the approved budget for the year 2024/2025 was Kshs.311,035,082, which included a grant component of Kshs.46,973,755 that was not received during the year under review. However, during the financial year, the annual budget was revised to Kshs.290,803,040. As a result, the final receipts budget on a comparable basis stood at Kshs.290,803,040 against actual receipts of Kshs.249,401,423, leading to an unachieved amount of Kshs.41,401,617 or 14% of the budget. Excluding the unrealized grant component, the internally generated revenue budget amounted to Kshs.261,383,011.07, against which the Company realized Kshs.249,401,423.64, representing a strong performance of approximately 95%.

## **Committee Observations**

The Committee observed that management needs to improve the revenue base and minimize expenses. While acknowledging that non-receipt of the external grant significantly affected revenue performance, the Committee notes that dependence on external grants for budgetary targets introduces unnecessary vulnerability, and management should pursue strategies to strengthen internally generated revenue.

## **Committee Recommendations**

**The Committee recommends that the Governor ensures that-**

- i. Management ensures the approved budget is fully executed, in compliance with Section 104(1)(i) of the Public Finance Management Act, 2012; and**
- ii. The Company develops strategies to diversify and grow its internally generated revenue base to reduce dependence on external grants.**

## **Other Matter**

### **4. Unresolved Prior Year Matters**

In the audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management had not resolved the issues as at 30 June 2025.

## **Management Response**

None.

## **Committee Observations**

The Committee observed that the failure to address prior year audit findings is unacceptable. The persistence of unresolved matters from previous audit cycles demonstrates a systemic disregard for accountability obligations and the recommendations of the Auditor-General and parliamentary oversight bodies.

## **Committee Recommendations**

**The Committee recommends that —**

- i. the Governor ensures that the Accounting Officer resolves all outstanding prior year audit matters as required by Section 149(2)(l) of**

**the Public Finance Management Act, Cap.412A, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties for offences shall apply; and**

- ii. **the Governor ensures that the Accounting Officer submits a comprehensive status report on all mitigation measures taken to resolve all prior year matters, to the Senate and copies the Auditor-General for verification within 90 days of the adoption of this report.**

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

### **5. Non-Submission of Quarterly Financial Reports**

Though management prepared quarterly reports, there was no evidence that the quarterly financial reports were submitted to the County Treasury. Further, there was no evidence that the reports were submitted within fifteen days after the end of each quarter as required.

#### **Management Response**

Management clarified that the omission was not due to lack of preparation of the reports, as reports were duly prepared and internally reviewed. The Company has already initiated the process of formally submitting the quarterly financial reports for the first, second, and third quarters of the FY 2024/2025 to the County Treasury.

#### **Committee Observations**

The Committee observed that management's response agrees with audit findings and measures have been instituted to ensure compliance. However, quarterly financial reporting a fundamental accountability requirement was not submitted on time, undermining financial oversight of public resources.

#### **Committee Recommendations**

**The Committee recommends that the Governor ensures that Management commences timely submission of quarterly financial reports to the County Treasury within fifteen (15) days after the end of each quarter, as required by Section 83 of the PFM Act, 2012 and Treasury Circular Ref: AG.4/16/3 Vol.4(6) dated 4th July 2024.**

### **6. Irregular Engagement of Casual Employees**

The Company employed thirty-four (34) casual employees for periods exceeding three (3) months, contrary to Section 37(1) of the Employment Act, 2007.

### **Management Response**

Management clarified that the affected employees have at no time been classified or treated as casual employees. They are engaged on Temporary Short-Term Employment contracts, remunerated on a monthly basis, and deployed continuously to support essential operational requirements. Management committed to ensuring that all employment engagements are appropriately documented, regularly reviewed, and administered in full compliance with approved human resource policies and applicable labour legislation.

### **Committee Observations**

The Committee observed that the response is agreed and the issue is verified as in compliance with the requirement for short-term contracts. The Committee nonetheless urges management to maintain clear and comprehensive documentation distinguishing temporary contracts from casual employment to avoid future audit queries.

### **Committee Recommendations**

**Noting the mitigation measures, the Committee recommends that the query be marked as resolved**

### **7. Irregular Payment of Acting Allowances.**

Review of payroll and personnel records revealed that eight (8) officers were paid acting allowances totalling Kshs.692,350 during the financial year 2024/2025. However, an amount of Kshs.242,966 was irregularly paid to five (5) officers who had acted in various positions for periods exceeding six (6) months, contrary to Section 34(3) of the Public Service Commission Act, 2017.

### **Management Response**

Management acknowledged that the delay in confirming officers who had been serving in acting capacities was primarily attributable to the Company's constrained cash flow position, arising from prolonged operation under an unsustainable tariff structure. This limited the Company's ability to absorb the full financial implications associated with substantive appointments within the affected period.

### **Committee Observations**

The Committee observed that management's response agrees with the audit findings. Cash flow constraints do not constitute a legal basis for non-compliance with the Public Service Commission Act. The irregular payment of acting allowances beyond the stipulated six-month period is a violation that must be immediately remedied.

### **Committee Recommendations**

The Committee recommends that the Governor ensures that-

- i. Management ensures compliances with laws and regulations at all times, in compliance with Section 34(3) of the Public Service Commission Act, 2017;**
- ii. Management provides the status of all the affected officers for audit verification; and**
- iii. Management immediately regularizes or discontinues all acting appointments exceeding six (6) months.**

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

Review of the payroll revealed that the Company has eighty-six (86) employees, out of which fifty-three (53) or 60% of the staff are from one ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which prohibits any public institution from having more than one third of its staff from the same ethnic community.

### **Management Response**

Management confirmed that out of the total eighty-six (86) employees, forty percent (40%) are drawn from non-dominant ethnic communities. Management cited compliance with the National Cohesion and Integration Act, No. 12 of 2008, the County Government Act, 2012, and Article 232(1)(h) of the Constitution of Kenya. Management remained committed to continuous improvement in workforce diversity through future recruitment and succession planning.

### **Committee Observations**

The Committee observed that the finding stands. With 60% of staff from one ethnic community, the Company is significantly above the one-third statutory threshold. Management's assertion of compliance is not supported by the figures. Deliberate affirmative recruitment measures are required to correct this imbalance.

### **Committee Recommendations**

**The Committee recommends that the Governor ensures Management fast-tracks compliance with Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 within a reasonable timeframe by implementing affirmative recruitment of underrepresented communities to achieve ethnic diversity across all staff levels.**

#### **9. Non-Compliance with Law on Recruitment of Staff Living with Disabilities**

Review of the human resources records revealed that the Authority had eighty-six (86) employees, out of which none were persons living with disabilities, contrary to Article 54(2) of the Constitution of Kenya which provides that at least five percent of appointive body members should be persons with disabilities.

#### **Management Response**

Management stated that in previous years, the Company did not receive any applications from qualified persons with disabilities (PWDs). However, during the current financial year 2025/2026, one application was received from a person living with disability for the position of Senior Accountant. The applicant was shortlisted, successfully underwent the recruitment process, and was appointed to the position based on merit.

#### **Committee Observations**

The Committee observed that management's comment is noted and the appointment of a person with disability during the current year is commendable. However, passively waiting for applications is insufficient. Management must make deliberate and proactive efforts to attract and recruit persons with disabilities in order to achieve the constitutional threshold of 5%.

#### **Committee Recommendations**

**The Committee recommends that the Governor ensures that Management makes deliberate efforts to ensure compliance with Article 54(2) of the Constitution within a reasonable timeframe, including targeted outreach, reasonable accommodation provisions, and inclusive recruitment processes.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

#### **10. Long Outstanding Trade Receivables Balance**

Out of the total outstanding receivables balance of Kshs.181,080,728, an amount of Kshs.141,703,659.23 (or 78% of the receivables) has been outstanding for more than

180 days. There was no evidence provided to indicate that Management has implemented effective measures to recover these long-outstanding debts. Notably, Kshs.147,219,510 or 79% are over 120 days and doubtful.

### **Management Response**

Management stated that the Company has been continuously putting measures to enable collection and recently, a review of the debt collection policy was done to identify areas of improvement. The Company has also engaged a debt collector to assist in debt collection especially for long outstanding debtors with huge arrears such as Prisons, which saw a reduction of outstanding arrears from Kes.22,153,688 to Kes.15,080,443 as at January 2026; and Keroche Breweries, which has been served with a court ruling.

### **Committee Observations**

The Committee observed that Kshs.147,219,510 or 79% of receivables remaining over 120 days and doubtful is a matter of serious concern. While the engagement of a debt collector and the court ruling against Keroche Breweries are positive steps, the overall receivables recovery remains inadequate. No clear route map exists for collecting the bulk of the outstanding debts, posing a material risk to the Company's financial sustainability.

### **Committee Recommendations**

The Committee recommends that the Governor ensures that -

- 1. Management provides a detailed debt collection plan with verifiable deliverables such as dates of collection and, where collection is not possible, the specific action being taken against each outstanding account, in compliance with Section 64(1) of the Public Finance Management (County Governments) Regulations, 2015; and**
- 2. Management submits a quarterly receivables recovery progress report to the Board and to the Auditor-General.**

### **11. Long Outstanding Trade and Other Payables**

The statement of financial position reflects trade and other payables totalling Kshs.98,862,523, which includes employees' payables (unpaid statutory deductions) balance of Kshs.21,497,890. Ageing analysis of the trade payables revealed that an amount of Kshs.32,771,538 (or 48% of total payables) had been outstanding for over three (3) years.

## **Management Response**

Management acknowledged that the long-outstanding payables position was primarily influenced by cash flow constraints arising from an unsustainable tariff, rising power costs, and inflationary pressures. However, with the implementation of the new approved tariff in April 2025, the Company has made significant progress in addressing and reducing the outstanding payables. In addition, the Company has since developed a Payables Clearance Plan aimed at progressively reducing aged trade and other payables within the 2025/2026 financial year.

## **Committee Observations**

The Committee observed that while the implementation of a new tariff and the development of a Payables Clearance Plan are positive steps, the persistence of payables outstanding for over three years including unpaid statutory deductions of Kshs.21,497,890 is a serious compliance failure. Failure to remit statutory deductions exposes the Company to penalties and legal action.

## **Committee Recommendations**

**The Committee recommends that the Governor ensures that-**

- i. Management provides a credit settlement plan with verifiable deliverables such as the date of settlement of each payable, in compliance with Regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015; and**
- ii. Management prioritizes the immediate clearance of all outstanding statutory deductions to avoid legal penalties and interest charges.**

## CHAPTER TWO: MUNICIPALITIES

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

The Governor of Nakuru County, Hon. Susan Wakarura Kihika, EGH appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the municipality of Gilgil financial year 2024/2025. The Governor was accompanied by:

- |                      |                         |
|----------------------|-------------------------|
| 1. Mr. Stephen Njogu | - CECM Finance          |
| 2. Mr. Nelson Maana  | - CECM Water            |
| 3. Mr. Samuel Ndegwa | - Chief Officer Finance |

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **qualified opinion** on the Financial Statements of the municipality of Gilgil for the period under review on the following basis-

##### 1. Failure to Disclose Material Uncertainty Related to Going Concern

The Municipality reported deficit for the year amounting to Kshs.1,777,389, increasing the accumulated deficit as at 30 June, 2025 to a balance of Kshs.2,744,179. Further, the statement of financial position reflects current liabilities balance of Kshs.2,539,470 which exceeds the current assets of Nil balance, resulting to a negative working capital of Kshs.2,539,470. The Municipality is therefore technically insolvent and its ability to continue as a going concern is dependent upon support from the County Government and its creditors. However, this material uncertainty has not been disclosed in the financial statements. In the circumstances, Management is unable to meet its obligation as and when they fall due.

##### Management Response

Management acknowledges the audit observation. As at 30 June 2025, the Municipality recorded a deficit of Kshs.1,777,389 resulting in an accumulated deficit of Kshs.2,744,179 and a negative working capital position of Kshs.2,539,470 arising from outstanding trade payables at year-end with no corresponding current assets. Payments were done in July after lapse of the reporting period. Management concurs that this position constitutes a material uncertainty related to the going concern assumption, given that the Municipality's ability to meet its obligations as they fall due is dependent on continued financial support from the County Government. The omission of this disclosure in the financial statements has been noted under the Statement of Management's Responsibilities. Management has since incorporated an explicit going concern disclosure note in the financial statements, detailing the negative working

capital position, the material uncertainty and the reliance on continued County Government support as the basis for preparing the financial statements on a going concern basis, in compliance with applicable public sector accounting standards.

#### **Committee Observation**

The Committee observed that the municipality has a negative working capital of Kshs.2,539,470. This raises doubt on whether the municipality can sustain itself.

#### **Committee Recommendation**

**The Committee recommends that**

- i. the Governor should take keen interest in the management and operations of the municipality in line with Article 179 (4) of the Constitution;**
- ii. the Governor ensures that the Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the city for self-sustainability. Additionally, the management reviews and regularizes the company's existing assets and have updated assets register that reflect the current financial position. Further, management to determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).**

#### **2. Inaccuracies in the Statement of Cash Flows**

The statement of cash flows reflects nil amounts in relation to purchase of property, plant and equipment and intangible assets. However, note 24 to the financial statements reflect assets additions and disposals amounting to Kshs. 361,500 and Kshs. 197,940 respectively, resulting in an unexplained variance of Kshs. 361,500 and Kshs. 197,940.

#### **Management Response**

Management acknowledges the audit observation. The variances noted arise from non-cash investing activities. Asset additions amounting to Kshs. 361,500 comprised furniture and fittings acquired through credit purchases and computer equipment received through capital transfer from the parent department; consequently, no cash outflows were incurred during the reporting period. Similarly, asset disposals amounting to Kshs. 197,940 related to vandalized assets that resulted in a total loss, with no disposal proceeds received and therefore no cash inflows recognized. Accordingly, no amounts were reflected under purchase or disposal of property, plant and equipment in the Statement of Cash Flows. Management notes that while the cash flow presentation was correct, the non-cash nature of these transactions was not

adequately disclosed. The financial statements have since been enhanced to explicitly disclose non-cash investing activities in accordance with IPSAS requirements.

#### **Committee Observation**

Committee observed that there was unexplained variance of Kshs. 361,500 and Kshs. 197,940.

#### **Committee Recommendation**

**The Committee recommends that—**

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

### **3. Un-Explained Variance in the Board Expenses**

The statement of financial performance and as disclosed in Note 14 to the financial statements reflect Board expenses amount of Kshs.1,839,270. However, the supporting payment schedules provided for audit reflects an amount of Kshs. 1,908,770, resulting in an unexplained variance of Kshs.69,500. In the circumstances, the accuracy and completeness of board expenses amounting to Kshs.1,839,270 could not be confirmed.

### **Management Response**

The Municipality acknowledges the auditor's observation regarding the variance in Board Expenses. The variance for Kshs. 69,500 had been erroneously reported under board expenditure whereas it related to use of goods and services expenditure. The amount relates to payments made through catering facility vote and not board conferences vote, both belonging to the same economic class of Hospitality supplies and services. We acknowledge the confusion caused as a result and will correct the error in reporting.

### **Committee Observation**

The Committee observed that there was unexplained variance of Kshs.69,500 between The statement of financial performance and the supporting payment schedules.

### **Committee Recommendation**

**The Committee recommends that—**

- i. The Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iii. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

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

#### **4. Unsupported Repairs and Maintenance Expense**

The statement of financial performance and as disclosed in Note 17 to the financial statements reflects repairs and maintenance expenses amounting to Kshs.199,980 in respect of repairs of buildings, However, there were no pre-inspection reports to confirm the need for repairs and post-inspection reports to confirm whether the repairs were undertaken as required on the building property. Further, Management did not provide the payment schedules and vouchers supporting the repairs and maintenance. In the circumstances the accuracy, completeness and regularity of the repairs and maintenance amount of Kshs.199,980 could not be confirmed.

#### **Management Response**

Management acknowledges the audit observation relating to repairs and maintenance expenditure amounting to Kshs. 199,980. The required supporting documentation, specifically the pre-inspection, post-inspection reports and payment vouchers, were not availed to the audit team during the initial audit due to documentation being held at the County Treasury pending processing of the related trade payables. Management has since availed the payment voucher and supporting inspection reports to the audit team during the Management Letter and Draft Audit Report stage. The expenditure was incurred for office repairs works and was properly authorized. To prevent recurrence, management has strengthened documentation controls to ensure that all repairs and maintenance expenditures are supported by pre-inspection reports, post-inspection certification and complete payment documentation prior to audit submission.

#### **Committee Observation**

The Committee observed that the management did not provide the payment schedules and vouchers supporting the repairs and maintenance.

#### **Committee Recommendation**

**The Committee recommends that the governor ensures that the Accounting Officer ensures timely submission of documents during the audit process in line**

with section 9 (1) (e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B.

#### **5. Unsupported Property Plant and Equipment Balance**

However, the land and buildings which were transferred from Nakuru County Government to the Municipality in the financial year 2023/2024 were not supported with ownership documents, valuation reports and transfer documents, making it difficult to confirm the accuracy and completeness of their reported values. Further, the asset register provided for audit was missing critical details such as serial numbers, tag numbers, and acquisition dates. As a result, the audit could not confirm whether management conducted proper verification and condition assessment of all assets under the Municipality's control during the year.

#### **Management Response**

Management acknowledges the audit observation. The property, plant and equipment balance of Kshs. 55,186,033 includes land and buildings transferred from the Nakuru County Government in the financial year 2023/2024; for which full ownership documents, valuation reports and formal transfer instruments had not been finalized and availed to the Municipality at the time of audit. Being a young Municipality, we are working together with the county executive in ensuring a smooth transfer of assets and liabilities under the Municipality boundaries fully to its asset register.

#### **Committee Observation**

The Committee observed that the asset register provided for audit was missing critical details such as serial numbers, tag numbers, and acquisition dates.

#### **Committee Recommendation**

**The Committee recommends that-**

- i. the Governor ensures that the management ensures that the valuation of all assets of the municipality 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;**
- ii. 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;**

- iii. 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
- 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), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

#### **6. Non-Disclosure of Adopted Depreciation Policy**

The statement of financial performance reflects depreciation and amortization amount of Kshs.230,641 as disclosed in Notes 16 and 24 to the financial statements. However, review of the significant accounting policies in the financial statements, schedules and the computations for depreciation and amortization expenses, revealed that Management has not disclosed the adopted depreciation and amortization policy on property, plant and equipment contrary to the accounting standards.

#### **Management Response**

Management acknowledges the audit observation. While depreciation and amortization amounting to Kshs. 230,641 was computed using an established basis guided by the National Treasury and Planning Asset and Liability Management Policy (2020) and applicable public sector asset management guidelines, the adopted depreciation and amortization policy was not explicitly disclosed in the significant accounting policies to the financial statements. Management notes that this was a disclosure omission rather than a misapplication of depreciation.

#### **Committee Observation**

The Committee observed that the management has not adopted depreciation and amortization policy

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the management adopts the depreciation and amortization policy and submit a status update within 60 days of the adoption of this report to the Senate and a copy to the Auditor General.**

#### **Emphasis of Matter**

## **7. Budget and Budgetary Control**

The statement of comparison of budget and actual amount reflects final receipts budget and actual on comparable basis amounts of KShs.48,247,492 and KShs.2,532,690 respectively, resulting to underfunding of KShs.45,714,802 or 95% of the budget. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

### **Management Response**

No management response given.

### **Committee Observation**

The Committee observed that there was underfunding of KShs.45,714,802 or 95% of the budget.

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

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

### **Other Matter**

## **8. Unresolved Prior Year Matters**

In the audit report, several issues were raised under the Report on Lawfulness and Effectiveness in use of Public Resources. However, the Management had not resolved the issues as at 30 June, 2025.

### **Management Response**

No management response was given.

### **Committee Observation**

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

### **Committee Recommendation**

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

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

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

### **Report on Effectiveness of Internal Controls, Risk Management and Governance**

#### **1. Long Outstanding Trade Receivables Balance**

The statement of financial position and as disclosed in Note 27 to the financial statements reflects trade and other payables balance of Kshs.2,539,470. Review of aging analysis trade payables balance of Kshs.102,500 had been outstanding for over one (1) year.

#### **Management Response**

Management acknowledges the audit observation. As at 30 June 2025, trade and other payables amounted to Kshs. 2,539,470, of which Kshs. 102,500 had been outstanding for more than one year, largely due to delays in payment processing. Subsequent to year-end, management settled Kshs. 2,120,163.10 of the outstanding balance in July, significantly reducing the exposure to long-outstanding payables. The remaining balance is scheduled for settlement in the current financial year, subject to availability of exchequer funding.

#### **Committee Observation**

The Committee observed that the municipality payables balance of Kshs.102,500 had been outstanding for over one (1) year.

#### **Committee Recommendation**

**The Committee recommends that the Governor shall ensure that the accounting officer prepares and submits a debt repayment plan to the Auditor-General and the Senate within 60 days of the adoption of this report. The Plan must clearly specify timelines for the settlement of outstanding payables.**

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

The Governor of Nakuru County, Hon. Susan Wakarura Kihika, EGH appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the municipality of Molo financial year 2024/2025. The Governor was accompanied by:

1. Mr. Stephen Njogu - CECM Finance
2. Mr. Nelson Maana - CECM Water
3. Mr. Samuel Ndegwa - Chief Officer Finance

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

The Auditor-General rendered **Disclaimer opinion** on the Financial Statements of the municipality of Molo for the period under review on the following basis-

#### **1. Inaccuracies in the Financial Statements**

Review of the Municipality's financial statements revealed various inaccuracies in the financial statements as detailed below; The financial statements and the corresponding Notes to the financial statements did not reflect the opening balances brought forward from the prior year. However, the previous year's audited financial statements reflect various closing balances resulting in unexplained variances in the comparative amounts as detailed.

i. The statement of financial performance reflects transfers from the County Government amount of Kshs.36,174,656. However, the corresponding Note 6 to the financial statements reflects an amount of Kshs.2,620,900 resulting in an unexplained variance of Kshs.33,553,756. Further, the statement reflects an amount of Kshs.1,820,400 in respect of expenditure on use of goods and services. However, the corresponding Note 12 to the financial statements reflects an amount of Kshs.2,620,900 resulting in an unexplained variance of Kshs.800,500.

In addition, the statement reflects an amount of Kshs.800,500 in respect of Board expenses. However, the corresponding Note 14 to the financial statements reflects a Nil amount resulting in an unexplained variance of Kshs.800,500.

#### **Management Response**

Management stated that they commit to restating the amounts under prior year adjustments and that the statement of financial performance does not reflect the said amount as the transfer from the county government. There was an error of omission in the statements hence the variance has been reconciled. Commit to restating the amounts in the subsequent reporting period.

#### **Committee Observation**

The Committee observed that there was unexplained variance of Kshs.33,553,756 between transfers from the County Government amount and Note 6 to the financial statements.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the accounting officer undertakes Prior year adjustments to reconcile the variances in relation to the financial statements in the next Audit cycle FY 2025/2026, and the Auditor-General should keep the matter in view in the subsequent audit cycle;**
- ii. the Governor takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply. Further, the Governor submits a status update report of the administrative action taken to the Senate within 60 days of the adoption of this report;**
- iii. the Governor ensures that the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**
- iv. the Governor ensures the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**
- v. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties.**

## **2. Presentation and Disclosure of the Financial Statements**

Review of the Municipality's financial statements revealed errors and inaccuracies in the presentation and disclosure of the financial statements as detailed below;

- i. The cover page reflects the County Government of Nakuru logo instead of the one for the Municipality of Molo.
- ii. The table of contents page is not headed and aligned properly with the pages for the respective components or items of the financial statements.
- iii. Further, the pages from the table of contents up to the page on the report of the independent auditor did not have page headers included as required.

In the circumstances, management did not comply with the recommended template as prescribed by the public sector accounting standards board.

### **Management Response**

Management stated that they agree with the finding of the Auditor General with respect to the error. Molo municipality is in the process of preparing its own logo and commit that there will not be a reoccurrence of the same.

### **Committee Observation**

The Committee observed that the financial statements prepared did not comply with the recommended template as prescribed by the public sector accounting standards board.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply. Further, the Governor submits a status update report of the administrative action taken to the Senate within 60 days of the adoption of this report;
- ii. the Governor ensures that the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and

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

### **3. Lack of a Trial Balance**

Management did not provide the trial balance for the Municipality for the financial year & hence the basis for the preparation and the accuracy of the financial statements could not be confirmed.

#### **Management response**

Molo municipality did not prepare the trial balance since its bank account is not operational.

#### **Committee Observation**

The Committee observed that the municipality did not provide the trial balance for the Municipality which constitutes an offence under section 62(2) of the Act.

#### **Committee Recommendation**

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

### **4. Unsupported Balances**

The statement of financial performance reflects amounts of Kshs 36,174,655, Kshs. 1,820,400 and Kshs. 800,500 in respect of transfers from the county government, use of goods and services and board expenses respectively. Further, the statement of financial position reflects a balance of Kshs.34,174,656 in respect of cash and cash equivalents. However, the amounts and balances were not supported by payment

schedules, ledgers, payment vouchers, cash books, bank statements, bank confirmation certificate, bank reconciliation statements or any other accounting documentation.

### **Management Response**

We would like to clarify that the municipality had all the accounting documentation in question which were tragically lost as noted by the auditor. However the statement of financial performance does not reflect the said amount as the transfer from county government.

### **Committee Observation**

The Committee observed that the municipality did not provide payment schedules, ledgers, payment vouchers, cash books, bank statements, bank confirmation certificate, bank reconciliation statements or any other accounting documentation which constitutes an offence under section 62(2) of the Act.

### **Committee Recommendation**

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

## **5. Failure to Operate a Municipality Bank Account**

The statement of financial position reflects a balance of Kshs.34,174,656 in respect of cash and cash equivalents. However, Management did not provide any evidence to indicate that the Municipality held the balance in the bank such as the bank statements, bank reconciliation statements, certificate of bank balance(s) or a Board of Survey report. In addition, no cash book(s) was provided as proof that there was a properly maintained cash management function as required by law

### **Management Response**

The municipality has a bank account, the municipality also has a vote in the County Executive budget under which county government executes transactions on behalf of the entity using equitable share funds. There were no actual funds transferred to the municipal account during the period under review.

The documents in question were lost during the tragic June 2024 demonstrations which adversely affected the municipal headquarters. However the statement of financial position reflects a nil balance in cash and cash equivalent not the said balance.

### **Committee Observation**

The Committee observed that the municipality did not provide payment schedules, ledgers, payment vouchers, cash books, bank statements, bank confirmation certificate, bank reconciliation statements or any other accounting documentation which constitutes an offence under section 62(2) of the Act.

**Committee Recommendation**

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

**6. Failure to Prepare and Implement the Statutory Municipal Plans**

Management of Molo Municipality did not provide documentary evidence of the existence or consideration of key vital plans as envisaged in the County Government Act, 2012. The plans include the Municipal land use plans, Municipal and urban area building and zoning plans and the location of recreational areas and public facilities.

Failure to put in place the aforementioned plans undermine the functionality of the municipality as envisaged in the primary law establishing the entity.

**Management Response**

The municipal is in the process of preparation of the molo strategic plan and the ISUDP and these will be available in the next reporting period.

**Committee Observation**

The Committee observed that the municipality did not prepare statutory municipal plans.

**Committee Recommendation**

**The Committee recommends that the municipality completes the development of the statutory municipal plans required within 60 days of the adoption of this report and submit a status report to the Senate and a copy to the Auditor General.**

**7. Failure to Provide Key Services**

Available information provided by the Municipality Management revealed that there was no evidence of the provision and existence of services as guided by the Urban Areas and Cities, 2011. The services include planning and development control, traffic control and parking, street lighting, cemeteries and crematoria, libraries, storm drainage,

control of drugs, sports and cultural activities, abattoirs, refuse collection, solid waste management, pollution (air, water, soil) control, child care facilities, community centers, constituent University campuses, Polytechnic, stadium, airstrip, national theatre, theatre, library/ICT services, administrative seat, financial hub, museum, historical monument, fire station, emergency preparedness, postal services, National TV station, National radio station, regional radio station, community radio, casinos, funeral parlour, recreational parks, management of markets, marine water front, animal control and welfare, religious institution and organized public transport.

In the circumstances, there is a risk of key essential services not being provided to the residents of Molo Municipality as required by the law.

### **Management Response**

Management stated that given that the municipality is still at an infancy stage, various functions given under the municipal charter are still being executed by line departments of the county government. Management in consultation with the county executive is undertaking an exercise to formulate a structure for delegation of functions in a systematic way to ensure continuity in the provision of services as the municipality acquires the necessary financial and technical capacities.

### **Committee Observation**

The Committee observed that the municipality did not offer essential services.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the municipality continuously offers the key services as prescribed by the law.**

## **8. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable amounts of Kshs.36,795,556 and Kshs.36,795,556 respectively. Further, the statement reflects that the Municipality spent an amount of Kshs.2,620,900 against the actual receipts of Kshs.36,795,556 resulting in an under absorption of Kshs.34,174,656 or 93% of the actual receipts.

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

### **Management response**

Management stated that the finding of the auditor regarding budgetary control and performance. The municipality is still acquiring technical expertise.

### **Committee Observation**

The Committee observed that there was an under absorption of Kshs.34,174,656 or 93% of the actual receipts.

#### **Committee Recommendation**

**The Committee recommends that—**

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

#### **9. Unresolved Prior Year Matter**

In the audit report of the previous year, some issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not indicated how the issues were resolved or disclosed all the matters raised in Appendix I to the financial statements-progress on follow up of Auditors recommendation as required.

#### **Management Response**

Management stated that the finding of the auditor general with respect to unresolved prior year matters. We are awaiting the report of the senate committee on the prior reporting periods to implement the recommendations and directions therein.

#### **Committee Observation**

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

#### **Committee Recommendation**

**The Committee recommends that—**

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

### **2.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAKURU CITY FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Nakuru County, Hon. Susan Wakarura Kihika, EGH appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nakuru City financial year 2024/2025. The Governor was accompanied by:

1. Mr. Stephen Njogu - CECM Finance
2. Mr. Samuel Ndegwa - Chief Officer Finance
3. Mr. Gitau Thabanja - Manager Nakuru city

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

The Auditor-General rendered **qualified opinion** on the Financial Statements of the Nakuru City for the period under review on the following basis-

##### **1. Failure to Disclose Material Uncertainty Related to Sustainability of Services**

The statement of financial position reflects current liabilities balance of Kshs 11,844,799 which exceeds the current asset's balance of Kshs 8,891,774 resulting to a negative working capital of Kshs 2,953,025. Further, the entity registered a deficit of Kshs 2,033,181 during the year. The City is, therefore, technically insolvent and its ability to continue to sustain its service is dependent upon support from the County Government and its creditors. Further, this material uncertainty has not been disclosed in the financial statements.

In the circumstances, the City may not be able to meet its short-term obligations as and when they fall due.

##### **Management Response**

Management stated that the entity's current assets stand at Kshs. 8,891,774 while the current liabilities at Kshs 11,844,799 resulting to a deficit of Kshs. 2,953,025. The city management is in the process of paying all the obligations

The County treasury through debt resolution has also allocated the city Board Kshs 860,000 as part of settlement of the bills.

The deficit was recognized in the financial statements on page 1, Note 14: Statement of Financial performance for the year ended 30th June 2025, Note 16 Statement of Changes in Net Assets for the year ended 30th June 2025 which reduced the accumulated surplus in the statement of financial position as at 30th June 2025. This is demonstrated on page 2 and 3 of the statements.

##### **Committee Observation**

The Committee observed that the city of Nakuru has a negative working capital of Kshs2,953,025. This raises doubt on whether the city can sustain itself.

### **Committee Recommendation**

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

- i. the Governor should take keen interest in the management and operations of the city in line with Article 179 (4) of the Constitution;
- ii. the Governor ensures that the Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the city for self-sustainability. Additionally, the management reviews and regularizes the city's existing assets and have updated assets register that reflect the current financial position. Further, management to determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).

### **2. Lack of an Approved Budget**

The statement of comparison of budget and actual amounts reflects budgeted revenue and expenditure amount of Kshs149,397,818. However, the Nakuru City Board minutes which approved the budget were not provided and the budget was not signed by the Board. Further, the budget did not include revenue estimates as required by Section 45(1) of the Urban Areas and Cities Act, 2011.

In the circumstances, the justification and basis for the City's revenue collection and expenditure could not be confirmed.

### **Management Response**

Management stated that the minutes of the Boards approving the supplementary budget of Kshs. 149,397,818 were not availed. The management hereby avail the minutes for verification. The budget did not include revenue estimates as required by Section 45(1) of the Urban Areas and Cities Act, 2011, the Executive is working on modalities of transitioning the gazetted functions to the board.

### **Committee Observation**

The Committee observed that the city did not provide the Nakuru City Board minutes at the time of audit which constitutes as an offence under section 62(2) of the Public Audit Act. However, the management later provided the minutes, which did not show evidence that the budget was approved.

### **Committee Recommendation**

**The Committee recommends that –**

- i. the Governor ensures that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47 of the Public Audit Act as read together with section 149(2)(k) of the Public Finance Management Act failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and**
- ii. the Governor ensures that the board continuously ensure that a formally approved annual budget is in place in accordance with its financial regulations so as to strengthen financial control and accountability.**

**3. Unsupported Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs491,677,426 as disclosed in Note 24 to the financial statements. The amount includes balance of Kshs22,402,913 and Kshs1,721,125 in respect of buildings and motor vehicles. However, the assets were not supported with ownership documents such as title deeds and logbooks respectively. Further, Note 24 to the financial statement reflects a Nil balance in respect of land. However, the land and building on which the City Board's offices are situated has not been included as part of the assets. Management did not provide the ownership documents including the title deed for the parcel of land.

In addition, the value of the assets of the City was not supported with a valuation report which Management indicated is still in the process of being prepared.

Review of records revealed that an amount of Kshs7,351,451.95 incurred on the acquisition and installation of two (2) high mast floodlights was not updated in the assets register and was not disclosed in the financial statements.

**Management Response**

Management had not provided ownership documents for audit. The management hereby provides the log book for vehicle 32CG002A and the title deed for land which holds our offices. The ownership documents have been availed for verification. These documents bear the name of Municipal Council of Nakuru. Included in Note 24 to the financial statement, is the value land of but at a nominal value.. This is further broken down as follows: Supply, installation, testing and commissioning of 2 No. 13 M High mast floodlights at Kshs 947,640.22. Supply of solar lights at Kshs 4,064,066.78 and Supply of materials for maintenance streetlights at Nakuru CBD at Kshs 2,339,744.95 was expensed as use of goods under Note 12- Use of goods as they are recurrent in nature.

### **Committee Observation**

The Committee observed that whereas the the ownership documents was provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act. It was also observed that the land was not included as part of the assets.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the Accounting officer maintains an accurate and up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board pursuant to section 104(1) (h) of the Public Finance Management Act 2012, failure to which penalties under section 199 of the Public Finance Management Act shall apply;**
- ii. the accounting officer undertakes adjustments to the financial statement so as to reflect the true value of the assets and the Auditor-General should keep the matter in view in the subsequent audit cycle; and**
- iii. the Governor ensures that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47 of the Public Audit Act as read together with section 149(2)(k) of the Public Finance Management Act failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

### **Other Matter**

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

The statement of comparison of budget and actual amounts reflects final budget revenue and actual on comparable basis receipt amounts of Kshs149,397,818 and Kshs70,323,343 respectively, resulting to underfunding of Kshs79,074,475 or 53% of the budget. Further, the statement reflects that the City spent an amount of Kshs59,095,139 against the actual receipts of Kshs70,323,343 resulting in under absorption of Kshs11,228,204 or 16% of the actual receipts. The under-funding and under- absorption affected the planned activities of the City and may have impacted negatively on service delivery to the public.

#### **Management Response**

Management stated that there was an underfunding and under absorption of funds of Kshs11,228,204 or 16% of the actual receipts We wish to clarify that the under absorption was as a result of projects that were undertaken during the year but remained

incomplete and hence not paid. The value for these projects is Kshs 11,619,462. The underfunding was as a result of shortfall in revenue.

#### **Committee Observation**

The Committee observed that there was underfunding of Kshs79,074,475 or 53% of the budget.

#### **Committee Recommendation**

**The Committee recommends that—**

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

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

Management is responsible for the Other Information set out on page iii to li which comprise of Key Entity information and Management, The Entity Board, Management Team, City Board Chairperson's Statement, Report of the City Manager, Statement of Performance and predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the City Board Members and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

#### **Management Response**

Management concur with the Audit finding on the unresolved Prior Year Matters We wish to clarify that the city management is yet to receive recommendation from the Senate /County Assembly on the matters raised.

#### **Committee Observation**

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

#### **Committee Recommendation**

**The Committee recommends that —**

- iii. 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
- iv. the Governor ensures that the Accounting Officer submits a comprehensive status report on all mitigation measures taken to resolve all prior year matters, to the Senate and copies the Auditor-General for verification within 90 days of the adoption of this report.

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

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

### **1. Project Implementation Status**

Review of the project implementation status reports for the financial year 2024/2025 revealed the following observations on roll over projects from the previous year.;

#### **1.1 Temporary Sanitation Facility at Menengai Garden**

The Temporary Sanitation Facility at Menengai Garden project whose contract sum was Kshs.1,420,485 commenced in the financial year 2023/2024 and was expected to be completed by 30 June, 2025. However, as at the time of audit in August, 2025, the project was indicated as ongoing and at 65% completion status.

#### **Management Response**

Management stated that the findings on the Temporary Sanitation Facility at Menengai whose completion has taken a longer time. This was caused by the delay in getting authorization from Kenya Railway regional office.

#### **Committee Observation**

The Committee observed that the project was incomplete at the time of audit.

#### **Committee Recommendation**

The Committee recommends that—

- i. The Governor ensures that the city of Nakuru make budgetary provisions to complete the project;

- ii. **The Governor ensures that the management develop and submit a revised implementation plan for the project to the Senate and a copy to the Auditor General within 60 days of the adoption of this report. The implementation plan should include outstanding works, revised timelines, and responsible officers.**

### **1.2 Establishment of a GIS and Data Centre for Nakuru City**

The Establishment of a GIS and Data Centre for Nakuru City project commenced on 14 May, 2024 at a contract sum of Kshs5,980,000. According to the project implementation status report, the contractor has been paid a total of Kshs2,392,000 as at 30 June, 2025. It could not be established why the project has taken so long to complete since there was no verifiable explanation for not implementing the project on time. In the circumstances, projects which are not implemented within the expected time impact negatively on the service delivery to the residents of Nakuru City.

#### **Management Response**

The management concurs with the auditor that the Establishment of a GIS and Data Centre. However, the city Board records shows that, this was the final payment (Kshs2,392,000). The first payment of Kshs 3,588,000.00 was settled in the FY 2023/2024. The management confirms that the project is complete and its contents have been put to use by the City Board.

#### **Committee Observation**

The Committee observed that the project was incomplete at the time of audit.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. **The Governor ensures that the city of Nakuru make budgetary provisions to complete the project;**
- ii. **The Governor ensures that the management develop and submit a revised implementation plan for the project to the Senate and a copy to the Auditor General within 60 days of the adoption of this report. The implementation plan should include outstanding works, revised timelines, and responsible officers.**

## **2. Lack of Independence of the City of Nakuru**

Nakuru City was granted a City Charter on 1 December, 2021 which provided for operational independence from the County Government of Nakuru. However, review of the operations of the City revealed lack of autonomy as detailed below: -

(i). The city's budget was prepared and controlled by the County Executive and there was no budget approval by the City Board

#### **Management Response**

The City was granted a City Charter on 1 December, 2021 which provided for operational independence from the County Government of Nakuru.

The City Board has always prepared and controlled its own budget to meet her obligations.

Further, the City Board is in the process of undertaking the functions as stipulated in the gazette notice. In this financial year 2025/2026, the board through the Approved budget is implementing ward projects within the City.

#### **Committee Observation**

The Committee observed that the budget for the city was prepared by the county executive and the board did not approve a budget.

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the Board of the city is empowered to exercise its statutory mandate in decision-making authority over operations, finances, and service delivery.**

### **3. Non-Submission of Quarterly Financial Reports**

During the year under review Nakuru City did not submit the required quarterly financial statements as provided for in the law. This is contrary to Section 166 (1) and (3) of the Public Finance Management Act, 2012.

#### **Management Response**

Management stated that the city board management concurs with the auditor that quarterly financial reports were not submitted to the office of the Auditor general as required

The management regrets this error and is committed to ensuring that the reports are submitted to the relevant authorities on timely basis.

#### **Committee Observation**

The Committee observed that the city did not submit the required quarterly financial statements.

#### **Committee Recommendation**

**The Committee recommends that the management continuously submit required quarterly financial statements in accordance to Section 166 (1) and (3) of the Public**

**Finance Management Act, 2012; failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

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

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

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

The statement of financial position reflects trade and other payables balance of Kshs11,844,799 which as disclosed in Note 27 to the financial statements includes an amount of Kshs5,217,186 in respect of trade payables. However, there was no evidence to indicate that the previous year's trade payables formed a first charge during payments in the current financial year. In addition, Nakuru City did not maintain a register with details of the outstanding bills, in terms of opening balances, additions during the year, payments during the year as well as the closing balances. Therefore, it was difficult to ascertain the individual suppliers who make up the trade and other payables balance. In addition, the City did not have any reports on evaluation to determine the validity and eligibility of the trade payables.

In the circumstances, the City may incur additional and unnecessary costs of interest and penalties due to the continued delay in settling outstanding payables.

### **Management Response**

Management concurs with the audit finding that at the time of Audit, there were Long Outstanding Trade Payables. These were processed as first charge at the beginning of the financial year and were paid. We maintained the pending bills register with details of the outstanding bills, in terms of opening balances, additions during the year, payments during the year as well as the closing balances.

### **Committee Observation**

The Committee observed that water company had payables totaling Kshs5,217,186 that remained outstanding.

### **Committee Recommendation**

**The Committee recommends that—**

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

## **2. Lack of Information Technology (IT) Strategy Committee, Strategic Plan and Policy**

Review of the information technology environment and IT systems in use revealed that Nakuru City has not established an IT strategy committee and also lacked approved IT strategic plan which should provide governance on information technology matters, IT strategic plan and IT security policy.

### **Management Response**

The management agree with the auditor's findings. That The City Board Lack IT Strategy Committee. However, the management share the services of IT Strategy Committee with the executive. Going forward The City Management will develop the IT Strategy Committee.

### **Committee Observation**

The Committee observed that the Municipality did not have a Risk management policy.

### **Committee Recommendation**

The Committee recommends that the Board of Directors ensures that the Municipality puts in place all internal control systems such as an IT strategy committee and policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the management to submit evidence of the same to the Auditor-General for verification.

## **3. Lack of an Approved Strategic Plan**

During the year under review, the City did not have an approved strategic plan and therefore Management may not be able to make decisions that align to the City's mission, vision and strategic objectives.

In the circumstances, the City may not be in a position to achieve its strategic objectives which may affect service delivery to the public.

### **Management Response**

Management are stated during the year under review, the City of Nakuru did not have an approved strategic plan. Reported that we are in the process of developing the strategic plan which is at an advanced stage.

### **Committee Observation**

The Committee observed that the Municipality did not have a strategic plan.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the management of the municipality develop and implement a strategic plan within 60 days of the adoption of this report and submit a status report to the Senate and a copy to the Auditor General.**

### **5. Lack of Internal Audit Function**

During the year under review, the City did not have an Internal Audit Function. This is contrary to the Regulation 73 (1) (a) of the Public Finance Management (National Government) Regulations, 2015 which states that every National Government entity shall ensure that it complies with the Act and - has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

In the circumstances, the effectiveness of the internal controls, risk management and governance could not be confirmed.

### **Management Response**

The city board relied on the services of the internal auditor deployed to the city by the directorate of County Internal Audit. The officer has continued to discharge his duties under the supervision and guidance of the director Audit.

### **Committee Observation**

The Committee observed that the Municipality did not have an internal audit unit.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Board of Directors put in place all internal control systems such as a IT strategy committee and policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations. Further, the management to submit evidence of the same to the Auditor-General for verification.**

## **2.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAIVASHA MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Nakuru County, Hon. Susan Kihika appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the municipality of Naivasha financial year 2024/2025. The Governor was accompanied by:

- |                      |                         |
|----------------------|-------------------------|
| 1. Mr. Stephen Njogu | - CECM Finance          |
| 2. Mr. Nelson Maana  | - CECM Water            |
| 3. Mr. Samuel Ndegwa | - Chief Officer Finance |

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

The Auditor-General rendered **Qualified opinion** on the Financial Statements of the municipality of Naivasha for the period under review on the following basis-

#### **1. Inaccuracies in Financial Statements**

##### **1.1 Use of Goods and Services**

The statement of financial performance and Note 11 to the financial statements reflects use of goods and services amount of Kshs.6,481,714 that is at variance with the actual amount of Kshs.6,919,495 reflected in the statement of comparison of budget and actual amounts and statement of cashflow resulting into a variance of Kshs.437,781.

##### **Management Response**

we acknowledge the finding of the auditor with respect to the variance in question. Since the statement of financial performance is prepared on accrual basis and the statement of budget and actual amounts and the cashflow statement is prepared on cash basis (actual inflows and outflows) the amount of Kshs 437,781 constitutes payments paid in the financial year relating to previous financial periods. A schedule of these payments has been attached for your review.

##### **Committee Observation**

The Committee observed that there was variance of Kshs.437,781.

##### **Committee Recommendation**

**The Committee recommends that—**

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

on penalties for offences shall apply. Further, the Governor submits a status update report of the administrative action taken to the Senate within 60 days of the adoption of this report;

- ii. the Governor ensures that the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and
- iii. the Governor ensures the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and
- iv. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties.

## **1.2 Funds Received**

The statement of changes in net assets reflects unsupported funds received during the year negative amount of Kshs.875,662.

### **Management Response**

The amount of Kshs (875,662) classified as funds received represented an adjustment to the capital fund arising from:

-Amounts of Kshs (259,662) representing the difference in the actual arbitral award and the amount tentatively recognized in the books of accounts.

-Amounts of Kshs (616,000) representing unposted pending bills for the prior financial period.

### **Committee Observation**

The Committee observed that there was variance of Kshs.437,781.

### **Committee Recommendation**

**The Committee recommends that—**

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

## **2. Material Uncertainty Related to Sustainability of Services**

The statement of financial position reflects current assets totaling to Kshs.999,597 against current liabilities totaling to Kshs.2,790,278 resulting to negative working capital of Kshs.1,790,681 and current ratio of 0.36.

The Municipality also reported a deficit of Kshs.27,948,396 in the statement of financial performance and accumulated surplus of negative Kshs.58,253,218.

Management has however not made a disclosure of this material uncertainty relating to going concern.

And no mitigation measures have been put in place to address the situation.

### **Management Response**

we acknowledge the observation of the Auditor and would like to reiterate that consultation is ongoing with the county treasury with aim of better financing the municipality in execution of its mandate

#### **Committee Observation**

The Committee observed that the municipality has a negative working capital of Kshs.1,790,681. This raises doubt on whether the municipality can sustain itself.

#### **Committee Recommendation**

**The Committee recommends that**

- i. the Governor should take keen interest in the management and operations of the municipality in line with Article 179 (4) of the Constitution;**
- ii. the Governor ensures that the Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the city for self-sustainability. Additionally, the management reviews and regularizes the company's existing assets and have updated assets register that reflect the current financial position. Further, management to determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).**

### **3. Lack of Depreciation and Amortization Policy**

The statement of financial position reflects Kshs.49,215,140 as depreciation and amortization on Municipal's assets for the financial year ended 30 June, 2025 under Note 15 to the financial statements. It was noted Municipality of Naivasha did not have a formal depreciation policy in place. In addition, the entity did not disclose the depreciation and amortization rates applied to its asset categories.

#### **Management response**

The county government is developing a depreciation and amortization policy which will inform the operations of the Municipal board.

#### **Committee Observation**

The Committee observed did not have a formal depreciation policy in place.

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the municipality develops and implements a depreciation policy within 60 days of the adoption of this report and submit a status update to the Senate and a copy to the Auditor General.**

#### **Emphasis on Matter**

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

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.103,301,322 and Kshs.56,171,119 respectively resulting to an under-funding of Kshs.47,130,203 or 46% of the budget.

#### **Management response**

The county government was not able to achieve its budget obligation.

#### **Committee Observation**

The Committee observed that under-funding of Kshs.47,130,203 or 46% of the budget.

#### **Committee Recommendation**

**The Committee recommends that—**

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

#### **Other Matter**

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

In the prior year audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the fund in 2024/2025 revealed that the following twelve (12) issues remained unresolved:

#### **Management Response**

The municipal administration in conjunction with the county government is in the process of addressing the matters raised by the office of the auditor general.

#### **Committee Observation**

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

#### **Committee Recommendation**

The Committee recommends that—

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

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

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

##### **1. Lack of Ownership Documents**

The Statement of Financial Position reflects a balance of Kshs.3,174,404,241 for Property, Plant and Equipment. However, ownership documents such as title deeds, allotment letters, or lease agreements for the parcels of land recorded under Property, Plant and Equipment were not provided for audit verification. Similarly, logbooks for motor vehicles disclosed in the financial statements were not provided for audit review to confirm ownership and registration details.

##### **Management Response**

The process of identification, verification and valuation of assets is being undertaken currently by the County Treasury which will inform the inclusion of assets in the Municipal register.

##### **Committee Observation**

The Committee observed that the municipality did not submit logbooks for motor vehicles for audit.

#### **Committee Recommendation**

The Committee recommends that-

- i. the Governor ensures that the management ensures that the valuation of all assets of the municipality 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;
- ii. 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;
- iii. 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
- 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), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

## **2. Failure to Update Fixed Asset Register**

The asset register was not regularly updated and lacked key information, including serial numbers, acquisition date, description of asset, location, class, cost of acquisition for some of the assets, land reference/certificate number, ownership details as per ownership documents and asset condition.

### **Management Response**

The process of identification, verification and valuation of assets is being undertaken currently by the county treasury which will inform the inclusion of assets in the Municipal register.

### **Committee Observation**

The Committee observed that the municipality lacked an updated register.

### **Committee Recommendation**

**The Committee recommends that-**

- i. the Governor ensures that the management ensures that the valuation of all assets of the municipality 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;

- ii. 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;
- iii. 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
- iv. the Accounting Officer ensures that the water company maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

### **3. Non - Compliance with the Law on Independence of Naivasha Municipality**

Naivasha Municipality was granted Municipality charter on 13 February, 2019 and was effectively granted operational independence from the County Government of Nakuru. However, as previously reported the County Government has continued to perform functions which were transferred to the Municipality as provided for through Gazette Notice No. 3844 dated 16 March, 2023 such as development controls, solid waste management and street parking.

Further, the statement of financial performance and Note 5 to the financial statements reflect payments processed through the Nakuru County Executive account on behalf of Naivasha Municipality an amount of Kshs.35,572,381. Executive account on behalf of Naivasha Municipality an amount of Kshs.35,572,381.

#### **Management Response**

We acknowledge the finding of the auditor general in respect of the lack of independence of the Municipality of Naivasha. The county government ins in the process of developing a framework for the phased transfer of function and associated budget to the Municipal Board.

#### **Committee Observation**

The Committee observed that the municipality lacked independence.

## **Committee recommendation**

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

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

#### **4. Under Staffing of the Municipality**

Review of payroll records and approved budget provided for audit revealed that Naivasha Municipality engaged only four (4) permanent employees during the year under review. However, this was contrary to the staffing needs envisioned under the Municipality charter and organogram that identified various positions and roles to ensure the smooth running of the Municipality. Consequently, the Management of the Municipality may not be able to deliver on its functions.

#### **Management Response**

The county government has deployed officers to the municipality and the Public Service Board is in the process of recruiting more officers for the municipality, which will improve service delivery.

#### **Committee Observation**

The Committee observed that the municipality only has four permanent staff.

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the management of the municipality ensures that the municipality is adequately staffed and submit**

**status report on the same to the Senate and a copy to the Auditor General within 90 days of the adoption of this report.**

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

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

### **1. Lack of Fraud Policy**

Naivasha Municipality did not have in place an approved fraud management policy during the year under review to assist in detecting and preventing fraud or falsification of records in the event of their occurrence.

#### **Management Response**

We acknowledge the finding of the Auditor General that the Municipality lacked a Fraud Policy. We are in the process of developing a framework that will underpin the fraud policy in the municipality.

#### **Committee Observation**

The Committee observed that the municipality did not have an approved fraud management system policy

#### **Committee Recommendation**

**The Committee recommends that the municipality develops and implements a fraud management system policy and submit a status update to the senate and a copy to the Auditor General within 60 days of the adoption of this report.**

### **2. Lack of an Approved Staff Establishment**

Naivasha Municipality did not have an approved staff establishment in the year under review that ought to have informed the staffing, competency and effective service delivery by considering the current staff in post, the optimal staffing levels and the grading structure for the work force.

#### **Management Response**

The draft municipal staff establishment is awaiting approval by the public service board and will be available for submission to the auditor shortly.

#### **Committee Observation**

The Committee did not have have an approved staff establishment in the year under review.

**Committee Recommendation**

**The Committee recommends that the Governor ensures that the municipality put in place an approved staff establishment and submit a status report within 60 days of the adoption of this report.**

## CHAPTER THREE: HOSPITALS

### 3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAKURU COUNTY REFERRAL AND TEACHING HOSPITAL (NCRTH) FOR THE FINANCIAL YEAR 2024/2025

The Governor of Nakuru County, Hon. Susan Wakarura Kihika, EGH appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nakuru County Referral and Teaching Hospital financial year 2024/2025. The Governor was accompanied by:

1. Mr. Stephen Njogu - CECM Finance
2. Mr. Nelson Maana - CECM Water
3. Mr. Samuel Ndegwa - Chief Officer Finance

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **qualified opinion** on the Financial Statements of the Nakuru County Referral and Teaching Hospital for the period under review on the following basis-

##### 1. Inaccuracies in the Financial Statements

Review of the financial statements revealed multiple material inaccuracies, including: (i) an unexplained variance of Kshs.9,529,000,343 between the capital fund balance in the statement of changes in net assets and the trial balance; (ii) a variance of Kshs.528,235 between property, plant and equipment in the statement of cash flows and Note 32; (iii) an unsupported expenditure budget adjustment of Kshs.183,216,429 with no approved revised or supplementary budget; and (iv) an unexplained variance of Kshs.39,878,331 between general expenses in the budget comparison statement and the statement of cash flows. Additionally, inventory movement details were omitted from Note 31(b), and opening balances for furniture and capital work-in-progress in Note 32 did not reconcile with prior year audited balances.

##### Management Response

Management acknowledged the inaccuracies and submitted reconciliations, supplementary budget documentation, asset lists, and journal entries for audit verification. The variance in capital fund balance was attributed to data entry differences; the Kshs.528,235 variance was explained as USAID Tujenge Jamii donations recorded as assets but not reflected in cash flows; and the Kshs.39,878,331 difference was reconciled to PPE reclassifications, prior year adjustments, and receivables from non-exchange transactions.

##### Committee Observations

The Committee observed that the financial statements of NCRTH contained numerous and material inaccuracies that fundamentally undermine their reliability. The scale of the unexplained variance of Kshs.9,529,000,343 in the capital fund balance is

particularly alarming and points to systemic breakdown in financial record-keeping and oversight.

### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures that the Accounting Officer takes appropriate administrative action against finance officers responsible for the inaccuracies in the financial statements, in accordance with Section 156(1) of the Public Finance Management Act, Cap.412A, and their terms and conditions of service, failure to which the provisions of Section 199 of the Public Finance Management Act shall apply;**
- ii. **the Accounting Officer submits fully reconciled and corrected financial statements, supported by journal entries, schedules, and bank reconciliations, to the Auditor-General for verification within sixty (60) days of the adoption of this report;**
- iii. **the Governor ensures the hospital invests in capacity building and technology to enhance the accuracy of financial reporting in compliance with IPSAS and the reporting framework prescribed by PSASB; and**
- iv. **the Accounting Officer institutes a mandatory internal review process for financial statements prior to submission to the Auditor-General, to be overseen by the internal audit function in compliance with Section 155 of the Public Finance Management Act, Cap.412A.**

### **2. Unsatisfactory General Expenses (Kshs.319,230,446)**

General expenses of Kshs.319,230,446 were queried on three grounds: (i) write-offs and bad debt expenses from prior years amounting to Kshs.128,466,538 were included without disclosure of their nature and justification, and without evidence of Hospital Management Committee approval; (ii) fuel and lubricants expenditure of Kshs.13,693,916, including Kshs.3,900,000 under a framework agreement, lacked procurement documentation; fuel registers, work tickets, and order forms were not maintained; and the same evaluators were used across all tenders contrary to Regulation 29(1)(a) of the PPADA Regulations, 2020; and (iii) staff training expenditure of Kshs.610,500 was incurred without an approved training policy.

### **Management Response**

Management confirmed the write-offs were pending bills approved by the Hospital Management Committee and provided supporting minutes. Fuel procurement was stated to be centrally managed by the County Executive, with documentation submitted for verification. Management acknowledged the failure to rotate evaluators and committed to corrective action. On training, management confirmed the absence of a policy but noted that training is guided by annual performance appraisals.

### **Committee Observations**

The Committee observed that over 40% of total general expenses comprised of write-offs from prior years, which were inadequately disclosed and supported. The persistent failure to maintain fuel management records, enforce evaluator rotation, and establish a training policy reflects systemic procurement and governance weaknesses.

### **Committee Recommendations**

The Committee recommends that-

- i. the Accounting Officer ensures that any write-offs or bad debt expenses are fully disclosed in the financial statements, including their nature, justification, and the specific approval authority, in compliance with applicable financial reporting standards, failure to which the Committee shall recommend for investigation and surcharge of responsible officers;
- ii. the hospital immediately establishes and maintains a fuel management system comprising fuel registers, work tickets, and detail order forms, and ensures that all fuel procurements are supported by complete procurement documentation as required by the Public Procurement and Asset Disposal Act, 2015;
- iii. the Accounting Officer strictly enforces rotation of evaluation committee members for all tenders, in full compliance with Regulation 29(1)(a) of the Public Procurement and Asset Disposal Regulations, 2020, failure to which the affected contracts shall be reviewed for cancellation; and
- iv. the hospital develops and adopts a formal, Board-approved training and development policy within ninety (90) days of adoption of this report.

### **3. Unsupported Cash and Cash Equivalents (Kshs.52,442,897)**

The reported cash and cash equivalents balance of Kshs.52,442,897 could not be reconciled with the cashbook balance of Kshs.52,236,898, leaving an unexplained variance of Kshs.205,999. No Board of Survey report was available to support the nil cash-in-hand balance. The bank reconciliation included stale cheques totalling Kshs.2,236,530 (some dating to March 2024), unpresented cheques of Kshs.77,619,408, and an amount of Kshs.5,813,664 carried forward as a receipt from 30 June 2021 with no explanation.

### **Management Response**

Management attributed the Kshs.205,999 variance to an omitted dental supplies cheque and confirmed the cashbook has since been reconciled. The Board of Survey report was stated to be available. Management confirmed that most unpresented cheques have since cleared. Stale cheques were attributed to KRA portal inactivity on NITA levy payments, which have since been resolved. The long-outstanding receipt of Kshs.5,813,664 is under review.

### **Committee Observations**

The Committee observed that the presence of stale cheques dating to March 2024 and unreconciled receipts carried forward from 2021 represent serious internal control weaknesses in cash management.

### **Committee Recommendations**

The Committee recommends that-

- i. the Accounting Officer immediately investigates and resolves the receipt of Kshs.5,813,664 outstanding since 30 June 2021, and submits a full explanation and supporting documentation to the Auditor-General within thirty (30) days of adoption of this report;
- ii. all stale cheques shall be cancelled and properly accounted for, with reversal entries duly authorized and documented, within sixty (60) days of adoption of this report;
- iii. the hospital enforces monthly bank reconciliation and cashbook review as a mandatory internal control, with reports submitted to the Board of Management and internal audit; and
- iv. the Accounting Officer ensures a Board of Survey is conducted annually and the report submitted to the Auditor-General as required under Public Finance Management Regulations.

#### **4. Unsupported Property, Plant and Equipment (Kshs.10,852,375,147)**

The property, plant and equipment balance of Kshs.10,852,375,147 could not be verified as the hospital did not maintain an updated asset register with acquisition cost, date, or tag number as required by law. A valuation report for the fixed assets was not provided for audit.

#### **Management Response**

Management acknowledged the gaps and confirmed that the asset register is still being developed. The valuation report was stated to be available for audit review.

#### **Committee Observations**

The Committee observed that the failure to maintain a complete asset register for a balance exceeding Kshs.10 billion is an unacceptable governance failure that exposes public assets to risk of loss and misappropriation.

### **Committee Recommendations**

The Committee recommends that-

- i. the Governor ensures that the hospital completes the asset register within ninety (90) days of adoption of this report, in the format prescribed by the National Treasury, and submits it to the Auditor-General for verification, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap.412A shall apply;

- ii. **the Accounting Officer submits the valuation report for all fixed assets to the Auditor-General within sixty (60) days of adoption of this report; and**
- iii. **the hospital institutes a mandatory annual physical asset verification exercise, with results reconciled to the asset register and financial statements.**

## **5. Presentation and Disclosure Deficiencies in Financial Statements**

The financial statements presented multiple disclosure failures, including: missing qualifications for board sub-committee chairperson; incomplete corporate governance statement; missing note numbers in the cash flow statement; absence of commentary on budget underutilization and overutilization; blank appendices for project status, climate expenditure, and inter-entity confirmations; and unsupported restatement entries.

### **Management Response**

Management acknowledged the deficiencies, committed to corrections, and provided amended appendices and journal entries where applicable. The absence of inter-entity confirmation and disaster expenditure templates was attributed to no relevant activities occurring during the year.

### **Committee Observations**

The Committee observed that the multiplicity and recurrence of disclosure failures indicate inadequate review of financial statements prior to submission for audit.

### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Accounting Officer ensures full compliance with the PSASB financial reporting template and International Public Sector Accounting Standards in all future financial statements, and subjects the statements to a mandatory internal review process before submission to the Auditor-General; and**
- ii. **the Governor ensures that finance officers attend targeted capacity building on financial reporting standards, including corporate governance disclosures, within the current financial year.**

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

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

### **6. Procurement Irregularities — Fuel and Evaluator Rotation**

Fuel procurement of Kshs.3,900,000 under a framework agreement lacked supporting procurement documentation. The head of procurement used the same evaluators for all

tender evaluations during the year, contrary to Regulation 29(1)(a) of the Public Procurement and Asset Disposal Regulations, 2020.

### **Management Response**

Management acknowledged the findings and committed to enforcing evaluator rotation and maintaining procurement documentation going forward.

### **Committee Observations**

The Committee observed that the absence of framework agreement documentation for a Kshs.3,900,000 expenditure is a material compliance failure that exposes the hospital to procurement irregularity risk.

### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Accounting Officer strictly enforces evaluator rotation for all future tenders and ensures the head of procurement maintains a rotation schedule and submits it to the Board with each procurement report; and**
- ii. **the Governor ensures that all framework agreements are formally documented, approved, and maintained in procurement records available for audit inspection at all times.**

### **7. Failure to Submit Quarterly Procurement and Financial Reports**

The Accounting Officer failed to prepare and submit quarterly reports on implementation of the annual procurement plan to the County Executive Committee Member for Finance, contrary to Regulation 40(6) of the PPADA Regulations, 2020. The hospital also did not submit quarterly financial reports to the County Treasury and Auditor-General as required by Regulation 64(1) and (4) of the Public Finance Management (County Governments) Regulations, 2015.

### **Management Response**

Management acknowledged the finding and committed to ensuring timely submission of all quarterly reports going forward.

### **Committee Observations**

The Committee observed that failure to submit mandatory quarterly reports undermines financial oversight and accountability. These are recurring compliance failures that suggest a culture of disregard for statutory reporting obligations.

### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Accounting Officer immediately commences submission of quarterly procurement implementation reports and quarterly financial reports in compliance with Regulation 40(6) of the PPADA Regulations, 2020 and Regulation 64(1) and (4) of the PFM (County Governments) Regulations, 2015, respectively; and**
- ii. **failure to comply with these reporting requirements in the subsequent financial year shall result in the Committee recommending surcharge and prosecution under the Public Finance Management Act and Public Audit Act.**

#### **8. Non-Compliance with Staff Ethnic Composition Requirements**

Out of 1,054 employees, 457 (43%) belong to the same ethnic community, in violation of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which prohibits any public institution from having more than one-third of its staff from the same ethnic community.

#### **Management Response**

Management acknowledged the finding and noted that recruitment is done by the County Public Service Board. Management committed to engaging the Board to ensure fair ethnic representation in future recruitment exercises.

#### **Committee Observations**

The Committee observed that at 43%, the concentration of staff from a single ethnic community is a significant breach of the National Cohesion and Integration Act, 2008.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor directs the County Public Service Board to adopt and implement a formal ethnic diversity recruitment policy, with the objective of achieving full compliance with Section 7(2) of the National Cohesion and Integration Act within three (3) years; and**
- ii. **compliance status on ethnic composition shall be reviewed and reported to the Committee in the next audit cycle.**

#### **9. Irregular Engagement of Casual Employees**

Multiple casual employees were engaged continuously for more than three (3) months and in some cases beyond one (1) year from 2023, in violation of Section B.16(1) of the County Public Service Human Resource Manual, May 2013, and Section 37 of the Employment Act, 2007.

#### **Management Response**

Management noted that casual staff were engaged due to critical staffing gaps within key service delivery departments and committed to developing a framework to regularize the employment of long-serving casuals.

#### **Committee Observations**

The Committee observed that the long-term engagement of casual workers beyond three months is a deliberate circumvention of employment law and does not constitute a legal basis for non-compliance.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor ensures that the hospital regularizes the employment of all casual employees who have served beyond three (3) months in line with the Employment Act, 2007, and the County Public Service Human Resource Manual; and**
- ii. the Accounting Officer develops a formal casual labour management framework, including maximum engagement periods and renewal justification protocols, approved by the County Public Service Board.**

#### **10. Inadequacies in Universal Health Coverage Implementation**

The hospital had a staff deficit of 309 positions (22% of authorized establishment) and failed to provide documentation on required equipment in line with the Kenya Quality Model for Health Policy Guidelines. These deficiencies contravene the First Schedule of the Health Act, 2017, and Article 43(1) of the Constitution.

#### **Management Response**

Management agreed with the observation and noted that the County Government is actively recruiting 107 healthcare positions. Management committed to developing a time-bound staffing plan and allocating funds for procurement of critical medical equipment.

#### **Committee Observations**

The Committee observed that a 22% staff deficit at a County Referral and Teaching Hospital directly impairs the realization of the constitutional right to the highest attainable standard of health.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. within sixty (60) days of adoption of this report, the Governor submits to the Committee a time-bound staffing plan to address the 309-position**

deficit, including a phased recruitment schedule linked to annual budget allocations;

- ii. the Accounting Officer submits a comprehensive equipment inventory, including condition assessments, to the Auditor-General within ninety (90) days of adoption of this report; and
- iii. the Governor ensures progressive budgetary allocation for procurement of medical equipment to achieve Level 5 standards within a defined timeline.

#### **11. Unutilized Managed Equipment Services (MES) Equipment**

Several MES equipment items, including renal dialysis machines, ICU equipment, and imaging equipment, have not been serviced since February 2023 following the expiry of maintenance contracts with the Ministry of Health. Additional hospital equipment in various departments was also found to be non-functional.

#### **Management Response**

Management acknowledged the matter and confirmed it has been escalated to the Ministry of Health for resolution. Management indicated that the County is exploring alternative maintenance arrangements.

#### **Committee Observations**

The Committee observed that the continued unavailability of critical medical equipment, including dialysis and ICU equipment, directly endangers patient lives and represents a significant loss of public value.

#### **Committee Recommendations**

The Committee recommends that-

- i. within thirty (30) days of adoption of this report, the Governor escalates the matter of expired MES maintenance contracts to the Cabinet Secretary for Health and demands a clear timeline for reinstatement of services or equipment replacement; and
- ii. the Accounting Officer establishes and maintains an equipment serviceability register and allocates funds in the FY 2025/2026 budget for urgent servicing and replacement of critical medical equipment.

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

#### **12. Long Outstanding Receivables from Exchange Transactions (Kshs.328,941,248)**

Of the total receivables balance of Kshs.661,322,292, an amount of Kshs.328,941,248 (50%) has been outstanding for more than one year. No measures were presented to demonstrate active recovery efforts.

### **Management Response**

Management acknowledged the finding and noted that the primary cause is delayed reimbursements from SHA and the defunct NHIF. Management committed to formal escalation to SHA and the County Government for resolution.

### **Committee Observations**

The Committee observed that half of total receivables being over one year old represents an unacceptable level of exposure to bad debt risk and reflects inadequate debtor management.

### **Committee Recommendations**

The Committee recommends that-

- i. the Governor formally engages the Cabinet Secretary for Health and the SHA Board to expedite resolution of all outstanding NHIF and SHA claims within a defined timeline;
- ii. the Accounting Officer makes appropriate provisions for bad and doubtful debts in the financial statements in accordance with IPSAS; and
- iii. a comprehensive debtors ageing analysis is submitted to the Auditor-General in each subsequent audit cycle.

### **13. Long Outstanding Trade and Other Payables (Kshs.571,075,505)**

68% of total trade payables (Kshs.571,075,505) have been outstanding for more than one year, with some bills dating to 2021/2022. This exposes the hospital to interest penalties and litigation.

### **Management Response**

Management acknowledged the finding and noted that funds have been allocated in the FY 2025/2026 budget to address pending bills. Management committed to a structured payment plan.

### **Committee Observations**

The Committee observed that the accumulation of long-outstanding payables reflects chronic underfunding and inadequate cash flow management. The risk of litigation and reputational damage to the county from unpaid creditors is significant.

### **Committee Recommendations**

The Committee recommends that-

- i. the Accounting Officer submits to the Committee a structured pending bills clearance plan within sixty (60) days of adoption of this report, showing prioritized payment timelines and sources of funding; and

- ii. **the Governor ensures ring-fenced budget allocation for pending bills settlement in each subsequent financial year.**

#### **14. Lack of Internal Audit Function and Audit Committee**

The hospital had no internal audit function or audit committee in place during the year under review, and there is no evidence of any internal audit activity by the Nakuru County Executive's internal audit department.

##### **Management Response**

Management acknowledged the finding and committed to establishing a dedicated internal audit function and constituting an audit committee within the stipulated timelines.

##### **Committee Observations**

The Committee observed that the absence of an internal audit function in a hospital managing over Kshs.1.3 billion in revenue is a critical governance failure that creates an unchecked environment where errors and irregularities may go undetected.

##### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures that a dedicated internal audit function is established for NCRTH within sixty (60) days of adoption of this report, with qualified staff and a formal audit charter approved by the Board of Management; and**
- ii. **the Accounting Officer establishes a functional Audit Committee in compliance with Regulation 157 of the Public Finance Management (County Governments) Regulations, 2015.**

#### **15. Absence of Key Governance Policies**

The hospital lacked an approved training policy, staff establishment, human resource plans, a fraud prevention policy, an ICT policy, and a risk and disaster management policy, all of which are required under various regulations including PFM Regulations, Section B.2(1) of the HR Manual, and Regulation 158(1) of the PFM (County Government) Regulations, 2015.

##### **Management Response**

Management acknowledged the finding and committed to developing and obtaining Board approval for all required governance instruments within ninety (90) days.

##### **Committee Observations**

The Committee observed that the absence of all these foundational governance documents in a public hospital of this scale is a systemic failure that leaves the institution exposed to fraud, mismanagement, and operational disruption.

### **Committee Recommendations**

**The Committee recommends that-**

- i. **within ninety (90) days of adoption of this report, the Accounting Officer develops and obtains Board approval for: a Fraud Prevention Policy; a Risk Management Policy and Register; an ICT Governance and Security Policy; a Business Continuity and Disaster Recovery Plan; a Human Resources Policy; a Training and Development Policy; and a Staff Establishment document; and**
- ii. **progress on policy development shall be reported to the Committee in writing within the stipulated timelines, with copies submitted to the Auditor-General.**

### **16. Expired Medical Supplies**

A total of 352 units of pharmaceuticals and non-pharmaceutical supplies valued at Kshs.87,764 had expired as at 30 June 2025. A disposal memo had been written but awaited approval.

### **Management Response**

Management acknowledged the finding and committed to immediate disposal of the expired supplies through the authorized disposal committee.

### **Committee Observation**

The Committee observed that the occurrence signals weaknesses in inventory management and expiry date monitoring that could escalate to a more serious public health risk.

### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Accounting Officer ensures immediate disposal of expired medical supplies through the authorized disposal committee in compliance with Regulation 122 of the Public Finance Management (County Governments) Regulations, 2015; and**
- ii. **the hospital implements an automated inventory management system with expiry date alerts to prevent future accumulation of expired drugs.**

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

The Governor of Nakuru County, Hon. Susan Wakarura Kihika, EGH appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Naivasha Sub-County Level 4 Hospital financial year 2024/2025. The Governor was accompanied by:

1. Mr. Stephen Njogu - CECM Finance
2. Mr. Nelson Maana - CECM Water
3. Mr. Samuel Ndegwa - Chief Officer Finance

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **qualified opinion** on the Financial Statements of the Naivasha Sub-County Level 4 Hospital for the period under review on the following basis-

##### 1. Material Uncertainty Related to Going Concern

The statement of financial position reflects current assets of Kshs.159,703,927 against current liabilities of Kshs.522,542,727, resulting in a negative working capital of Kshs.362,811,800. The Hospital recorded a deficit of Kshs.57,867,460 for the year and an accumulated deficit of Kshs.341,920,312 for the year ended 30th June 2025. Management did not disclose in the financial statements or in the Notes the material fact that the Hospital may not continue as a going concern and the mitigating measures put in place to reverse the unsatisfactory situation. The Hospital is technically insolvent and dependent upon support from the County Government and its creditors.

##### Management Response

Management agreed with the observation and stated that the deficit is due to long overdue trade receivables whereby the facility is following up on debtors, including writing to NHIF and SHA. The facility has continued to receive commodity support from the Department of Health Services and has allocated funds in the budget for FY 2025/2026 towards settling pending bills.

##### Committee Observations

The Committee observed that the Hospital is technically insolvent with a negative working capital of Kshs.362,811,800 and an accumulated deficit of Kshs.341,920,312. Management failed to disclose this going concern uncertainty in the financial statements as required. This is an unresolved prior year matter.

## **Committee Recommendations**

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

- i. **the Governor ensures that the Accounting Officer prepares a comprehensive financial recovery plan for the Hospital and discloses all material going concern uncertainties in the financial statements in accordance with the applicable IPSAS framework, 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, through the CECM for Health, urgently engages SHA and all outstanding debtors with a structured debt recovery schedule and submits a progress report to the Auditor-General within sixty (60) days of the adoption of this report; and**
- iii. **the Auditor-General provides a status update on the Hospital's financial recovery in the subsequent audit cycle.**

## **2. Lack of Depreciation or Amortization Policy on Assets**

The statement of financial performance and Note 18 to the financial statements reflect an amount of Kshs.15,017,308 in relation to depreciation and amortization expense. However, Management did not disclose the adopted depreciation and amortization policy for property, plant and equipment and intangible assets. In the circumstances, the accuracy and completeness of the depreciation and amortization expense of Kshs.15,017,308 for the period ending 30th June 2025 could not be confirmed.

## **Management Response**

Management agreed with the finding and stated that the facility applied the National Asset and Liability Management (NALM) Policy for depreciation and amortization.

## **Committee Observations**

The Committee observed that the Hospital did not disclose its depreciation and amortization policy in the financial statements. The accuracy of the Kshs.15,017,308 depreciation charge could not be confirmed without this disclosure.

## **Committee Recommendations**

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

- i. **the Governor ensures that the Accounting Officer discloses the depreciation and amortization policy adopted by the Hospital in the notes to the financial statements in compliance with IPSAS 17 and the financial reporting template prescribed by the National Treasury, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

- ii. **the Accounting Officer submits a revised statement of financial performance with full policy notes to the Auditor-General within sixty (60) days of the adoption of this report; and**
- iii. **the National Treasury enhances training on IPSAS requirements for finance officers in county health facilities.**

### **3. Unsupported General Expenses (Kshs.58,355,104)**

The statement of financial performance and Note 21 reflect general expenses amounting to Kshs.58,355,104. Review of records revealed that payments for security expenses totalling Kshs.729,000 were paid directly to police officers deployed to the Hospital, contrary to Section 104(3) of the National Police Service Act, 2011. Supporting evidence such as deployment letters, personal numbers, and approved daily or monthly rates were not provided. The expenditure was also wrongly charged under daily subsistence allowance instead of security expenses. The Hospital also procured fuel amounting to Kshs.2,471,118 without providing procurement documents and contracts. In the circumstances, the accuracy and regularity of security and fuel expenses totalling Kshs.3,200,118 could not be confirmed.

#### **Management Response**

Management agreed with the observations and committed to reallocate expenditure to the relevant vote heads. Funds for security allowances were allocated in the supplementary budget 1 for FY 2025/2026 and management committed to comply with Section 104(3) of the National Police Service Act, 2011.

#### **Committee Observations**

The Committee observed that security payments of Kshs.729,000 were wrongly coded under daily subsistence and paid directly to police officers contrary to Section 104(3) of the National Police Service Act, 2011. Fuel expenditure of Kshs.2,471,118 was paid without procurement documents or supplier statements.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures that the Accounting Officer takes appropriate administrative action against responsible officers who approved irregular payments contrary to Section 104(3) of the National Police Service Act, 2011, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A shall apply;**
- ii. **all future payments to police officers deployed to the Hospital shall be channelled through the National Treasury as required by law;**

- iii. **the Accounting Officer ensures all expenditure is charged to the correct vote heads and supported with complete documentation; and**
- iv. **the Auditor-General verifies the submitted supporting documents and provides a status update in the subsequent audit cycle.**

#### **4. Unsupported Property, Plant and Equipment Balance (Kshs.1,413,616,472)**

The statement of financial position reflects property, plant and equipment (PPE) balance of Kshs.1,413,616,472 as disclosed in Note 32. The balance includes land valued at Kshs.953,236,670 and buildings at a cost of Kshs.409,012,258. The Hospital did not maintain a fixed assets register with key asset details such as location, condition, usage, acquisition date and values. Various assets were not recorded in the inventory including motor vehicles at a cost of Kshs.19,024,512, furniture, fittings and office equipment valued at Kshs.1,512,063, ICT equipment costing Kshs.4,260,897, and plant and medical equipment valued at Kshs.26,570,072. In the circumstances, the accuracy, completeness and existence of the PPE balance of Kshs.1,413,616,472 as at 30th June 2025 could not be confirmed.

#### **Management Response**

Management agreed with the observation and indicated that the fixed asset register is progressively being updated to include motor vehicles, furniture, fittings, and medical equipment. The updated asset register was submitted for verification.

#### **Committee Observations**

The Committee observed that the Hospital had no fixed asset register and failed to record motor vehicles, furniture, ICT equipment, and medical equipment in its asset inventory, leaving the Kshs.1,413,616,472 PPE balance unverifiable. This is an unresolved prior year matter.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **within sixty (60) days of the adoption of this report, the Governor ensures the Accounting Officer prepares a complete and comprehensive fixed asset register incorporating all categories of assets in compliance with Section 149(2)(o) of the Public Finance Management Act, Cap.412A and in the format prescribed by the National Treasury;**
- ii. **the Accounting Officer conducts a formal physical verification and condition assessment of all hospital assets and submits the report to the Auditor-General within sixty (60) days of the adoption of this report;**

- iii. the Governor, through the CECM responsible for matters health, engages the Ministry of Health to fast-track the transfer of land and building ownership documents to the Hospital; and
- iv. the Auditor-General provides a status update on asset register completion and verification in the subsequent audit cycle.

**5. Emphasis of Matter — Unresolved Prior Year Matters**

In the audit report for the previous year, several issues were raised. Review of the status during the audit of the Hospital for the financial year 2024/2025 revealed that the following twelve (12) issues remained unresolved:

No.	Year	Audit Issue
1.	2023/2024	Unsupported employee cost paid in kind
2.	2023/2024	Unsupported casual wages to technical and non-technical staff
3.	2023/2024	Unsupported PPE balances
4.	2023/2024	Material uncertainty relating to going concern
5.	2023/2024	Budgetary control and performance
6.	2023/2024	Non-compliance with reporting template
7.	2023/2024	Lack of approved tariff structure
8.	2023/2024	Failure to transfer funds to County Revenue Fund
9.	2023/2024	Non-compliance with requirement of Universal Health Coverage
10.	2023/2024	Weak internal controls
11.	2023/2024	Long outstanding trade receivables
12.	2023/2024	Long outstanding trade payables

**Management Response**

Management stated that the Hospital has continuously worked to address prior year issues, with progress reports being addressed by management and forwarded to relevant oversight bodies.

**Committee Observations**

The Committee observed that all twelve (12) prior year audit issues remain unresolved, including going concern, PPE management, internal controls, outstanding receivables and payables, and tariff compliance. Persistent non-resolution indicates a systemic failure to implement audit recommendations.

### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures that the Accounting Officer implements all twelve (12) prior year audit recommendations within sixty (60) days of the adoption of this report and provides a status update to the Auditor-General;**
- ii. **the Governor takes appropriate administrative action against officers responsible for persistent non-compliance with audit recommendations; and**
- iii. **failure to resolve prior year issues shall result in the Committee invoking Section 62 of the Public Audit Act, Cap.412B.**

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

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

#### **6. Unapproved Waivers of Patient Bills (Kshs.11,462,983)**

Review of records revealed that Management waived patient bills amounting to Kshs.11,462,983 during the year under review. However, there was no evidence of approval of the waivers from the County Executive Committee Member for Finance, contrary to Section 159(1)(c) of the Public Finance Management Act, 2012. Management was in breach of the law.

#### **Management Response**

Management agreed with the observation and stated that the facility had been applying guidelines under the FIF Act in waiving patient bills and committed to comply with the PFM Act 2012 going forward.

#### **Committee Observations**

The Committee observed that patient bills of Kshs.11,462,983 were waived without approval from the CECM for Finance as required under Section 159(1)(c) of the PFM Act, 2012, constituting irregular revenue foregone.

## **Committee Recommendations**

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

- i. **the Governor ensures that the Accounting Officer takes appropriate administrative action against officers responsible for authorizing patient bill waivers without requisite approval, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A shall apply;**
- ii. **all future patient bill waivers shall be processed strictly in compliance with Section 159(1)(c) of the Public Finance Management Act, 2012 with documented approval from the CECM for Finance;**
- iii. **the County Treasury issues clear guidelines to all county health facilities on the applicable legal framework for patient bill waivers; and**
- iv. **the Auditor-General verifies compliance with this requirement in the subsequent audit cycle.**

## **7. Lack of Approved Tariff Structure for Hospital Services**

The statement of financial performance and Note 11 to the financial statements reflect medical services income amounting to Kshs.311,009,750. Review of records revealed that although the Hospital collected revenue from patients for services offered, there was no evidence of approval of the price list or tariff used to charge for services rendered, contrary to Regulation 65(1) to (3) of the Public Finance Management (County Governments) Regulations, 2015. Management was in breach of the law.

### **Management Response**

Management agreed with the observation and stated that the Department of Health, in collaboration with the County Treasury and other relevant departments, is working to ensure prices are aligned and approved as required by law.

### **Committee Observations**

The Committee observed that the Hospital collected Kshs.311,009,750 in medical services revenue without a County Treasury-approved tariff structure, in breach of Regulation 65(1) to (3) of the PFM (County Governments) Regulations, 2015. This is a recurring unresolved prior year matter.

## **Committee Recommendations**

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

- i. **within sixty (60) days of the adoption of this report, the Governor ensures the Accounting Officer, in collaboration with the CECM for Finance and Health, develops and submits a formal tariff structure to the County Treasury for approval as required by Regulation 65(1) to (3) of the PFM (County Governments) Regulations, 2015;**

- ii. upon approval, the tariff structure shall be disclosed in the Hospital's annual report including information on exemptions, discounts, and free services;
- iii. the Accounting Officer takes appropriate administrative action against officers responsible for collecting revenue without an approved tariff; and
- iv. the Auditor-General verifies the approved tariff and its disclosure in the subsequent audit cycle.

#### **8. Non-Compliance with the Facility Improvement Financing Act, 2023**

Review of County revenue records revealed that Naivasha Sub-County Level 4 Hospital collected an amount of Kshs.263,462,122 and disbursed the funds to the Hospital from the Facility Improvement Fund collection account. However, the Hospital's management did not maintain a separate Facility Improvement Financing Account as required by Section 5(2) of the Facilities Improvement Financing Act, 2023. Management was in breach of the law.

#### **Management Response**

Management agreed with the observation and committed to opening a separate FIF account and maintaining proper records in compliance with the Facilities Improvement Financing Act, 2023.

#### **Committee Observations**

The Committee observed that the Hospital failed to maintain a separate Facility Improvement Financing Account for Kshs.263,462,122 in FIF collections, contrary to Section 5(2) of the Facilities Improvement Financing Act, 2023.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. the Accounting Officer opens and operationalizes a separate Facility Improvement Financing Account in compliance with Section 5(2) of the Facilities Improvement Financing Act, 2023 within thirty (30) days of the adoption of this report; and
- ii. all future FIF collections shall be deposited and managed through the dedicated FIF account, with quarterly reports submitted to the Auditor-General.

#### **9. Irregular Procurement — Security Services**

The Hospital awarded a security contract to a bidder who did not meet the eligibility criteria. The evaluation committee awarded the contract without verifying compliance with mandatory requirements. Additionally, the Accounting Officer was not involved

in the procurement process as required by Section 56(1) of the PPADA, 2015. Management also paid Kshs.480,000 for guards not covered under the security contract.

### **Management Response**

Management agreed with the observation and committed to ensuring that all future procurement processes strictly comply with the PPADA, 2015 and accompanying regulations.

### **Committee Observations**

The Committee observed that the Hospital awarded a security contract to an ineligible bidder and excluded the Accounting Officer from the procurement process. Kshs.480,000 was paid for guards not covered under the contract, constituting irregular expenditure.

### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor ensures that the Hospital is granted full procurement autonomy consistent with its status as an independent accounting entity, and that the Hospital's Accounting Officer is involved in all procurement processes as required by Section 56(1) of the PPADA, 2015;**
- ii. the Governor takes appropriate administrative action against officers responsible for awarding the security contract to a bidder that did not meet the eligibility criteria;**
- iii. the Accounting Officer recovers the Kshs.480,000 paid in respect of guards not covered under the security contract and submits evidence of recovery to the Auditor-General within sixty (60) days; and**
- iv. the Auditor-General provides a status update on procurement compliance in the subsequent audit cycle.**

### **10. Irregular Procurement of Non-Pharmaceuticals and Food and Ration**

The Hospital procured assorted non-pharmaceutical items and food and ration items under framework agreements. The tenders were advertised, opened and evaluated by the Department of Health Services of Nakuru County Government, not the Hospital, contrary to Section 78(1) of the PPADA, 2015. Procurement records were not provided for audit verification. The head of the procurement function at the Hospital was not a member of the evaluation committee, contrary to Regulation 29(4) of the PPADA Regulations, 2020. Harmonized prices were established without adequate documentation. Management was in breach of the law.

### **Management Response**

Management stated that the facility adapted the prequalification results from Nakuru County Teaching and Referral Hospital under PPADA 2015 Section 57(8). Management acknowledged that the head of procurement not being a member of the evaluation committee was unprocedural and committed to avoid this in future.

### **Committee Observations**

The Committee observed that tenders for non-pharmaceuticals and food rations were conducted by the County Government, not the Hospital, contrary to Section 78(1) of the PPADA, 2015. The procurement head was absent from the evaluation committee contrary to Regulation 29(4) of the PPADA Regulations, 2020. Supporting records and price documentation were not availed for audit.

### **Committee Recommendations**

The Committee recommends that-

- i. the Governor ensures that the Hospital is granted full operational procurement autonomy to conduct its own independent tenders in compliance with Section 78(1) of the PPADA, 2015;
- ii. the Accounting Officer ensures that the head of the procurement function is always a member and secretary of all evaluation committees as required by Regulation 29(4) of the PPADA Regulations, 2020;
- iii. all framework agreement prices shall be supported by documented market surveys and Board-approved price analysis submitted to the Auditor-General within sixty (60) days; and
- iv. the Governor ensures all procurement records are maintained and availed for audit verification in compliance with Section 62 of the Public Audit Act, Cap.412B.

### **11. Inadequacies in Implementation of Universal Health Care**

Review of hospital records and interviews revealed that the Hospital did not meet the requirements of the Kenya Quality Model for Health Policy Guidelines. Critical shortfalls were identified as follows:

<b>Item Description</b>	<b>Level Standard</b>	<b>4 Current Number</b>	<b>Variance</b>
Medical Officers	16	9	7
Anesthesiologists	2	1	1
Resuscitaire (labour ward and theatre)	3	1	2
Functional ICU Beds	6	2	4
High Dependency Unit Beds	6	0	6

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

#### **Management Response**

Management agreed with the observation and noted that in FY 2025/2026, the County Government of Nakuru has advertised 107 positions for healthcare workers and Naivasha Sub-County Hospital will benefit to gradually build its workforce. The Hospital has also been allocating funds towards procurement of medical and dental equipment.

#### **Committee Observations**

The Committee observed that the Hospital has shortfalls of seven (7) medical officers, one (1) anaesthesiologist, two (2) resuscitaires, four (4) ICU beds, and six (6) HDU beds against the Level 4 standard. The complete absence of HDU beds is a critical gap for a Level 4 facility.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures that Naivasha Sub-County Hospital is prioritized in the ongoing recruitment of 107 healthcare positions to address identified staffing gaps and submits a staffing compliance report to the Auditor-General within ninety (90) days of the adoption of this report;**
- ii. **the Governor, through the CECM for Health, develops a time-bound capital investment plan for the Hospital to establish the required ICU and HDU bed capacity as required by the First Schedule of the Health Act, 2017;**
- iii. **the County Government allocates adequate resources in subsequent budgets for procurement of critical medical equipment including resuscitaires; and**
- iv. **the Auditor-General verifies progress on staffing and infrastructure compliance in the subsequent audit cycle.**

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

Review of payroll and human resources records revealed that the Hospital has one hundred and eighty-six (186) employees of whom one hundred and sixteen (116), or 62%, are from one ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community. Management was in breach of the law.

#### **Management Response**

Management agreed with the observation and noted that recruitment of staff is by the Nakuru Public Service Board. Management indicated that going forward, the Board will ensure fair representation by the various ethnic groups.

#### **Committee Observations**

The Committee observed that 62% of the Hospital's 186 staff are from one ethnic community, almost double the one-third limit under Section 7(2) of the National Cohesion and Integration Act, 2008. The Nakuru County Public Service Board must take deliberate corrective action in future recruitments.

### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor directs the Nakuru County Public Service Board to make deliberate and progressive efforts to comply with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap.7N, and Section 65(1)(e) of the County Governments Act, Cap.265, regarding diversity and the one-third rule in future recruitment exercises;**
- ii. the County Government develops and adopts a formal diversity and inclusion policy for the Hospital and all county health facilities;**
- iii. a compliance status report on ethnic diversity shall be submitted to the Auditor-General within sixty (60) days of the adoption of this report; and**
- iv. compliance status shall be reviewed in the subsequent audit period.**

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

#### **13. Long Outstanding Trade and Other Receivables (Kshs.48,262,456)**

The statement of financial position reflects a balance of Kshs.122,040,179 in respect of receivables from exchange transactions as disclosed in Note 29. Review of the aging analysis revealed that an amount of Kshs.48,262,456 or 29% of total debtors had been outstanding for more than one (1) year, with Kshs.2,644,306 outstanding for more than three (3) years. Management did not provide evidence of recovery efforts for all the debts. The Hospital has not made provisions for bad or doubtful debts, contrary to prudent accounting practices.

#### **Management Response**

Management agreed with the observation and noted that recovery efforts have been made, including writing to SHA on 18th March 2025.

#### **Committee Observations**

The Committee observed that receivables of Kshs.48,262,456 have been outstanding for over one year, with Kshs.2,644,306 exceeding three years. No bad debt provision has been made and recovery efforts amount to a single letter to SHA. This is an unresolved prior year matter.

## **Committee Recommendations**

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

- i. **the Accounting Officer submits, within sixty (60) days of the adoption of this report, a comprehensive debtors' ageing schedule and a detailed recovery plan with clear timelines to the Auditor-General for verification;**
- ii. **the Accounting Officer engages all outstanding debtors including SHA and former NHIF through formal correspondence and escalation mechanisms;**
- iii. **the Accounting Officer, with Board approval, makes adequate provision for bad and doubtful debts in line with the applicable IPSAS framework;**
- iv. **irrecoverable debts shall be written off in accordance with Section 130(2)(d) of the PFM (County Governments) Regulations, 2015 upon Board approval; and**
- v. **the Auditor-General provides a status update on receivables recovery in the subsequent audit cycle.**

## **14. Long Outstanding Trade and Other Payables (Kshs.451,907,823)**

The statement of financial position and Note 36 reflect trade and other payables balance of Kshs.522,542,727. Review of the aging analysis indicated that trade payables totalling Kshs.451,907,823, representing 86% of creditors, had been outstanding for more than one (1) year, including Kshs.250,877,720 outstanding for over four (4) years, some dating back to 2020. The balance includes accrued salary payables of Kshs.1,003,412 indicating potential challenges in meeting payroll obligations that could result in penalties and litigation.

## **Management Response**

Management agreed with the observation and noted that funds were allocated in the FY 2025/2026 budget towards payment of pending bills as evidenced in the capital transfer vote.

## **Committee Observations**

The Committee observed that trade payables of Kshs.451,907,823 (86% of creditors) have been outstanding over one year, with Kshs.250,877,720 unpaid for over four years, some since 2020. Accrued salary payables of Kshs.1,003,412 remain unsettled. This is an unresolved prior year matter.

## **Committee Recommendations**

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

- i. **within sixty (60) days of the adoption of this report, the Accounting Officer develops a structured creditor settlement plan with clear timelines and priority rankings and submits it to the Auditor-General for verification;**

- ii. **the Governor ensures adequate budgetary provision in FY 2025/2026 and subsequent years for progressive settlement of long-outstanding payables;**
- iii. **the accrued salary payables of Kshs.1,003,412 shall be settled immediately and evidence submitted to the Auditor-General; and**
- iv. **the Auditor-General provides a status update on payables settlement in the subsequent audit cycle.**

### **15. Weaknesses in Hospital Stores Management**

A review of records revealed that stock-take reports were not dated and there were no records at the in-patient pharmaceutical store. Drugs were present in the store that were not included in the annual stock-take report. Further, there were no bin cards or ledger records for non-pharmaceutical items in the Hospital's stores, and there was no stock-take report for these items. During the audit inspection, it was also observed that there was no firefighting equipment or appliances in all premises, constituting a serious risk to the safety of patients, staff, visitors, and public property.

#### **Management Response**

Management agreed with the observations, provided a dated stock-take report, and confirmed that bin cards for non-pharmaceutical items are now available at the operating store. On firefighting equipment, management indicated plans to procure equipment for the remaining departments in FY 2026/2027.

#### **Committee Observations**

The Committee observed that stock-take reports were undated; the in-patient pharmacy was excluded from the annual stock-take; no bin cards existed for non-pharmaceutical stores; and no firefighting equipment was available across all hospital premises. Management's deferral of procurement of firefighting equipment to FY 2026/2027 is unacceptable given the urgency of the safety risk.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Accounting Officer ensures that all stock-take exercises are conducted and documented in a timely and systematic manner, with all reports properly dated and signed off by responsible officers;**
- ii. **all stores, including the inpatient pharmacy, are covered in the annual stock-take exercise and the reports submitted to the Auditor-General for verification;**
- iii. **bin cards are maintained for all stores items, both pharmaceutical and non-pharmaceutical, and stock-take reports are prepared for all store categories; and**

- iv. **the Governor ensures that the Hospital procures and installs adequate firefighting equipment in all departments and premises as a matter of urgency and not later than sixty (60) days from the adoption of this report, in compliance with applicable fire safety regulations.**

### **3.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR GILGIL SUB-COUNTY LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Nakuru County, Hon. Susan Wakarura Kihika, EGH appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Gilgil Sub-County Hospital financial year 2024/2025. The Governor was accompanied by:

1. Mr. Stephen Njogu - CECM Finance
2. Mr. Nelson Maana - CECM Water
3. Mr. Samuel Ndegwa - Chief Officer Finance

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

The Auditor-General rendered **qualified opinion** on the Financial Statements of the Gilgil Sub-County Hospital for the period under review on the following basis-

##### **1. Failure to Disclose Material Uncertainty Related to Going Concern**

The statement of financial position reflects current assets and current liabilities balances of Ksh.55,939,698 and Kshs.68,298,127 respectively resulting in negative working capital of Kshs.12,358,429. The hospital is therefore technically insolvent and its ability to continue as a going concern is dependent upon support from Government and its creditors. However, this material uncertainty has not been disclosed in the financial statements.

##### **Management Response**

Management agreed with the auditor's observation and findings. Management has put in place corrective measures including budget planning to pay debts in the subsequent period and reducing operational costs to ensure continuity of the hospital.

##### **Committee Observations**

The Committee observed that the hospital had negative working capital of Kshs.12,358,429 arising from current assets of Ksh.55,939,698 against current liabilities of Kshs.68,298,127, rendering the hospital technically insolvent. The material uncertainty relating to going concern had not been disclosed in the financial statements as required.

##### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor ensures the Accounting Officer discloses the going concern material uncertainty in the hospital's financial statements in accordance with applicable financial reporting standards;
- ii. the Governor ensures the Accounting Officer develops a formal financial recovery plan with clearly defined milestones, timelines and accountability measures and presents the plan to the Hospital Board and County Treasury within 60 days of adoption of this report; and
- iii. the County Government provides targeted financial support to address the negative working capital position and ensure uninterrupted delivery of health services to the public.

## **2. Unconfirmed Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.34,912,738 as disclosed in note 29. Review of the aging analysis revealed that debtors amounting to Kshs.12,032,305 or 34% of the total receivables had been outstanding for more than one (1) year with debtors worth Kshs.3,923,050 being outstanding for over three (3) years. Management did not explain measures being undertaken by the hospital to collect the outstanding debts. In addition, Management did not make any provisions for bad and doubtful debts in the financial statements. In the circumstances, the accuracy, completeness and recoverability of the outstanding receivables from exchange transactions balance of Kshs.34,912,738 as at 30 June 2025 could not be confirmed.

### **Management Response**

Management agreed with the auditor's observation and findings. Management established the following corrective measures to ensure recovery of outstanding debts: categorize debtors by age (30, 60, 90+ days) and payer type to prioritize high-value or high-risk accounts; offer structured instalments or negotiated settlements for patients facing genuine financial hardship; and verify insurance eligibility and communicate out-of-pocket costs upfront to reduce downstream billing disputes.

### **Committee Observations**

The Committee observed that the hospital had receivables amounting to Kshs.34,912,738 of which Kshs.12,032,305 or 34% had been outstanding for more than one year and Kshs.3,923,050 for over three years. Management did not make provisions for bad and doubtful debts in the financial statements.

### **Committee Recommendations**

The Committee recommends that-

- i. the Governor ensures the Accounting Officer develops and implements a formal Debt Collection Policy with defined escalation procedures, write-off thresholds and approval authorities, and submits a copy of the approved

**policy to the Auditor-General for verification within 60 days of adoption of this report;**

- ii. **the Governor ensures the Accounting Officer makes adequate provisions for bad and doubtful debts based on the aging analysis in line with applicable accounting standards, and the Auditor-General to keep this in view in the subsequent audit cycle;**
- iii. **the Governor ensures the Accounting Officer submits a debtors' schedule to the Auditor-General for verification and review within 60 days of adoption of this report; and**
- iv. **the Governor ensures the Accounting Officer puts in place recovery measures for the outstanding amount with clear timelines, and the Auditor-General reviews implementation in the subsequent audit cycle.**

### **3. Unconfirmed Property, Plant and Equipment Balance (Kshs.502,355,795)**

The statement of the financial position reflects a balance of Ksh.502,355,795 in respect to property, plant and equipment as disclosed in note 32. There was no evidence that valuation of the hospital's assets such as land, building and civil works, motor vehicle, furniture, fittings and office equipment, ICT equipment and plant and medical equipment was done to ascertain the correct market values. Further, management did not have ownership documents for its assets. In the circumstances, the accuracy, completeness, ownership and valuation of the property, plant and equipment balance of Kshs.502,355,795 as at 30 June 2025 could not be confirmed.

#### **Management Response**

Management agreed with the auditor's observation. Valuation of devolved assets was done jointly with IGRTC, State Department of Devolution and State Department for Land and is awaiting release as per the correspondences attached. On ownership documents, management will process the transfer once IGRTC hands over the transfer instruments.

#### **Committee Observations**

The Committee observed that the hospital had a property, plant and equipment balance of Ksh.502,355,795 that could not be confirmed as no asset valuations had been carried out and the hospital did not have ownership documents for its assets.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures the hospital urgently follows up with IGRTC to expedite the completion and release of the asset valuation report for all devolved assets and submits a status update to the Auditor-General within 60 days of adoption of this report;**

- ii. **the Governor ensures the Accounting Officer maintains a comprehensive fixed asset register updated annually and reconciled to the financial statements; and**
- iii. **the Governor ensures the Accounting Officer obtains and securely keeps all ownership documents including title deeds and registration certificates, and submits a status update to the Senate within 60 days of adoption of this report.**

### **Emphasis of Matter**

#### **4. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the period ended 30 June 2025 reflect final revenue budget of Kshs.77,879,000 and actual on comparable basis reflects that the hospital spent an amount of Kshs.76,522,250 against actual receipts of Ksh.93,617,082, resulting in under-absorption of Kshs.17,094,832 or 18% of the actual receipt of Kshs.93,617,082 thereby resulting to over collection of Kshs.15,738,082. The under-absorption affected the planned activities of the hospital and may have negatively impacted on service delivery to the public.

#### **Management Response**

Management agreed with the auditor's observation. Under-absorption of Kshs.17,094,832 was primarily due to delays in the procurement cycle. In addition, the hospital successfully achieved an over-collection of Kshs.15,738,082 (20% above budget), driven by increased patient volumes and improved billing efficiencies.

#### **Committee Observations**

The Committee observed that the hospital had an under-absorption of Kshs.17,094,832 or 18% of actual receipts, and an over-collection of Kshs.15,738,082 against the final revenue budget. The under-absorption negatively impacted on planned activities and service delivery to the public.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures the Accounting Officer strengthens procurement planning to improve budget absorption and ensure collected revenue is fully utilised for planned service delivery activities, 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 the Accounting Officer submits quarterly budget performance reports to the County Treasury with explanations for all variances, and the Auditor-General reviews implementation in the subsequent audit cycle.**

### **Other Matters**

#### **5. Lack of Approved Budget**

The Hospital's Management provided for audit verification the budget extracts from the Hospital's management team quarterly meetings which were not consolidated into annual budgets thus the annual budget provided was not approved before the commencement of the financial year. Further, the budget extracts provided did not have estimates for revenue items but was based on previous quarter collections. This was contrary to Regulation 30 of the Public Finance Management (County Government) Regulations, 2015.

### **Management Response**

Management took note of the auditor's observation and submitted that the approved budget for FY 2024/2025 was duly finalised and approved and has been submitted for audit verification.

### **Committee Observations**

The Committee observed that the hospital's annual budget was not approved before the commencement of the financial year as required by Regulation 30 of the Public Finance Management (County Government) Regulations, 2015. Budget extracts from quarterly meetings were used in place of a formally consolidated and approved annual budget.

### **Committee Recommendations**

The Committee recommends that-

- i. **the Governor ensures the hospital's annual budget is formally approved before the commencement of each financial year in strict compliance with Regulation 30 of the Public Finance Management (County Government) Regulations, 2015, 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 the Accounting Officer develops a budget preparation calendar with key milestones flagged at least three months before each financial year begins to prevent recurrence.**

### **6. Unapproved Waivers/Exemptions of Patient Bills (Kshs.2,664,277)**

The statement of financial performance and Note 25 to the financial statements reflects medical services contracts gains or losses amount of Kshs.4,786,772 which includes waivers and exemptions amounting to Kshs.2,664,277. However, there was no evidence of approval of the waivers and exemptions from the County Executive Committee Member for Finance and Economic Planning. This was contrary to Section 59(1)(a) of the Public Finance Management Act, 2012 which requires waivers to be approved and a public record be maintained at the county treasury giving reasons for the waivers. In the circumstances, Management was in breach of the law.

### **Management Response**

Management acknowledged the finding and concurred that the medical waivers amounting to Kshs.2,664,277 were processed without the formal written approval of

the County Executive Committee (CEC) Member for Finance, as required by Section 59(1)(a) of the PFM Act, 2012. Management is currently compiling all waiver case files to seek retrospective ratification and formal approval from the CEC Member for Finance.

#### **Committee Observations**

The Committee observed that medical waivers amounting to Kshs.2,664,277 were processed without the mandatory approval of the County Executive Committee Member for Finance and Economic Planning as required by Section 59(1)(a) of the Public Finance Management Act, 2012, constituting a breach of the law.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures the Accounting Officer develops and implements a formal Waiver and Exemption Policy defining criteria, approval authority and documentation requirements, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply;**
- ii. **all future waivers receive prior written approval from the CEC Member for Finance and a public record is maintained at the County Treasury as required by Section 59(1)(a) of the PFM Act, 2012; and**
- iii. **the Governor ensures retrospective ratification of the Kshs.2,664,277 in unapproved waivers is concluded within 30 days of adoption of this report and evidence submitted to the Auditor-General for verification.**

#### **7. Lack of Approved Tariff Structure for Hospital Services**

The statement of financial performance reflects rendering of services — medical service income amount of Kshs.93,022,973. However, there was no evidence of approval of the price list used to charge for services rendered to the public. This was contrary to Regulation 65(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer to obtain approval from county treasury of the proposed tariff structure. In the circumstances, Management was in breach of the regulations.

#### **Management Response**

Management agreed with the auditor's observation and submitted that the hospital has forwarded its service charters to the Chief Officer Medical Services for approval and is awaiting the finance bill to be passed by the County Assembly.

#### **Committee Observations**

The Committee observed that the hospital collected medical service income of Kshs.93,022,973 using a tariff structure that had not been formally approved by the County Treasury, contrary to Regulation 65(1) of the Public Finance Management (County Governments) Regulations, 2015, constituting a breach of the regulations.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures the Accounting Officer prioritises obtaining formal approval of the hospital's tariff structure from the County Treasury in accordance with Regulation 65(1) of the Public Finance Management (County Governments) Regulations, 2015, 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 the Accounting Officer and the Board ensure that future tariff applications or renewals are sought in advance to avoid the lapse of approvals.**

**8. Failure to Transfer Revenue to the County Revenue Fund Account (Kshs.75,762,083)**

The statement of financial performance reflects rendering services — medical services income of Kshs.93,022,973 as disclosed in note 11. However, the amount includes collections of Kshs.75,762,083 for the months of July to December 2024 which was not transferred to the county revenue fund account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1-3) of the Public Finance Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the county fund exchequer account all receipts due to the county revenue fund. In the circumstances, the hospital management was in breach of the regulation.

**Management Response**

Management agreed with the auditors' observation regarding non-transfer of Kshs.75,762,083 collected between July and December 2024 to the County Revenue Fund. Management clarified that the funds were retained in the hospital's operational account pursuant to the provision of the Facility Improvement Act (2023) which provides public health facilities with the mandate to retain and utilize revenue generated at source for improving service delivery.

**Committee Observations**

The Committee observed that collections of Kshs.75,762,083 for the period July to December 2024 were not transferred to the County Revenue Fund as required by Regulation 81(1-3) of the Public Finance Management (County Governments) Regulations, 2015, constituting a breach of the regulation.

**Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures the Accounting Officer seeks a formal legal opinion on the applicability of the Facility Improvement Act (2023) vis-a-vis Regulation 81 of the Public Finance Management (County Governments) Regulations, 2015 to resolve the legal ambiguity and submits the opinion to the Auditor-General within 60 days of adoption of this report; and**

- ii. **pending legal clarification, the Governor ensures the Accounting Officer complies with Regulation 81 of the Public Finance Management (County Governments) Regulations, 2015 and channels all revenue through the County Revenue Fund, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

#### **9. Irregular Engagement of Casual Employees (Kshs.24,015,196)**

The statement of financial performance and note 16 to the financial statements reflect employee costs amounting to Kshs.182,659,061 which includes an amount of Kshs.24,015,196 in respect of salaries and wages of casual employees. Further, there were no up-to-date signed contracts for casual employees and there were cases of casual employees being engaged continuously for more than three (3) months. In addition, no needs assessment reports indicating understaffed departments were provided to justify the need for casuals. This is contrary to Section 37(1) of the Employment Act, 2007 which states that where a casual employee works continuously for a period amounting in the aggregate to the equivalent of three months, they shall be deemed to be a permanent employee.

#### **Management Response**

Management took note of the auditors' observation. Management clarified that the engagement of casual staff was necessitated by critical staffing gaps within key service delivery departments. All casual employees have been issued with formal engagement letters. A comprehensive staffing needs assessment has been conducted and documented. A monitoring mechanism has been instituted to ensure casual engagements do not exceed three months.

#### **Committee Observations**

The Committee observed that the hospital had casual employees amounting to Kshs.24,015,196 engaged without up-to-date signed contracts, with some engaged continuously beyond three months and without documented needs assessment reports to justify their engagement, contrary to Section 37(1) of the Employment Act, 2007.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures the Accounting Officer conducts a comprehensive staffing needs assessment and develops a formal Human Resource Plan identifying permanent staffing requirements to guide future recruitment;**
- ii. **the Governor ensures the Accounting Officer regularises or terminates all casual employees currently serving beyond three months in line with Section 37(1) of the Employment Act, 2007, failure to which the provisions of section 87 of the Employment Act on penalties for offences shall apply; and**
- iii. **the Governor ensures the Accounting Officer ensures all future casual engagements are supported by written contracts, approved needs**

**assessments and timely renewals, and submits evidence of compliance to the Auditor-General for verification.**

## CHAPTER FOUR: FUNDS

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

The Governor of Nakuru County, Hon. Susan Kihika appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nakuru County Bursary Fund financial year 2024/2025. The Governor was accompanied by:

1. Mr. Stephen Njogu - CECM Finance
2. Mr. Nelson Maana - CECM Water
3. Mr. Samuel Ndegwa - Chief Officer Finance

### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **Unqualified opinion** on the Financial Statements of the Nakuru County Bursary Fund for the period under review on the following basis-

#### Emphasis on Matter

##### 1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.453,743,981 and actual on comparable basis of Kshs.452,807,481 resulting to an under- funding of Kshs.936,500 or 0.2% of the budget. Further, the statement reflects that the Fund spent an amount of Kshs.413,035,449 against actual receipts of Kshs.452,807,481 resulting to an under-absorption of Kshs.39,772,032 or 9% of the actual receipts.

#### Management Response

The underfunding of Kshs. 936,500 or 0.2% of the budget was brought about by disqualification of double/multiple applications in the Wards Beneficiary List and non-submission of replaced beneficiaries amounting to Kshs. 936,500.

The under-absorption of Kshs. 39,722,032 was brought about by financial year closure cut off period. The amount has since been disbursed to respective beneficiaries in the preceding year

#### Committee Observation

The Committee observed that there was an under- funding of Kshs.936,500 or 0.2% of the budget.

### **Committee Recommendation**

**The Committee recommends that—**

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

### **Other Matter**

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

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements. However, Management has not explained how the issues were addressed or resolved

Management Response

No management response provided.

### **Committee Observation**

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

### **Committee Recommendation**

**The Committee recommends that—**

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

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

The Governor of Nakuru County, Hon. Susan Kihika appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nakuru County Climate Change Fund financial year 2024/2025. The Governor was accompanied by:

- |                      |                         |
|----------------------|-------------------------|
| 1. Mr. Stephen Njogu | - CECM Finance          |
| 2. Mr. Nelson Maana  | - CECM Water            |
| 3. Mr. Samuel Ndegwa | - Chief Officer Finance |

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

The Auditor-General rendered **qualified opinion** on the Financial Statements of the Nakuru County Climate Change Fund for the period under review on the following basis-

##### **1. Misclassification of Expenditure**

Expenditure amounting to Kshs.50,962,287 was misclassified.

##### **Management Response**

Management agrees with the audit observation regarding the misclassification of expenditure amounting to Kshs. 50,962,287.20, which was reported under Use of Goods and Services as part of Other (CCRIG Expenditure). Management confirms that this amount relates to development activities.

##### **Committee Observation**

The Committee observed that there was a misclassification of an expenditure amount of Kshs.50,962,287.

##### **Committee Recommendation**

The Committee recommends that—

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

update report of the administrative action taken to the Senate within 60 days of the adoption of this report;

- ii. the Governor ensures that the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and
- iii. the Governor ensures the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and
- iv. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties.

### **Emphasis on the Matter**

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

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of amounts of Kshs.307,418,262 respectively. Further, the Management spent an amount of Kshs.56,440,127 against an actual receipt of Kshs.307,418,262 resulting to under-utilization of Kshs.250,978,135 of the actual receipt

Also, explanatory notes to the statement were omitted

#### **Management Response**

We agree with the auditor's findings on the underutilization of Kshs.250, 978,135. The delay was occasioned by the fact that we had not finalized capacity building of Ward climate change planning committees. we have noted the omission of explanatory notes in the above statement and will provide them in the subsequent financial statement and commits to adhere to the IPSAS guidelines.

#### **Committee Observation**

The Committee observed that there was an under- funding of Kshs.936,500 or 0.2% of the budget.

### **Committee Recommendation**

**The Committee recommends that—**

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

### **Other Matters**

#### **1. Unresolved Prior Year matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Effectiveness of Internal Controls, Risk Management and Governance as per the attached appendix I. However, Management had not resolved the issues as at 30 June, 2025.

#### **Management Response**

No response was given.

#### **Committee Observation**

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

### **Committee Recommendation**

**The Committee recommends that—**

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

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

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

### **1. Lack of Fraud Policy and Risk Management Strategies**

The Fund did not have in place a fraud management policy to assist in detecting and preventing fraud during the year under review.

#### **Management Response**

We wish to report that Management has since developed a draft Fraud and Risk Management Policy Framework, and is currently under internal review and will be subjected to approval.

#### **Committee Observation**

The Committee observed that the matter was satisfactorily addressed.

#### **Committee Recommendation**

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

#### **4.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAKURU COUNTY EMERGENCY FUND FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Nakuru County, Hon. Susan Kihika appeared before the Committee on Tuesday, 10<sup>th</sup> January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nakuru County Emergency Fund financial year 2024/2025. The Governor was accompanied by:

- |    |                   |                         |
|----|-------------------|-------------------------|
| 1. | Mr. Stephen Njogu | - CECM Finance          |
| 2. | Mr. Nelson Maana  | - CECM Water            |
| 3. | Mr. Samuel Ndegwa | - Chief Officer Finance |

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

The Auditor-General rendered **unqualified opinion** on the Financial Statements of the Nakuru County Emergency Fund for the period under review on the following basis-

##### **1. Unresolved Prior Year Matter**

In the audit report of previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given any explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board reporting template.

##### **Management Response**

No response was given.

##### **Committee Observation**

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

##### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer resolves any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and

- ii. **the Governor ensures the accounting officer submits a detailed status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

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

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

### **1. Under-Funding of the Emergency Fund**

The statement of the financial performance reflects transfers from the County Government amount of Kshs.70,000,000 or 0.4% of the County Executive's approved budget of Kshs.15,593,236,618. This is lower than the threshold set of at least 0.5% per cent of the County's budget by Regulation 3(3) of the Nakuru County Emergency Fund Regulations, 2016.

#### **Management Response**

As per our interpretation of the Act, the Fund had Kshs 139,498,250 during the financial year being 0.6% of the County Executive approved budget.

Going forward, we commit to complying with Regulation 3(3) by ensuring the Emergency Fund allocation is at least 0.5% of the County's approved budget each financial year, while strengthening our planning and monitoring to maintain compliance and accountability.

#### **Committee Observation**

The Committee observed that the fund received only 0.4% of the County Executive's approved budget.

#### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the fund receives 0.5% of the County Executive's approved budget in accordance to Regulation 3(3) of the Nakuru County Emergency Fund Regulations, 2016.**

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

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

### **1. Lack of Fraud and Risk Management Strategies**

The management did not have a fraud policy

#### **Management Response**

Management stated that the Emergency fund management has adopted the County Government of Nakuru has a Risk Policy. It will to customize the policy document to suit the needs of Emergency Fund.

#### **Committee Observation**

The Committee observed that the matter was satisfactorily addressed.

#### **Committee Recommendation**

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

# ANNEXTURES

*Minutes of the Committee*



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

**MINUTES OF THE FIFTY FIRST SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON TUESDAY, 24<sup>TH</sup> MARCH 2026 IN COMMITTEE ROOM 10, BUNGE TOWER AT 3.00 P.M.**

**PRESENT**

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

**ABSENT WITH APOLOGY**

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

**SECRETARIAT**

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

**A. OFFICE OF THE AUDITOR GENERAL**

Mr. Mark Gachanja                      Liasion

**B. ETHICS AND ANTI CORRUPTION COMMISSION**

Mr. Patrick Kinoti                      -Liaison Officer

**MIN. NO. SEN/CPICSF/377/2026              PRAYER**

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

**MIN. NO. SEN/CPICSF/378/2026      ADOPTION OF THE AGENDA**

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

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

**MIN. NO. SEN/CPICSF/379/2026      CONSIDERATION AND ADOPTION OF REPORTS**

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

1. Embu Report

Sector	No.	Entity
Water Companies	4	Ngandori water and sanitation company
		Nyagaka water and sanitation
		Embe water and sanitation company limited
		Embu water and sanitation company
Municipality	1	Embu municipality
Hospitals	4	Embu level 5 hospital
		Mbeere sub county hospital
		Runyenjes sub county hospital
		Ishiara sub county hospital
Funds	5	Embu county education support fund
		Embu county climate change fund
		Embu county executive car & mortgage fund
		Embu county government emergency fund

## 2. Kirinyaga Report

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

## 3. Lamu

Sector	No	Entity
Water company	1	Lamu water and sewerage company limited.
Municipality	1	Lamu municipality
Hospitals	3	Lamu county referral hospital
		Faza sub-county hospital
		Mpeketoni sub-county hospital
Funds	4	Lamu county bursary and scholarship fund

		Lamu county climate change fund
		Lamu county emergency fund
		Lamu county executive staff housing fund.

#### 4. Mandera Report

Sector	No.	Entity
Water companies	2	Mandera water and sewerage company (MANDWASCO)
		Elwak water and sanitation company
Municipalities	2	Elwak municipality
		Mandera municipality
Hospital	7	Banisa Sub-County Hospital Kotulo Sub-County Referral Hospital Lafey Sub-County Hospital Mandera Central Sub- County Hospital Mandera County Referral Hospital Mandera North Sub- County Hospital Mandera West Sub-County Hospital
Funds	2	Mandera county climate change fund
		Mandera county education bursary fund

#### 5. Mombasa Report

Sector	No.	Entity
Water company	1	Mombasa water supply and sanitation company
Hospitals	5	Likoni sub-county level 4 hospital
		Tudor sub-county level 4 hospital
		Mrima sub-county level 4 hospital

		Portreitz Sub-County level 4 hospital
		Coast General Teaching & Referral Hospital
Funds	2	Mombasa Alcohol Drinks Control Fund
		Mombasa County Elimu Scheme

#### 6. Murang'a Report

Sector	No.	Entity
Water companies	5	Gatamathi water and sanitation company Gatanga water and sanitation plc Kahuti (Murang'a west) water and sanitation company limited Murang'a south water and sanitation company (MUSWASCO) Murang'a water and sanitation company (MUWASCO) limited
Municipalities	3	Kangari Municipality Kenol Municipality Murang'a Municipality
Hospitals	4	Kandara Sub-County Hospital Kigumo level 4 hospital Maragua Sub- County level 4 hospital Murang'a level 5 hospital
Funds	4	Murang'a county government education and scholarship fund Murang'a county agricultural farm inputs subsidy & incentive fund (afis fund) Murang'a county climate change fund Murang'a county youth fund

### 7. Nyamira Report

sector	no.	entity
Municipality	1	Nyamira municipality
Hospitals	4	Esani level 4 hospital
		Manga level 4 hospital
		Masaba level 4 sub-county hospital
		Nyamira county referral hospital
Funds	4	Nyamira county education support fund
		Nyamira county emergency fund
		Nyamira county mortgage & car loan (executive) fund
		Nyamira county climate change fund

### 8. Tana River Report

Sector	No.	Entity
Water company	1	Tana River Water and Sanitation Company Limited
Municipality	1	Hola municipality
Funds	3	Tana river county climate change fund
		Tana river county disaster risk management fund
		Tana river county ward bursary fund

### 9. Tharaka Nithi Report

Sector	No.	Entity
Water company	1	Nithi water and sanitation company limited
Municipalities	2	Chuka municipality
		Kathwana municipality
Hospitals	3	Chuka referral hospital


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

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

There was no any other business.

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

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



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

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