



**Rt. Hon. Speaker**  
 You may approve for tabling  
 J. M. Nyegenye, C.B.S.,  
 Clerk of the senate/secretary, PSC  
 Date: 31/03/2026

REPUBLIC OF KENYA

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 Eg 31/03/2026



THE SENATE

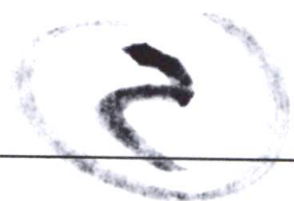
PAPERS LAID	
DATE	31/03/2026
TABLED BY	SEN. OJOSI
COMMITTEE	
CLERK AT THE TABLE	WILLIAN

THIRTEENTH PARLIAMENT – FIFTH SESSION

**REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF HOMABAY COUNTY WATER COMPANY, MUNICIPALITIES, HOSPITALS AND FUNDS FOR THE FINANCIAL YEAR 2024/2025.**

SECTOR	NO	ENTITY
WATER COMPANY	1	HOMA BAY COUNTY WATER AND SANITATION COMPANY LTD (HOMAWASCO)
MUNICIPALITIES	5	MUNICIPALITY OF HOMA BAY
		MUNICIPALITY OF KENDU BAY
		MUNICIPALITY OF MBITA
		MUNICIPALITY OF NDHIWA
		MUNICIPALITY OF OYUGIS
HOSPITALS	20	HOMA BAY COUNTY TEACHING AND REFERRAL HOSPITAL
		KABONDO SUB-COUNTY HOSPITAL
		KANDIEGE SUB-DISTRICT HOSPITAL
		KENDU SUB-DISTRICT HOSPITAL
		KISEGI SUB-DISTRICT HOSPITAL
		MAGUNGA LEVEL IV HOSPITAL

DC-EG  
 Forwarded as recommended for  
 approval for tabling  
 31/03/2026



		<b>MAKONGENI L4</b>
		<b>MALELA LEVEL 4 HOSPITAL</b>
		<b>MARINDI SUB COUNTY REFERRAL HOSPITAL</b>
		<b>NDHIWA SUB COUNTY HOSPITAL</b>
		<b>NYANDIWA LEVEL IV HOSPITAL</b>
		<b>NYANGIELA SUB DISTRICT</b>
		<b>OGONGO LEVEL 4 HOSPITAL</b>
		<b>PALA LEVEL 4 HOSPITAL</b>
		<b>RACHUONYO DISTRICT HOSPITAL</b>
		<b>RANGWE SUB-DISTRICT HOSPITAL</b>
		<b>SENA LEVEL 4 HOSPITAL</b>
		<b>SUBA NORTH SUB-COUNTY HOSPITAL</b>
		<b>SUBA SUB-COUTY HOSPITAL</b>
		<b>TOM MBOYA MEMORIAL LEVEL 4 HOSPITAL</b>
<b>FUNDS</b>	<b>5</b>	<b>HOMA BAY COUNTY MORTGAGE &amp; CAR LOAN EXCECUTIVE FUND</b>
		<b>HOMA BAY COUNTY ALCOHOLIC DRINK CONTROL BOARD</b>
		<b>HOMA BAY COUNTY BURSARY FUND</b>
		<b>COUNTY GOVERNMENT OF HOMA BAY- RECEIVER OF REVENUE</b>
		<b>COUNTY GOVERNMENT OF HOMA BAY- COUNTY REVENUE FUND</b>

MARCH 2026

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## **ACRONYMS/ABBREVIATIONS**

<b>CPISFC</b>	County Public Investments and Special Funds Committee
<b>EACC</b>	Ethics and Anti-Corruption Commission
<b>FY</b>	Financial Year
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GIS</b>	Geographic Information System
<b>HOMAWASCO</b>	Homa Bay County Water and Sanitation Company
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IGRTC</b>	Intergovernmental Relations Technical Committee
<b>KRA</b>	Kenya Revenue Authority
<b>KUSP</b>	Kenya Urban Support Programme
<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>SHA</b>	Social Health Authority
<b>TSC</b>	Teachers Service Commission
<b>UAC</b>	Urban Areas and Cities Act
<b>WASREB</b>	Water Services Regulatory Board
<b>WRA</b>	Water Resources Authority

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

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Homa Bay County water company and Municipalities for the Financial Year 2024/2025. The entities considered include Homa Bay County Water and Sanitation Company Ltd; and the Municipalities of Homa Bay, Kendu Bay, Mbita, Ndhiwa, and Oyugis.

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

## COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators-

1. Sen. Godfrey Atieno Osotsi, CBS, MP – **Chairperson**
2. Sen. Eddy Gicheru Oketch, MP – **Vice-Chairperson**
3. Sen. Agnes Kavindu Muthama, MP – Member
4. Sen. William Kipkemoi Kisang, CBS, MP – Member
5. Sen. 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'enoh – Media Relations Officer
15. Mr. Victor Kimani – Audio Officer
16. Mr. Fredick Okola – Sergeant-at-Arms

## **ESTABLISHMENT OF THE COMMITTEE**

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

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

## **EXECUTIVE SUMMARY**

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited Accounts of Homa Bay water company and municipalities for the Financial Year 2024/25 (1st July, 2024 to 30th June 2025) as the primary documents for the investigations. The Committee invited the Governor of Homa Bay as the Chief Executive Officer pursuant to Article 179(4) as witnesses to respond to the audit queries raised in the reports under consideration.

The Committee received both written and oral evidence from the Governor, accompanied by relevant county officials, in response to the various audit queries raised by the Auditor-General in the reports under consideration on various dates.

This report presents the findings and recommendations of the Select Committee on County Public Investments and Special Funds following its consideration of the Auditor-General's reports on thirty-one (31) entities in Homa Bay County for the Financial Year 2024/25. The entities covered are: one (1) water company – Homa Bay County Water and Sanitation Company Ltd (HOMAWASCO); and five (5) Municipalities – Municipality of Homa Bay, Municipality of Kendu Bay, Municipality of Mbita, Municipality of Ndhiwa, and Municipality of Oyugis, twenty (20) hospitals- Homa Bay County Teaching and Referral Hospital, Kabondo Sub-County Hospital, Kandiege Sub-District Hospital, Kendu Sub-District Hospital, Kisegi Sub-District Hospital, Magunga Level IV Hospital, Makongeni L4, Malela Level 4 Hospital, Marindi Sub County Referral Hospital, Ndhiwa Sub county Hospital, Nyandiwa Level IV Hospital, Nyangiela Sub District, Ogongo Level 4 Hospital, Pala Level 4 Hospital, Rachuonyo District Hospital, Rangwe Sub-District Hospital, Sena Level 4 Hospital, Suba North Sub-County Hospital, Suba Sub-Couty Hospital and Tom Mboya Memorial Level 4 Hospital five(5) funds- Homa Bay County Mortgage & Car Loan Executive Fund, Homa Bay County Alcoholic Drink Control Board, Homa Bay County Bursary Fund, County Government of Homa Bay-receiver of Revenue, County Government of Homa Bay- County Revenue Fund.

Out of the six entities, the Homa Bay County Water and Sanitation Company Ltd received a Qualified Opinion. Two Municipalities (Municipality of Homa Bay and Municipality of Kendu Bay) received Qualified Opinions, while three Municipalities (Municipality of Mbita, Municipality of Ndhiwa, and Municipality of Oyugis) received Unmodified (Unqualified) Opinions from the Auditor-General, indicating significant audit issues that require urgent management attention and corrective action.

The key issues identified across the entities include: material uncertainty related to going concern arising from persistent deficits and negative equity in HOMAWASCO; high Non-

Revenue Water above the WASREB benchmark; unsupported VAT receivables; non-remittance of statutory deductions; lack of operational autonomy of municipalities; failure to collect own-generated revenue; non-implementation of development projects; absence of policies (risk management, fraud, procurement); insufficient staff establishment; unresolved prior year audit matters; budgetary control weaknesses; and failure to formulate municipal plans.

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 Homa Bay County Water and Sanitation Company Ltd 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 reports of the Auditor-General for the Homa Bay County Municipalities 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 reports of the Auditor-General for the Homa Bay County Hospitals 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 reports of the Auditor-General for the Homa Bay County Funds for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

## GENERAL OBSERVATIONS FOR WATER COMPANY

The Committee made the following general observations regarding the operations and financial management of the Homa Bay County Water and Sanitation Company Ltd under review: -

1. **Material Uncertainty Related to Going Concern** – The Committee observed that HOMA WASCO reported a retained earning deficit of Kshs. 27,231,677 and a deficit of Kshs. 42,869,710 from the previous year. While the company has shown improvement through profits in FY 2023/2024 (Kshs. 4,221,741) and FY 2024/2025 (Kshs. 6,201,243), the persistent deficit creates material uncertainty about long-term financial sustainability.
2. **High Non-Revenue Water** – The Committee observed that HOMA WASCO recorded NRW of 40%, which exceeds the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB). Although this shows marginal improvement from 42% in the previous year, it is still significantly above the allowable threshold.
3. **Non-Remittance of Statutory Deductions** – The Committee observed that HOMA WASCO had outstanding salary arrears and statutory deductions including NHIF (Kshs. 6,350,967) and NSSF (Kshs. 14,619,934) that had not been remitted, contrary to Sections 18 and 19 of the Employment Act, 2007.
4. **Non-Compliance with Ethnic Inclusivity and Gender Requirements** – The Committee observed significant non-compliance with the National Cohesion and Integration Act, Cap. 7N, where 90% of the company's staff are from one community. Additionally, the gender ratio of 78% male to 22% female staff violates Article 27(8) of the Constitution of Kenya, 2010.
5. **Unsupported Receivables and Payables** – The Committee observed that HOMA WASCO had unsupported VAT receivables of Kshs. 3,302,079 and long-outstanding trade payables of over Kshs. 31,061,200 for more than three years, creating material financial risk.
6. **Unsustainable Wage Bill** – The Committee noted that HOMA WASCO's staff costs constituted 45% of own-generated revenue (Kshs. 93,983,228), exceeding the benchmark of 35% under WASREB Corporate Governance Standards, 2024.

7. **Use of Customer Deposits** – The Committee observed that the Company received deposits of Kshs. 3,482,500 during the year but applied customer deposits in financing operations, with an unexplained variance of Kshs. 13,229,784 remaining unreconciled.

## **GENERAL RECOMMENDATIONS FOR WATER COMPANY**

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

1. **Addressing Going Concern Issues** – The Governor ensures the Board of Directors and the Accounting Officer put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability. The management should determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB) and the County Treasury should undertake annual reporting on county corporations in line with Section 77(2) of the Water Act, 2016.
2. **Mitigation of Non-Revenue Water** – The Governor ensures the Board of Directors and Accounting Officers institute comprehensive measures to reduce Non-Revenue Water, addressing both physical and commercial losses. These measures should include the adoption of Geographic Information System (GIS) technology for real-time detection of bursts and leakages, installation of smart meters to ensure accurate billing, rehabilitation of dilapidated infrastructure, and the development of institutional anti-corruption policies with robust enforcement mechanisms to curb illegal connections.
3. **Remittance of Statutory Deductions** – The Governor ensures the Board and Accounting Officers take immediate steps to remit all outstanding statutory deductions including NHIF, NSSF and salary arrears as required by Sections 18 and 19 of the Employment Act, 2007. A repayment schedule should be submitted to the Auditor-General within 60 days of the adoption of this report.
4. **Compliance with Ethnic Inclusivity and Gender Requirements** – The Governor ensures the Board and County Government make deliberate efforts to progressively comply with Section 7(1) and (2) of the National Cohesion and Integration Act on diversity and the one-third gender rule in public institutions. The Board should develop a diversity policy and ensure compliance status is reviewed in subsequent audit periods.
5. **Strengthening Financial Reporting and Record Keeping** – The Governor ensures the Board of Directors, in consultation with the Public Sector Accounting Standards

Board (PSASB), facilitate continuous capacity building for finance officers and management to improve the quality of financial reporting and enhance compliance. The Accounting Officer should enforce strict adherence to the financial reporting template prescribed by the National Treasury.

6. **Reduction of Wage Bill** – The Governor ensures the Accounting Officer develops a staff rationalisation plan with specific annual reduction targets to achieve the WASREB benchmark of 35% wage bill and reports to the Senate and a copy to the Auditor-General within 90 days of the adoption of this report.
7. **Protection and Management of Customer Deposits** – The Board of Directors should put in place a Customer Deposits Management Policy to guide how the company can access, utilize and refund customer deposits within specified timelines. The Accounting Officer should ensure all customer deposits are held in a designated fixed/call account and full disclosure is made to customers.
8. **Strict Adherence to Statutory and Regulatory Frameworks** – The Governor ensures the Board and Accounting Officers are directed to ensure strict compliance with all relevant laws and regulations, including but not limited to the Public Finance Management Act, the Public Audit Act, the Water Act, the Employment Act, and WASREB guidelines. Non-compliance shall attract appropriate sanctions.

## **GENERAL OBSERVATIONS FOR MUNICIPALITIES**

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

- 1. Lack of Operational Autonomy of Municipalities** – The Committee observed that all five municipalities lacked operational independence from the County Executive in areas of management, function and finances. Budgets were prepared and controlled by the County Executive without approval of the respective Municipal Boards, contrary to Sections 12, 20, 45 and 46 of the Urban Areas and Cities Act, 2011.
- 2. Failure to Collect Own-Generated Revenue** – The Committee observed that all the municipalities were financed solely through revenue allocated by the County Government, contrary to Section 172(a) of the Public Finance Management Act, 2012, which allows urban areas to also be funded through rates, fees, levies, and other revenue-raising measures.
- 3. Absence of Key Policies and Governance Frameworks** – The Committee observed widespread absence of critical governance documents across the municipalities, including risk management policies, fraud prevention policies, by-laws, and integrated development plans, contrary to applicable statutory provisions.
- 4. Weak Budgetary Control and Performance** – The Committee observed that all municipalities had significant underfunding from the County Executive, with some municipalities receiving as little as 32% of their budgeted allocations. This severely constrained their ability to implement planned programs and deliver services.
- 5. Lack of Independent Staff Establishment** – The Committee observed that municipalities did not have their own approved staff establishments and continued to rely on staff deployed from the County Executive without specific terms of engagement, contrary to Section B5(2) of the County Public Service Human Resource Manual, 2013.

## **GENERAL RECOMMENDATIONS FOR MUNICIPALITIES**

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

- 1. Enforcement of Municipal Autonomy and Adequate Funding** – The Governor ensures that the operationalization of municipalities is undertaken according to the

functions delegated as gazetted by the County Government. Further, the Governor should ensure that municipalities are adequately funded in accordance with Section 172 of the Public Finance Management Act, 2012, to enhance their operational independence and enable effective service delivery. The Governor should further ensure that all municipalities in the county are operationalized to undertake their delegated functions in line with law by the commencement of the Financial Year 2026/2027.

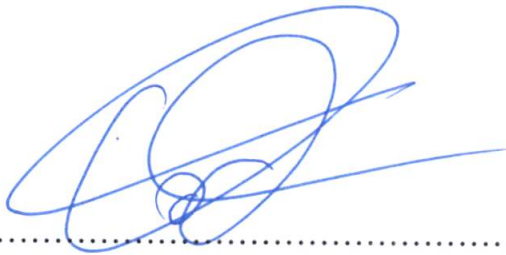
2. **Revenue Collection by Municipalities** – The Governor ensures that each municipality develops and implements mechanisms for the collection of own-source revenue including rates, fees, levies and charges in compliance with Section 172(a) of the PFM Act, 2012, and Section 9(3)(c) of the Urban Areas and Cities Act, 2011.
3. **Development of Key Governance Policies** – The Governor ensures the Municipal Boards develop and adopt all necessary governance frameworks including risk management policies, fraud prevention policies, by-laws, and public participation mechanisms. These shall be submitted to the Auditor-General for verification within 60 days of the adoption of this report.
4. **Strengthening Financial Reporting Capacity** – The Governor ensures 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 IPSAS. Further, the Municipal Manager shall ensure that all financial statements prepared from the financial year 2025/26 onwards fully comply with the most current IPSAS framework.
5. **Staffing and Human Resource Management** – The Governor ensures the Municipal Boards develop approved staff establishments and ensure all key positions are filled with qualified personnel. Terms of engagement and conditions of service shall be clearly stipulated for all deployed staff, in compliance with applicable human resource laws and regulations.

**ACKNOWLEDGEMENTS**

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

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

SIGNED:.....  
..



DATE:.....  
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30/03/2026

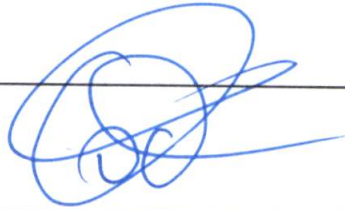
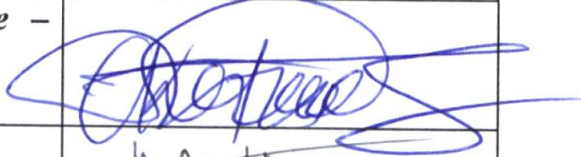


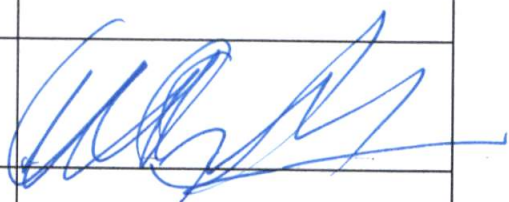
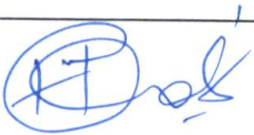
**HON. SEN. GODFREY ATIENO OSOTSI, CBS, MP  
CHAIRPERSON**

**ADOPTION OF THE REPORT OF THE SENATE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF THIRTY-ONE COUNTY ENTITIES FOR HOMA BAY COUNTY FOR THE FINANCIAL YEAR 2024/25**

<b>SECTOR</b>	<b>NO</b>	<b>ENTITY</b>
<b>WATER COMPANY</b>	<b>1</b>	<b>HOMA BAY COUNTY WATER AND SANITATION COMPANY LTD (HOMAWASCO)</b>
<b>MUNICIPALITIES</b>	<b>5</b>	<b>MUNICIPALITY OF HOMA BAY</b>
		<b>MUNICIPALITY OF KENDU BAY</b>
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		<b>MUNICIPALITY OF NDHIWA</b>
		<b>MUNICIPALITY OF OYUGIS</b>
<b>HOSPITALS</b>	<b>20</b>	<b>HOMA BAY COUNTY TEACHING AND REFERRAL HOSPITAL</b>
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		<b>KANDIEGE SUB-DISTRICT HOSPITAL</b>
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		<b>NDHIWA SUB COUNTY HOSPITAL</b>
		<b>NYANDIWA LEVEL IV HOSPITAL</b>
		<b>NYANGIELA SUB DISTRICT</b>

		<b>OGONGO LEVEL 4 HOSPITAL</b>
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		<b>SUBA SUB-COUNTY HOSPITAL</b>
		<b>TOM MBOYA MEMORIAL LEVEL 4 HOSPITAL</b>
<b>FUNDS</b>	<b>5</b>	<b>HOMA BAY COUNTY MORTGAGE &amp; CAR LOAN EXECUTIVE FUND</b>
		<b>HOMA BAY COUNTY ALCOHOLIC DRINK CONTROL BOARD</b>
		<b>HOMA BAY COUNTY BURSARY FUND</b>
		<b>COUNTY GOVERNMENT OF HOMA BAY-RECEIVER OF REVENUE</b>
		<b>COUNTY GOVERNMENT OF HOMA BAY- COUNTY REVENUE 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 COMPANY

### 1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS OF HOMA BAY COUNTY WATER AND SANITATION COMPANY LTD FOR THE FINANCIAL YEAR 2024/25

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements of Homa Bay County Water and Sanitation Company Ltd (HOMAWASCO) for the Financial Year 2024/2025.

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Homa Bay County Water and Sanitation Company Ltd for the financial year on the following basis—

##### 1. Unsupported Value Added Tax Receivable

The statement of financial position reflects trade and other receivable balance of Kshs. 119,927,431 as disclosed in Note 13 to the financial statements. Included in the balance is Value Added Tax (VAT) receivable from KRA of Kshs. 3,302,079. This amount has been carried forward from the previous year but was not supported with any records. The schedule attached does not add up to the VAT amount receivable of Kshs. 3,302,079 and also includes penalties which do not qualify as input VAT.

##### Management Response

Management stated that the figure of Kshs. 3,302,079 is related to input VAT credits carried forward from previous periods. i-Tax ledgers and VAT 3 return have been provided for audit review.

##### Committee Observation

The Committee observed that—

- i. The VAT receivable of Kshs. 3,302,079 remained unsupported as the schedule provided did not reconcile to the reported amount.
- ii. The VAT schedule includes penalties which do not qualify as input VAT credits.
- iii. There is a variance between the VAT return amount of Kshs. 3,601,994.47 and the amount reported in the financial statements of Kshs. 3,302,079.
- iv. Management did not provide adequate documentation to support the VAT receivable during audit.

##### Committee Recommendation

**The Committee recommends that—**

- i. **The Governor ensures the Accounting Officer provides fully reconciled and supported documentation for the VAT receivable of Kshs. 3,302,079 to the Auditor-General within 60 days of the adoption of this report.**
- ii. **The Accounting Officer ensures that VAT receivables are separately disclosed and supported by valid input VAT documentation in subsequent financial years, excluding any penalties and interest which do not qualify as input VAT.**
- iii. **The Governor ensures the Accounting Officer complies with Section 149(2)(b) of the PFM Act and Section 47(2) of the Public Audit Act in the preparation and management of financial records, failure to which the provisions of Section 62 of the Public Audit Act and Section 199 of the PFM Act on penalties shall apply.**

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

The statement of financial position reflects retained earning deficit of Kshs. 27,231,677 and deficit of Kshs. 42,869,710 from previous year. Whereas the narrowing of the deficit indicates progress, the persistent deficit highlights an unsustainable equity position. This limits the Company's ability to finance operations, invest in infrastructure and meet its financial obligations.

### **Management Response**

The company has enhanced operations resulting in profits of Kshs. 4,221,741 in FY 2023/2024 and Kshs. 6,201,243 in FY 2024/2025. Management has improved distribution networks resulting in increased own source revenue to Kshs. 107,722,120 from Kshs. 83,381,891. Non-Revenue Water has been reduced from 42% to 40%.

### **Committee Observation**

The Committee observed that—

- i. The company has a persistent deficit notwithstanding recent profitability, which still raises significant going concern doubts.
- ii. Management has provided partial mitigation measures but a comprehensive long-term financial recovery strategy has not been demonstrated.
- iii. The going concern matter has not been adequately disclosed in the financial statements to inform users of the financial risk.

### **Committee Recommendation**

**The Committee recommends that—**

- i. **The Governor should take keen interest in the management and operations of the water company in line with Article 179(4) of the Constitution.**

- ii. **The Accounting Officer should prepare and submit quarterly reports to the County Treasury in regard to the financial and non-financial status of the water company in line with Section 166 of the PFM Act, Cap. 412A, failure to which the provisions of Section 199 of the PFM Act on penalties shall apply.**
- iii. **The County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with Section 184 of the Public Finance Management Act, 2012, and regularly report to the Governor through the County Executive Committee in line with Article 179(6) of the Constitution.**
- iv. **The County Treasury should undertake annual reporting on County Corporation, including an assessment of the commercial viability of the company in line with the standards set by WASREB under Section 77(2) of the Water Act, 2016.**
- v. **The Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability, and determine and ascertain the company's commercial viability as required by PSASB.**

### **3. Unsupported Non-Current Liabilities**

The statement of financial position reflects non-current liabilities balance of Kshs. 253,470,729 as disclosed in Note 18 of the financial statements. Included in this balance are statutory deductions and other social benefits of Kshs. 31,086,385 which were not supported by invoices and have been outstanding for more than two (2) years. Further, the aging analysis was not provided for review, and management did not provide satisfactory explanation for failure to pay the levies.

#### **Management Response**

Management acknowledged the observation on unsupported liabilities which relate to legacy statutory deductions from prior years. Aging analysis has been prepared and invoices supporting the liability of Kshs. 28,998,720 have been provided. Despite cash flow constraints, the Company strives to clear its debts and has continuously engaged NSSF with payment vouchers attached.

#### **Committee Observation**

The Committee observed that—

- i. **The non-current liabilities balance of Kshs. 253,470,729 includes statutory deductions of Kshs. 31,086,385 outstanding for more than two years.**

- ii. There are unreconciled variances between the supporting documents provided and the amounts reported in the financial statements.
- iii. Management has not adequately demonstrated efforts to clear legacy statutory deduction arrears.

### **Committee Recommendation**

The Committee recommends that—

- i. The Governor ensures the Accounting Officer provides a fully reconciled aging analysis of non-current liabilities to the Auditor-General within 60 days of the adoption of this report for verification.
- ii. The Accounting Officer should formulate a repayment plan for all outstanding statutory deductions and submit to the Auditor-General within 60 days of the adoption of this report. The Auditor-General to provide a status update in the subsequent audit cycle.
- iii. The Governor ensures the water company makes budgetary provision to clear the outstanding statutory deductions by the end of FY 2026/2027 and provides a status update to the Senate within 60 days of the adoption of this report.

### **EMPHASIS OF MATTER**

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

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounts of Kshs. 179,159,476 and Kshs. 137,898,384 respectively, resulting in an underfunding of Kshs. 41,261,092 or 23% of the budget. The underfunding resulted from non-receipt of grants and donations which had been budgeted. Similarly, the company expenditure amounted to Kshs. 120,329,258 against the realized revenue of Kshs. 137,898,394, resulting in an under-utilization of Kshs. 17,569,126 or 13% of the actual revenue.

#### **Management Response**

Management stated that the underfunding resulted from non-receipt of grants and donations which had been budgeted. The under-utilization of Kshs. 17,569,126 resulted from invoices that were billed to clients but payments were received after lapse of the financial year, and have been re-budgeted.

#### **Committee Observation**

The Committee observed that—

- i. The company experienced significant underfunding of Kshs. 41,261,092 (23% of budget) during the year under review.

- ii. Management did not provide adequate evidence to support the assertion that the underfunding was due to non-receipt of grants and donations.
- iii. The under-utilization of funds already received cannot be attributed to underfunding.

#### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures the Board and Accounting Officers prepare realistic budgets and revenue projections to prevent issues of revenue shortfalls that negatively impact service delivery. In the budget preparation process, the Board should consider previous budgetary allocations and ensure that any proposed increases are reasonable and justified.
- ii. the Accounting Officer should provide evidence of grants budgeted and the status of their receipt to the Auditor-General within 60 days of the adoption of this report.

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

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

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in the Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Company in 2024/2025 revealed 16 matters which remained unresolved.

#### **Management Response**

Management resolved the prior year matters as shown in the table and has been attached for audit review. Resolved matters include: Unsupported deferred income, Underpayment of staff, Stalled Ndhiwa project, Destruction of water supply lines, Weakness in cash/bank management, Weakness in information and communication technology, and Non-publication of procurement contracts.

#### **Committee Observation**

The Committee observed that—

- i. The company had 16 prior year matters that remained unresolved as at the end of FY 2024/2025.
- ii. Management provided responses indicating some matters were resolved; however, the Auditor-General could not confirm resolution as evidence was insufficient.

#### **Committee Recommendation**

**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 the Committee may recommend administrative sanctions such as the removal of the accounting officer or reduction in rank.**
- 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. Non-Compliance with the Law on Staff Composition (Ethnic Diversity)**

Analysis of employee bio data records revealed that 90% of the staff of the Homa Bay County Water and Sewerage Company are from one community. This was contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which provides that not more than one-third of employees should form one ethnic community.

### **Management Response**

Management stated it has always procedurally advertised vacancies on the official company websites, mainstream media and newspapers that are accessible globally to everyone interested from diverse backgrounds to apply. The Company is an equal employer to all those who qualify, and are invited for the interview and the best are always considered for the job without discrimination.

### **Committee Observation**

The Committee observed that—

- i. 90% of the company's staff are from one ethnic community, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008.**
- ii. Management has provided evidence of national advertising but has not demonstrated a structured diversity recruitment programme to address the existing ethnic imbalance.**

### **Committee Recommendation**

**The Committee recommends that—**

- i. The Board and the accounting officer make deliberate efforts to progressively comply with Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, and Section 65(1)(e) of the County Governments Act, Cap. 265, which provides that at least 30% of vacant posts at entry level be filled by candidates who are not from the dominant ethnic community.**

- ii. **The Board and the County Government should establish a formal diversity policy aimed at achieving compliance with the law. Compliance status shall be reviewed in subsequent audit periods.**

### **3. Non-Compliance with the Law on the Two-Thirds Gender Rule**

Analysis of Homa Bay County Water and Sanitation Company staff bio data for the year under review revealed that the gender mix of 78% male staff and 22% female staff was contrary to Article 27(8) of the Constitution of Kenya, 2010.

#### **Management Response**

Management concurred with the auditors' finding and stated that despite fulfilling all the prerequisite requirements once the positions fall vacant, the applicants always tend to be from one gender species – the Males, though HOMAWASCO is an equal employer giving equal chances to all the applicants without any discrimination.

#### **Committee Observation**

The Committee observed that—

- i. 78% of HOMAWASCO's staff are male and 22% female, violating the two-thirds gender rule under Article 27(8) of the Constitution.
- ii. Management has not demonstrated concrete measures beyond advertising to attract female applicants and achieve constitutional gender balance.

#### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures that the Board and the Accounting Officer make deliberate efforts progressively to comply with Article 27(8) of the Constitution 2010 through affirmative action programmes, targeted recruitment, and a structured workforce diversity plan.**
- ii. **The Board should demonstrate how the company will progressively achieve the two-thirds gender rule with a specific action plan and timeline submitted to the Auditor-General within 60 days of the adoption of this report.**

### **4. Staff in Acting Positions**

Review of employment records revealed that three (3) staff in Management positions have been in acting capacity for more than six (6) months. This is contrary to Section 34(3) of the Public Service Commission Act, 2017, which prohibits staff from working in acting capacity for more than six (6) months.

**Management Response**

Management concurred with the auditor's observation and stated the staff have gone through suitability test and the positions have been confirmed.

**Committee Observation**

The Committee observed that—

Management has provided evidence of confirmation letters for the three staff members who were in acting capacity, thus resolving the matter.

**Committee Recommendation**

**Noting the mitigating measures taken, the Committee recommends that the matter be marked as resolved.**

**5. Outstanding Salary Arrears and Statutory Deductions**

The statement of financial position reflects non-current liabilities balance of Kshs. 253,470,729 as disclosed in Note 18 to the financial statement, out of which Kshs. 28,998,720 relates to statutory and outstanding employee payables. Included in this balance is Kshs. 14,487,725 relating to salary arrears. The balance further includes NHIF deductions of Kshs. 6,350,967 and NSSF deductions of Kshs. 14,619,934 that had not been remitted, contrary to Section 18(1) of the Employment Act, 2007 and Section 19(4) of the Employment Act, 2007.

**Management Response**

Management concurred with the auditor's observation and stated the salary arrears arose from temporary liquidity constraints and not from deliberate non-remittance. Management successfully applied for a tariff review approved and implemented effective 1st June 2025, aimed at improving the company liquidity position. It has also engaged statutory bodies, agreed on repayment schedules, and ensured current deductions are being remitted as they fall due.

**Committee Observation**

The Committee observed that—

- i. The company has outstanding salary arrears of Kshs. 14,487,725 and unremitted NHIF deductions of Kshs. 6,350,967 and NSSF deductions of Kshs. 14,619,934, contrary to the Employment Act.
- ii. Management has provided mitigation measures including a new tariff review but evidence of actual payment of statutory deductions was insufficient.
- iii. The company's liquidity challenges continue to pose a risk to its ability to meet employee-related statutory obligations.

### **Committee Recommendation**

**The Committee recommends that—**

- i. **The Governor ensures the Accounting Officer immediately remits all outstanding statutory deductions (NHIF, NSSF, SHA) and clears salary arrears in compliance with Sections 18 and 19 of the Employment Act, 2007, and provides proof of remittance to the Auditor-General within 60 days of the adoption of this report.**
- ii. **The Accounting Officer should, within 60 days of the adoption of this report, submit a repayment schedule for all outstanding salary arrears and statutory deductions to the Auditor-General for verification. The Auditor-General to provide a status update in the subsequent audit cycle.**
- iii. **The Governor ensures the County Executive Committee Member in charge of water continuously monitors compliance with statutory obligations in line with Section 184 of the PFM Act, 2012.**

### **6. Long Outstanding Trade Payables**

The statement of financial position reflects trade and other payables balance of Kshs. 62,551,539 as disclosed in Note 19 to the financial statements. Included in the balance is an amount of Kshs. 31,061,200 that has been outstanding for more than three (3) years. Management could not provide explanation on the plans in place to pay the bills. The balance includes tax liabilities of Kshs. 7,622,252 that have not been remitted to Kenya Revenue Authority, outstanding for more than three (3) years, contrary to Section 19(4) of the Employment Act, 2007. This may result in the company incurring fines that could be avoided.

### **Management Response**

Management stated that despite having cash flow challenges, the Company has strived to pay some suppliers Kshs. 5,997,669, reducing payables from Kshs. 37,059,269 to Kshs. 31,061,600. The Tax liability of Kshs. 7,622,252 resulted from accrued interest and penalties which the company has since reached out to KRA for waiver and quick resolution.

### **Committee Observation**

The Committee observed that—

- i. Trade payables of Kshs. 31,061,200 have been outstanding for more than three years and should be reclassified as non-current liabilities.
- ii. Tax liabilities of Kshs. 7,622,252 owed to KRA have been outstanding for more than three years, which may attract additional penalties.
- iii. Management has not provided adequate evidence of payment to suppliers or progress on KRA waiver negotiations.

### **Committee Recommendation**

The Committee recommends that—

- i. **Within 60 days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for all outstanding payables and files a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.**
- ii. **The Governor ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provides a status update to the Senate within 60 days of the adoption of this report.**
- iii. **The Accounting Officer should urgently pursue the KRA waiver for accrued interest and penalties and provide evidence of the application and outcome to the Auditor-General within 60 days of the adoption of this report.**
- iv. **The trade payables outstanding for more than one year should be reclassified as non-current liabilities in compliance with applicable accounting standards.**

### **7. Non-Compliance with the Law on Wage Bill**

The statement of profit or loss and other comprehensive reflects staff costs of Kshs. 42,978,090 as disclosed in Note 4 to the financial statements. When compared to own generated revenue of Kshs. 93,983,228, the wage bill constitutes 45% of the total revenue. This was contrary to Paragraph 3.9(9) of Corporate Governance Standards for the Water Services Sector, 2024, which requires that remuneration of staff to the total expenditure for each financial year must not exceed the benchmarks set for the services sector, which required large companies to comply with 35%.

### **Management Response**

Management stated the unsustainable wage bill was occasioned by low revenue collection which resulted from unsustainable tariff. However, the tariff has been reviewed and approved.

The new tariff will enable increased billing from Kshs. 7,000,000 to Kshs. 12,000,000, and the wage bill will therefore go below 30% from the current 45%.

### **Committee Observation**

The Committee observed that—

- i. HOMA WASCO's staff costs constitute 45% of own-generated revenue, exceeding the WASREB benchmark of 35%.
- ii. Management has cited unsustainable tariff as the primary cause and has indicated that a new tariff has been approved; however, no supporting evidence was provided.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures that the Accounting Officer develops a staff rationalisation plan with specific annual reduction targets to achieve the WASREB benchmark of 35% and reports to the Senate and a copy to the Auditor-General within 90 days after adoption of this Report.**
- ii. **The Accounting Officer should provide evidence of the approved new tariff to the Auditor-General within 60 days of the adoption of this report. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.**
- iii. **The Company ensures progressive compliance with Paragraph 3.9(9) of WASREB Corporate Governance Standards for the Water Services Sector, 2024, which limits the wage bill to thirty-five percent (35%) of total revenue and establishes a lean staff complement.**

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

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

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs. 93,983,228, out of which Kshs. 71,266,271 was attributed to water sales income as disclosed in Note 1 to the financial statements. Water production reports indicated that the Company produced 1,369,950 cubic meters of water out of which only 818,306 cubic meters or 60% were billed, leaving the balance of 551,644 cubic meters or approximately 40% of the production as unaccounted for water (UFW). The abnormal water loss of 15% (actual loss of 40% is more than the 25% allowable loss) might have resulted in lost water sale of 342,488 cubic meters.

### **Management Response**

Management stated it faced challenges relating to and affecting its supply and distribution networks, contributing to both systemic and historical Non-Revenue Water issues from pilferage due to aging infrastructure, damaged pipes during road constructions, vandalized pipes and unauthorized connections. Management has remedied these challenges through systematic replacement of old pipelines, intensified leak detection, customer enumeration and GIS-based mapping, calibration of aged meters, integration of production, distribution, and billing data, strengthened internal enforcement in collaboration with Kenya Water Police, and establishment of a dedicated NRW Team.

### **Committee Observation**

The Committee observed that—

- i. HOMA WASCO's NRW stood at 40%, significantly above the WASREB benchmark of 25%.
- ii. the WASREB report confirms NRW of 40.27% with no tangible evidence of improvement.
- iii. the high level of NRW negatively impacts the company's revenue and long-term sustainability.

### **Committee Recommendation**

The Committee recommends that the Governor ensures that —

- i. the Accounting Officer should put in place comprehensive measures to mitigate the Non-Revenue Water, addressing both physical and commercial losses. The measures should include replacement of aged dilapidated infrastructure, installation of smart meters for accurate billing, and the application of GIS to receive real-time data for detection of bursts and leakages. The Auditor-General to review the implementation of the measures and provide a status update in the subsequent audit cycle.
- ii. the Accounting Officer segregates NRW into physical and commercial components so that the water company can ascertain and identify specific mitigating measures to effectively address and reduce the NRW levels.
- iii. The County Government collaborates with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put in place to reduce cases of theft and illegal connections.

## **2. Outstanding Suspense Account**

The statement of profit or loss and other comprehensive income reflects a total revenue of Kshs. 137,898,384 of which Kshs. 5,289,342 relates to unidentified and suspense amounts as disclosed in Note 3 to the financial statements. The audit established that these amounts related to water bill payments by customers that could not be attributed to specific accounts. However, there was no evidence of management's effort to follow up on who paid and what amounts were relating to which bill or account. Management has since utilized these unidentified or unclassified funds without rights.

### **Management Response**

Management acknowledged the observation and stated that balances arose due to mandatory data masking under data protection laws by mobile money service providers, a matter outside management's control. However, management has worked closely with Safaricom and it has provided the unmasked data, and postings have been completed and reconciled in the system.

### **Committee Observation**

The Committee observed that—

- i. Unidentified suspense amounts of Kshs. 5,289,342 have been utilized by management without proper allocation to customer accounts.
- ii. Management has stated that reconciliation has been completed in collaboration with Safaricom; however, no evidence of completed reconciliations.

### **Committee Recommendation**

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer completes reconciliation of all suspense account balances and provides evidence to the Auditor-General within 60 days of the adoption of this report. The Auditor-General to provide a status update in the subsequent audit cycle.**
- ii. **the Accounting Officer should establish systematic processes for identifying and allocating mobile money payments to customer accounts, including written agreements with mobile money service providers for timely provision of unmasked transaction data.**

## **3. Use of Customer Deposits**

The statement of financial position and Note 20 reflect refundable customer deposits amounting to Kshs. 15,238,996. An audit review of the customer deposit schedule indicated that during the year under review, the Company received deposits totalling Kshs. 3,482,500. However, the customer deposit account held by the Company reflected a balance of Kshs. 497,109 as at the close of the year, resulting in an unexplained variance of Kshs. 2,985,391.

Further, a comparison between the balance of Kshs. 497,109 held in the bank account and the Kshs. 15,238,996 reported in the financial statements as refundable deposits revealed an unexplained variance of Kshs. 14,741,887. These discrepancies are indications that customer deposits were applied in financing the Company's operations. In addition, management did not provide a clear strategy on how the used customer deposits would be reimbursed.

### **Management Response**

Management stated it has complied by the commitments made to the Senate and has ringfenced the customer deposit accounts. There has also been a refund of Kshs. 100,000 per month as agreed at the senate. This has tremendously increased the amount from Kshs. 46,000 to Kshs. 2,009,212.

### **Committee Observation**

The Committee observed that—

- i. Customer deposits of Kshs. 14,741,887 were applied in financing company operations, with an unexplained variance of Kshs. 13,229,784 remaining unreconciled.
- ii. Management has taken positive steps through monthly refunds of Kshs. 100,000, growing the designated account to Kshs. 2,009,212.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Accounting Officer should, within 60 days of the adoption of this report, submit to the Senate and the Auditor-General the status of implementation of the repayment plan with clear timelines for the repayment of all customer deposits.**
- ii. **The Governor should ensure that the Accounting Officer provides a certified bank statement for the designated customer deposit account and a comprehensive individual customer deposit register within 60 days of the adoption of this report to the Senate and a copy to the Auditor-General.**
- iii. **The Board of Directors should put in place a Customer Deposits Management Policy to guide how the water company can access, utilize and refund the money within specified timelines. The Accounting Officer should ensure full disclosure to customers on the utilization of deposits.**
- iv. **The Accounting Officer should ensure that all customer deposits are deposited in a fixed/call account whose access is limited, and where accrued interests can be used to offset bank charges. Management to submit evidence of the same to the Auditor-General within 60 days of the adoption of this report.**

#### **4. Increase in Trade and Other Receivables**

The statement of financial position and Note 13 to the financial statements reflect the trade and other receivables balance of Kshs. 119,927,431. The gross trade and other receivables increased from a balance of Kshs. 89,444,007 the previous year to a balance of Kshs. 125,611,480 for year under review, an increase of 40%. Management did not give explanation of this increase in trade and other receivables and there were no mechanisms put in place to reduce this amount.

#### **Management Response**

Management stated it has so far reconciled the suspense account of Kshs. 5,289,342 and reconciled the payments to the legible customers hence reducing the trade receivables by equal amount. Also, due to increase in production, the customer base has also doubled from 5,974 to 11,000, which has also led to the increase in debtors and more revenue. The Management is working on debt policy to enable it enforce on its debtors so as to be able to collect revenue effectively.

#### **Committee Observation**

The Committee observed that—

- i. Trade and other receivables increased by 40% (Kshs. 36,167,473) during the year under review, raising concerns about debt management.
- ii. Management has only partially explained the increase; the remaining Kshs. 30,878,131 of the increase remains unexplained.
- iii. A debt management policy is in development but has not yet been finalized.

#### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor through the Accounting Officer should ensure that HOMA WASCO undertakes debtors' circularization to confirm the authenticity of the receivables and provides a status update on the same to the Senate within 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, within 60 days of the adoption of this report, submits an approved copy of the Debt Management Policy to the Auditor-General for verification.**

- iv. The Accounting Officer should put in place recovery measures for the outstanding receivables with clear timelines and submit evidence to the Auditor-General within 60 days of the adoption of this report.**
- v. The Governor ensures the Accounting Officer undertakes a detailed analysis of long outstanding trade receivables and, with the Board's approval, writes off irrecoverable debts in line with Section 130(2)(d) of the PFM (County Governments) Regulations, 2015.**

## CHAPTER TWO: MUNICIPALITIES

### 2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS MUNICIPALITY OF HOMA BAY FOR THE FINANCIAL YEAR 2024/25

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements of the Municipality of Homa Bay for the Financial Year 2024/2025 -

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Municipality of Homa Bay for the financial year on the following basis –

##### 1. Unsupported Budget Adjustments

The statement of comparison of budget and actual amounts reflects budget adjustments amounting to negative Kshs. 74,891 on incomes and negative Kshs. 1,058,480 that was transferred from use of goods and services to capital expenditure. However, the adjustments were not supported by information on actual expenditure and outstanding liabilities or commitments against the planned activities as at the date of the request for supplementary allocations. Further, the estimates lacked footnotes explaining the reasons for the variations and the impact or implications for the affected programmes. In addition, the supplementary budget provided was not supported with a memorandum from the Accounting Officers to the County Treasury explaining the additional funding requests, contrary to Regulation 39(7) of the Public Finance Management (County Governments) Regulations, 2015.

##### Management Response

Management has taken note of the auditors' recommendation. It is worth noting that when the finance bill was withdrawn, the equitable share to counties was reduced significantly, which affected the overall budget not only for the municipality but other departments too. The county treasury advised all departments to take budget cuts. The revised provisions were captured as per the provisions of the PFM regulations. The adjustments were supported through a notice for supplementary budget circular.

##### Committee Observation

The Committee observed that—

- i. The budget adjustments were not fully supported with documentation on actual expenditure, outstanding liabilities, or commitments at the time of the supplementary allocation request.

- ii. The supplementary budget lacked footnotes explaining the reasons for variations and their implications for affected programmes.
- iii. Management has provided the Notice of supplementary budget circular memo but the Auditor-General found the overall documentation inadequate.

### **Committee Recommendation**

**The Committee recommends that—**

- i. **The Governor ensures that the Accounting Officer complies with Regulation 39(7) of the PFM (County Governments) Regulations, 2015, by ensuring all supplementary budget requests are accompanied by a detailed memorandum explaining the basis for the adjustments, actual expenditure, outstanding commitments, and the impact on affected programmes.**
- ii. **The Municipal Board should institute an internal tracking mechanism to ensure budget adjustment documentation is prepared and maintained in accordance with the law. Any officer found to have caused non-compliance shall be subject to disciplinary action.**
- iii. **The Governor ensures the Accounting Officer complies with Section 149(2)(b) of the PFM Act and Section 47(2) of the Public Audit Act in the preparation and management of financial and accounting records.**

### **2. Lack of Ownership Documents for Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs. 263,700,669, which as disclosed in Note 17 to the financial statements, comprises land and buildings, roads and infrastructure, computers and printers, and furniture and fittings. However, Management did not provide evidence that these assets belonged to the Municipality. No title deed was provided. Assets register provided does not agree with reported amount. The search certificate indicates that the land is owned by Homa Bay Municipal Market, an institution not known in law.

### **Management Response**

Management has taken note of the auditors' observations and an asset register, search certificate and PDP have hence been availed for audit review.

### **Committee Observation**

**The Committee observed that—**

- i. The Municipality does not have title deeds or other ownership documents for its land and buildings.
- ii. The search certificate indicates the land is owned by Homa Bay Municipal Market, an institution not recognized in law.

- iii. The assets register provided does not agree with the amount reported in the financial statements.

**Committee Recommendation**

The Committee recommends that—

- i. Within 60 days of the adoption of this report, the Governor, through the CECM responsible for Lands, ensures that the Municipality obtains proper title documentation for all assets and resolves the legal ownership status of the land attributed to Homa Bay Municipal Market.
- ii. The Governor ensures the Municipal Manager prepares and regularly updates a comprehensive fixed asset register in compliance with Section 104(1)(h) of the PFM Act, 2012, and the National Treasury guidelines. A copy of the updated asset register shall be submitted to the Auditor-General within 30 days of completion.
- iii. The Governor to make budgetary provisions for adjudication and valuation of assets to ensure proper ownership documentation and valuation.

**3. Failure to Maintain a Deposits/Retention Bank Account**

The statement of financial position does not reflect any deposits and retention balance. The Management did not maintain a deposits/retentions bank account, cash book and registers showing the expenditure relating to retention money, despite it implementing several construction contracts. In addition, schedules showing respective payee balances at the end of the financial year were not provided for audit.

**Management Response**

The Management concurs with the auditors' observation and will consider opening and maintaining a deposits and retentions bank account separate from the County deposits and retention bank account that the municipality is currently using.

**Committee Observation**

The Committee observed that—

- i. The Municipality did not maintain a separate deposits/retentions bank account despite implementing several construction contracts.
- ii. No cash book or registers were maintained for retention money.
- iii. A dedicated Central Bank retentions account has not been opened as required.

**Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the Municipal Manager opens and maintains a dedicated deposits and retentions bank account at the Central Bank of Kenya, separate from the County's account, and establishes proper cash books and registers for all retention money in compliance with applicable financial management regulations.**
- ii. **The Accounting Officer should provide evidence of the opened retention account and registers to the Auditor-General within 60 days of the adoption of this report for verification.**

## **EMPHASIS OF MATTER**

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

The statement of comparison of budget and actual amounts reflects a final budget and actual on comparable basis amounts of Kshs. 78,542,888 and Kshs. 24,950,000 respectively, resulting in underfunding of Kshs. 53,592,888 or 68% of the budget. Similarly, the statement reflects final capital expenditure budget amount of Kshs. 49,919,568 which was not utilized.

#### **Management Response**

The management concurs with the auditor's observation and wishes to state that this was occasioned by late disbursement of funds from exchequer.

#### **Committee Observation**

The Committee observed that—

- i. The Municipality experienced a severe underfunding of Kshs. 53,592,888 (68% of budget) during the year under review.
- ii. The entire capital expenditure budget of Kshs. 49,919,568 was not utilized, indicating that no development projects were implemented.
- iii. Management did not provide adequate evidence to support the claim of late disbursement as the cause of underfunding.

#### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures that the Municipality is adequately funded in accordance with Section 172 of the PFM Act, 2012, to enable effective service delivery and execution of the capital budget.**
- ii. **The Governor ensures the Accounting Officer prepares realistic budgets and revenue projections, and compliance with Section 149(2)(h) and (i) of the PFM Act and IPSAS 24 on the presentation of budget information.**

- iii. **The Governor ensures the Municipality commences implementation of development projects in the subsequent financial year, and the Auditor-General monitors progress in the subsequent audit cycle.**

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

### **5. Unresolved Prior Year Matters**

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Municipality in 2024/2025 revealed that 13 matters remained unresolved.

#### **Management Response**

Responses to prior year audit issues provided.

#### **Committee Observation**

The Committee observed that—

- i. The Municipality had 13 prior year matters that remained unresolved, demonstrating persistent failure to implement corrective measures.
- ii. Management provided responses without adequate supporting documentation.

#### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures that the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with Section 149(2)(l) of the PFM 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 the Committee may recommend administrative sanctions.**
- 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.**

### **6. Failure to Collect Own-Generated Revenue**

The statement of financial performance indicates that the Municipality was financed solely through revenue allocated by the County Government, contrary to Section 172(a) of Public Finance Management Act, 2012, which states that 'an urban area or city may also be funded through revenue arising from rates, fees, levies, charges and other revenue raising measures

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

### **Management Response**

The municipality is currently not collecting its own source revenue due to the consolidation of the collection of the own source revenue through the county revenue board. However, there are monthly own source revenue reports collected within the municipality.

### **Committee Observation**

The Committee observed that—

- i. The Municipality of Homa Bay is not collecting its own source revenue and remains entirely dependent on County Government allocations.
- ii. Revenue reports provided show collections by the County Government, not by the Municipality.
- iii. The conferment of municipal status may not have been accompanied by demonstration of revenue collection potential as required by law.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the Municipality of Homa Bay develops and implements mechanisms for own-source revenue collection in compliance with Section 172(a) of the PFM Act, 2012, and Section 9(3)(c) of the Urban Areas and Cities Act, 2011.**
- ii. **The Governor ensures the Municipal Board prepares a detailed own-source revenue collection plan with specific revenue streams, targets, and timelines and submits the same to the Auditor-General within 60 days of the adoption of this report.**

### **7. Stalled Fencing and Gabion Protection at Homa Bay Municipal Market Phase 3**

As reported in the previous year, the Municipality awarded a contract for the proposed fencing and gabion protection works at Homa Bay Municipal Market Phase 3 to a local company on 27 May, 2022 at a contract sum of Kshs. 21,730,982. The contract commenced on 27 May, 2022, with an expected completion date of 27 May, 2023. The interim certificate provided for audit indicated that the total work done was valued at Kshs. 8,566,855. However, audit inspection in September, 2025 revealed that the project was incomplete and the columns were partly erected, walling partly done and the grills fixed in some of the sections. The gates had been vandalized and grills missing in some sections.

### **Management Response**

Management stated the contractor failed to meet the agreed implementation schedule and received payment for the completed works of Kshs. 8,566,855 but failed to proceed thereafter. The project remained incomplete, undermining its intended benefit to the public. The gates have, however, not been vandalized as reported. The works were abandoned by the contractor midway. The status of the project being stalled does not imply that the works previously done were null and void; the works were paid based on inspection and acceptance report dated which was based on a joint measurement together with the contractor. The works included Installation of publicity signboard, Bush clearing, Excavation works and Sewer.

### **Committee Observation**

The Committee observed that—

- i. The Municipal Market Phase 3 fencing and gabion protection project has remained stalled since 2022, with no tangible action taken to complete it as of January 2026.
- ii. The contractor abandoned the project midway after receiving payment of Kshs. 8,566,855 for work done.
- iii. The project is not budgeted for in the current financial year.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the Municipal Manager takes immediate action to complete the stalled fencing and gabion protection works at Homa Bay Municipal Market Phase 3, including pursuing legal or contractual remedies against the contractor who abandoned the project.**
- ii. **The Governor ensures the project is budgeted for in the FY 2025/2026 or FY 2026/2027 budget and implementation commences without further delay.**
- iii. **The Auditor-General monitors the status of the project and provides a status update in the subsequent audit cycle.**

### **8. Functions not Transferred to the Municipality**

The statement of performance against predetermined objectives for the year under review indicates that the County Executive has not transferred the functions of the Board. Further, Management discussion and analysis report states that the Board has not been charged with the responsibility of handling the projects that are financed by the Kenya Urban Support Programme (KUSP). This was contrary to Section 8(1) of the Homa Bay Municipality Charter which states that the Board shall have all the powers and perform all functions vested in the

Boards of municipalities under the Urban Areas and Cities Act, County Government Act, and the Municipality by-laws.

### **Management Response**

Management stated the delegated functions of the municipality are being transferred progressively to the municipality through a gazette notice no. 9780. Additionally, the Kenya Urban Support Program projects under Urban Development Grant are fully handled by the municipal board. However, the board didn't handle any KUSP-UDG project in the year under audit as there was no donor fund received.

### **Committee Observation**

The Committee observed that—

- i. The County Executive has not fully transferred functions to the Municipality of Homa Bay as required by the Municipal Charter.
- ii. The Municipality is not executing its functions independently, contrary to the Urban Areas and Cities Act.

### **Committee Recommendation**

The Committee recommends that-

1. **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;**
2. **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;**
3. **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**
4. **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.**

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

### **1. Lack of Independence of the Municipality**

The Municipality of Homa Bay was granted Municipal Charter in March, 2019, which was supposed to grant operational independence from the County Government of Homa Bay. However, review of the operations of the Municipality revealed lack of autonomy as the Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board. Further, the County Government has continued to perform a number of functions which were transferred to the Municipality as provided for under Paragraph 5 of the Homa Bay Municipal Charter, including promotion, regulation and provision of refuse collection and solid waste management services. This is in contravention of Section 12(1) of the Urban Areas and Cities Act, 2011.

#### **Management Response**

Management stated the municipality budgets are discussed and approved by the municipal board. Further functions of the municipality have already been gazetted and there is a continuous and progressive operationalization process of municipal board's mandate.

#### **Committee Observation**

The Committee observed that—

- i. The Municipality of lacks operational independence as its budget remains controlled by the County Executive.
- ii. Functions transferred under the Municipal Charter continue to be performed by the County Government.

#### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor should ensure by the commencement of the financial year 2026/2027 that all functions transferred under the Municipal Charter are fully operationalized by the Municipal Board without County Executive interference.**
- ii. **The Governor ensures that the Municipal Board prepares and approves its own budget independently in compliance with Section 45 of the Urban Areas and Cities Act, 2011.**

### **10. Lack of Approved Staff Establishment**

Review of human resource records revealed that the Municipality establishment stood at nineteen (19) employees who were deployed from the County Executive without specific terms of engagement and conditions of service. Further, the Municipality did not provide an approved staff establishment for audit review, contrary to Section B 5(2) of the County Public

Service Human Resource Manual, 2013. In addition, there was no evidence that the Municipal Manager was competitively recruited, contrary to Paragraph 29(1) of the Municipal Charter of the Municipality of Homa Bay.

### **Management Response**

Management has taken note of the auditor's observations and it is worth noting that currently the county government has a consolidated staff establishment that the municipality is currently using.

### **Committee Observation**

The Committee observed that—

- i. The Municipality does not have its own approved staff establishment, relying instead on the County Executive's consolidated establishment.
- ii. Staff have been deployed without specific terms of engagement and conditions of service.
- iii. There is no evidence that the Municipal Manager was competitively recruited as required by the Municipal Charter.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the Municipal Board prepares and adopts an independent approved staff establishment for the Municipality of Homa Bay within 60 days of the adoption of this report and submits to the Auditor-General for verification.**
- ii. **The Governor ensures that all staff deployed to the Municipality are provided with clear terms of engagement and conditions of service in compliance with the County Public Service Human Resource Manual, 2013.**
- iii. **The Governor ensures the Municipal Manager is competitively recruited in line with Paragraph 29(1) of the Municipal Charter and Article 232(g) of the Constitution. The Auditor-General to verify compliance and report in the subsequent audit cycle.**

## **11. Failure to Achieve Strategic Priorities by the Municipality**

As reported in previous reports, the Municipality did not provide documents as evidence that it had achieved its strategic goals as stipulated in Homa Bay Municipality Integrated Urban Development Plan 2019-2024. The key deliverables are to achieve 100% on safe clean and adequate water from 15% to 100% in urban areas, establish and operationalize sewerage system to serve 80% of the residents in Homa Bay town, improve drainage system management from 5% to 100% within the municipality and improve solid waste management

from 1% to 50% in urban. Further, the Management of the Municipality did not provide evidence that it had put in place measures to Mitigate on its main challenges of air and water pollution as stipulated in Paragraphs 1.5.6.2 and 1.5.6.1 of the Homa Bay Municipality Integrated Urban Development Plan, 2019-2025.

### **Management Response**

Management has taken note of the auditors' observations and will ensure that it achieves its strategic goals in respect to key deliverables in the subsequent financial years as it's stipulated in the integrated development plan.

### **Committee Observation**

The Committee observed that—

- i. The Municipality has not achieved its strategic priorities as stipulated in the Homa Bay Municipality Integrated Urban Development Plan 2019-2024.
- ii. No evidence was provided of measures put in place to address air and water pollution challenges.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the Municipal Board prepares a detailed implementation plan for achieving the strategic priorities outlined in the Homa Bay Municipality Integrated Urban Development Plan and submits the same to the Auditor-General within 60 days of the adoption of this report.**
- ii. **The Governor ensures the Municipality develops and funds a new Integrated Urban Development Plan for the subsequent planning period that addresses the unmet targets of the 2019-2024 plan.**

## **2.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS OF KENDU BAY MUNICIPALITY FOR THE FINANCIAL YEAR 2024/25**

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements of the Municipality of Kendu Bay for the Financial Year 2024/25.

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

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Municipality of Kendu Bay for the financial year on the following –

#### **1. Undisclosed Property, Plant and Equipment**

The statement of financial position and Note 12 to the financial statements reflect property, plant and equipment balance of Kshs. 461,038. However, the balance omits various assets in the possession and utilized by the Municipality in its daily operations but which are still owned by both the National Government and the County Executive. In addition, the County Executive implemented various projects which includes the installation of 14 solar lights to enhance public safety and night commerce, the purchase of land for a municipal dumpsite to improve solid waste management and the construction of a 10-kilometre drainage system to address persistent flooding issues within the Municipality's jurisdiction, whose values have not been included in these financial statements.

#### **Management Response**

Management concurs with the auditor's observation and wishes to state that the Board is in the process of transferring property, plants and equipment that are in possession of the defunct local government, county government and the national government. The management further wishes to state that the purchase of land for a municipal dumpsite to improve solid waste management and the construction of a 10-kilometre drainage system to address persistent flooding issues were budgeted by the county executive but were not done, therefore not included in financial statements for municipality of Kendu Bay.

#### **Committee Observation**

The Committee observed that—

- i. The Municipality's PPE balance omits assets owned by both the National Government and County Executive that are in the Municipality's possession and use.
- ii. The purchase of land for a municipal dumpsite and construction of a 10-kilometre drainage system were budgeted but not implemented.
- iii. There is no evidence to confirm whether the budgeted projects were actually not done.

### **Committee Recommendation**

The Committee recommends that—

- i. Within 60 days of the adoption of this report, the Governor, through the CECM responsible for matters of lands and urban development, engages with the relevant authorities including IGRTC to ensure the transfer of ownership documents of all assets in the Municipality's possession is fast-tracked.
- ii. The Governor ensures budgetary provisions are made for adjudication and valuation of assets to ensure a seamless process in the transfer of assets.
- iii. The Governor ensures the Accounting Officer provides evidence on the status of the land purchase for municipal dumpsite and the 10-kilometre drainage system, whether planned or abandoned, and a timeline for completion is submitted to the Senate within 60 days of the adoption of this report.

### **2. Unsupported Staff Costs**

The statement of financial performance reflects an amount of Kshs. 3,770,000 in respect to staff costs. However, review of the payroll schedule provided for audit revealed that total staff cost for the year was Kshs. 5,531,796, resulting in a variance of Kshs. 2,011,796. Further, one staff member with ID No. 29579122 and Personal Number 20178458406 who is employed as Municipal Manager is missing in the payroll and his earnings since his appointment could not be confirmed. In addition, the schedules and ledgers to support financial statement balance for Kshs. 3,770,000 were not provided.

### **Management Response**

The variance of Kshs. 2,011,796 resulted due to the following:

- a) Municipality public health officer by the name Duncan Odiver Watama serves as Rachuonyo North Sub-County public health officer and is being paid from executive since he was seconded to Municipality of Kendu Bay.
- b) The municipality procurement officer by the name Dorothy Ketch, joined the municipality in March and part of her 12 months' salary was paid from executive and municipality only paid for her 4 months' salary. The management further states the process of clearance and integration of a personal number for a staff member by the name Samwel Onyango Okoth of ID No. 29579122 and Personal Number 20178458406 who was employed on 29th April 2025, ended in July 2025. The member could not be onboarded into the system until he was duly cleared by Teachers Service Commission. However, the staff has since been onboarded and is being paid through the system. In addition, the management states the schedules

and ledgers to support financial statement balance for Kshs. 3,770,000 have hereby been provided for audit review.

#### **Committee Observation**

The Committee observed that—

- i. A variance of Kshs. 2,011,796 between the financial statements and payroll schedule remains unreconciled.
- ii. The Municipal Manager's payroll record was missing, making it impossible to confirm his earnings.
- iii. Management has provided TSC clearance but has not adequately reconciled the staff cost variance.

#### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the Accounting Officer provides a fully reconciled staff costs schedule to the Auditor-General within 60 days of the adoption of this report, clearly explaining the variance of Kshs. 2,011,796 with supporting documentation.**
- ii. **The Governor ensures the Municipal Manager's payroll records are regularized and his earnings since appointment are properly accounted for and included in the financial statements.**
- iii. **The Governor ensures the County Executive and the Municipal Board reach a formal arrangement regarding staff who are seconded to the Municipality but paid by the County Executive, with proper disclosure in the Municipality's financial statements.**

#### **EMPHASIS OF MATTER**

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

The statement of comparison of budget and actual amounts reflects total budgeted receipts and actual on comparable basis of Kshs. 9,870,274 and Kshs. 6,546,900 respectively, resulting in under-realization of Kshs. 3,323,374 or 34% of the budget. Similarly, the Municipality expenditure amounted to Kshs. 6,090,334 against the realized revenue of Kshs. 6,546,900, resulting in an under-utilization of Kshs. 456,566 or 7% of the actual revenue.

##### **Management Response**

The management concurs with the auditor's observation on underfunding and wishes to state that this was occasioned by late disbursement of funds from exchequer. The under-utilization was occasioned by underfunding.

### **Committee Observation**

The Committee observed that—

- i. The Municipality experienced an under-realization of Kshs. 3,323,374 (34% of the budget) during the year under review.
- ii. The Municipality also failed to utilize Kshs. 456,566 of the revenue it actually received.
- iii. Management has not provided evidence to support the claim of late disbursement from exchequer.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the Municipality is adequately funded in accordance with Section 172 of the PFM Act, 2012, and the Accounting Officer prepares realistic budgets aligned with likely disbursements.**
- ii. **The Accounting Officer should provide evidence of actual disbursement timelines to the Auditor-General within 60 days of the adoption of this report.**

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

### **1. Lack of Policies and By-Laws**

Audit revealed that the Municipal Board operated without By-laws passed by the Board of the Municipality. This was contrary to Part IV, Section 19 of the Municipality of Kendu Bay Charter, which states that Legislative Authority is vested in the County Assembly. However, the Board of the Municipality may make By-laws and forward recommendations to the County Executive Committee Member on issues to be included in County Legislation. Further, policies and procedures to guide key financial and operational processes were not in place.

### **Management Response**

The management wishes to state that its board shall develop the By-laws and a draft copy shall be forwarded to the county attorney for onward processing in subsequent financial year.

### **Committee Observation**

The Committee observed that—

- i. The Municipality is operating without By-laws and key governance policies.
- ii. No steps have been demonstrated towards developing policies and by-laws.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the Municipal Board expeditiously develops and adopts By-laws and key financial and operational policies, including a risk management policy, fraud prevention policy, and procurement policy, and submits draft copies to the County Attorney for processing within 90 days of the adoption of this report.**
- ii. **The Auditor-General monitors progress on the development and adoption of by-laws and policies and provides a status update in the subsequent audit cycle.**

## **2. Failure to Collect Own-Generated Revenue**

The statement of financial performance indicates that the Municipality was financed solely through revenue allocated by the County Government, contrary to Section 172(a) of Public Finance Management Act, 2012. Further, conferment of municipal status may have been made without satisfying the criterion of demonstrable revenue collection or revenue collection potential, contrary to the provision of Section 9(3)(c) of the Urban Areas and Cities Act, 2011.

### **Management Response**

The municipality is currently not collecting its own source revenue due to the consolidation of the collection of the own source revenue through the county revenue board.

### **Committee Observation**

The Committee observed that the Municipality does not collect its own-source revenue and is entirely dependent on the County Government allocation which is inconsistent with the provisions of the PFM Act and the Urban Areas and Cities Act.

### **Committee Recommendation**

**The Committee recommends that-**

1. **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;**
2. **the 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;**

3. 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
4. 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.

### **3. Irregular Employment Contract Period**

The Municipal Manager has been appointed under contract for a period of five years from 29 April, 2025 to 29 April 2030, in contravention of the charter. The Urban Areas and Cities Act 2011, Section 15, provides that a board shall serve for 5 years while the Municipality charter states that the municipality managers' term will be 3 years; technically the Urban Areas and Cities Act supersede the charter. The county attorney has picked up the discrepancy for correction and amendment in the charter.

#### **Management Response**

The municipality charter states that the municipality managers' term will be 3 years; technically the Urban Areas and Cities Act supersede the charter. The county attorney has picked up the discrepancy for correction and amendment in the charter.

#### **Committee Observation**

The Committee observed that—

- i. The Municipal Manager has been appointed for five years, which may be inconsistent with the Municipal Charter which provides for a three-year term.
- ii. The County Attorney has identified the discrepancy and is working on a charter amendment.
- iii. Section 15 of the Urban Areas and Cities Act refers to Board appointments, not Municipal Manager appointments.

#### **Committee Recommendation**

The Committee recommends that the Governor ensures —

- i. the County Attorney expedites the review and amendment of the Municipal Charter to align the Municipal Manager's term of service with applicable legislation, and submits the amended charter to the Senate within 90 days of the adoption of this report.
- ii. the Auditor-General monitors the legal status of the Municipal Manager's appointment and provides a status update in the subsequent audit cycle.

#### **4. Failure to Implement Any Development Project During the Year**

The statement of financial performance reflects total expenditure of Kshs. 6,090,334 which is recurrent expenditure with no development expenditure, contrary to Section 107(2)(b) of the Public Finance Management Act, 2012.

##### **Management Response**

The management concurs with the auditor's observation and wishes to state that it will endeavor to comply with Section 107(2)(b) of the Public Finance Management Act 2012 in subsequent financial year.

##### **Committee Observation**

The Committee observed that—

- i. The Municipality implemented no development projects during the financial year under review, with all expenditure being recurrent.
- ii. This indicates the Municipality is not fulfilling its mandate of promoting development within its jurisdiction.

##### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the Municipality budgets for and implements at least one development project in the FY 2025/2026 in compliance with Section 107(2)(b) of the PFM Act, 2012, and the Municipal Charter.**
- ii. **The Governor ensures the Municipality is adequately funded to enable execution of development projects.**

#### **5. Non-Alignment of Procurement Plan to Core Functions and Mandate of the Municipality**

Audit review of the Municipality's procurement plan revealed that it was not aligned to the core functions and mandate of the municipality as provided in the Municipality charter. Further, there was no evidence that the procurement plan was linked to the Municipality's strategic goals, as the strategic plan was not provided for audit review. In addition, the municipality of Kendu Bay undertook procurement outside scheduled time. In particular, direct purchases were made without reference to approved procurement plan, and municipality did not prepare or maintain list of prequalified suppliers as required by the law.

##### **Management Response**

The management wishes to state that the direct purchases were necessitated by urgency and were within the threshold. The management further wishes to state that it still relies on list of

prequalified suppliers from County Executive and endeavors to have prequalified suppliers list in subsequent financial year.

### **Committee Observation**

The Committee observed that—

- i. The Municipality's procurement plan was not aligned to its core functions and mandate.
- ii. The Municipality lacks a strategic plan, making it impossible to link the procurement plan to strategic goals.
- iii. Direct purchases were made without reference to the approved procurement plan.
- iv. The Municipality has no list of prequalified suppliers.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the Municipal Board develops and adopts a strategic plan for the Municipality within 60 days of the adoption of this report, which will then form the basis for aligning the procurement plan.**
- ii. **The Governor ensures the Municipal Manager prepares a procurement plan aligned to the Municipality's core functions and mandate, and submits to the Auditor-General within 60 days of the adoption of this report.**
- iii. **The Accounting Officer ensures compliance with procurement laws and regulations including maintaining an updated list of prequalified suppliers, failure to which the provisions of Section 199 of the PFM Act on penalties for offences shall apply.**

## **6. Failure to Formulate Envisaged Municipality Plans**

Review of the Municipality's records and operations revealed that there was no evidence of the existence or consideration of key vital plans such as Municipality land use plans, building and zoning plans and the location of recreational areas and public facilities. This is contrary to Section 111 (1) of the County Governments Act, 2012, which provides that for each City and Municipality, there shall be the following plans: City or Municipal land use plans; City or Municipal building and zoning plans; City or urban area building and zoning plans; and location of recreational areas and public facilities.

### **Management Response**

Management concurs with the auditor's observation and wishes to state that the municipality still depends on the county government blueprints. The process of developing municipality plan has been initiated at the Board level.

### **Committee Observation**

The Committee observed that—

- i. The Municipality has not formulated its own key plans including land use plans, building and zoning plans, and plans for recreational areas and public facilities.
- ii. The process of developing the municipality plan has only been initiated at the Board level.

### **Committee Recommendation**

The Committee recommends that—

- i. **Within 60 days of the adoption of this report, the Governor, through the Board of the Municipality, ensures the formulation and adoption of all required municipal plans in line with Section 111(1) of the County Governments Act, 2012, and Section 36 of the Urban Areas and Cities Act, 2011.**
- ii. **The Governor should ensure adequate budgetary provisions are made for the development of municipal plans in the FY 2025/2026 and FY 2026/2027 budgets.**
- iii. **The Auditor-General monitors progress and provides a status update in the subsequent audit cycle.**

### **10. Lack of Independence of the Municipality**

The Municipality of Kendu Bay was granted a Municipal Charter on the 9th day of January, 2023, which was supposed to grant operational independence from the County Government of Homabay. However, review of the operations of the Municipality revealed lack of autonomy as the Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board. This was contrary to Section 45 of the Urban Areas and Cities Act, 2011, which requires the Board or Town Committee to cause to be prepared estimates of the revenue and expenditure of a board or town committee for that year. Further, the County Government had continued to perform several functions which were transferred to the Municipality as provided for under Part II-Paragraph 5 (a) - (r) of the Municipal Charter including infrastructural development and services within the municipality and development and enforcement of municipal plans and development controls. This was in contravention of Section 12(1) of the Urban areas and Cities Act, 2011.

### **Management Response**

Management concurs with the auditor observation and wishes to state that it endeavors to strive towards gaining full autonomy in the subsequent financial years.

### **Committee Observation**

The Committee observed that—

- i. The Municipality of Kendu Bay lacks operational autonomy as its budget is prepared and controlled by the County Executive without Board approval.
- ii. Functions transferred under the Municipal Charter continue to be performed by the County Government.
- iii. No concrete steps have been taken towards achieving municipal autonomy.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor should ensure by the commencement of the financial year 2026/2027 that the Municipality of Kendu Bay is fully operationalized in line with its delegated functions as gazetted by the County Government.**
- ii. **The Governor ensures the Municipality is adequately funded in accordance with Section 172 of the PFM Act, 2012, and the Auditor-General keeps this matter in view and reports in the subsequent audit cycle.**

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

### **1. Failure to Provide Evidence of Key Services Deliverables**

The Municipality of Kendu Bay did not provide evidence of provision and existence of services as provided by Part II-Section 5 (a) – (r) of the Municipality of Kendu Charter, which states that the Municipality of Kendu Bay shall, within the boundaries of the Municipality, perform the various functions listed as (a) to (r). There was no evidence that the Municipality can provide services such as planning and development control, traffic control and parking, street lighting, libraries, storm drainage, sports and cultural activities, refuse collection, solid waste management, pollution (air, water, soil) control, child care facilities, community centers, emergency preparedness, recreational parks and animal control and welfare.

### **Management Response**

The management has taken note of the auditor's observation and will ensure that it achieves its strategic goals in respect to key deliverables in the subsequent financial year as its stipulated in the integrated development plan.

### **Committee Observation**

The Committee observed that the Municipality has not demonstrated delivery of any of the key services stipulated under Part II-Section 5(a)-(r) of its Municipal Charter.

## **Committee Recommendation**

The Committee recommends that the Governor ensures that—

- i. the Municipality develops and implements a service delivery plan with specific timelines for commencing each of the functions transferred under its Charter, and submits the plan to the Auditor-General within 60 days of the adoption of this report.
- ii. the Auditor-General monitors implementation of service delivery functions and reports to the Committee in the subsequent audit cycle.

## **2. Lack of Fraud Policy and Risk Management Strategies**

Audit review revealed that the Municipality of Kendu Bay lacked a fraud management policy to assist in detecting and preventing fraud during the year under review. Further, Management did not have a risk management policy or strategy in place, and therefore had no approved processes and guidelines on how to mitigate operational, legal, and financial risks. In addition, the Municipality lacks a disaster recovery plan or business continuity plan. Management has not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure. Further, the management did not perform formal risk assessments during the financial year audited.

### **Management Response**

The management concurs with the auditor's observation and wishes to state that it is still using the County Risk Management policy and Fraud policy as it is in the process of developing its own Fraud policy and Risk management Policy.

### **Committee Observation**

The Committee observed that—

- i. The Municipality lacks its own risk management policy, fraud prevention policy, disaster recovery plan, and business continuity plan.
- ii. No formal risk assessments were conducted during the year under review.
- iii. There is no evidence of reliance on the County Executive's risk management framework.

## **Committee Recommendation**

The Committee recommends that—

- i. The Governor ensures the Municipal Board develops and adopts a comprehensive risk management policy, fraud prevention policy, disaster recovery plan, and business continuity plan within 90 days of the adoption of this report, and submits evidence to the Auditor-General for verification.

- ii. **The Accounting Officer ensures formal risk assessments are conducted at least annually and a risk register is maintained and updated. The Auditor-General to verify compliance and provide a status update in the subsequent audit cycle.**

## **2.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS OF MUNICIPALITY OF MBITA FOR THE FINANCIAL YEAR 2024/25**

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements of the Municipality of Mbita for the Financial Year 2024/2025 –

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

The Auditor-General rendered an **Unmodified Opinion** on the financial statements of the Municipality of Mbita for the financial year.

### **EMPHASIS OF MATTER**

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

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs. 9,870,274 and Kshs. 5,790,000 respectively, resulting in under-funding of Kshs. 4,080,274 or 41% of the budget.

#### **Management Response**

The management wishes to state that the underfunding was occasioned by failure to remit funds to the Municipality by the county executive. This was as a result of the county executive's failure to meet its projected total revenue obligations. The municipality is in consultation with the county executive to ensure that all its budgeted revenue is remitted in subsequent financial year.

#### **Committee Observation**

The Committee observed that—

- i. The Municipality of Mbita experienced significant underfunding of Kshs. 4,080,274 (41% of budget) during the year under review.
- ii. Management attributed the underfunding to the County Executive's failure to meet its projected total revenue obligations.
- iii. No supporting evidence was provided to confirm the reason for underfunding.

#### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the Municipality of Mbita is adequately funded in accordance with Section 172 of the PFM Act, 2012, to enable effective service delivery.**

- ii. **The Governor provides evidence of the County Executive's revenue shortfall and its impact on municipality funding to the Auditor-General within 60 days of the adoption of this report.**

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

### **1. Failure to Implement the Transfer of Functions**

The Municipality of Mbita was created on 9 January, 2023 upon the conferment of a charter by the County Governor of Homa Bay. The County through Gazette Notice No. 9783 dated 3 May, 2023, transferred twelve (12) functions to the Municipality. Members of the Board were appointed on 26 July, 2023. Review of the operations of the Municipality revealed that the actual transfer of functions, accompanied by the required financial and human resources, had never taken place. The functions of the Municipality as envisaged in the Urban Areas and Cities Act, 2011 (Amended 2019), continued to be performed by various County Government departments. It was observed that Mbita Municipality operated with meagre financial resources and a skeleton staff.

#### **Management Response**

Management concurs with the audit finding regarding the vacancy in key staff positions and wishes to state that it is in consultation with the County Executive to ensure full implementation of transfer of functions in subsequent financial year.

#### **Committee Observation**

The Committee observed that—

- i. The County Government has not fulfilled its obligation to transfer the 12 functions to the Municipality of Mbita as gazetted in Gazette Notice No. 9783.
- ii. The Municipality continues to operate with inadequate financial resources and skeleton staff.
- iii. The functions continue to be performed by various County Government departments, contrary to the law.

#### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor should ensure by the commencement of the financial year 2026/2027 that all 12 transferred functions as gazetted are fully operationalized by the Municipality of Mbita, accompanied by the required financial resources and human capital.**

- ii. **The Governor ensures the Municipality is adequately funded in accordance with Section 172 of the PFM Act, 2012. The Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

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

### **1. Vacancy in Key Staff Positions in the Municipality**

Review of the Mbita Municipality Organogram and staff requirements revealed key positions that had not been filled with the requisite qualified staff. These positions comprised Municipal Engineer, Municipal Planner, Legal Officer and Disaster Management Officer.

#### **Management Response**

Management concurs with the audit finding regarding the vacancy in key staff positions and wishes to state that it will ensure the vacancies are advertised and filled in subsequent financial year.

#### **Committee Observation**

The Committee observed that key positions including Municipal Engineer, Municipal Planner, Legal Officer, and Disaster Management Officer remain vacant, limiting the Municipality's ability to deliver on its mandate.

#### **Committee Recommendation**

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

- i. **the Municipal Board advertises and fills the vacant key positions in the FY 2025/2026 in compliance with applicable human resource laws and regulations.**
- ii. **The Auditor-General monitors progress on filling key vacancies and provides a status update in the subsequent audit cycle.**

## **2.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS OF MUNICIPALITY OF NDHIWA FOR THE FINANCIAL YEAR 2024/25**

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements of the Municipality of Ndhiwa for the Financial Year 2024/25.

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

The Auditor-General rendered an **Unmodified Opinion** on the financial statements of the Municipality of Ndhiwa for the financial year.

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

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs. 17,870,274 and Kshs. 5,682,230 respectively, resulting in underfunding of Kshs. 12,188,044 or 68% of the budget. Similarly, the Municipality paid an amount of Kshs. 476,805 in respect of development expenditure against a development budget of Kshs. 8,000,000, resulting in under-expenditure on development projects of Kshs. 7,523,195, or 94% of the budget.

#### **Management Response**

The management wishes to state that underfunding of receipts of Kshs. 12,188,044 and under-expenditure on development projects of Kshs. 7,523,195 was as a result of late disbursement of funds from the National Treasury.

#### **Committee Observation**

The Committee observed that—

- i. The Municipality experienced severe underfunding of Kshs. 12,188,044 (68% of the budget).
- ii. Development expenditure of Kshs. 476,805 was only 6% of the development budget of Kshs. 8,000,000.
- iii. Management has not provided adequate evidence to support the claim of late disbursement as the cause of underfunding.

#### **Committee Recommendation**

The Committee recommends that—

- i. The Governor ensures the Municipality of adequately funded in accordance with Section 172 of the PFM Act, 2012.

- ii. **The Governor ensures the Accounting Officer provides evidence of actual disbursement timelines to the Auditor-General within 60 days of the adoption of this report.**
- iii. **The Governor ensures the Municipality develops and implements at least one development project in the subsequent financial year and budgets adequately for development expenditure.**

## **OTHER MATTERS**

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

Review of records revealed that the Municipality did not have ownership documents for the parcel of land on which its offices occupy.

#### **Management Response**

The management concurs with the auditor's observation and wishes to state that the parcel of land occupied by the Municipal Board is a National Government property which also extends to the Deputy County Commissioner Offices, Ndhiwa Water and Sewerage offices, Ndhiwa CDF offices, Ndhiwa Sub-County offices, Ndhiwa Sub-County Hospital, all under the same parcel number.

#### **Committee Observation**

The Committee observed that—

- i. The Municipality does not have ownership documents for the land on which its offices are located.
- ii. The land is shared with multiple National Government entities under one parcel number, complicating the process of obtaining a title deed.

#### **Committee Recommendation**

The Committee recommends that—

- i. **Within 60 days of the adoption of this report, the Governor, through the CECM responsible for matters of lands, engages with the relevant National Government entities and IGRTC to initiate the process of obtaining land ownership documentation for the Municipality of Ndhiwa's offices.**
- ii. **The Governor ensures budgetary provisions are made for the adjudication and allocation of land to the Municipality.**

## **2. Failure to Prepare Integrated Urban Development Plan**

Review of documents revealed that the Municipality did not have in place an integrated development planning, contrary to Section 36(1)(a)(b) and (c) of the Urban Areas and Cities Act, 2011, which states that every city and municipality established under this Act shall operate within the framework of integrated development planning which shall give effect to the development of urban areas and cities as required by this Act and any other written law.

### **Management Response**

The management concurs with the auditor's observation and wishes to state that it will Prepare an Integrated Urban Development Plan in subsequent financial year.

### **Committee Observation**

The Committee observed that the Municipality does not have an Integrated Urban Development Plan as required by Section 36 of the Urban Areas and Cities Act, 2011.

### **Committee Recommendation**

**The Committee recommends that—**

- i. Within 60 days of the adoption of this report, the Governor through the Municipal Board ensures the development and adoption of an Integrated Urban Development Plan for the Municipality of Ndhiwa in compliance with Section 36(1)(a)(b) and (c) of the Urban Areas and Cities Act, 2011.**
- ii. The Governor ensures adequate budgetary provisions are made for the development of the plan in the FY 2025/2026 budget.**

## **3. Unsupported Appointment of the Board and Recruitment of Municipal Manager**

Reported in the statement of financial performance are Board expenses of Kshs. 625,000 and staff costs of Kshs. 2,750,000 which includes salary of the Municipal Manager. However, there was no evidence that the Board members and the Municipal Manager were recruited through a competitive process, contrary to Article 232(g) of the Constitution of Kenya, 2010.

### **Management Response**

The management wishes to state that the appointment of the board and the recruitment of the Municipal Manager was competitively done as per Article 232(g) of the constitution of Kenya 2010 which requires fair competition and merit as the basis of appointments and promotion in the public service. In this regard, the management has provided copy of the advert for the positions, longlisting and shortlisting of the candidates for the interviews, interview score sheets and finally the appointment letters for the successful candidates.

### **Committee Observation**

The Committee observed that management has provided supporting evidence confirming competitive recruitment of both the Board and the Municipal Manager, thus resolving the matter.

### **Committee Recommendation**

**Noting the mitigating measures taken, the Committee recommends that the matter be marked as resolved.**

## **4. Failure to Develop Public Participation Mechanisms**

Review of records revealed that although public participation forums were held during the year under review, the Municipality had not developed public participation mechanisms, contrary to Paragraph 18(1)(2) and (3) of the Municipal Charter of the Municipality of Ndhiwa within Homa Bay County, Kenya, which states that the Board of the Municipality shall ensure the development of mechanisms for the participation of the residents of the Municipality of Ndhiwa in the management and administration of the Municipality.

### **Management Response**

The management wishes to state that Public Participation Mechanism for Ndhiwa Municipality is still anchored on the developed Public Participation Mechanism of Homabay County Government, and Ndhiwa Municipality being a newly established entity is in the process of working on its own Public Participation Mechanism in subsequent financial year.

### **Committee Observation**

The Committee observed that the Municipality has not developed its own public participation mechanisms as required by the Municipal Charter.

### **Committee Recommendation**

**The Committee recommends that—**

- i. The Governor ensures the Municipal Board develops and adopts formal public participation mechanisms in compliance with Paragraph 18(1)(2) and (3) of the Municipal Charter within 90 days of the adoption of this report.**
- ii. The Auditor-General monitors compliance and provides a status update in the subsequent audit cycle.**

## **5. Lack of Monitoring and Evaluation Framework and Reports**

Management did not provide project status reports on non-financial performance for each individual programme undertaken by the Municipality. Further there is no documentary

evidence provided indicating development and approval of the Monitoring and Evaluation Policy. This was contrary to Regulation 129(1) of the Public Finance Management (County Governments) Regulations, 2015.

#### **Management Response**

The management has taken note of the auditor's observation and wishes to state that it is currently guided by the County Monitoring and Evaluation framework. However, it will ensure that a proper monitoring and evaluation framework is put in place to guide the preparation and implementation of monitoring and evaluation reports in subsequent financial year.

#### **Committee Observation**

The Committee observed that the Municipality lacks its own Monitoring and Evaluation framework and has not produced project status reports on non-financial performance.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. The Governor ensures the Municipal Board develops and adopts a Monitoring and Evaluation Policy and framework within 90 days of the adoption of this report, and submits evidence to the Auditor-General for verification.**
- ii. The Accounting Officer ensures quarterly monitoring and evaluation reports are prepared and submitted in compliance with Regulation 129(1) of the PFM (County Governments) Regulations, 2015.**

### **6. Failure to Adhere to Budget Timelines**

Review of budget documents revealed no evidence that the Fiscal Strategy Paper was submitted to the County Assembly on 24 May, 2023, contrary to Section 126(3) of the Public Finance Management Act, 2012, which states that County Executive Committee Member responsible for planning shall, not later than the 1 September in each year, submit the development plan to the County Assembly. Further, the signed Budget Circular, Budget Estimates, approved annual development plan were not provided for audit verification. Further, it was not possible to confirm if the budget was uploaded.

#### **Management Response**

The management wishes to state that it is a newly established entity and its budget circular, budget estimates and approved Annual Development Plan are all anchored on Homabay County Executive. Further, the budget was uploaded through Hyperion module of Integrated Financial Management System of Homabay County Executive.

#### **Committee Observation**

The Committee observed that—

- i. The Municipality has not independently prepared its budget documents as required by the PFM Act, relying entirely on the County Executive's budget system.
- ii. No evidence was provided of compliance with budget timelines.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. **The Governor ensures the Municipality of Ndhiwa independently prepares and presents its budget documents including the Fiscal Strategy Paper, Budget Circular, Budget Estimates, and Annual Development Plan in compliance with the PFM Act, 2012, from the FY 2025/2026 onwards.**
- ii. **The Governor ensures the Municipality is provided with the capacity and systems to independently manage its budgetary processes.**

#### **7. Failure to Implement Any Development Project During the Year**

The statement of financial performance reflects total expenditure of Kshs. 5,421,044 which does not include any expenditure on development projects, contrary to Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015, which states that pursuant to Section 107(5) of the Act, the county government actual expenditure on development shall be at least thirty percent in conformity with the requirement under Section 107(2)(a) of the Act.

#### **Management Response**

Management concurs with the auditor's observation that it did not implement any development project during the period under review due to late disbursement of funds from exchequer.

#### **Committee Observation**

The Committee observed that—

- i. The Municipality implemented no development projects during the financial year, with all expenditure being recurrent.
- ii. Management attributed this to late disbursement of funds but the Auditor-General found no supporting evidence.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. **The Governor ensures the Municipality of budgets for and implements at least one development project in the FY 2025/2026 in compliance with Section 107(2)(b) of the PFM Act, 2012.**

- ii. **The Governor ensures the Municipality is adequately funded to enable execution of the development budget.**

## **8. Non-Collection of Own-Generated Revenue**

The statement of financial performance indicates that the Municipality was financed solely through revenue allocated by the County Government, contrary to Section 172(a) of Public Finance Management Act, 2012. Further, conferment of municipal status may have been made without satisfying the criterion of demonstrable revenue collection or revenue collection potential, contrary to Section 9 (3)(c) of the Urban Areas and Cities Act, 2011.

### **Management Response**

The management wishes to state that the collection of its own generated revenue is still being done by the Homabay County Executive and the Board is working on proper legislation for the transfer of this function.

### **Committee Observation**

The Committee observed that—

- i. The Municipality does not collect its own-source revenue, relying entirely on County Government allocations.
- ii. No concrete steps have been taken to develop the legal framework for own-source revenue collection.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Municipality develops and implements mechanisms for own-source revenue collection in compliance with Section 172(a) of the PFM Act, 2012. A detailed revenue collection plan shall be submitted to the Auditor-General within 60 days of the adoption of this report.**

## **9. Functions not Transferred to the Municipality**

The statement of performance against predetermined objectives indicates that the Municipality's objectives include provision of quality physical infrastructure, promotion of environmental management and construction services, urban planning, and provision of governance and administration services. However, there was no evidence that the functions have been transferred from the County Government of Homa Bay to Ndhiwa Municipality, contrary to Paragraph 7(1) of the Municipal Charter of the Municipality of Ndhiwa.

### **Management Response**

The management wishes to state that the transfer of functions to the Municipal Board was done through the Municipal Charter which gives it the full autonomy to operate. In addition, the by-laws for the Board have gone through stakeholders' validation awaiting final gazettelement to fully operationalize the activities.

### **Committee Observation**

The Committee observed that—

- i. Despite the Municipal Charter, the actual transfer of functions including human and financial resources has not been effected.
- ii. By-laws are awaiting gazettelement and have not been finalized.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor should ensure by the commencement of the financial year 2026/2027 that all functions transferred under the Municipal Charter are fully operationalized by Ndhiwa Municipality, accompanied by the requisite financial resources and human capital.**
- ii. **The Governor ensures the County Attorney expedites the gazettelement of the Municipality's by-laws, and the Auditor-General monitors progress and reports in the subsequent audit cycle.**

### **10. Lack of Independence of Ndhiwa Municipality**

The Municipality of Ndhiwa was granted Municipal Charter on 10 January, 2023, which was supposed to grant operational independence from the County Government of Homa Bay. However, review of the operations of the Municipality revealed lack of autonomy as the Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board. Further, the County Government has continued to perform a number of functions which were transferred to the Municipality as provided for under Paragraph 5 of Ndhiwa Municipal Charter, including promotion, regulation and provision of refuse collection, solid waste management services, construction and maintenance of urban roads and associated infrastructure, and construction, maintenance and regulation of municipal markets and abattoirs. This is in contravention of Section 12(1) of the Urban Areas and Cities Act, 2011.

### **Management Response**

The management wishes to state that it is in the process of acquiring full implementation of the above stated functions from the Homabay County Executive which has already given out a full Municipality Charter to operate. This shall be done in subsequent financial year.

### **Committee Observation**

The Committee observed that the Municipality lacks operational independence; its budget is controlled by the County Executive and key functions remain with the County Government.

### **Committee Recommendation**

**The Committee recommends that—**

- i. 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, with an independent budget prepared and approved by its Municipal Board.**
- ii. The Governor ensures the Municipality is adequately funded in accordance with Section 172 of the PFM Act, 2012, and the Auditor-General keeps this matter in view and reports in the subsequent audit cycle.**

## **11. Non-Alignment of Procurement Plan to the Core Functions and Mandate of the Municipality**

Review of the Municipality's procurement plan revealed that it was not aligned to the core functions and mandate of the municipality as provided in the Municipality charter. Further, there was no evidence that the procurement plan was linked to the Municipality's strategic goals, as the strategic plan was not provided for audit review.

### **Management Response**

The management wishes to state that it relied on the Homabay County Executive strategic plan. The Board will however strive to come up with its own strategic plan to conform with the Municipality's procurement plan and the core functions of the board in subsequent financial year.

### **Committee Observation**

The Committee observed that the Municipality's procurement plan is not aligned to its core functions and the Municipality lacks its own strategic plan.

### **Committee Recommendation**

**The Committee recommends that—**

- i. The Governor ensures the Municipal Board develops and adopts a strategic plan for the Municipality within 60 days of the adoption of this report, which will form**

**the basis for aligning the procurement plan to the Municipality's core functions and mandate.**

- ii. **The Auditor-General monitors compliance and provides a status update in the subsequent audit cycle.**

## **12. Lack of Risk Management Strategies**

Review of documents revealed the Municipality did not have a risk management policy or strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks, contrary to Section 158 (1) of the Public Finance Management (County Governments) Regulations, 2015. Additionally, it was noted that the Management had not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure. Further, the Management did have a risk register to mitigate against risks and no formal risk assessments was performed during the financial year under review.

### **Management Response**

The management wishes to state that it relied of the Risk Management Policy from the Homabay County Executive. However, the board is in the process of coming up with its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure in subsequent financial year.

### **Committee Observation**

The Committee observed that—

- i. The Municipality lacks its own risk management policy and risk register.
- ii. No formal risk assessments were conducted during the year under review.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Municipal Board develops and adopts a comprehensive risk management policy, risk register, and formal risk assessment framework within 90 days of the adoption of this report, and submits evidence to the Auditor-General for verification.**

## **13. Weak Internal Audit Function**

During the audit exercise, it was noted that the Internal Audit Function of the County Executive issued only two reports in the year under audit, covering the Municipality of Ndhiwa operations. This was contrary to Regulation 166 (1) and (2) of the Public Finance Management (County Governments) Regulations, 2015, which states that the head of internal audit unit shall prepare a quarterly internal audit reports which shall cover areas provided for in guidelines

and shall be in a format issued by the Cabinet Secretary. Further, there was no evidence that the quarterly reports were submitted within 14 days of the end of the quarter to the Accounting Officer of the Municipality, the Audit Committee and the County Treasury.

### **Management Response**

The management concurs with the auditor's observation, and will submit its audit reports on quarterly basis in subsequent financial year, 14 days after end of each quarter as required by the Public Finance Management (County Government) Regulations of 2015.

### **Committee Observation**

The Committee observed that—

- i. Only two internal audit reports were prepared for the Municipality during the year under review, instead of the required four quarterly reports.
- ii. Reports were not submitted within the stipulated 14-day timeline to the Accounting Officer, Audit Committee, and County Treasury.

### **Committee Recommendation**

The Committee recommends that—

- i. **The Governor ensures the head of the internal audit unit prepares quarterly internal audit reports for the Municipality of in compliance with Regulation 166(1) and (2) of the PFM (County Governments) Regulations, 2015, and submits them within 14 days of the end of each quarter to all required stakeholders.**
- ii. **The Auditor-General monitors compliance and provides a status update in the subsequent audit cycle.**

## **2.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS OF MUNICIPALITY OF OYUGIS FOR THE FINANCIAL YEAR 2024/2025**

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements of the Municipality of Oyugis for the Financial Year 2024/2025 –

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

The Auditor-General rendered an **Unmodified Opinion** on the financial statements of the Municipality of Oyugis for the financial year.

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

The statement of comparison of budget and actual amounts for the year under review reflects final receipt budget and actual on comparable basis of Kshs. 37,633,620 and Kshs. 8,467,000 resulting in an underfunding of Kshs. 29,166,620 or 78%. Similarly, the Municipality expenditure amounted to Kshs. 8,198,263 against the realized receipts of Kshs. 8,467,000 resulting in an under-utilization of Kshs. 268,737 or 3% of the actual receipts.

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

#### **Management Response**

The management wishes to state that during the Financial Year 2024-2025, the County Government was still in the process of setting up the operational structures of the new Municipalities including Oyugis Municipality. Further, the Municipality did not receive funds for Kenya Urban Support Programme which they had budgeted. However, the management has since aligned the Municipality operations and will ensure improved budget utilization in the current year.

Moreover, the under-utilization of kshs: 268,737 was as a result of late receipt of funds and therefore formed part of the closing balances which were re-budgeted.

#### **Committee Observation**

The Committee observed that:

- i. The Municipality experienced a significant budget underperformance, with actual receipts amounting to only 22% of the budgeted target (Kshs. 8,467,000 out of Kshs. 37,633,620). This severe underfunding was primarily attributed to the non-disbursement of Kenya Urban Support Programme (KUSP) funds and the transitional phase of establishing the new Municipality.

- ii. The under-utilization of Kshs. 268,737, though relatively small, indicates that even the limited funds received were not fully absorbed, which may have hindered the implementation of planned activities and service delivery to the public.
- iii. The reliance on unfulfilled donor-funded budget lines (KUSP) points to weaknesses in budget planning and the need for more realistic revenue projections.

### **Committee Recommendation**

**The Committee recommends that-**

- i. **the Governor ensures that the Municipal Manager prepares realistic budgets and revenue projections that consider the actual cash flow patterns and the operational capacity of the Municipality, to prevent revenue shortfalls that negatively impact service delivery;**
- ii. **the Governor ensures that the Municipality is adequately funded in accordance with section 172 of the Public Finance Management Act, 2012, to enhance its operational independence and enable effective service delivery; and**
- iii. **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.**

### **2. Lack of Annual Development Plan and Annual Procurement Plan**

Review of records revealed that the Municipality has not developed the Annual Development Plan and the Procurement Plan as aligned with approved budget for the financial year under review. This was contrary to Section (37) of the Urban Areas and Cities Act, 2011, which states that a city or urban area integrated development plan shall be aligned to the development plans and strategies of the county governments and Section (38) which stipulate that a city or urban area shall prepare an integrated city or urban area development plan in accordance with the Third Schedule to this Act. Further, failure to have an approved procurement plan in place is contrary to Section 53(2) of Public Procurement and Asset Disposal Act, 2015 states that an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the

Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

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

### **Management Response**

The management wishes to state that the annual budgets are developed in line with the Annual Development plan and any expenditures are aligned with the procurement plans. During the financial year under review, being a transition year, the Municipality's Annual Development Plan was incorporated into the County's Annual Development Plan. However, the

Municipality has its own independent Procurement Plan which we have provided for review and verification.

### **Committee Observation**

The Committee observed that:

- i. During the financial year under review, the Municipality did not have its own stand-alone Annual Development Plan (ADP), relying instead on incorporation into the County's ADP. This lack of a dedicated plan undermines the Municipality's ability to set specific local priorities and measure its own performance, as required by the Urban Areas and Cities Act; and
- ii. While the management has since provided an Annual Procurement Plan for verification, it failed to prepare and approve one before the commencement of the financial year, as mandated by the Public Procurement and Asset Disposal Act, 2015.

### **Committee Recommendation**

The Committee recommends that-

- i. **the Governor ensures that the Municipal Manager, in consultation with the Municipal Board, prepares and adopts a stand-alone Annual Development Plan for the Municipality for each financial year, in accordance with Sections 37 and 38 of the Urban Areas and Cities Act, Cap. 275;**
- ii. **the Governor ensures that the Accounting Officer prepares and submits the Annual Procurement Plan to the relevant authorities before the commencement of each financial year, in strict compliance with Section 53(2) of the Public Procurement and Asset Disposal Act, 2015, failure to which the provisions of the Act on penalties for non-compliance shall apply; and**
- iii. **the Governor ensures that the Municipal Board exercises its oversight role to ensure that all required statutory plans and documents are prepared, approved, and implemented in a timely manner.**

### **3. Lack of an Approved Risk Management Policy**

The Oyugis Municipality did not have an approved Risk Management Policy or Strategy in place and therefore, lacks approved processes and guidelines on how to mitigate operational and financial risks which include loss of collected revenue. This is contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 states that the Accounting Officer shall ensure that— (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, existence of effectiveness of internal controls on risk management could not be confirmed.

### **Management Response**

The management wishes to state that during the year under review, the Municipality had not developed a Risk Management Policy and was employing the County Risk Management Policy. However, following the auditor's recommendation, the Municipality is in the process of developing a Risk Management Policy and the draft has been attached for review.

### **Committee Observation**

The Committee observed that:

- i. The Municipality operated without a formally approved and entity-specific Risk Management Policy during the financial year under review, contrary to the requirements of the Public Finance Management (County Governments) Regulations, 2015.
- ii. Reliance on the County Risk Management Policy does not suffice, as it does not address the unique operational, financial, and service delivery risks specific to a municipality. This exposed the entity to potential financial loss, fraud, and operational inefficiencies.
- iii. Management has since developed a draft Risk Management Policy, but it had not been formally approved and adopted at the time of the audit.

### **Committee Recommendation**

**The Committee recommends that-**

- i. **the Governor, through the Municipal Board and the Accounting Officer, ensures that the draft Risk Management Policy is fast-tracked for approval and formally adopted to guide the Municipality's operations;**
- ii. **the Board of Directors and the Municipal Manager ensure that the Municipality puts in place all internal control systems, such as a formal Risk Management Policy, as provided under section 158(1) of the Public Finance Management (County Governments) Regulations, 2015, to guide the internal operations of the Municipality; and**
- iii. **the management submits evidence of the approved policy to the Auditor-General for verification and monitoring in the subsequent audit cycle.**

## **CHAPTER THREE: HOSPITALS**

### **3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS HOSPITALS OF HOMABAY FOR THE FINANCIAL YEAR 2024/2025**

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

In accordance with Article 229(4) of the Constitution as read together with section 7(1) of the Public Audit Act, Cap. 412B, during the period under review, the Auditor-General audited the financial statements of various hospitals in HomaBay County. Consequently, and in accordance with Article 229(7) of the Constitution as read together with section 32(1) of the Act submitted the following reports to the Senate-

1. Homa Bay County Teaching and Referral Hospital
2. Kabondo Sub-County Hospital
3. Kandiege Sub-District Hospital
4. Kendu Sub-District Hospital
5. Kisegi Sub-District Hospital
6. Magunga Level IV Hospital
7. Makongeni L4
8. Malela Level 4 Hospital
9. Marindi Sub County Referral Hospital
10. Ndhiwa Sub County Hospital
11. Nyandiwa Level IV Hospital
12. Nyangiela Sub District
13. Ogongo Level 4 Hospital
14. Pala Level 4 Hospital
15. Rachuonyo District Hospital
16. Rangwe Sub-District Hospital
17. Sena Level 4 Hospital
18. Suba North Sub-County Hospital
19. Suba Sub-County Hospital
20. Tom Mboya Memorial Level 4 Hospital

#### **Committee Observation**

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

#### **Committee Recommendation**

**The Committee recommends that-**

- i. **the Governor through the respective accounting officers ensures that appropriate remedial actions are taken to address the issues raised in the Auditor-General's report on the financial statements for the afore-mentioned funds for the Financial Year 2024/2025 and submit a report to the Senate within 30 days of the adoption of this report and a copy to the Auditor-General; and**

- ii. **the Auditor-General to keep the matter in view in the subsequent audit cycle.**

## CHAPTER FOUR: FUNDS

### 4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FUNDS OF HOMABAY FOR THE FINANCIAL YEAR 2024/2025

#### REPORT ON THE FINANCIAL STATEMENTS

In accordance with Article 229(4) of the Constitution as read together with section 7(1) of the Public Audit Act, Cap. 412B, during the period under review, the Auditor-General audited the financial statements of various funds in HomaBay County. Consequently, and in accordance with Article 229(7) of the Constitution as read together with section 32(1) of the Act submitted the following reports to the Senate-

1. Homa Bay County Mortgage & Car Loan Executive Fund
2. Homa Bay County Alcoholic Drink Control Board
3. Homa Bay County Bursary Fund
4. County Government of Homa Bay-receiver of Revenue
5. County Government of Homa Bay- County Revenue Fund

#### Committee Observation

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

#### Committee Recommendation

The Committee recommends that-

- i. the Governor through the respective accounting officers ensures that appropriate remedial actions are taken to address the issues raised in the Auditor-General's report on the financial statements for the afore-mentioned funds for the Financial Year 2024/2025 and submit a report to the Senate within 30 days of the adoption of this report and a copy to the Auditor-General; and
- ii. the Auditor-General to keep the matter in view in the subsequent audit cycle.

# ANNEXTURES

*Minutes of the Committee*



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

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

#### PRESENT

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

#### ABSENT WITH APOLOGY

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

#### SECRETARIAT

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

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

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

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

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

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

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

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

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

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

### 3. Homabay

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

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

#### 4. Migori

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

#### 5. Kisii

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

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

#### 6. Machakos

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

#### 7. Baringo

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

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

8. Isiolo

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

9. Busia

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

10. Kakamega

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

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

11. Bungoma

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

12. Kitui

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

13. Siaya

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

#### 14. Laikipia

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

#### 15. Turkana

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

#### 16. Narok

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

#### 17. Uasin Giishu

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

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

18. Nairobi

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

19. Meru

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

20. Trans-Nzoia

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

21. Nakuru

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

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

## 22. Kilifi

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

## 23. Kericho

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

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

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

**Committee resolution**

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

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

There was no any other business.

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

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



**SIGNED: ..... DATE: .....31.03.2026.....**

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