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THE SENATE

PAPERS LAID	
DATE	31/03/2026
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COMMITTEE	
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THIRTEENTH PARLIAMENT – FIFTH SESSION

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF ISIOLO COUNTY MUNICIPALITY, HOSPITAL AND FUNDS FOR THE FINANCIAL YEAR 2024/2025

SECTOR	NO.	ENTITY
MUNICIPALITY	1	ISIOLO MUNICIPALITY
HOSPITAL	1	ISIOLO COUNTY REFERRAL HOSPITAL
FUNDS	2	FINANCING LOCALLY-LED CLIMATE ACTION PROGRAMME (FLLoCA) ISIOLO COUNTY EDUCATION BURSARY FUND

DC-EG

Forwarded as recommended for approval

MARCH, 2026

31/03/2026



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ACRONYMS/ABBREVIATIONS

CECM	County Executive Committee Member
COB	Controller of Budget
EACC	Ethics and Anti-Corruption Commission
FIF	Facilities Improvement Financing Act
FLLoCA	Financing Locally Led Climate Action
GAAP	Generally Accepted Accounting Principles
IPSAS	International Public Sector Accounting Standards
KEMSA	Kenya Medical Supplies Authority
KQMH	Kenya Quality Model for Health
NHIF	National Health Insurance Fund
OAG	Office of the Auditor-General
PAA	Public Audit Act
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SHA	Social Health Authority
SO	Standing Orders
TNT	The National Treasury
UHC	Universal Health Coverage

DEFINITION OF TERMS

1. **Unqualified opinion:** This refers to a clean opinion, which is the most desirable, in which the auditor states that the financial condition, position, and operations of an organization are fairly presented in the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).
2. **Qualified opinion:** This is an opinion expressed by the auditor if the financial statements appear to contain a small deviation from Generally Accepted Accounting Principles (GAAP) but are otherwise fairly presented. It is also rendered if the organisation's management limits the scope of audit procedures.
3. **Adverse opinion:** This refers to an opinion issued when there are material exceptions to Generally Accepted Accounting Principles (GAAP) that affect the financial statements as a whole, and the auditor indicates that the financial statements are not presented fairly.
4. **Disclaimer:** This is an opinion given by the auditor when there is a significant limitation in the access to audit information and documentation, and inadequate cooperation by the organizational management in the audit process.
5. **Accountability:** This refers to the assurance that an individual or a group will be held responsible for their actions or inactions.

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 the national allocated to County governments. The Select 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 Isiolo County Municipality, Hospital, Fund and Special Program for the Financial Year 2024/2025. The entities considered include Isiolo Municipality, Isiolo County Referral Hospital, Financing Locally Led Climate Action Programme (FLLoCA) and Isiolo County Education Bursary Fund.

The Governor of Isiolo County was invited to appear before the Committee to respond under oath to audit queries raised by the Auditor-General in the respective reports. However, the Governor and relevant county officials did not appear before the Committee, and no-written responses were submitted in respect of any of the entities under review.

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'eno | - Media Relations officer. |
| 15. Mr. Victor Kimani | - Audio officer |
| 16. Mr. Fredick Okola | - Serjeant-at-arms |

ESTABLISHMENT OF THE COMMITTEE

The Committee was first constituted on 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 Isiolo County Municipality, Hospital, Fund and Special Program for the Financial Year 2024/2025 as the primary documents for the investigations. The Committee invited the Governor of Isiolo County as the Chief Executive Officer pursuant to Article 179(4) to respond to the audit queries raised in the reports under consideration.

The Governor of Isiolo County and relevant county officials did not appear before the Committee and did not submit any written responses to the audit queries raised by the Auditor-General in respect of any of the four entities under review. The Committee notes undermines the principles of accountability and public finance oversight as envisioned in the Constitution of Kenya, 2010.

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 four (4) entities in Isiolo County for the Financial Year 2024/25. The entities covered are: Isiolo Municipality, Isiolo County Referral Hospital and (2) Funds and Special Programmes – Financing Locally-Led Climate Action Programme and Isiolo County Education Bursary Fund.

Isiolo Municipality received a Disclaimer of Opinion from the Auditor-General, indicating a significant limitation in the access to audit information and documentation, and inadequate cooperation by management in the audit process. The remaining three entities received Qualified Opinions, indicating the existence of significant audit issues that require urgent management attention and corrective action.

The key issues identified across the entities include: unsupported cash and cash equivalents; unsupported in-kind contributions and expenditures; inaccurate financial statements; lack of operational autonomy for the Municipality; non-disclosure of land and in-kind contributions from the County Government at the Hospital; weaknesses in management of medical claims; excess administrative expenditure beyond statutory thresholds; unsupported recruitment of fund administrators; failure to conduct required quarterly steering committee meetings; irregularities in bursary awards; expiry of the legal lifespan of the Bursary Fund; and a pervasive absence of management responses to all audit queries across all entities.

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 Isiolo Municipality for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for Isiolo County Referral Hospital for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for the Financing Locally-Led Climate Action Programme (FLLoCA) – County Government of Isiolo for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

CHAPTER FOUR is a record of the audit queries raised in the report of the Auditor-General for the Isiolo County Education Bursary Fund for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

GENERAL OBSERVATIONS FOR THE MUNICIPALITY

1. **Lack of Operational Autonomy** -The Committee observed that more than seven years after the Municipality was granted a Charter, it had not achieved functional, financial, or administrative autonomy as required under the Urban Areas and Cities Act. The County Executive continued to exercise control over the Municipality's budget, expenditure, procurement, and payroll.
2. **Unsupported Financial Statements**-The Committee observed pervasive lack of documentation across all aspects of the Municipality's financial statements, including unsupported cash balances, unsupported in-kind contributions, unsupported expenditure, and unsupported property, plant and equipment.
3. **Absence of Approved Budget** -The Committee observed that the Municipality did not have an approved budget for the financial year under review, contrary to international public sector accounting standards, rendering all expenditure unauthorized.
4. **Inaccuracies in Financial Statements**-The Committee noted multiple errors and unexplained variances in the presentation and disclosure of the Municipality's financial statements, pointing to a complete breakdown in financial management and reporting.
5. **Zero Comparative Balances** -Despite being in existence for five financial years since 2019/2020, the Municipality reflected nil comparative balances in its financial statements and failed to prepare and submit financial statements for audit in those years.

GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY

1. **Urgent Realization of Operational Autonomy**- 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. The Governor should ensure by the commencement of the financial year 2026/2027 that the Municipality is fully operationalized.
2. **Strengthening Financial Management and Record Keeping** - The Governor, through the Accounting Officer, should ensure compliance with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records and ensure all expenditures are properly supported and documented.

3. **Preparation of Approved Budget** -The Governor ensures the Municipality prepares and presents an approved budget for audit review in every financial year in compliance with IPSAS 24.
4. **Preparation of Historical Financial Statements** – The Governor ensures the Accounting Officer prepares and submits financial statements for all outstanding financial years since 2019/2020 to the Auditor-General within 90 days of the adoption of this report.

GENERAL OBSERVATIONS FOR THE HOSPITAL

1. **Non-Disclosure of In-Kind Contributions-** The Committee observed that the Hospital failed to fully disclose all in-kind contributions from the County Government in its financial statements, including staff salaries and wages, and other pharmaceutical and non-pharmaceutical supplies procured by the County for the Hospital.
2. **Unsupported Property, Plant and Equipment** -The Committee noted that the value of the land on which the Hospital is situated was not disclosed in the financial statements, and ownership documents for the land were not provided for audit.
3. **Outstanding Receivables from Transition from NHIF to SHA-** The Committee observed significant concerns regarding the recoverability of long-outstanding claims from the NHIF to SHA transition, with no controls in place to track or follow up pending claims.
4. **Weaknesses in Governance and Risk Management-** The Committee observed that the Hospital lacked an approved organizational strategic plan, a risk management policy, and a disaster recovery plan, exposing the Hospital to significant operational and governance risks.
5. **Staffing Shortfall-** The Committee noted that the Hospital had critical shortages in medical personnel below the minimum staffing requirements for a Level 5 facility under the Kenya Quality Model for Health Policy Guidelines.
6. **Equipment and Service Capacity Shortfall-** The Committee noted that the Hospital had inadequate essential medical equipment and insufficient service capacity as compared to the minimum requirements for a Level 5 facility, and had not been formally gazetted as a Level 5 hospital by the Ministry of Health.

GENERAL RECOMMENDATIONS FOR THE HOSPITAL

- 1.- **Full Disclosure of In-Kind Contributions** -The Governor ensures the Accounting Officer establishes and implements a formal mechanism for recording and evidencing all in-kind contributions from the County Government, ensuring all relevant supporting documents are maintained for audit and accountability purposes.
2. **Resolution of Outstanding SHA Receivables-**The Governor ensures the Accounting Officer puts in place recovery measures for the outstanding receivables from the NHIF to SHA transition with clear timelines and submits a comprehensive status report to the Senate within 60 days of the adoption of this report.

3. **Strengthening Governance Frameworks**-The Governor ensures the Hospital develops and implements an approved organizational strategic plan, risk management policy, and disaster recovery plan within 60 days of the adoption of this report.
4. **Addressing Staffing Shortfall** -The Governor submits to the Senate within 60 days a comprehensive plan outlining specific measures to address the Hospital's staffing shortages to meet the minimum staffing requirements for a Level 5 hospital.
5. **Addressing Equipment and Service Capacity Shortfall** -The Governor ensures the Hospital develops and implements a plan with appropriate budgetary allocations to acquire and operationalize the required equipment and service capacity for a Level 5 hospital, and ensures the facility is formally gazetted as a Level 5 hospital by the Ministry of Health.

GENERAL OBSERVATIONS FOR FUNDS

1. **Excess Administrative Expenditure** -The Committee observed that both FLLoCA and the Isiolo County Education Bursary Fund incurred administrative expenditure exceeding the 3% statutory cap prescribed under their respective enabling legislation.
2. **Unexplained Variances in Fund Transfers**-The Committee noted significant and unexplained variances between amounts transferred to and recorded by FLLoCA and the Bursary Fund from the County Government, raising concerns about financial integrity.
3. **Weak Governance Structures**-The Committee observed that FLLoCA's Steering Committee failed to hold the required quarterly meetings and that its Fund Administrator was recruited without following competitive recruitment procedures.
4. **Expiry of the Legal Lifespan of the Bursary Fund**-The Committee noted with concern that the Isiolo County Education Bursary Fund had reached the end of its ten-year legal tenure without the County Government initiating any renewal, extension, or formal wind-up processes.
5. **Irregularities in Bursary Awards**-The Committee noted irregularities in bursary disbursements, including awards to students without admission or registration numbers, and multiple awards to students under the same admission numbers, indicating possible misuse of public funds.

GENERAL RECOMMENDATIONS FOR FUNDS

1. **Compliance with Statutory Administrative Expenditure Caps** -The Governor ensures that the administrators of FLLoCA and the Bursary Fund strictly comply with the 3% administrative expenditure ceiling prescribed in their respective enabling legislation, and that any excess amounts are recovered and returned to the Fund.
2. **Regularization of FLLoCA Fund Administrator Appointment**-The Governor ensures that the appointment of the FLLoCA Fund Administrator is reviewed and regularized through a competitive recruitment process in compliance with Section 10(2) of the Isiolo County Climate Change Fund Act, 2018.
3. **Legal Status of the Bursary Fund** -The Governor urgently initiates the necessary legal processes to renew or extend the mandate of the Isiolo County Education Bursary Fund through the County Assembly, ensuring continuity of educational support for students, or commences a formal wind-up process as required by law.

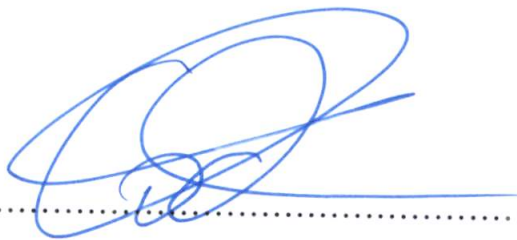
4. **Strengthening Controls in Bursary Award Processes** - The Governor ensures the Bursary Fund establishes robust verification mechanisms to prevent irregular awards, including mandatory confirmation of students' admission and registration numbers before disbursement, and cross-checking to prevent multiple awards under the same identifiers.

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:.....



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DATE:.....

30/03/2026.


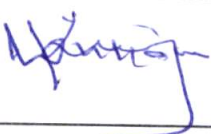
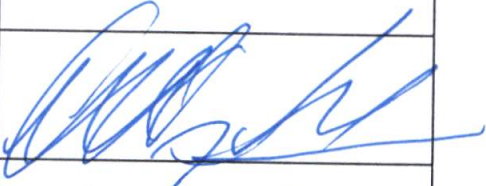
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HON. SEN. GODFREY ATIENO OSOTSI, CBS, MP
CHAIRPERSON

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

SECTOR	NO.	ENTITY
MUNICIPALITY	1	ISIOLO MUNICIPALITY
HOSPITAL	1	ISIOLO COUNTY REFERRAL HOSPITAL
FUNDS	2	FINANCING LOCALLY-LED CLIMATE ACTION PROGRAMME (FLLoCA) ISIOLO COUNTY EDUCATION BURSARY FUND

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

No.	Name	Signature
1.	Sen. Godfrey Atieno Osotsi, CBS, MP (<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: MUNICIPALITY

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ISIOLO MUNICIPALITY FOR THE FINANCIAL YEAR 2024/25

The Committee extended several invitations to the Governor of Isiolo County, Hon. Abdi Ibrahim Hassan, to accord the Governor the opportunity responded and provide mitigating measures to issues raised in the report of the Auditor-General on the Financial Statements for Isiolo Municipality for the Financial Year 2024/2025. The Governor did not appear before the Committee and no written responses were submitted.

The Committee resolved to adopt the Report of the Auditor-General on the Financial Statements for Isiolo Municipality for the Financial Year 2024/2025 as presented before the Senate.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Disclaimer of Opinion** on the financial statements of Isiolo Municipality on the following on the basis—

1. Unsupported Cash and Cash Equivalents

The statement of financial position and Note 19 to the financial statements reflect cash and cash equivalents negative balance totalling Kshs.21,821 representing overdrawing of three current accounts. However, cashbooks, bank reconciliation statements and certificate of bank balances were not provided for audit review. Further, Management did not provide explanations or supporting documentation to justify the overdrawn bank accounts, contrary to Section 119(4) of the Public Finance Management Act, 2012, which states that an Accounting Officer for a County Government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the County Treasury or a Board of a County Government entity.

In the circumstances, the accuracy and completeness of cash and cash equivalents negative balance of Kshs.21,821 could not be confirmed.

2. Unsupported In-Kind Contributions from the County Government

The statement of financial performance and Note 6 to the financial statements reflect transfers from the County Government (In-kind contributions) of Kshs.31,567,375. However, Management did not provide supporting documentation to substantiate the nature, basis, or valuation of these in-kind contributions.

In the circumstances, the accuracy and completeness of transfers from the County Government (In-kind contributions) of Kshs.31,567,375 could not be confirmed.

3. Unsupported Expenditure

The statement of financial performance reflects total expenditure of Kshs.31,901,467 as disclosed under Notes 12, 15, 16 and 17 to the financial statements, in respect of use of goods and services, finance costs, depreciation, repairs and maintenance expenses of Kshs.29,041,101, Kshs.20,817, Kshs.313,277 and Kshs.2,526,272 respectively. However, supporting documents, including payment schedules, procurement files, store records, appropriate authority, work tickets, bank statements and depreciation policy were not provided for audit review.

In the circumstances, the accuracy and completeness of the expenditure totalling Kshs.31,901,467 respectively could not be confirmed.

4. Property, Plant and Equipment

The statement of financial position and Note 24 to the financial statements reflect property, plant and equipment (PPE) balance of Kshs.2,399,526. However, supporting documents, including ledgers and ownership documents were not provided for audit review.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.2,399,526 could not be confirmed.

5. Unconfirmed Comparative Balances

The Municipality was granted a Municipal Charter effective 1 July, 2019, vide Gazette Notice dated 10 July, 2019. The Municipality Board was appointed on 1 January, 2019 and transfer of functions was gazetted on 24 May, 2019. This effectively made the Municipality a legal entity and a financially self-reporting entity. However, the comparative balances in the financial statements for the current financial year under review reflect nil balances in spite of the Municipality being in existence for the last five financial years since 2019/2020. Further, the Board failed to prepare and submit financial statements for audit in the mentioned financial years.

In the circumstances, the accuracy and completeness of the comparative nil balances in the financial statements could not be confirmed.

6. Errors in Presentation and Disclosure of Financial Statements

Review of the financial statements revealed the following errors;

- i. Note 24 to the financial statements reflects property, plant and equipment (PPE) balance of Kshs.2,399,526. However, re-computation gives a balance of Kshs.2,039,453. The resultant variance of Kshs.360,073 was not explained.
- ii. The undated fixed assets register presented for audit review reflected assets values totalling Kshs.6,714,400. However, Note 24 to the financial statements on PPE

reflects total assets values of Kshs.5,491,400 as at 1 July, 2023. The resultant variance of Kshs.1,223,000 was not reconciled or explained.

- iii. Note 12 to the financial statements reflects use of goods and services expenditure amount of Kshs.29,041,101. However, re-computation gave a balance of Kshs.29,061,919. The resultant variance of Kshs.20,818 was not explained.
- iv. The statement of comparison of budget and actual amounts reflects total budgeted and actual expenditure amounts of Kshs.84,571 809 and nil respectively. However, re-computation gives balances of Kshs.84,601,709 and Kshs.31,901,467. The resultant variances of Kshs.29,900 and Kshs.31,901,467 were not explained.
- v. The pagination shown in the table of content is not consistent and sequential. The roman numerals should sequentially follow each other up to the Report of the Independent Auditor.
- vi. The key management team section on page ix to xi do not include the required details of qualifications and experience of each member as required by the PSASB reporting template.
- vii. The progress on follow up of auditor's recommendations and inter-entity transfers under Annex 1 and 2 to the financial statements are not signed by the accounting officer and head of the accounting unit respectively y as required.
- viii. Pages 41 and 43 were erroneously left blank.

In the circumstances, the accuracy of presentation and disclosure of the annual report and financial statements could not be confirmed.

7. Lack of Operational Autonomy

The Isiolo Municipality was granted a Municipal Charter effective from 1 July, 2019, vide Gazette Notice dated 10 July, 2019 and thereby transferring specified functions and operational authority from the County Government of Isiolo to the Municipality. However, review of the Municipality's operations revealed that, more than seven years after the Charter came into effect, the Municipality did not exercise functional autonomy as required, as detailed below;

- a. The Municipality's budget was prepared and controlled by the County Executive, and there was no evidence of budget approval by the Municipality Board.
- b. The Municipality's expenditure, procurements and payroll management are centrally controlled by the County executive.
- c. The County Government has continued to perform the following functions but which were transferred to the Municipality-

- i. Promotion, regulation and provision of refuse collection and solid waste management services;
- ii. Constructions and maintenance of, storm drainage and flood control; street lighting; maintenance of urban roads; municipal market and any other ancillary market; bus and taxi stands; traffic and parking facilities; fire stations, provision of fire-fighting services emergency preparedness and disaster management;
- iii. Promotion, regulation and provision of animal control and welfare; and
- iv. Municipal planning and administration services including construction and maintenance of administrative offices. And parking, fire services, animal control, and municipal planning and administration.

In the circumstances, the operational autonomy of the Municipality could not be confirmed.

8. Lack of Approved Budget

During the year under review, Management did not provide an approved budget for audit review. This was contrary to the International Public Sector Accounting Standards 24, Paragraph 9 which requires that an approved budget establish the expenditure authority for specified items, serving as the legal limit within which an entity must operate.

In the circumstances, the effectiveness of internal controls over budget management could not be confirmed.

9. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.205,533,007 and Kshs.31,901,467 respectively, resulting to a shortfall of Kshs.173,631,546, or 16% of the budget.

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

Committee Recommendation

The Committee recommends that the Ethics and Anti-Corruption Commission commence investigations into the management and financial operations of Isiolo Municipality, using the Report of the Auditor-General on the financial statements of the municipality for the Financial Year 2024/2025 the basis. The Commission provides a status update on the progress made to the Senate within 90 days of the adoption of this Report.

CHAPTER TWO: HOSPITAL

2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ISIOLO COUNTY REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/25

The Committee extended several invitations to the Governor of Isiolo County, Hon. Abdi Ibrahim Hassan, to accord the Governor the opportunity responded and provide mitigating measures to issues raised in the report of the Auditor-General on the Financial Statements for Isiolo County Referral Hospital for the Financial Year 2024/2025. The Governor did not appear before the Committee and no written responses were submitted.

The Committee resolved to adopt the Report of the Auditor General on the Financial Statements for Isiolo County Referral Hospital for the Financial Year 2024/2025 as presented before the Senate

REPORT ON THE FINANCIAL STATEMENTS

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

1. Non-disclosure of In-Kind Contributions from the County Government

The statement of financial performance and Note 7 to the financial statements reflect in-kind contributions from the County Government of Kshs.29,787,007 in respect to medical supplies- drawings rights (KEMSA). However, the same note reflects nii amounts on salaries and wages despite the fact that all hospital employees are on Isiolo County Government payroll. In addition, the County procured assorted pharmaceuticals and Non-Pharmaceuticals Supplies (other supplies) for the Hospital but the same was not equally reflected as In-kind contributions under note 7.

In the circumstances, the accuracy and completeness of In-kind Contributions from the County Government of Kshs.29,787,007 could not be confirmed.

2. Non-Disclosure of Land and Lack of Ownership Documents

The statement of financial position and Note 32 to the financial statements reflect property, plant and equipment amounting to Kshs.15,400,069. However, the value of the parcel of land on which the Hospital is situated was not included or disclosed in the financial statements. The omission of this asset resulted in an understatement of property, plant and equipment balance. Further, ownership documents for the piece of land were not provided for audit.

In the circumstances, the accuracy, ownership, and completeness of property, plant and equipment balance of Kshs.15,400,069 could not be confirmed.

3. Doubtful Outstanding Receivables on Transition from NHIF to SHA

The statement of financial position and Note 29 to the financial statements reflect receivables from exchange transactions amounting to Kshs.16,316,373. Audit of the NHIF and SHA portals and related documentation revealed that NHIF (including Linda Mama) claims submitted during the year totalled Kshs.6,619,700, while outstanding claims brought forward from the prior year amounted to Kshs.16,560,000. Out of the combined claims, only Kshs.12,816,108 was settled during the year, leaving an unpaid balance of Kshs.10,363,592. Upon the transition from NI-11F to the Social Health Authority (SHA), the likelihood of these claims being honored remains uncertain.

In the circumstances, the accuracy and recoverability of receivables amounting to Kshs.10,363,592 could not be confirmed.

EMPHASIS OF MATTER

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted receipts of Kshs.89,094,013 against actual receipts of Kshs.77,980,577, resulting in a shortfall of Kshs.5,113,436, or 6% of the budgeted receipts. Similarly, the Hospital spent Kshs.76,944,770 against actual receipts of Kshs.77,980,577, resulting to under absorption of Kshs.1,035,807 or 1% of the actual receipts.

The shortfall in receipts and under-absorption affected planned activities and may have impacted negatively on service delivery in the hospital.

My opinion is not modified in respect of this matter.

OTHER MATTER

1.Unresolved Prior Year Matters

In the prior year's audit report, 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. Review of the status during the audit of the Hospital in 2024/2025 revealed that the following matters remained unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Non-Compliance with Universal Health Care (UHC) and Kenya Quality Model for Health (KQMH) Requirements

Review of the services offered, available equipment, and staffing levels at the Hospital revealed significant deficiencies. As at the time of audit on November, 2025, the Hospital had shortages in critical medical personnel, inadequate essential medical equipment, and insufficient service capacity as compared to the minimum requirements for a Level 5 hospital.

1.1 Staffing Shortfall

Cadre	Required	Available	Shortfall
Medical Officers	50	9	(41)
General Surgeons	4	2	()
Hospital Anesthesiologists	7	0	(7)
Pediatricians	4	3	(1)
Radiologists	4	1	(3)
Kenya Registered Community Health Nurses	250	144	()

2.2 Equipment and Service Capacity Shortfall

Facility/Equipment	Required	Available/ Functional	Deficiency
HDU Cots (Newborn Unit)	Required	Not available	Not available
ICU Beds	12	8	(4)
HDU Beds	12	8	(4)
Operating Theatres	7	4	(3)
Total Bed Capacity	500	301	(199)
Maternity Delivery Coaches	6	2	(4)
Newborn Incubators	10	8	(2)

Further, although the Hospital had been licensed by the Medical Practitioners and Dentists' Council on 13 September, 2024 as a Level 5 facility, it had not been gazetted by the Ministry of Health as a Level 5 hospital as at the time of audit.

In the circumstances, the Hospital's ability to provide comprehensive and quality healthcare services expected of a Level 5 facility was significantly constrained, and the adequacy of service delivery could not be confirmed.

2. Equipment and Service Capacity Shortfall

Review of the available equipment and service capacity at the Hospital revealed significant deficiencies as compared to the minimum requirements for a Level 5 hospital. The Hospital had inadequate essential medical equipment and insufficient service capacity. Further, although the Hospital had been licensed by the Medical Practitioners and Dentists' Council on 13 September, 2024 as a Level 5 facility, it had not been gazetted by the Ministry of Health as a Level 5 hospital as at the time of audit in November 2025.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of Strategic Plan and Risk Management Policy

Review of the internal control environment revealed that the Hospital had not developed an approved organizational strategic plan. In the absence of such a plan, the Hospital lacks a structured framework to guide its priorities, resource allocation, and achievement of institutional goals and objectives. Further, the Hospital did not have an approved risk management policy to identify, assess, and mitigate risks that may affect operations and service delivery.

2. Lack of Disaster Recovery Plan and Emergency Response Procedures

Review of the internal control environment revealed that the Hospital had neither an approved Disaster Recovery Plan nor formal, documented, and tested emergency procedures in place. In the absence of a Disaster Recovery Plan, the Hospital may be unable to restore operations in the event of a system or service interruption. Further, without documented and tested emergency procedures, staff may be unaware of their roles during emergencies, increasing the risk of operational disruption and compromised service delivery.

3. Weaknesses in Management of Medical Claims

The statement of financial performance and Note 11 to the financial statements reflect Kshs.64,642,937 as income from rendering of medical services. However, audit verification of NHIF and SHA portals and related documentation revealed the following discrepancies: (i) NHIF claims submitted during the year amounted to Kshs.6,619,700, with outstanding claims from the previous year totaling Kshs.16,560,000, of which only Kshs.12,816,108 was paid, leaving long-outstanding and unreconciled balances of Kshs.10,363,592 with no controls in place to track, follow up, or confirm recoverability; (ii) payments reflected in the SHA system totaled Kshs.37,891,914 while hospital records

showed Kshs.37,207,858, resulting in an unreconciled variance of Kshs.684,056; and (iii) SHA rejected claims totalling Kshs.2,317,860, yet the Hospital lacked an internal control mechanism to monitor rejected claims, initiate follow-ups, or document reasons for rejection.

Committee Recommendation

The Committee recommends that the Ethics and Anti-Corruption Commission commence investigations into the management and financial operations of Isiolo County Referral Hospital, using the Report of the Auditor-General on the financial statements of the Hospital for the Financial Year 2024/2025 the basis. The Commission provides a status update on the progress made to the Senate within 90 days of the adoption of this Report.

CHAPTER THREE: FUNDS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCING LOCALLY-LED CLIMATE ACTION PROGRAMME (FLLoCA)

The Committee extended several invitations to the Governor of Isiolo County, Hon. Abdi Ibrahim Hassan, to accord the Governor the opportunity responded and provide mitigating measures to issues raised in the report of the Auditor-General on the Financial Statements for Isiolo Financing Locally-Led Climate Action Programme (FLLOCA) for the Financial Year 2024/2025. The Governor did not appear before the Committee and no written responses were submitted.

The Committee resolved to adopt the Report of the Auditor General on the Financial Statements for Isiolo Financing Locally-Led Climate Action Programme (FLLOCA) for the Financial Year 2024/2025 as presented before the Senate.

REPORT ON THE FINANCIAL STATEMENTS.

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the FLLoCA Programme for the financial year under review on the following basis-

1. Unexplained Variance in Transfers from the County Government of Isiolo

The statement of financial performance and Note 2 to the financial statements reflect transfers from the County Government amounting to Kshs.30,870,282. However, the statement of financial performance for the County Executive of Isiolo for the year under review discloses transfers to other Government entities – transfers to self-reporting entity FLLoCA of Kshs.133,555,181, resulting in an unexplained variance of Kshs.102,684,899 which has not been explained or reconciled.

EMPHASIS OF MATTER

1. Budgetary Control and Performance

The statement of comparison of budgeted and actual amounts reflects final budgeted receipts of Kshs.254,572,367 against actual receipts on a comparable basis of Kshs.149,442,649, resulting in a shortfall of Kshs.105,129,718, or 41% of the budget. However, the Programme utilized only Kshs.136,240,206, resulting in an under-absorption of Kshs.13,202,443, or 9% of the actual receipts.

OTHER MATTER

1.Unresolved Prior Year Matters

The following issues raised on the Financing Locally-Led Climate Action (FLLoCA) Programme – County Government of Isiolo in the previous audit report remain unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1.Excess Administrative Expenditure Beyond Legal Threshold

The statement of comparison of budget and actual amounts reflects total actual income during the year of Kshs.149,442,648. However, review of payment schedules and financial records revealed that the Programme incurred Kshs.14,048,594 on administrative costs during the year, representing 9.4% of total available funds. This exceeds the 3% cap prescribed under the Second Schedule of the Isiolo County Climate Change Fund Act, 2018.

2.Non-Compliance with Public Sector Accounting Standards Board (PSASB) Reporting Requirements

Review of the financial statements revealed that the Management Discussion and Analysis section does not include tables, graphs, pie charts and other descriptive tools necessary to enhance clarity and understandability as required by the PSASB reporting template. Further, Note 28 did not include mandatory disclosures on credit risk, liquidity risk management, foreign currency risk and capital risk management, while Note 26 omitted key disclosures on related party transactions and key management remuneration.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1.Unsupported Recruitment of the County Climate Change Fund Administrator

As previously reported, the Isiolo County Climate Change Fund engaged a Fund Administrator during the year under review. However, no documentary evidence was provided to confirm that the appointment followed a competitive recruitment process, contrary to Section 10(2) of the Isiolo County Climate Change Fund Act, 2018, which requires that the Administrator be appointed through a competitive selection process. There

was no evidence of vacancy announcement, shortlisting records, interview reports, or selection minutes.

2.Failure to Conduct Quarterly Meetings by the Steering Committee

Audit review established that the Isiolo County Climate Change Fund Steering Committee held only one meeting during the year under review, instead of the required quarterly meetings. No evidence such as minutes, attendance registers, or invitations was provided to confirm that the Committee met as required. This was contrary to Section 19(1) of the Isiolo County Climate Change Fund Act, 2018, which mandates the Steering Committee to meet quarterly to oversee and guide the implementation of climate change activities financed by the Fund.

Committee Recommendation

The Committee recommends that the Ethics and Anti-Corruption Commission commence investigations into the management and financial operations of Isiolo County Financing Locally-Led Climate Action Programme (FLLOCA), using the Report of the Auditor-General on the financial statements of the Fund for the Financial Year 2024/2025 the basis. The Commission provides a status update on the progress made to the Senate within 90 days of the adoption of this Report.

3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THE ISIOLO COUNTY EDUCATION BURSARY FUND

The Committee extended several invitations to the Governor of Isiolo County, Hon. Abdi Ibrahim Hassan, to accord the Governor the opportunity responded and provide mitigating measures to issues raised in the report of the Auditor-General on the Financial Statements for Isiolo County Bursary Fund for the Financial Year 2024/2025. The Governor did not appear before the Committee and no written responses were submitted.

The Committee resolved to adopt the Report of the Auditor General on the Financial Statements for County Bursary Fund for the Financial Year 2024/2025 as presented before the Senate.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Isiolo County Education Bursary Fund for the financial year under review on the following basis-

1. Unexplained Variance in Bursary Transfers

The statement of financial performance and Note 10 to the financial statements reflect bursary transfers to TVET institutions, colleges, and secondary schools totalling Kshs.32,403,329 for the year under review. However, review of the cashbook revealed that actual payments and disbursements amounted to Kshs.36,692,020, while both the bursary transfers ledger and the supporting disbursement list reflected Kshs.32,403,329, resulting in an unexplained variance of Kshs.4,288,691.

2. Cash and Cash Equivalents

The statement of financial position and Note 13 to the financial statements reflect cash and cash equivalents deficit balance of Kshs.396,669 as at 30 June, 2025. However, the bank reconciliation statement for the month of June, 2025 was not provided for audit review. Further, the bank confirmation certificate as at 30 June, 2025 reflected a bank overdraft of Kshs.396,669. However, no documented approval or authorization for the bank overdraft was provided for audit verification. Additionally, Note 13 discloses a current account balance of Kshs.3,083,646 and a negative adjustment to cash and cash equivalents of Kshs.3,480,315, but supporting documentation was not provided.

3. Unexplained Variance in Committee Allowances

The statement of financial performance and Note 12 of the financial statements reflect an amount of Kshs.2,993,340 under use of goods and services, which includes Committee

allowances amounting to Kshs.413,000. However, review of the payment vouchers revealed that the Fund incurred expenditure amounting to Kshs.570,000 on Board and Committee sitting allowances resulting in an unexplained variance of Kshs.157,000. Further, supporting documentation including meeting invitations, attendance registers, agendas, and meetings minutes were not provided for audit review.

4. Inaccuracies in Financial Statements

The following unexplained variances were noted in the financial statements: (i) the statement of financial performance erroneously indicates the total revenue for the year 2023-2024 as Kshs.35,000,000 instead of Kshs.40,000,000, resulting in an unexplained variance of Kshs.5,000,000; (ii) the statement of financial position discloses a negative cash and cash equivalents balance of Kshs.396,669 but Nil balance for both the current and total assets, with the resultant variance unexplained; (iii) the statement of changes in net assets erroneously indicates a deficit balance of Kshs.396,669 as at 30 June 2025 instead of Kshs.3,480,315; and (iv) the statement of cash flows reflects cash and cash equivalents deficit of Kshs.396,669 while the net decrease in cash and cash equivalents is reflected as Kshs.3,480,315, resulting in an unexplained variance of Kshs.3,083,646.

EMPHASIS OF MATTER

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.70,000,000 and Kshs.35,000,000 respectively, resulting in a shortfall of Kshs.35,000,000, or 50% of the budget. Similarly, the Fund spent Kshs.35,396,669 against the actual receipts of Kshs.35,000,000, resulting in an over-expenditure of Kshs.396,669 of the actual receipts.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Expiry of the Legal Lifespan of the Fund

Review of the Isiolo County Education Bursary Fund Act, 2015 revealed that the Fund was legally established in 2015 with a maximum operational lifespan of ten (10) years. As at the time of the current audit, the Fund had reached the end of its legal tenure, yet there was no evidence that the County Government had initiated the necessary processes to renew or extend the Fund's existence, including seeking approval from the County Assembly,

conducting public participation, updating the enabling legislation, or notifying the Controller of Budget. Further, despite being within the final six months of the Fund's operational term, there was no indication that a formal wind-up process had commenced.

2.Administration Expenditure Exceeding Statutory Limit

During the year under review, the Fund received Kshs.35,000,000 from the County Government and had a balance brought forward of Kshs.10,127,381 as per the bank statement for the month of July 2024, totalling Kshs.45,127,381 of the funds available. However, the Fund incurred administrative expenses amounting to Kshs.2,497,000, representing 5.5% of the total available funds. This exceeds the maximum allowable threshold of 3% stipulated under Section 4 of the Isiolo County Educational Bursary Fund Act, 2015.

3.Irregularities in Bursaries Awards

The statement of financial performance and Note 10 to the financial statement reflect bursary transfers amounting to Kshs.32,403,329. However, audit examination of the beneficiaries list revealed that bursaries amounting to Kshs.635,100 awarded to one hundred and four (104) students had no admission or registration numbers indicated, thus making it difficult to verify their enrollment status and subsequent eligibility. Further, one hundred (100) students were awarded multiple bursaries under the same admission numbers, amounting to Kshs.778,000, indicating the use of duplicate identifiers to obtain additional bursary allocations irregularly.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1.Unsupported Secretariat and Administrative Expenditures

The statement of financial performance and Note 12 of the financial statement discloses use of goods and services of Kshs.2,993,340. Audit review of payment vouchers and supporting documents revealed that all payments were made through the Fund Board Chairperson, and several irregularities were noted: (i) Kshs.580,000 was paid as secretariat staff allowances without legal basis, documentation, or evidence of work done; (ii) Kshs.300,000 was paid in staff costs to secretariat staff who are already on the County Government payroll; (iii) payments totalling Kshs.235,000 were made to various suppliers for goods and services without specified items, delivery notes, or quantity details; and (iv) Kshs.120,000 was paid for accommodation and Kshs.135,000 for refreshments without supporting documentation such as event invitations, attendance registers, or minutes.

2.Lack of Internal Audit Activity

The internal audit functions of the Fund are provided by the County's Internal Audit Department. However, during the year under review, the Internal Audit Department did not carry out audit services to the Fund or provide independent assurance on the Fund's risk management policies, governance, and internal control processes.

Committee Recommendation

The Committee recommends that the Ethics and Anti-Corruption Commission commence investigations into the management and financial operations of Isiolo County Bursary Fund, using the Report of the Auditor-General on the financial statements of the Fund for the Financial Year 2024/2025 the basis. The Commission provides a status update on the progress made to the Senate within 90 days of the adoption of this Report.

REPUBLIC OF KENYA



THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF ISIOLO COUNTY MUNICIPALITY, HOSPITAL AND FUNDS FOR THE FINANCIAL YEAR 2024/2025

SECTOR	NO.	ENTITY
MUNICIPALITY	1	ISIOLO MUNICIPALITY
HOSPITAL	1	ISIOLO COUNTY REFERRAL HOSPITAL
FUNDS	2	FINANCING LOCALLY-LED CLIMATE ACTION PROGRAMME (FLLoCA) ISIOLO COUNTY EDUCATION BURSARY FUND

MARCH, 2026

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ACRONYMS/ABBREVIATIONS

CECM	County Executive Committee Member
COB	Controller of Budget
EACC	Ethics and Anti-Corruption Commission
FIF	Facilities Improvement Financing Act
FLLoCA	Financing Locally Led Climate Action
GAAP	Generally Accepted Accounting Principles
IPSAS	International Public Sector Accounting Standards
KEMSA	Kenya Medical Supplies Authority
KQMH	Kenya Quality Model for Health
NHIF	National Health Insurance Fund
OAG	Office of the Auditor-General
PAA	Public Audit Act
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SHA	Social Health Authority
SO	Standing Orders
TNT	The National Treasury
UHC	Universal Health Coverage

DEFINITION OF TERMS

1. **Unqualified opinion:** This refers to a clean opinion, which is the most desirable, in which the auditor states that the financial condition, position, and operations of an organization are fairly presented in the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).
2. **Qualified opinion:** This is an opinion expressed by the auditor if the financial statements appear to contain a small deviation from Generally Accepted Accounting Principles (GAAP) but are otherwise fairly presented. It is also rendered if the organisation's management limits the scope of audit procedures.
3. **Adverse opinion:** This refers to an opinion issued when there are material exceptions to Generally Accepted Accounting Principles (GAAP) that affect the financial statements as a whole, and the auditor indicates that the financial statements are not presented fairly.
4. **Disclaimer:** This is an opinion given by the auditor when there is a significant limitation in the access to audit information and documentation, and inadequate cooperation by the organizational management in the audit process.
5. **Accountability:** This refers to the assurance that an individual or a group will be held responsible for their actions or inactions.

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 the national allocated to County governments. The Select 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 Isiolo County Municipality, Hospital, Fund and Special Program for the Financial Year 2024/2025. The entities considered include Isiolo Municipality, Isiolo County Referral Hospital, Financing Locally Led Climate Action Programme (FLLoCA) and Isiolo County Education Bursary Fund.

The Governor of Isiolo County was invited to appear before the Committee to respond under oath to audit queries raised by the Auditor-General in the respective reports. However, the Governor and relevant county officials did not appear before the Committee, and no written responses were submitted in respect of any of the entities under review.

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 Qkola | - Serjeant-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 Isiolo County Municipality, Hospital, Fund and Special Program for the Financial Year 2024/2025 as the primary documents for the investigations. The Committee invited the Governor of Isiolo County as the Chief Executive Officer pursuant to Article 179(4) to respond to the audit queries raised in the reports under consideration.

The Governor of Isiolo County and relevant county officials did not appear before the Committee and did not submit any written responses to the audit queries raised by the Auditor-General in respect of any of the four entities under review. The Committee notes undermines the principles of accountability and public finance oversight as envisioned in the Constitution of Kenya, 2010.

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 four (4) entities in Isiolo County for the Financial Year 2024/25. The entities covered are: Isiolo Municipality, Isiolo County Referral Hospital and (2) Funds and Special Programmes – Financing Locally-Led Climate Action Programme and Isiolo County Education Bursary Fund.

Isiolo Municipality received a Disclaimer of Opinion from the Auditor-General, indicating a significant limitation in the access to audit information and documentation, and inadequate cooperation by management in the audit process. The remaining three entities received Qualified Opinions, indicating the existence of significant audit issues that require urgent management attention and corrective action.

The key issues identified across the entities include: unsupported cash and cash equivalents; unsupported in-kind contributions and expenditures; inaccurate financial statements; lack of operational autonomy for the Municipality; non-disclosure of land and in-kind contributions from the County Government at the Hospital; weaknesses in management of medical claims; excess administrative expenditure beyond statutory thresholds; unsupported recruitment of fund administrators; failure to conduct required quarterly steering committee meetings; irregularities in bursary awards; expiry of the legal lifespan of the Bursary Fund; and a pervasive absence of management responses to all audit queries across all entities.

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 Isiolo Municipality for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for Isiolo County Referral Hospital for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for the Financing Locally-Led Climate Action Programme (FLLoCA) – County Government of Isiolo for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

CHAPTER FOUR is a record of the audit queries raised in the report of the Auditor-General for the Isiolo County Education Bursary Fund for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

GENERAL OBSERVATIONS FOR THE MUNICIPALITY

1. **Lack of Operational Autonomy** -The Committee observed that more than seven years after the Municipality was granted a Charter, it had not achieved functional, financial, or administrative autonomy as required under the Urban Areas and Cities Act. The County Executive continued to exercise control over the Municipality's budget, expenditure, procurement, and payroll.
2. **Unsupported Financial Statements**-The Committee observed pervasive lack of documentation across all aspects of the Municipality's financial statements, including unsupported cash balances, unsupported in-kind contributions, unsupported expenditure, and unsupported property, plant and equipment.
3. **Absence of Approved Budget** -The Committee observed that the Municipality did not have an approved budget for the financial year under review, contrary to international public sector accounting standards, rendering all expenditure unauthorized.
4. **Inaccuracies in Financial Statements**-The Committee noted multiple errors and unexplained variances in the presentation and disclosure of the Municipality's financial statements, pointing to a complete breakdown in financial management and reporting.
5. **Zero Comparative Balances** -Despite being in existence for five financial years since 2019/2020, the Municipality reflected nil comparative balances in its financial statements and failed to prepare and submit financial statements for audit in those years.

GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY

1. **Urgent Realization of Operational Autonomy**- 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. The Governor should ensure by the commencement of the financial year 2026/2027 that the Municipality is fully operationalized.
2. **Strengthening Financial Management and Record Keeping** - The Governor, through the Accounting Officer, should ensure compliance with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records and ensure all expenditures are properly supported and documented.

3. **Preparation of Approved Budget** -The Governor ensures the Municipality prepares and presents an approved budget for audit review in every financial year in compliance with IPSAS 24.
4. **Preparation of Historical Financial Statements** – The Governor ensures the Accounting Officer prepares and submits financial statements for all outstanding financial years since 2019/2020 to the Auditor-General within 90 days of the adoption of this report.

GENERAL OBSERVATIONS FOR THE HOSPITAL

1. **Non-Disclosure of In-Kind Contributions-** The Committee observed that the Hospital failed to fully disclose all in-kind contributions from the County Government in its financial statements, including staff salaries and wages, and other pharmaceutical and non-pharmaceutical supplies procured by the County for the Hospital.
2. **Unsupported Property, Plant and Equipment** -The Committee noted that the value of the land on which the Hospital is situated was not disclosed in the financial statements, and ownership documents for the land were not provided for audit.
3. **Outstanding Receivables from Transition from NHIF to SHA-** The Committee observed significant concerns regarding the recoverability of long-outstanding claims from the NHIF to SHA transition, with no controls in place to track or follow up pending claims.
4. **Weaknesses in Governance and Risk Management-** The Committee observed that the Hospital lacked an approved organizational strategic plan, a risk management policy, and a disaster recovery plan, exposing the Hospital to significant operational and governance risks.
5. **Staffing Shortfall-** The Committee noted that the Hospital had critical shortages in medical personnel below the minimum staffing requirements for a Level 5 facility under the Kenya Quality Model for Health Policy Guidelines.
6. **Equipment and Service Capacity Shortfall-** The Committee noted that the Hospital had inadequate essential medical equipment and insufficient service capacity as compared to the minimum requirements for a Level 5 facility, and had not been formally gazetted as a Level 5 hospital by the Ministry of Health.

GENERAL RECOMMENDATIONS FOR THE HOSPITAL

1. **Full Disclosure of In-Kind Contributions** -The Governor ensures the Accounting Officer establishes and implements a formal mechanism for recording and evidencing all in-kind contributions from the County Government, ensuring all relevant supporting documents are maintained for audit and accountability purposes.
2. **Resolution of Outstanding SHA Receivables-**The Governor ensures the Accounting Officer puts in place recovery measures for the outstanding receivables from the NHIF to SHA transition with clear timelines and submits a comprehensive status report to the Senate within 60 days of the adoption of this report.

3. **Strengthening Governance Frameworks**-The Governor ensures the Hospital develops and implements an approved organizational strategic plan, risk management policy, and disaster recovery plan within 60 days of the adoption of this report.
4. **Addressing Staffing Shortfall** -The Governor submits to the Senate within 60 days a comprehensive plan outlining specific measures to address the Hospital's staffing shortages to meet the minimum staffing requirements for a Level 5 hospital.
5. **Addressing Equipment and Service Capacity Shortfall** -The Governor ensures the Hospital develops and implements a plan with appropriate budgetary allocations to acquire and operationalize the required equipment and service capacity for a Level 5 hospital, and ensures the facility is formally gazetted as a Level 5 hospital by the Ministry of Health.

GENERAL OBSERVATIONS FOR FUNDS

1. **Excess Administrative Expenditure** -The Committee observed that both FLLoCA and the Isiolo County Education Bursary Fund incurred administrative expenditure exceeding the 3% statutory cap prescribed under their respective enabling legislation.
2. **Unexplained Variances in Fund Transfers**-The Committee noted significant and unexplained variances between amounts transferred to and recorded by FLLoCA and the Bursary Fund from the County Government, raising concerns about financial integrity.
3. **Weak Governance Structures**-The Committee observed that FLLoCA's Steering Committee failed to hold the required quarterly meetings and that its Fund Administrator was recruited without following competitive recruitment procedures.
4. **Expiry of the Legal Lifespan of the Bursary Fund**-The Committee noted with concern that the Isiolo County Education Bursary Fund had reached the end of its ten-year legal tenure without the County Government initiating any renewal, extension, or formal wind-up processes.
5. **Irregularities in Bursary Awards**-The Committee noted irregularities in bursary disbursements, including awards to students without admission or registration numbers, and multiple awards to students under the same admission numbers, indicating possible misuse of public funds.

GENERAL RECOMMENDATIONS FOR FUNDS

1. **Compliance with Statutory Administrative Expenditure Caps** -The Governor ensures that the administrators of FLLoCA and the Bursary Fund strictly comply with the 3% administrative expenditure ceiling prescribed in their respective enabling legislation, and that any excess amounts are recovered and returned to the Fund.
2. **Regularization of FLLoCA Fund Administrator Appointment**-The Governor ensures that the appointment of the FLLoCA Fund Administrator is reviewed and regularized through a competitive recruitment process in compliance with Section 10(2) of the Isiolo County Climate Change Fund Act, 2018.
3. **Legal Status of the Bursary Fund** -The Governor urgently initiates the necessary legal processes to renew or extend the mandate of the Isiolo County Education Bursary Fund through the County Assembly, ensuring continuity of educational support for students, or commences a formal wind-up process as required by law.

4. **Strengthening Controls in Bursary Award Processes** - The Governor ensures the Bursary Fund establishes robust verification mechanisms to prevent irregular awards, including mandatory confirmation of students' admission and registration numbers before disbursement, and cross-checking to prevent multiple awards under the same identifiers.

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 secretariat for their support and services in facilitating the Members and the Committee in its operations.

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

SIGNED:

DATE:

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

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

SECTOR	NO.	ENTITY
MUNICIPALITY	1	ISIOLO MUNICIPALITY
HOSPITAL	1	ISIOLO COUNTY REFERRAL HOSPITAL
FUNDS	2	FINANCING LOCALLY-LED CLIMATE ACTION PROGRAMME (FLLoCA) ISIOLO COUNTY EDUCATION BURSARY FUND

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

No.	Name	Signature
1.	Sen. Godfrey Atieno Osotsi, CBS, MP <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: MUNICIPALITY

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ISIOLO MUNICIPALITY FOR THE FINANCIAL YEAR 2024/25

The Committee extended several invitations to the Governor of Isiolo County, Hon. Abdi Ibrahim Hassan, to accord the Governor the opportunity responded and provide mitigating measures to issues raised in the report of the Auditor-General on the Financial Statements for Isiolo Municipality for the Financial Year 2024/2025. The Governor did not appear before the Committee and no written responses were submitted.

The Committee resolved to adopt the Report of the Auditor-General on the Financial Statements for Isiolo Municipality for the Financial Year 2024/2025 as presented before the Senate.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Disclaimer of Opinion** on the financial statements of Isiolo Municipality on the following on the basis—

1. Unsupported Cash and Cash Equivalents

The statement of financial position and Note 19 to the financial statements reflect cash and cash equivalents negative balance totalling Kshs.21,821 representing overdrawn of three current accounts. However, cashbooks, bank reconciliation statements and certificate of bank balances were not provided for audit review. Further, Management did not provide explanations or supporting documentation to justify the overdrawn bank accounts, contrary to Section 119(4) of the Public Finance Management Act, 2012, which states that an Accounting Officer for a County Government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the County Treasury or a Board of a County Government entity.

In the circumstances, the accuracy and completeness of cash and cash equivalents negative balance of Kshs.21,821 could not be confirmed.

2. Unsupported In-Kind Contributions from the County Government

The statement of financial performance and Note 6 to the financial statements reflect transfers from the County Government (In-kind contributions) of Kshs.31,567,375. However, Management did not provide supporting documentation to substantiate the nature, basis, or valuation of these in-kind contributions.

In the circumstances, the accuracy and completeness of transfers from the County Government (In-kind contributions) of Kshs.31,567,375 could not be confirmed.

3. Unsupported Expenditure

The statement of financial performance reflects total expenditure of Kshs.31,901,467 as disclosed under Notes 12, 15, 16 and 17 to the financial statements, in respect of use of goods and services, finance costs, depreciation, repairs and maintenance expenses of Kshs.29,041,101, Kshs.20,817, Kshs.313,277 and Kshs.2,526,272 respectively. However, supporting documents, including payment schedules, procurement files, store records, appropriate authority, work tickets, bank statements and depreciation policy were not provided for audit review.

In the circumstances, the accuracy and completeness of the expenditure totalling Kshs.31,901,467 respectively could not be confirmed.

4. Property, Plant and Equipment

The statement of financial position and Note 24 to the financial statements reflect property, plant and equipment (PPE) balance of Kshs.2,399,526. However, supporting documents, including ledgers and ownership documents were not provided for audit review.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.2,399,526 could not be confirmed.

5. Unconfirmed Comparative Balances

The Municipality was granted a Municipal Charter effective 1 July, 2019, vide Gazette Notice dated 10 July, 2019. The Municipality Board was appointed on 1 January, 2019 and transfer of functions was gazetted on 24 May, 2019. This effectively made the Municipality a legal entity and a financially self-reporting entity. However, the comparative balances in the financial statements for the current financial year under review reflect nil balances in spite of the Municipality being in existence for the last five financial years since 2019/2020. Further, the Board failed to prepare and submit financial statements for audit in the mentioned financial years.

In the circumstances, the accuracy and completeness of the comparative nil balances in the financial statements could not be confirmed.

6. Errors in Presentation and Disclosure of Financial Statements

Review of the financial statements revealed the following errors;

- i. Note 24 to the financial statements reflects property, plant and equipment (PPE) balance of Kshs.2,399,526. However, re-computation gives a balance of Kshs.2,039,453. The resultant variance of Kshs.360,073 was not explained.
- ii. The undated fixed assets register presented for audit review reflected assets values totalling Kshs.6,714,400. However, Note 24 to the financial statements on PPE

reflects total assets values of Kshs.5,491,400 as at 1 July, 2023. The resultant variance of Kshs.1,223,000 was not reconciled or explained.

- iii. Note 12 to the financial statements reflects use of goods and services expenditure amount of Kshs.29,041,101. However, re-computation gave a balance of Kshs.29,061,919. The resultant variance of Kshs.20,818 was not explained.
- iv. The statement of comparison of budget and actual amounts reflects total budgeted and actual expenditure amounts of Kshs.84,571 809 and nil respectively. However, re-computation gives balances of Kshs.84,601,709 and Kshs.31,901,467. The resultant variances of Kshs.29,900 and Kshs.31,901,467 were not explained.
- v. The pagination shown in the table of content is not consistent and sequential. The roman numerals should sequentially follow each other up to the Report of the Independent Auditor.
- vi. The key management team section on page ix to xi do not include the required details of qualifications and experience of each member as required by the PSASB reporting template.
- vii. The progress on follow up of auditor's recommendations and inter-entity transfers under Annex 1 and 2 to the financial statements are not signed by the accounting officer and head of the accounting unit respectively y as required.
- viii. Pages 41 and 43 were erroneously left blank.

In the circumstances, the accuracy of presentation and disclosure of the annual report and financial statements could not be confirmed.

7. Lack of Operational Autonomy

The Isiolo Municipality was granted a Municipal Charter effective from 1 July, 2019, vide Gazette Notice dated 10 July, 2019 and thereby transferring specified functions and operational authority from the County Government of Isiolo to the Municipality. However, review of the Municipality's operations revealed that, more than seven years after the Charter came into effect, the Municipality did not exercise functional autonomy as required, as detailed below;

- a. The Municipality's budget was prepared and controlled by the County Executive, and there was no evidence of budget approval by the Municipality Board.
- b. The Municipality's expenditure, procurements and payroll management are centrally controlled by the County executive.
- c. The County Government has continued to perform the following functions but which were transferred to the Municipality-

- i. Promotion, regulation and provision of refuse collection and solid waste management services;
- ii. Constructions and maintenance of, storm drainage and flood control; street lighting; maintenance of urban roads; municipal market and any other ancillary market; bus and taxi stands; traffic and parking facilities; fire stations, provision of fire-fighting services emergency preparedness and disaster management;
- iii. Promotion, regulation and provision of animal control and welfare; and
- iv. Municipal planning and administration services including construction and maintenance of administrative offices. And parking, fire services, animal control, and municipal planning and administration.

In the circumstances, the operational autonomy of the Municipality could not be confirmed.

8. Lack of Approved Budget

During the year under review, Management did not provide an approved budget for audit review. This was contrary to the International Public Sector Accounting Standards 24, Paragraph 9 which requires that an approved budget establish the expenditure authority for specified items, serving as the legal limit within which an entity must operate.

In the circumstances, the effectiveness of internal controls over budget management could not be confirmed.

9. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.205,533,007 and Kshs.31,901,467 respectively, resulting to a shortfall of Kshs.173,631,546, or 16% of the budget.

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

Committee Recommendation

The Committee recommends that the Ethics and Anti-Corruption Commission commence investigations into the management and financial operations of Isiolo Municipality, using the Report of the Auditor-General on the financial statements of the municipality for the Financial Year 2024/2025 the basis. The Commission provides a status update on the progress made to the Senate within 90 days of the adoption of this Report.

CHAPTER TWO: HOSPITAL

2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ISIOLO COUNTY REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/25

The Committee extended several invitations to the Governor of Isiolo County, Hon. Abdi Ibrahim Hassan, to accord the Governor the opportunity responded and provide mitigating measures to issues raised in the report of the Auditor-General on the Financial Statements for Isiolo County Referral Hospital for the Financial Year 2024/2025. The Governor did not appear before the Committee and no written responses were submitted.

The Committee resolved to adopt the Report of the Auditor General on the Financial Statements for Isiolo County Referral Hospital for the Financial Year 2024/2025 as presented before the Senate

REPORT ON THE FINANCIAL STATEMENTS

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

1. Non-disclosure of In-Kind Contributions from the County Government

The statement of financial performance and Note 7 to the financial statements reflect in-kind contributions from the County Government of Kshs.29,787,007 in respect to medical supplies- drawings rights (KEMSA). However, the same note reflects nil amounts on salaries and wages despite the fact that all hospital employees are on Isiolo County Government payroll. In addition, the County procured assorted pharmaceuticals and Non-Pharmaceuticals Supplies (other supplies) for the Hospital but the same was not equally reflected as In-kind contributions under note 7.

In the circumstances, the accuracy and completeness of In-kind Contributions from the County Government of Kshs.29,787,007 could not be confirmed.

2. Non-Disclosure of Land and Lack of Ownership Documents

The statement of financial position and Note 32 to the financial statements reflect property, plant and equipment amounting to Kshs.15,400,069. However, the value of the parcel of land on which the Hospital is situated was not included or disclosed in the financial statements. The omission of this asset resulted in an understatement of property, plant and equipment balance. Further, ownership documents for the piece of land were not provided for audit.

In the circumstances, the accuracy, ownership, and completeness of property, plant and equipment balance of Kshs.15,400,069 could not be confirmed.

3. Doubtful Outstanding Receivables on Transition from NHIF to SHA

The statement of financial position and Note 29 to the financial statements reflect receivables from exchange transactions amounting to Kshs.16,316,373. Audit of the NHIF and SHA portals and related documentation revealed that NHIF (including Linda Mama) claims submitted during the year totalled Kshs.6,619,700, while outstanding claims brought forward from the prior year amounted to Kshs.16,560,000. Out of the combined claims, only Kshs.12,816,108 was settled during the year, leaving an unpaid balance of Kshs.10,363,592. Upon the transition from NI-11F to the Social Health Authority (SHA), the likelihood of these claims being honored remains uncertain.

In the circumstances, the accuracy and recoverability of receivables amounting to Kshs.10,363,592 could not be confirmed.

EMPHASIS OF MATTER

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted receipts of Kshs.89,094,013 against actual receipts of Kshs.77,980,577, resulting in a shortfall of Kshs.5,113,436, or 6% of the budgeted receipts. Similarly, the Hospital spent Kshs.76,944,770 against actual receipts of Kshs.77,980,577, resulting to under absorption of Kshs.1,035,807 or 1% of the actual receipts.

The shortfall in receipts and under-absorption affected planned activities and may have impacted negatively on service delivery in the hospital.

My opinion is not modified in respect of this matter.

OTHER MATTER

1.Unresolved Prior Year Matters

In the prior year's audit report, 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. Review of the status during the audit of the Hospital in 2024/2025 revealed that the following matters remained unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Non-Compliance with Universal Health Care (UHC) and Kenya Quality Model for Health (KQMH) Requirements

Review of the services offered, available equipment, and staffing levels at the Hospital revealed significant deficiencies. As at the time of audit on November, 2025, the Hospital had shortages in critical medical personnel, inadequate essential medical equipment, and insufficient service capacity as compared to the minimum requirements for a Level 5 hospital.

1.1 Staffing Shortfall

Cadre	Required	Available	Shortfall
Medical Officers	50	9	(41)
General Surgeons	4	2	()
Hospital Anesthesiologists	7	0	(⁷)
Pediatricians	4	3	(1)
Radiologists	4	1	(³)
Kenya Registered Community Health Nurses	250	144	()

2.2 Equipment and Service Capacity Shortfall

Facility/Equipment	Required	Available/ Functional	Deficiency
HDU Cots (Newborn Unit)	Required	Not available	Not available
ICU Beds	12	8	(4)
HDU Beds	12	8	(4)
Operating Theatres	7	4	(3)
Total Bed Capacity	500	301	(199)
Maternity Delivery Coaches	6	2	(4)
Newborn Incubators	10	8	(2)

Further, although the Hospital had been licensed by the Medical Practitioners and Dentists' Council on 13 September, 2024 as a Level 5 facility, it had not been gazetted by the Ministry of Health as a Level 5 hospital as at the time of audit.

In the circumstances, the Hospital's ability to provide comprehensive and quality healthcare services expected of a Level 5 facility was significantly constrained, and the adequacy of service delivery could not be confirmed.

2. Equipment and Service Capacity Shortfall

Review of the available equipment and service capacity at the Hospital revealed significant deficiencies as compared to the minimum requirements for a Level 5 hospital. The Hospital had inadequate essential medical equipment and insufficient service capacity. Further, although the Hospital had been licensed by the Medical Practitioners and Dentists' Council on 13 September, 2024 as a Level 5 facility, it had not been gazetted by the Ministry of Health as a Level 5 hospital as at the time of audit in November 2025.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of Strategic Plan and Risk Management Policy

Review of the internal control environment revealed that the Hospital had not developed an approved organizational strategic plan. In the absence of such a plan, the Hospital lacks a structured framework to guide its priorities, resource allocation, and achievement of institutional goals and objectives. Further, the Hospital did not have an approved risk management policy to identify, assess, and mitigate risks that may affect operations and service delivery.

2. Lack of Disaster Recovery Plan and Emergency Response Procedures

Review of the internal control environment revealed that the Hospital had neither an approved Disaster Recovery Plan nor formal, documented, and tested emergency procedures in place. In the absence of a Disaster Recovery Plan, the Hospital may be unable to restore operations in the event of a system or service interruption. Further, without documented and tested emergency procedures, staff may be unaware of their roles during emergencies, increasing the risk of operational disruption and compromised service delivery.

3. Weaknesses in Management of Medical Claims

The statement of financial performance and Note 11 to the financial statements reflect Kshs.64,642,937 as income from rendering of medical services. However, audit verification of NHIF and SHA portals and related documentation revealed the following discrepancies: (i) NHIF claims submitted during the year amounted to Kshs.6,619,700, with outstanding claims from the previous year totaling Kshs.16,560,000, of which only Kshs.12,816,108 was paid, leaving long-outstanding and unreconciled balances of Kshs.10,363,592 with no controls in place to track, follow up, or confirm recoverability; (ii) payments reflected in the SHA system totaled Kshs.37,891,914 while hospital records

showed Kshs.37,207,858, resulting in an unreconciled variance of Kshs.684,056; and (iii) SHA rejected claims totalling Kshs.2,317,860, yet the Hospital lacked an internal control mechanism to monitor rejected claims, initiate follow-ups, or document reasons for rejection.

Committee Recommendation

The Committee recommends that the Ethics and Anti-Corruption Commission commence investigations into the management and financial operations of Isiolo County Referral Hospital, using the Report of the Auditor-General on the financial statements of the Hospital for the Financial Year 2024/2025 the basis. The Commission provides a status update on the progress made to the Senate within 90 days of the adoption of this Report.

CHAPTER THREE: FUNDS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCING LOCALLY-LED CLIMATE ACTION PROGRAMME (FLLoCA)

The Committee extended several invitations to the Governor of Isiolo County, Hon. Abdi Ibrahim Hassan, to accord the Governor the opportunity responded and provide mitigating measures to issues raised in the report of the Auditor-General on the Financial Statements for Isiolo Financing Locally-Led Climate Action Programme (FLLOCA) for the Financial Year 2024/2025. The Governor did not appear before the Committee and no written responses were submitted.

The Committee resolved to adopt the Report of the Auditor General on the Financial Statements for Isiolo Financing Locally-Led Climate Action Programme (FLLOCA) for the Financial Year 2024/2025 as presented before the Senate.

REPORT ON THE FINANCIAL STATEMENTS.

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the FLLoCA Programme for the financial year under review on the following basis-

1. Unexplained Variance in Transfers from the County Government of Isiolo

The statement of financial performance and Note 2 to the financial statements reflect transfers from the County Government amounting to Kshs.30,870,282. However, the statement of financial performance for the County Executive of Isiolo for the year under review discloses transfers to other Government entities – transfers to self-reporting entity FLLoCA of Kshs.133,555,181, resulting in an unexplained variance of Kshs.102,684,899 which has not been explained or reconciled.

EMPHASIS OF MATTER

1. Budgetary Control and Performance

The statement of comparison of budgeted and actual amounts reflects final budgeted receipts of Kshs.254,572,367 against actual receipts on a comparable basis of Kshs.149,442,649, resulting in a shortfall of Kshs.105,129,718, or 41% of the budget. However, the Programme utilized only Kshs.136,240,206, resulting in an under-absorption of Kshs.13,202,443, or 9% of the actual receipts.

OTHER MATTER

1.Unresolved Prior Year Matters

The following issues raised on the Financing Locally-Led Climate Action (FLLoCA) Programme – County Government of Isiolo in the previous audit report remain unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1.Excess Administrative Expenditure Beyond Legal Threshold

The statement of comparison of budget and actual amounts reflects total actual income during the year of Kshs.149,442,648. However, review of payment schedules and financial records revealed that the Programme incurred Kshs.14,048,594 on administrative costs during the year, representing 9.4% of total available funds. This exceeds the 3% cap prescribed under the Second Schedule of the Isiolo County Climate Change Fund Act, 2018.

2.Non-Compliance with Public Sector Accounting Standards Board (PSASB) Reporting Requirements

Review of the financial statements revealed that the Management Discussion and Analysis section does not include tables, graphs, pie charts and other descriptive tools necessary to enhance clarity and understandability as required by the PSASB reporting template. Further, Note 28 did not include mandatory disclosures on credit risk, liquidity risk management, foreign currency risk and capital risk management, while Note 26 omitted key disclosures on related party transactions and key management remuneration.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1.Unsupported Recruitment of the County Climate Change Fund Administrator

As previously reported, the Isiolo County Climate Change Fund engaged a Fund Administrator during the year under review. However, no documentary evidence was provided to confirm that the appointment followed a competitive recruitment process, contrary to Section 10(2) of the Isiolo County Climate Change Fund Act, 2018, which requires that the Administrator be appointed through a competitive selection process. There

was no evidence of vacancy announcement, shortlisting records, interview reports, or selection minutes.

2.Failure to Conduct Quarterly Meetings by the Steering Committee

Audit review established that the Isiolo County Climate Change Fund Steering Committee held only one meeting during the year under review, instead of the required quarterly meetings. No evidence such as minutes, attendance registers, or invitations was provided to confirm that the Committee met as required. This was contrary to Section 19(1) of the Isiolo County Climate Change Fund Act, 2018, which mandates the Steering Committee to meet quarterly to oversee and guide the implementation of climate change activities financed by the Fund.

Committee Recommendation

The Committee recommends that the Ethics and Anti-Corruption Commission commence investigations into the management and financial operations of Isiolo County Financing Locally-Led Climate Action Programme (FLLOCA), using the Report of the Auditor-General on the financial statements of the Fund for the Financial Year 2024/2025 the basis. The Commission provides a status update on the progress made to the Senate within 90 days of the adoption of this Report.

3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THE ISIOLO COUNTY EDUCATION BURSARY FUND

The Committee extended several invitations to the Governor of Isiolo County, Hon. Abdi Ibrahim Hassan, to accord the Governor the opportunity responded and provide mitigating measures to issues raised in the report of the Auditor-General on the Financial Statements for Isiolo County Bursary Fund for the Financial Year 2024/2025. The Governor did not appear before the Committee and no written responses were submitted.

The Committee resolved to adopt the Report of the Auditor General on the Financial Statements for County Bursary Fund for the Financial Year 2024/2025 as presented before the Senate.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Isiolo County Education Bursary Fund for the financial year under review on the following basis-

1. Unexplained Variance in Bursary Transfers

The statement of financial performance and Note 10 to the financial statements reflect bursary transfers to TVET institutions, colleges, and secondary schools totalling Kshs.32,403,329 for the year under review. However, review of the cashbook revealed that actual payments and disbursements amounted to Kshs.36,692,020, while both the bursary transfers ledger and the supporting disbursement list reflected Kshs.32,403,329, resulting in an unexplained variance of Kshs.4,288,691.

2. Cash and Cash Equivalents

The statement of financial position and Note 13 to the financial statements reflect cash and cash equivalents deficit balance of Kshs.396,669 as at 30 June, 2025. However, the bank reconciliation statement for the month of June, 2025 was not provided for audit review. Further, the bank confirmation certificate as at 30 June, 2025 reflected a bank overdraft of Kshs.396,669. However, no documented approval or authorization for the bank overdraft was provided for audit verification. Additionally, Note 13 discloses a current account balance of Kshs.3,083,646 and a negative adjustment to cash and cash equivalents of Kshs.3,480,315, but supporting documentation was not provided.

3. Unexplained Variance in Committee Allowances

The statement of financial performance and Note 12 of the financial statements reflect an amount of Kshs.2,993,340 under use of goods and services, which includes Committee

allowances amounting to Kshs.413,000. However, review of the payment vouchers revealed that the Fund incurred expenditure amounting to Kshs.570,000 on Board and Committee sitting allowances resulting in an unexplained variance of Kshs.157,000. Further, supporting documentation including meeting invitations, attendance registers, agendas, and meetings minutes were not provided for audit review.

4. Inaccuracies in Financial Statements

The following unexplained variances were noted in the financial statements: (i) the statement of financial performance erroneously indicates the total revenue for the year 2023-2024 as Kshs.35,000,000 instead of Kshs.40,000,000, resulting in an unexplained variance of Kshs.5,000,000; (ii) the statement of financial position discloses a negative cash and cash equivalents balance of Kshs.396,669 but Nil balance for both the current and total assets, with the resultant variance unexplained; (iii) the statement of changes in net assets erroneously indicates a deficit balance of Kshs.396,669 as at 30 June 2025 instead of Kshs.3,480,315; and (iv) the statement of cash flows reflects cash and cash equivalents deficit of Kshs.396,669 while the net decrease in cash and cash equivalents is reflected as Kshs.3,480,315, resulting in an unexplained variance of Kshs.3,083,646.

EMPHASIS OF MATTER

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.70,000,000 and Kshs.35,000,000 respectively, resulting in a shortfall of Kshs.35,000,000, or 50% of the budget. Similarly, the Fund spent Kshs.35,396,669 against the actual receipts of Kshs.35,000,000, resulting in an over-expenditure of Kshs.396,669 of the actual receipts.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Expiry of the Legal Lifespan of the Fund

Review of the Isiolo County Education Bursary Fund Act, 2015 revealed that the Fund was legally established in 2015 with a maximum operational lifespan of ten (10) years. As at the time of the current audit, the Fund had reached the end of its legal tenure, yet there was no evidence that the County Government had initiated the necessary processes to renew or extend the Fund's existence, including seeking approval from the County Assembly,

conducting public participation, updating the enabling legislation, or notifying the Controller of Budget. Further, despite being within the final six months of the Fund's operational term, there was no indication that a formal wind-up process had commenced.

2.Administration Expenditure Exceeding Statutory Limit

During the year under review, the Fund received Kshs.35,000,000 from the County Government and had a balance brought forward of Kshs.10,127,381 as per the bank statement for the month of July 2024, totalling Kshs.45,127,381 of the funds available. However, the Fund incurred administrative expenses amounting to Kshs.2,497,000, representing 5.5% of the total available funds. This exceeds the maximum allowable threshold of 3% stipulated under Section 4 of the Isiolo County Educational Bursary Fund Act, 2015.

3.Irregularities in Bursaries Awards

The statement of financial performance and Note 10 to the financial statement reflect bursary transfers amounting to Kshs.32,403,329. However, audit examination of the beneficiaries list revealed that bursaries amounting to Kshs.635,100 awarded to one hundred and four (104) students had no admission or registration numbers indicated, thus making it difficult to verify their enrollment status and subsequent eligibility. Further, one hundred (100) students were awarded multiple bursaries under the same admission numbers, amounting to Kshs.778,000, indicating the use of duplicate identifiers to obtain additional bursary allocations irregularly.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1.Unsupported Secretariat and Administrative Expenditures

The statement of financial performance and Note 12 of the financial statement discloses use of goods and services of Kshs.2,993,340. Audit review of payment vouchers and supporting documents revealed that all payments were made through the Fund Board Chairperson, and several irregularities were noted: (i) Kshs.580,000 was paid as secretariat staff allowances without legal basis, documentation, or evidence of work done; (ii) Kshs.300,000 was paid in staff costs to secretariat staff who are already on the County Government payroll; (iii) payments totalling Kshs.235,000 were made to various suppliers for goods and services without specified items, delivery notes, or quantity details; and (iv) Kshs.120,000 was paid for accommodation and Kshs.135,000 for refreshments without supporting documentation such as event invitations, attendance registers, or minutes.

2.Lack of Internal Audit Activity

The internal audit functions of the Fund are provided by the County's Internal Audit Department. However, during the year under review, the Internal Audit Department did not carry out audit services to the Fund or provide independent assurance on the Fund's risk management policies, governance, and internal control processes.

Committee Recommendation

The Committee recommends that the Ethics and Anti-Corruption Commission commence investigations into the management and financial operations of Isiolo County Bursary Fund, using the Report of the Auditor-General on the financial statements of the Fund for the Financial Year 2024/2025 the basis. The Commission provides a status update on the progress made to the Senate within 90 days of the adoption of this Report.

ANNEXTURES

Minutes of the Committee



13TH PARLIAMENT 5TH SESSION

MINUTES OF THE FIFTY THIRD SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON MONDAY, 30TH 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 (1st July-, 2024 to 30th 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. Kajido County Referral Hospital
- V. Imbirikani Level 4 Hospital
- VI. Ngong Level 4 Hospital
- VII. Kitengela Sub-County Hospital
- VIII. Ongata Rongai Sub-County Hospital
- IX. Kajido County Emergency Fund
- X. Kajido County Alcoholic Drinks Control Fund
- XI. Kajido County Climate Change Fund
- XII. Kajido County Disability Mainstreaming Fund
- XIII. Kajido County Education Bursary Grants and Scholarship Fund
- XIV. Kajido County Youth and Women Enterprise Fund
- XV. Kajido County Emergency Fund

2. Kiambu County

- I. Gatundu Water and Sewerage Company
- II. Githunguri Water and Sanitation Company
- III. Karuri Water and Sanitation Company
- IV. Kiambu Water & Sanitation Company
- V. Limuru Water and Sewerage Company
- VI. Ruiru-Juja Water & Sewerage Company
- VII. Thika Water and Sewerage Company
- VIII. Karuri Municipality
- IX. Kiambu Municipality
- X. Kikuyu Municipality

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

3. Homabay

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

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

4. Migori

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

5. Kisii

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

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

6. Machakos

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

7. Baringo

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

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

8. Isiolo

- I. Isiolo Municipality
- II. Isiolo County Referral Hospital
- III. Financing Locally-Led Climate Action Programme (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. Kiambere wingi Water and Sanitation Company
- III. Kitui County Referral Hospital
- IV. Mutomo Sub-County Hospital
- V. Mwingi Level 4 Hospital
- VI. Ikanga Sub-County Hospital
- VII. Tseikuru Sub-County Hospital
- VIII. Kitui County Textile Center
- IX. Kitui County Empowerment Fund

13. Siaya

- I. 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 (Mcwsc)
- III. Meru Municipality
- IV. Maua Municipality
- V. Meru Teaching and Referral Hospital (Mtrh)
- VI. Miathene Sub-County Hospital
- VII. Nyambene Sub-County Hospital
- VIII. Meru County Revenue Board (Mcrb)

20. Trans-Nzoia

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

21. Nakuru

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

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

22. Kilifi

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

23. Kericho

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

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

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

Committee resolution

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

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

There was no any other business.

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

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

SIGNED: DATE:31.03.2026.....

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