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THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

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

SECTOR	NO.	ENTITY
WATER COMPANY	1	GARISSA WATER AND SEWERAGE COMPANY LIMITED.
MUNICIPALITIES	3	GARISSA MUNICIPALITY
		DADAAB MUNICIPALITY
		MASALANI MUNICIPALITY
HOSPITALS	4	GARISSA COUNTY LEVEL 5 TEACHING AND REFERRAL HOSPITAL
		IJARA SUB-COUNTY HOSPITAL
		MODOGASHE SUB-COUNTY HOSPITAL
		DADAAB SUB-COUNTY HOSPITAL
FUNDS	4	GARISSA COUNTY EMERGENCY FUND
		GARISSA COUNTY REVOLVING FUND
		GARISSA CLIMATE CHANGE FUND
		GARISSA COUNTY SCHOLARSHIP FUND

MARCH, 2026

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

30/03/26

APPROVED RT. HON. SEN AMASON J. KINGI

TABLE OF CONTENT

ACRONYMS/ABREVIATIONS

CCO	Chief County Officer
CECM	County Executive Committee Member
CEO	Chief Executive Officer
EACC	Ethics and Anti-Corruption Commission
EGH	Elder of the Golden Heart
FCPA	Fellow Certified Public Accountant
FEFO	First Expiry, First Out
FSTP	Faucal Sludge Treatment Plant
FY	Financial Year
HDU	High Dependency Unit
HR	Human Resources
ICU	Intensive Care Unit
IGRTC	Intergovernmental Relations Technical Committee
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
KQMH	Kenya Quality Model for Health
LR No.	Land Registration Number
NLC	National Land Commission
NRW	Non-Revenue Water
PFM Act	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
SHA	Social Health Authority
SLA	Service-Level Agreement
UHC	Universal Health Coverage
WASREB	Water Services Regulatory Board
GAWASCO	Garissa Water and Sewerage Company Limited
WSDP	Water and Sanitation Development Project

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

PREFACE

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

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

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

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Garissa County water company, municipalities, hospitals and funds for the Financial Year 2024/2025.The entities considered include Garissa Water and Sewerage Company Limited, Garissa Municipality, Dadaab Municipality, and Masalani Municipality, Garissa County Level 5 Teaching and Referral Hospital, Ijara Subcounty Hospital, Modogashe Subcounty Hospital, Dadaab Subcounty Hospital, Garissa County Emergency Fund, Garissa County Revolving Fund, Garissa County Climate Change Fund and Garissa County scholarship Fund.

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

COMMITTEE MEMBERSHIP

The membership of the Committee comprises the following Senators-

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

COMMITTEE SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. Erick Njogu - Clerk Assistant II
3. Mr. Godfrey Nyaga - Clerk Assistant III
4. Mr. Khatib Omar - Clerk Assistant III
5. Mr. Kennedy Owuoth - Fiscal Analyst
6. Mr. Jeremy Chabari - Legal counsel
7. Mr. Erick Ososi - Research Officer I
8. Ms. Linet Aseka - Research Officer III
9. Mr. Martin Mulandi - Research Officer III
10. Mr. Peter Katana Kahindi - Research Officer III
11. Ms. Janice Lekuton - Research Officer III
12. Ms. Hamun Abdille - Research Officer III
13. Mr. David Munene - Research Officer III
14. Mr. Josphat Ng'enoh - Media Relations officer
15. Mr. Victor Kimani - Audio officer
16. Mr. Fredick Okola - 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 Garissa water company, Municipalities, Hospitals and funds for the Financial year 2024/2025 (1st July 2024 to 30th June 2025) as the primary documents for the investigations. The Committee invited the Governor of Garissa as the Chief Executive Officer pursuant to Article 179(4) as a witness to respond to the audit queries raised in the reports under consideration.

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

This report presents the findings and recommendations of the Select Committee on County Public Investments and Special Funds following its consideration of the Auditor-General's reports on twelve (12) entities in Garissa County for the Financial Year 2024/2025. The entities covered are: One (1) water company –Garissa Water and Sewerage Company (GAWASCO); three municipalities – Garissa Municipality, Dadaab Municipality, and Masalani Municipality; and four (4) hospitals- Garissa County Level 5 Teaching and Referral Hospital, Ijara Subcounty Hospital, Modogashe Subcounty Hospital, and Dadaab Subcounty Hospital. Two of the entities received unqualified opinion, eight entities received Qualified Opinions from the Auditor-General, indicating the existence of significant audit issues that require urgent management attention and respective corrective action. Two entities- Ijara Subcounty Hospital and Modogashe Subcounty Hospital received an adverse opinion indicating limitation of scope to the auditor.

The key audit issues identified for the Water Company encompass significant financial and operational weaknesses, including long outstanding trade and other receivables, non-revenue water exceeding regulatory benchmarks, operation without valid WASREB licenses, irregular engagement of casual employees, and non-remittance of statutory deductions. Regarding the Municipalities, the identified issues include unsupported property, plant and equipment, overreliance on transfers from the County Executive, delayed transfer of functions to municipalities, failure to establish audit committees and internal audit functions, lack of a risk management policy, unsupported repair and maintenance expenditure, weaknesses in budgetary control and performance, non-compliance with gender equality principles, and failure to meet recruitment thresholds for people with disabilities.

The hospitals also had various issues identified by the auditor including financial reporting and accountability gaps, revenue management and "waiver" leakages, UHC deficiencies (personnel and resource gaps), governance and internal control weaknesses (lack of management boards, poor asset management, ineffective internal audit, and missing policies), compliance and regulatory issues (data protection breaches, inventory management, and environmental neglect)

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 report of the Auditor-General for Garissa Water and Sewerage Company Limited for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for Garissa, Dadaab, and Masalani Municipalities for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for Garissa County Level 5 Teaching and Referral Hospital, Ijara Subcounty Hospital, Modogashe Subcounty Hospital, and Dadaab Subcounty Hospital for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

CHAPTER FOUR is a record of the audit queries raised in the report of the Auditor-General for Garissa County Emergency Fund, Garissa County Revolving Fund, Garissa County Climate Change Fund and Garissa County Scholarship Fund for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

GENERAL OBSERVATIONS FOR GARISSA WATER COMPANY

1. **Non-Revenue Water (NRW)** – The Committee observed that Garissa Water Company recorded very high levels of Non-Revenue Water at 38%, well above the sector benchmark of 25% prescribed by WASREB. This was due to aged infrastructure (leakages), illegal connections, and inaccurate metering and billing.
2. **Financial Management and Reporting** – The Committee observed inaccuracies and delays in the preparation and submission of financial statements. Supporting documents were submitted late, raising concerns about compliance with Section 62 of the Public Audit Act, Cap.412B, and the Company's ability to fully comply with IPSAS reporting standards.
3. **Governance, Asset and Revenue Management** – The Committee observed that Garissa Water Company had incomplete disclosure of assets, including two (2) unserviceable motor vehicles and eleven (11) motorcycles had been grounded and were therefore not in use but had not been disposed-off. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015Statutory deductions were also not consistently remitted, raising compliance and financial sustainability concerns.

GENERAL RECOMMENDATIONS FOR GARISSA WATER COMPANY

1. **Comprehensive Non-Revenue Water Reduction Strategy:** The Governor ensures the water company develops and implements a comprehensive Non-Revenue Water (NRW) reduction strategy within ninety (90) days of the adoption of this report. The strategy shall include targeted interventions such as rehabilitation of aging pipelines, installation of smart meters for accurate billing and leak detection, and community sensitization programs to curb illegal connections. Further, the company shall segregate NRW into physical losses (leakages and bursts) and commercial losses (illegal connections and meter inaccuracies) to enable targeted interventions and accurate performance tracking. Quarterly progress reports on NRW reduction shall be submitted to the Senate and the Auditor-General.
2. **Strengthening Financial Management and Reporting:** The Governor should ensure that the Board and Accounting Officer strengthen financial management practices by preparing and submitting accurate, complete, and timely financial statements in full compliance with International Public Sector Accounting Standards (IPSAS). Continuous capacity building for finance staff shall be prioritized to enhance competency, improve compliance with reporting standards, and ensure adherence to the financial reporting template prescribed by the

National Treasury. The Accounting Officer shall also ensure that all supporting documents are submitted to the Auditor-General within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B.

3. **Asset Documentation, Disposal Committee Establishment, and Financial Sustainability:** The Governor should ensure that all company assets are properly documented, valued, and reflected in the financial statements. Further, the company shall establish and operationalize an Assets Disposal Committee in compliance with Regulation 77 of the Public Procurement and Asset Disposal Regulations, 2020, to oversee the disposal of grounded or obsolete assets as required by Section 163(1) of the Public Procurement and Asset Disposal Act, 2015. Revenue collection systems shall be strengthened through automation and enhanced enforcement mechanisms to optimize collections and reduce arrears. All statutory deductions shall be remitted to the relevant authorities within the prescribed timelines to avoid accrual of penalties and interest. Additionally, the company shall develop and implement a strategic plan with clear financial sustainability objectives, including revenue diversification, cost rationalization, and investment planning, to ensure long-term viability and improved service delivery. A comprehensive status report on the implementation of these measures shall be submitted to the Auditor-General within 120 days.

GENERAL OBSERVATIONS FOR THE MUNICIPALITIES

1. **Lack of Operational Autonomy** – The Committee observed that the municipalities relied heavily on County Government transfers for operations. Key functions under the Municipal Charter, such as urban roads, markets, abattoirs, and cultural activities, continued to be executed by the County Executive, limiting operational independence and risking duplication of roles.
2. **Financial Management and Reporting** – The Committee observed unsupported property, plant and equipment balances, absence of a formal own-source revenue framework, and delayed submission of financial documents to the Auditor-General. These weaknesses raised concerns regarding the accuracy, completeness, and compliance of the Municipality's financial statements.
3. **Governance and Risk Management** – The Committee observed that Municipalities lacked a fully functional internal audit unit and did not have a risk management policy during the year under review. Additionally, the Municipality did not maintain full custody of its assets, limiting transparency, accountability, and safeguarding of public resources.

GENERAL RECOMMENDATIONS FOR THE MUNICIPALITIES

1. **Operational Autonomy and Adequate Funding -** The Governor ensures that the operation of municipalities is undertaken according to the functions delegated as gazetted by the County Government. Further, the Governor should ensure that municipalities are adequately funded in accordance with section 172 of the Public Finance Management Act, 2012, to enhance their operational independence and enable effective service delivery. The Governor should further ensure that all municipalities in the county are operationalized to undertake their delegated functions in line with law by the commencement of the Financial Year 2026/2027
2. **Establishment of Internal Audit, Risk Management, and Asset Custody Frameworks:** The Governor should ensure that all municipalities establish fully operational internal audit functions, with qualified staff and clear charters, in compliance with Section 155 of the Public Finance Management Act, 2012. The municipalities shall also develop and implement comprehensive risk management policies to identify, assess, and mitigate operational and financial risks. Additionally, the municipalities shall take full custody of all their assets from the County Executive and maintain updated fixed asset registers in accordance with Section 136(1) of the Public Finance Management (County Governments) Regulations, 2015. These actions will safeguard public resources, enhance accountability and transparency, and ensure the long-term sustainability of

municipal operations. A compliance report on the implementation of these measures shall be submitted to the Auditor-General within 120 days.

GENERAL OBSERVATIONS FOR THE HOSPITALS

1. **Financial Reporting and Documentation Gaps:** The facilities struggled with unsupported financial balances, including significant trade receivables (Ksh. 93.9 million at Garissa Level 5) and capital funds (Ksh. 294.1 million) that initially lacked supporting schedules.
2. **Systemic Revenue and Budgetary Challenges:** There is a significant issue with under-expenditure (17% at Garissa Level 5) due to late disbursements from the Social Health Authority (SHA). Furthermore, hospitals are losing revenue due to "absconders"—patients who leave without paying—which are often retroactively and improperly documented as waivers.
3. **Critical Resource Deficiencies:** The facilities face massive deficits in meeting the Kenya Quality Model for Health Policy Guidelines. Garissa Level 5 has a 70% staffing deficit, including a 100% shortage of specialists like anesthesiologists and pathologists. There are also significant shortages in critical equipment such as ICU beds (50% deficit) and newborn incubators (70% deficit).
4. **Governance and Internal Control Weaknesses:** Recurring issues include a lack of functional internal audit units , missing institutional policies (such as Risk Management and Disaster Recovery Plans) , and incomplete asset registers that do not disclose all land and buildings.
5. **Legal and Regulatory Non-Compliance:** Data Protection: Revenue software contracts failed to include mandatory data security measures or designate data controllers/processors.
6. **Inclusion and Diversity:** Recruitment failed to meet the 5% threshold for Persons with Disabilities (PWDs) and violated ethnic diversity laws, with some hiring 100% of casual staff from a single community.

GENERAL RECOMMENDAIONS FOR THE HOSPITALS

1. **Institutionalization of Financial Policies;-** The recurring unsupported balances stem from a lack of written rules. On debt management & ageing analysis, hospitals must implement a policy that categorizes debt into Current, Doubtful and "Irrecoverable." This allows the Board to legally write off debts older than two years (as required by the PFM Regulations) rather than carrying ghost balances that distort the financial health of the facility. To eliminate pending bills, the County Treasury must enforce a "lock" on the budget where the previous year's unpaid invoices are automatically deducted from the new year's allocation before any new projects are funded. The hospitals management should also standardize their waiver protocols by

1. moving away from "discretionary" waivers to a Social-Economic Assessment Tool. This ensures that only the truly indigent receive waivers, while those able to pay are held accountable, thus protecting the Hospital's Appropriation-in-Aid (AIA).
2. **Strengthening Internal Control Frameworks;** - Internal auditors should not just be "deployed"; they must be empowered to produce Risk-Based Audit Reports quarterly. These reports should prepare and inform the management on the possible audit issues, before the Auditor-General arrives. On asset management, the Fixed Asset Register must include depreciation schedules and maintenance logs. This ensures that the "Capital Fund" balance (the value of what the hospital owns) is scientifically accurate and that equipment is replaced before it breaks down. On IT and data governance, in the digital age, revenue software as critical. Hospitals must conduct Data Protection Impact Assessments (DPIA). Contracts with banks or software providers must include "Indemnity Clauses"—if a patient's data is leaked or stolen, the provider must be legally liable, not just the hospital.
3. **Operational Efficiency and SHA Integration;-** The transition from NHIF to SHA has created a slowdown in cash flow to the hospitals. Hospitals should move to real-time billing to prevent delays by SHA to pay the approved claims. The Governor's office should establish a dedicated desk to follow up on inter-governmental transfers. When the National Treasury or SHA delays payments, it creates a domino effect of pending bills at the hospital level. Formal monthly reconciliation meetings with SHA are essential to prevent the revenue dump that cannot be spent.

ACKNOWLEDGEMENTS

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

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

SIGNED: ....

DATE: ....24/03/2026...

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

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

SECTOR	NO.	ENTITY
WATER COMPANY	1	GARISSA WATER AND SEWARAGE COMPANY LIMITED.
MUNICIPALITIES	3	GARISSA MUNICIPALITY
		DADAAB MUNICIPALITY
		MASALANI MUNICIPALITY
HOSPITALS	4	GARISSA COUNTY LEVEL 5 TEACHING AND REFERRAL HOSPITAL
		IJARA SUB-COUNTY HOSPITAL
		MODOGASHE SUB-COUNTY HOSPITAL
		DADAAB SUB-COUNTY HOSPITAL
FUNDS	4	GARISSA COUNTY EMERGENCY FUND
		GARISSA COUNTY REVOLVING FUND
		GARISSA CLIMATE CHANGE FUND
		GARISSA COUNTY SCHOLARSHIP FUND

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

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

CHAPTER ONE: WATER COMPANY

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

The Governor of Garissa County, Hon. Nathif Jama Adam, EGH, appeared before the Committee on Monday 26th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Garissa Water and Sewerage Company Limited, for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Mohamed H. Mursal - County Secretary
2. Mr. Mohamed Dolal - MD, Garissa Water Company
3. Mr. Abdi Ali Nuriye - Head of Treasury,
4. Mr. Mohamed A Suthay - Finance Manager, Garissa Water Company
5. Eng. Christopher Kamau - Technical Manager, Garissa Water Company

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Garissa Water and Sewerage Company Limited on the following basis;-

1. **Long Outstanding Trade and Other Receivables Balance**

The statement of financial position reflects the trade and other receivables balance of Ksh. 1,047,311,085 as disclosed in Note. 16 to the financial statement. Included in the balance were receivables balance of Kshs.802,812,825 or 76.65%, which was outstanding for more than one hundred and twenty (120) days.

In the circumstances, the recoverability of trade and other receivables balance of Kshs.802,812,825 could not be confirmed.

Management response

These are bad and doubtful debts that have accumulated over 15 years. Part of the debts relates to consumers from the area we ceded to the county government of Tana River since the inception of devolution in a zone called Madogo, amounting to 96,572,896.00

The board of directors and management have discussed and resolved to provide for write off of the bad debts amounting to 802,812,825.00 in the financial statements for 2025/2026 financial year.

An extract of the resolution of the board was attached for the committee verification.

Committee Observation

The Committee observed that 76.65% of the company's receivables or Kshs.802,812,825 accumulated for over 15 years. The management, through the board of management, resolved to write off the bad debts during the financial year 2025/2026. Copies of the aging analysis and Minutes of the board, were provided for the committee verifications.

Committee Recommendation

The Committee recommends that—

i. **the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submits a debtors' schedule to the Auditor-General for verification and review. The schedule to include a clear categorization of institutional and individual debtors;**

ii. **the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submits an approved copy of the Debt Management Policy to the Auditor-General for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle;**

iii. **the Governor ensures that the Accounting Officer, within 60 days of the adoption of this report, puts in place comprehensive recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and**

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

2. **Unconfirmed Bank Overdraft Balance**

The statement of financial position reflects bank overdraft balance of Kshs.18,379,123 as disclosed in Note 22 to the financial statements. Discussions with Management and review of the settlement agreement between a local commercial bank and the Company dated 11 July 2023 revealed a bank overdraft of Kshs.25,000,000 with agreed profit/interest of Kshs.3,241,095, totaling to Kshs.28,241,095 payable within twelve (12) months. However, Management did not provide details of the purpose for which the loan was sought, as well as the authorization of the loan by the Board.

This was contrary to Regulation 119(4) of the Public Finance Management (County Governments) Regulations, 2015 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, if any. Further, the loan was not disclosed in the previous year's financial statement as a liability.

In the circumstances, the accuracy, completeness and validity of bank overdraft balance of Kshs.18,379,123 could not be confirmed.

Management response

The matter was later deliberated by the board and resolved that the management to negotiate a repayment agreement with the bank. Copies of Minutes of the Board and loan repayment plan were attached for the committee verification.

Committee Observation

The Committee observed that—

i) the loan was borrowed by the management of the water company to pay salaries of staff, without the approval of the county treasury.

ii) the management resolved to negotiate a repayment plan with the bank, and submitted documents to support the resolution and agreement.

Committee Recommendation

The Committee recommends that the Governor ensures the accounting officer adheres to payment plan put in place to clear the borrowed amount and the Auditor-General to review the matter in the subsequent audit cycle.

3. Unsupported Capital Fund Balance

The statement of financial position reflects capital fund balance of Kshs.31,758,485 as disclosed in Note 20 to the financial statements. However, the balance includes fixed assets balance of Kshs.11,969,799 inherited debtors of Kshs.21,351,302 and inherited creditors balance of Kshs.1,562,616 which were not supported with relevant documentary evidence.

In the circumstances, the accuracy and completeness of the capital fund balance of Kshs.31,758,485 could not be confirmed.

Management response

The capital fund was inherited from the Ministry of Water and Irrigation, and the only documentary evidence available are the inherited financial statements. The ownership documents for the fixed assets were not handed over to GAWASCO. As for the debtors and creditors, they will be written off in the financial year 2025/2026, as per the board resolution.

Committee Observation

The Committee observed that the queried capital fund not supported with documentary evidence and the management cited the information was with the Ministry of Water and Irrigation. Further, the Committee noted that the water company would able to write off the inherited debtors amount with board resolution but the inherited creditors.

Committee Recommendation

The Committee recommends that the Governor ensures-

i. **that the Accounting Officer undertakes a detailed ageing analysis of the inherited creditors and with the Board's approval, write off the in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015 and provide status update to the Senate within 60 days of the adoption of this report;**
ii. **That the CECM for Water engages the ministry of water and Irrigation to obtain the list of creditors and thereafter the company makes budgetary provisions to settle the amount of creditors inherited and provide status update within 60 days of the adoption of this report;**
iii. **The Governor in collaboration with IGRTC engages the Ministry of Water and Irrigation to obtain ownership of the fixed assets in favour of the water company and Auditor-General to review the matter in the subsequent audit cycle.**

4.0 Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.389,853,226 as disclosed in Note 27 to the financial statements. Review of records on trade and other payables revealed the following:

4.1 Inaccurate Trade and Other Payables Balance

The balance includes Kshs.38,825,759 payable to Kenya Power and Lighting Company (KPLC), however, records at KPLC indicates a balance of Kshs.35,082,034 resulting in an unexplained variance of Kshs.3,743,725. Further, the balance includes Kshs.12,008,574 payable to Northern Water Works Development Agency (NWWDA); however, records at NWWDA indicates a balance of Kshs.10,327,680 resulting in an unexplained variance of Kshs.1,680,894.

Management response

The outstanding balance to KPLC was Ksh. 38,825,759.18 as at 30th June 2025, as per the attached schedule and statements, form Kenya power and Lighting Company.

The company will also liaise with Northern Water Works Development Agency and correct the discrepancy in the financial year 2025/2026.

Committee Observation

The Committee observed that the management failed to reconcile the variance of Kshs.3,743,725 relating to KPLC amount payables, and Kshs.1,680,894 relating to NWWDA payables.

Committee Recommendation

The Committee recommends that the Governor ensures that the Accounting Officer engages with KPLC and NWWDA to reconcile the variances and the Auditor-General to review the matter in subsequent audit cycle.

4.2 Outstanding Audit Fees

Included in this balance is an amount of Kshs.4,677,120 in respect of audit fees which has been outstanding for more than one (1) one year. Management did not provide a satisfactory explanation of failure to settle the outstanding fees.

Management response

The delay in settlement arose primarily due to cash flow constraints, huge pending bills and other competing statutory obligations, which affected the Company's ability to settle certain professional fees within the required timeframe.

Management will engage the auditors and agree on a settlement plan, and the outstanding balance will be prioritized for payment in the current financial period.

Committee Observation

The Committee observed that the management still has an outstanding audit fee amount of payable of Kshs.4,677,120 which has been outstanding for over 1 year.

Committee Recommendation

The Committee recommends that;-

i) **the Governor ensures that the Accounting Officer adheres to regulation 22(2)(a) of the Public Finance Management (County Government) Regulations, 2015, which provides that the accounting officer should comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided by legislation, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**

ii) **the Governor ensures that water company settles the audit fees balance and provide a detailed status report on the same to the Auditor-General for subsequent reporting within 60 days from the adoption of this report.**

4.3 Non- Remittance of Staff Deduction

Included in the payable balance is Kshs.91,571,136 in respect of Social Health Insurance Fund deductions, Pay As You Earn (PAYE) and Pension Deduction. However, the Management did not remit the deductions as required by law to the beneficiary organizations contrary to Section 19(4) of Employment Act, Cap 226, which provides that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) of the Act shall pay the amount so deducted in accordance with the time period and other requirements specified in the law.

Management response

The company has entered a payment plan with Kenya Revenue Authority as per attached and will do the same for the other outstanding remittances.

Committee Observation

The Committee observed that the Management failed to remit deductions amounting to Kshs.91,571,136 relate to NSSF, PAYE, and Pension, contrary to Section 19(4) of Employment Act, Cap 226.

Committee Recommendation

The Committee recommends that—

i. **the Governor through Board of Directors ensures the Water Company adheres to Section 19(4) of Employment Act, Cap.226 and engage with County Pension Fund and National Water Pension Scheme in regard to remittance of employee remuneration deductions in accordance with the time period specified by the relevant bodies, failure to which the provisions**

of section 87 of the Employment Act on penalties for offences shall apply; and

ii. **the Auditor-General reviews and provides a status update on the implementation of these recommendations in the subsequent audit cycle.**

4.4 Long Outstanding Trade and Other Payables Balance

Included in the payables balance is Kshs.194,926,613 that was outstanding for over one year. This is contrary to the provisions of National Treasury Circular No. 10/2020, dated 16th June 2020, which requires prompt clearance of pending bills and stipulates that payment of such liabilities should be treated as a first charge in the subsequent year's approved budget.

In the circumstances, the accuracy, completeness and regularity of the trade and other payables balance of Kshs.389,853,226 could not be confirmed.

Management Response.

The balances arose mainly due to cash flow constraints occasioned by delayed receipts from major customers. Management has since entered into structured payment plans with key creditors, including KRA, KPLC and other suppliers, and settlements are being made progressively.

Committee Observation

The Committee noted that the water company payables balance of Kshs.194,926,613 which have been outstanding for more than one year. The management has entered into structured payment plans with key creditors, and is making payments progressively.

Committee Recommendation

The Committee recommends that—

i) **the Governor ensures that Accounting Officer engages all entities owed and formulate a payment plan for payables amounting to Kshs.194,926,613 and file a report on the same to the Senate, and copy the Auditor-General for verification; and**

ii) **the County Executive Committee Member in charge of water should continuously monitor the financial performance of the water company in**

line with section 184 of the Public Finance Management Act and report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance.

4. **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.520,359,330 and Kshs.415,304,987 respectively, resulting in underfunding and under collection of Kshs.105,054,343 or 20% of the budget. Similarly, the Company spent Kshs.569,616,209 against actual receipts of Kshs.415,304,987 resulting in over utilization of Kshs.154,311,222 or 37% of the receipts the management did not provide explanation for the overspending and the source of this over-expenditure.

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

Management response

This was largely due to Water customers not paying on time, reduced water production and supply interruptions arising from frequent power outages, drought-related low raw water levels, and ageing infrastructure that affected service coverage and billing efficiency.

The apparent over-expenditure was not a result of actual overspending beyond approved budgets, but rather due to donor-funded project expenditures not matched by corresponding revenue within the period.

Committee Observation

The Committee observed that—

i. the water company had a revenue shortfall of Kshs.105,054,343 or 20% of its budget during the financial year under review; and

ii. the water company had an over-expenditure of Kshs.154,311,222 or 37% of the budget during the financial year under review.

Committee Recommendation

The Committee recommends that—

i. **the Governor through the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs, connection of more customers and**

automation to address revenue leakages. The Auditor-General to confirm the effectiveness of the mitigating measures put in the water company and report in the subsequent audit cycle; and

ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

5. **Inaccurate Statement of Management Discussion and Analysis**

The statement of management discussion and analysis indicates that the Company incurred expenses amounting to Ksh. 898 million, while the statement of profit or loss and other comprehensive income reflects expenses amounting to Kshs.569 million, resulting in an unreconciled variance of Kshs.329 million.

The statement further indicates revenue composition of water sales of 60%, sewerage services of 20%, grants of 15% and miscellaneous income of 5%; however, Note 6 to the financial statements reflects water sales of Kshs.305,375,583 or 73.50% of the total revenue of Kshs.415,304,987, Nil sewerage services revenue or 0% of the total revenue. Further, Note 7 to the financial statements reflects Other income of Ksh. 107,978,154 or 26% of the total revenue.

Management Response

Management acknowledges the discrepancies noted in the Statement of Management Discussion and Analysis. The variances arose from editing and presentation errors during preparation of the report, and not from misstatements in the underlying financial records. Management confirms that the figures in the statement of profit or loss and the related notes are accurate and supported.

The Management Discussion and Analysis will be corrected and aligned to the audited financial statements in subsequent reports, and additional review controls have been instituted to prevent recurrence.

Committee Observation

The Committee observed that the figures reported in the non-financial reports had a variances with those reported in the financial statements, and the management acknowledged that there were errors in the non-financial reports.

Committee Recommendation

The Committee recommends that the Accounting officer ensures that the figures in the non-financial reports are reconciled to tally with those in the financial reports, and the auditor to confirm the reconciliation in the subsequent financial year audit.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Climate Change and Financing

Review of the budget revealed that the Company did not make budgetary allocations or financing provisions for climate change initiatives. This indicates non-prioritization of climate change actions, contrary to the requirements of the Climate Change Act, 2016, and the national development agenda on climate resilience.

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

Management Response.

The lack of a specific budget line and expenditure for climate change initiatives is due to financial constraints. We recognize that this is not just a matter of regulatory compliance but is also critical for the long-term resilience and sustainability of our operations, particularly in a region like Garissa that is highly vulnerable to climate impacts such as drought and flooding. We will incorporate it in future budgets

To rectify this, we will immediately initiate a robust corrective action plan. This includes a supplementary budget review for the current year, the establishment of a dedicated climate change budget line for the forthcoming fiscal year, and the expedited finalization of our Climate Change Policy. We are committed to building institutional capacity and aligning our actions with the national climate resilience agenda to ensure full compliance and demonstrate our environmental stewardship moving forward.

The company has allocated a budget for the financial year 2025-2026 as per attached.

Committee Observation

The Committee observed that the management did not have a financing provision for climate change initiatives, contrary to the requirements of the Climate Change Act, 2016. However, the management provided a budget statement reflecting a budget line in respect to climate change initiatives for the financial year 2025/2026.

Committee Recommendation

The Committee recommends that the Auditor-General reviews the matter in the subsequent audit cycle, and report to the Senate, on whether the management is compliant to the requirements of Section 19 (1) of the Climate Change Act, 2016, CAP 387A, and the principles of the National Climate Change Action Plan, 2023-2027.

2. **Operating Without a Valid Water Services Regulatory Board (WASREB) License and Tariff**

During the year under review, the Company operated without a valid license from Water Services Regulatory Board (WASREB). This was contrary to Section 72(c) of the Water Act, 2016 which gives Water Services Regulatory Board (WASREB) the mandate of setting license conditions and accrediting Water Service Providers (WSPs).

Further, the Company was using expired water tariffs which were approved on 14 May 2010, and were expected to have been reviewed in June 2012 for further adjustment as per Gazette Notice No.5321, Vol. CXII - No.49, page 1724. In addition, the Company billed its unmetered customers based on a flat rate of Kshs.3,000 per customer which were not approved by (WASREB).

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

Management Response.

The management have applied for license renewal to WASREB 18th Nov 2025 and we are awaiting its approval.

Committee Observation

The Company observed that the Company operated without a valid license from Water Services Regulatory Board (WASREB), as well as using expired water tariffs which were approved on 14 May 2010, and were expected to have been reviewed in June 2012 but has applied for a Tariff. However, the management applied for license renewal to WASREB, and is awaiting approval.

Committee Recommendation

He Committee recommends that the Governor ensures that the Accounting Officer engages WASREB to fast track the completion of the tariff review process and approval, within 60 days of the adoption of this report and provide status update to the Senate within 60 days of the adoption of this report.

3. Failure to Comply with Fiscal Responsibility Principles

Statement of profit or loss and other comprehensive income reflect staff cost expenditure of Kshs.112,109,742 or 47% of the total operational and maintenance cost of Kshs.240,611,291 of the Water Company during the financial year under review. The percentage is above the maximum threshold of 22% of provisions of the latest WASREB Guidelines, 2018, on maximum thresholds for level 4 or large water companies under which the Garissa Water and Sewerage Company Ltd is categorized.

The excessive percentage of 25% translates to a personnel cost of Ksh. 60,152,823, which should have been diverted to operational and maintenance cost resulting in enhanced service delivery and improved water sales revenue.

In the circumstances, the Water Company was in breach of WASREB commercial viability criteria in respect of personnel cost as a percentage of operational and maintenance cost

Management Response.

The company is aware of the huge wage bill and is in the process of developing a policy to address the huge payroll cost through several initiatives, such as

a) Increase in revenue.

b) Freeze hiring staff.

Committee Observation

The Committee observed that—

i) the management spent Kshs.112,109,742 or 47% of the total operational and maintenance budget, on staff cost and expenditure, which is 25% above the maximum threshold of 22% of provisions of the latest WASREB Guidelines, 2018 for level 4 or large water companies.

ii) The management has put in place mitigation measures, including developing a policy to address the huge payroll cost, to align with the WASREB guidelines.

Committee Recommendation

The Committee recommends that—

i) **The Governor ensures the Board of Directors take deliberate measures to comply with the WASREB guidelines on the threshold of staff cost expenditure of the water company; and**

ii) **The Auditor- General reviews the matter in the subsequent financial to confirm the extent to which the set out mitigation strategies addresses the matter.**

4. Non-Compliance to Requirement of Access to Government Procurement Opportunities

During the financial year under review, the Company procured goods, works and services worth Kshs.70,496,500. However, the procurement plan did not indicate budget allocations specifically targeted for women, youth, and persons with disabilities (PWDs), making it impossible to confirm whether the Company complied with Regulation 149 of the Public Procurement and Asset Disposal Regulations, 2020 which requires procuring entities to allocate at least 30% of their procurement opportunities to these special interest groups under the Access to Government Procurement Opportunities (AGPO) initiative.

Additionally, the procurement plan was not prepared in accordance with the First Schedule of the Regulations, which outlines the required format and essential details such as target groups, estimated costs, and procurement methods. These omissions raise concerns of non-compliance with legal requirements, potentially denying opportunities to disadvantaged groups.

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

Management Response.

The county included the requirement in the procurement plan for this financial year (2024-2025) as per the attached extract from the procurement plan.

Committee Observation

The Committee observed that the management considered the requirements of Regulation 149 of the Public Procurement and Asset Disposal Regulations, 2020, in its procurement plan for the financial year 2024/2025.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

5. Irregular Variation of Contract Price – Rehabilitation and Construction of Boreholes Group 3

Review of the contract No. GAWASCO-54765-CW-RFB signed on 13 July 2020 for the rehabilitation and construction of boreholes group 3 revealed that the original contract price of the contract was Kshs.151,679,740(inclusive of taxes). During the year under review, the Water Company made payment of Kshs.75,177,458 to the contractor (inclusive of taxes). As at the time of the audit in September 2025, the Company had made cumulative payments to the contractor amounting to Ksh. 182,594,131, resulting in overpayment by Ksh. 58,904,528 or 39%, which is above 25% of the contract sum. However, the Management did not provide documentary evidence to support separate tendering for the increase in variation of the contract, contrary to Section 139(6) of the Public Procurement and Asset Disposal Act, 2015.

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

Management Response.

This was purely a World Bank-funded project, and the variations were approved according to the World Bank procurement plan.

Committee Observation

The Committee observed that the management failed to provide documentary evidence to support the contract variations in line with the World Bank procurement plan Section 139(6) of the Public Procurement and Asset Disposal Act, 2015.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

6. **High Non-Revenue Water**

Records provided for audit revealed that the quantity of water produced during year was 4,927,213 cubic meters, while the quantity of water billed to customers was 3,041,527 cubic meters representing a gross sale of water valued at Kshs.307,326,832 as reported in the statement of profit or loss and other comprehensive income. The difference of water quantity amounting to 1,885,686 cubic meters, which translates to approximately 38% of water produced, was neither billed nor accounted for. This is above the maximum Non-Revenue Water rate of 25% set by Water Service Regulatory Board guidelines.

In the circumstances, Management was in breach of Water Service Regulatory Board guidelines.

Management Response.

To address the issue of NRW, the company carried out a consultancy on management of NRW and has been implementing the recommendations. The above have led to reduction of NRW by 10% from 38% at the time of reporting to 28% as at December 2025.

The implementation of the interventions is continuing and we target to close the year at 25%.

Committee Observation

The Committee observed that the management had a Non- Revenue Water level of 38%, 13% above the maximum Non-Revenue Water rate of 25% set by Water Service Regulatory Board guidelines. However, the management was working progressively on the matter, and by December 2025, he NRW level had reduced to 28%.

Committee Recommendation

The Committee recommends that—

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

ii. **the Governor ensures that the Accounting Officer segregates NRW to both Physical or Commercial so that the water company can ascertain and identify specific mitigating measures to effectively address and reduce the NRW levels; and**

iii. **the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put place to reduce cases of theft and illegal connections.**

7. **Failure to Dispose Grounded Assets**

Inspection of the assets owned by the Company revealed that two (2) unserviceable motor vehicles and eleven (11) motorcycles had been grounded and were therefore not in use but had not been disposed-off. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015, which requires an Accounting Officer to establish a disposal committee as and when prescribed for the disposal of unserviceable, obsolete and obsolescent or surplus store, equipment or assets.

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

Management Response.

The delay in disposing of the grounded motor vehicles and motorcycles was due to procedural and logistical challenges, including the absence of a functional Disposal Committee during the review period and the need to obtain valuation reports.

The Management will undertake the following corrective actions:

i. **Reconstitution of the Disposal Committee:**

A Disposal Committee will be reconstituted in line with Regulation 77 of the Public Procurement and Asset Disposal Regulations, 2020, to oversee the disposal of unserviceable assets.

ii. **Valuation and Disposal Plan:**

The grounded vehicles and motorcycles will be assessed and included in the subsequent Disposal Plan, which will be submitted to the Board and the County Government for approval.

iii. **Planned Disposal:**

Once approval is received, the disposal process will be conducted in accordance with Section 165 of the PPADA, 2015, through public auction or other approved methods.

Committee Observation

The Committee observed that the management did not have an established assets disposal committee, in line with Regulation 77 of the Public Procurement and Asset Disposal Regulations, 2020, to oversee the disposal of unserviceable assets.

Committee Recommendation

The Committee recommends that the Auditor General confirms the establishment and functionality of the Assets Disposal Committee in line with Regulation 77 of the Public Procurement and Asset Disposal Regulations, 2020, to oversee the disposal of the grounded assets as required by Section 163(1) of the Public Procurement and

Asset Disposal Act, 2015, and provide a status update to the Senate in the subsequent financial year audit.

8. Failure to Prepare Quarterly Financial Reports

Management did not prepare quarterly reports for the year under review. This is contrary to the requirements of Section 166 of the Public Finance Management Act, 2012 which requires the accounting officer to prepare quarterly report for a county government entity containing information on the financial and non-financial performance of the entity and in a form determined by the Accounting Standards Board as the same were not produced for audit review neither was evidence of submission of copies of the quarterly reports to the County Executive Committee member responsible for Water provided for audit review.

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

Management Response.

The Finance Department prepares the quarterly Reports, which are usually shared with the Company Management Team and later presented before the Quarterly Board Meetings for analysis. The quarterly reports were already prepared during the audit and were presented as part of the responses to the previous query. Kindly find attached the reports for your perusal.

Committee Observation

The Committee observed that the management submitted the Income and expenditure reports, as required by Section I66 of the Public Finance Management Act, 2012.

Committee Recommendation

The Committee Recommends that the matter be marked as resolved.

9. Irregular Engagement, Recruitment and Payment to Casuals

Examination of the Company's payroll revealed that the Company engaged casual employee between July 2024 and June 2025 continuously for more than 3 months. This is contrary to paragraph B.16 of the County Human Resource Manual, 2023 Part B which provides that casual worker shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board.

Casual workers shall not be engaged for more than three months, as stipulated in the Employment Act, 2007. Further, details of how the casuals were identified, recruited and onboarded were not provided for audit review. Further, the Company did not have annual recruitment plans. There was no staff rationalization report indicating any vacancies or shortages in any department to justify the need to hire casual staff.

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

Management response

The Board of Directors approved engagement of casuals on site during excavation, disconnecting/Bypass and repair of burst and leakages.

Committee Observation

i. The Committee observed whereas the Board minutes approving the engagement of the casual staff was provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act; and

ii. the management failed to provide the recommendations by the Staff Advisory Committee, results of suitability/appraisal tests of the casuals, approved human resources plan and indent for audit review.

Committee Recommendation

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

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

1. Lack of Disaster Recovery Plan

The Management did not have a disaster recovery plan in case of any occurrences leading to losses and operational setbacks.

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

Management response

The management is in the process of preparing a disaster recovery plan.

Committee Observation

The committee observed that the water company operated without a Disaster recovery plan in place during the financial year under review. Documentary evidence to support the progress in the process of establishing a disaster recovery plan was provided for the committee verification.

Committee Recommendation

The Committee recommends that the Governor through the County Executive Committee Member (CECM) - Finance ensures that the water company puts in place all internal control systems systems such as the IT Policy and Disaster Recovery Plan, as provided under section 158 of the Public Finance Management (County Government) regulations, Cap. 412A among others to guide the internal operations of the company. Further, the County Executive Committee Member (CECM) - Finance to submit evidence of the same to the Auditor General for verification.

2. **Failure to hold Annual General Meetings**

Management did not provide evidence confirming that annual general meetings were held and annual returns were submitted since the Company was incorporated on 6 July, 2004. This is contrary to the requirement of Section 275(A)(1) of the Companies Act, 2015, which provides that every Company should convene a general meeting once a year.

In the circumstances, it was not possible to confirm the effectiveness of governance systems in the Company.

Management response

The company will conduct AGM going forward.

Committee Observation

The Committee observed that the management did not provide evidence confirming that annual general meetings were held and annual returns were submitted since the Company was incorporated on 6 July, 2004. The management however committed to adhere to the law in operation of the board.

Committee Recommendation

The Committee recommends that the water company adheres to Section 8 (1) of the State Corporations Act 2015, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

3. **Failure to Carry Out Evaluation of the Board's Performance.**

The Board did not carry out the evaluation exercise contrary to Section 3.8(2) of Water Service Regulatory Board Guidelines for Water Service Sector, 2018 which requires that the Board shall evaluate its performance once every year and set up achievable action points to assess its performance as a whole and that of individual members including the Managing Director.

In the circumstances, it was not possible to confirm the effectiveness of governance systems in the Company.

Management response

The Board members will do board evaluations going forward effective from the next financial year.

Committee Observation

The Committee observed that the Board of Directors did not carry out the evaluation exercise contrary to Section 3.8 (2) of Water Service Regulatory Board Guidelines for Water Service Sector, 2018.

Committee Recommendation

The Committee recommends that the water company adheres to Section 8 (1) of the State Corporations Act 2015, failure to which failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

4. **Lack of Functioning Internal Audit Unit**

Review of the internal audit function revealed that the Internal Audit Department was understaffed and not adequately facilitated as there was no clear budget line including staffing and training. It is therefore doubtful whether it has the capacity to accomplish its internal audit responsibilities.

In the circumstances, the existence of an effective mechanism to ensure a proper internal control system could not be confirmed.

Management response

Budgetary constraints during the year under review restricted full staffing and operational support for the department. The company is committed to upholding a robust internal audit unit. To achieve this, an initiative has been launched to review the department's structure against best practices. Concurrently, plans are being finalized for the upcoming financial year to facilitate recruitment, capacity building, and operational enhancements, ensuring the unit is adequately resourced to fulfil its mandate and reinforce the internal control framework.

The company has allocated a budget, this financial year, for the Internal Audit unit, as attached.

Committee Observation

The committee observed that the company operated without an Audit Committee and Functional Internal Audit Unit in place during the financial year under review. However, the company has allocated budget in the current financial year for the internal audit unit.

Committee Recommendation

The Committee recommends that the County Executive Committee Member (CECM) - Finance ensures that the water company puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012, and a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of the water company. Further, the managements to submit evidence of the same to the Auditor General for verification.

5. **Weaknesses in Revenue Management**

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statement reflects income from operations of Kshs.307,326,833 in respect of water sales. However, the following observations were also made in respect of revenue management:

i) The total number of customers recorded in the revenue system as at 30 June, 2025 were 21,013. However, out of this number, only 7,786 or 37% of the customers were metered. The Company could not maximize collection due to fewer metered customers.

ii) There were no master meters installed to record water at production and the Company could only estimate the amount of water produced during the financial year using pumping hours resulting to a possibility of inaccurate data.

iii) The company reported revenue from water sales of Kshs.307,326,832 during the year under review. However, records availed for audit revealed that only Kshs.200,862,985 or 65% was the actual collection for the period under review, leaving Kshs.106,463,847 uncollected. The Management is therefore unable to significantly collect water bills revenue.

In the circumstances, it was not possible to confirm the effectiveness of internal controls on revenue administration and collection at the Company.

Management response

The management has developed a metering program, and the same is being implemented. We have installed a new billing software with internal controls to ensure we do not miss billing any account. We have increased our metering ratio to 57%, representing 11,977 metered customers, and the installation is continuous. The billings for the last quarter attest to that. We plan to carry out a customer identification survey by the close of the financial year to enable us to recognize the right number of active connections.

The water company received funding for the installation of master meters, and as per the metering program, the same will be installed in the 3rd quarter of this year.

The collection efficiency is affected by national and public schools and colleges that delay in payments. For the domestic consumers we have automated our billings and payment processes in order to improve on collection efficiency,

The water company also rolled out the performance management contracting for all staff in the department.

Committee Observation

The Committee observed that—

i) the management provided the Non-revenue water reduction strategy and photographs of master meters.

ii) The management has rolled out performance management contracting for all staff in the metering department.

iii) The management could not account for the Ksh. 106, 463,847 uncollected from the customers.

Committee Recommendation

The Committee recommends that—

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

ii. **the County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act, Cap.412A and regularly report to the Governor through the County Executive Committee in line with Article 179 (6) of the Constitution; and**

iii. **the Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability**

6. Weaknesses in Accounting for Cash and Cash Equivalents

The Company used Microsoft Excel office software in recording and maintaining the cashbook, which is vulnerable to fraud and susceptible to human errors.

In addition, the cash books were not reviewed, approved and signed by the accountant and the Finance Manager at the end of each month.

In addition, there was no backup strategy in case of loss of data.

In the circumstances, the security of the data maintained in the Excel Microsoft regarding cash and cash equivalents could be in jeopardy.

Management response

The cash books were reviewed, approved, signed at the end of every month, and are available for review. The company has a cash book maintained in the ERP software.

The ERP system has modules like cash management that maintain the cash book and have users and user IDs.

Committee Observation

The Committee observed that the reviewed, approved, and signed cash books were availed for the committee verification.

Committee Recommendation

The Committee recommended that the matter be marked as resolved.

CHAPTER TWO: MUNICIPALITIES

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

The Governor of Garissa County, Hon. Nathif Jama Adam, EGH, appeared before the Committee on Monday 26th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Garissa Municipality for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mohamed Hassan Osman- Municipal Manager
2. Abdhilathif Abdhi Shakul- Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Garissa Municipality on the following basis;-

1. Unsupported Revenue from Levies, Fines and Penalties

The statement of financial performance reflects revenue from levies, fines and penalties amounting to Ksh. 12,368,444 as disclosed in Note 8 to the financial statements. The revenue comprises of Ksh. 4,766,444 in respect of levies and fines and Ksh. 7,602,000 in respect of receivables. However, a schedule indicating the name of the person paying, date, amount paid and description of the service being paid for was not provided.

In the circumstances, the accuracy and completeness of revenue from levies, fines and penalties amounting to Ksh. 12,368,444 could not be confirmed.

Management Responses

The management prepared all the receipts and schedule indicating the names, date, amount to be paid and the description of the services being paid for.

Committee Observation

The Committee observed that the management failed to provide a breakdown of the payment made to the municipality. However, the documents were provided during the exit meeting with the Auditors, thus addressing the matter satisfactorily.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2. Unsupported Repair and Maintenance Expenditure

The statement of financial performance reflects expenditure on repair and maintenance amounting to Ksh. 840,851 as disclosed in Note 15 to the financial statements. However, the ownership documents of the motor vehicle repaired and the procurement records relating to the repairs and maintenance were not provided for audit.

In the circumstances, the accuracy and completeness, of expenditure on repair and maintenance amounting to Ksh. 840,851 could not be confirmed.

Management Responses

the truck registration number KCA 389F is a Scania make and in Kenya the sole authorized dealer and distributor of Scania and genuine parts is Scania East Africa ltd. The direct procurement was undertaken in accordance with section 103 (2)(a)(d) of the disposal procurement and asset disposal act 2015. the vehicle logbook and the procurement records have been availed to the auditor for review.

Committee Observation

The Committee observed that the management failed to provide ownership documents of the repaired vehicle as well as the procurement records relating to the repair and maintenance. However, the documents were provided during the exit meeting with the Auditors, thus addressing the matter satisfactorily.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

3. **Unsupported Receivables from Exchange Transactions**

The statement of financial position reflects receivables balance of Ksh. 7,602,000, as disclosed in Note 17 to the financial statements. However, Management did not provide a schedule with specific payee details related to these receivables or an explanation of how the balances arose. Furthermore, the Municipality did not have a debt management policy. In the circumstances, the accuracy, completeness and recoverability of the receivables balance of Ksh. 7,602,000 could not be confirmed.

Management response

The management prepared all the receipts and schedule indicating the names, date, amount to be paid and the description of the services being paid for.

Committee Observation

The Committee observed that the management failed to provide the receipts and schedule indicating the details of the receivables. However, the documents were provided during the exit meeting with the Auditors, thus addressing the matter satisfactorily.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

4. **Unsupported Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment net book value balance of Ksh. 290,668,685 as disclosed in Note 18 to the financial statements. Included in the property, plant and equipment balance is Ksh. 25,000,000 relating to land. However, the Municipality did not provide ownership documents for land to confirm the land size and ownership.

Further, the asset register maintained was incomplete and lacked key information including identification or serial number, acquisition date, description of asset, location, class, cost of acquisition, accumulated depreciation, net book value.

In the circumstances, the accuracy of property, plant and equipment balance of Ksh. 72,995,622 could not be confirmed.

Management response

Management is waiting the national and county government to transfer properties, plants and equipment to the municipality and the process has been started.

Committee Observation

The Committee observed that the management failed to provide an updated fixed assets register for audit verification because the ownership documents were not yet available since the process of transferring the assets to the municipality was yet to be completed.

Committee Recommendation

The Committee recommends that—

i) **The Governor ensures that the process of transferring the assets is fast tracked and completed as soon as possible, and the auditors keep the matter on check during the subsequent audit cycle;**

ii) **the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board in accordance with section 104(1)(h) of the Public Finance**

Management Act, Cap.412A, failure to which penalties under section 199 of the Public Finance Management Act shall apply.

Emphasis of Matter

5. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Ksh. 54,600,000 and Ksh. 30,975,466 respectively, resulting to an under-funding of Ksh. 23,624,534 or 43% of the budget. Similarly, the Municipality spent a total of Ksh. 34,337,472 against actual receipts of Ksh. 30,975,466 resulting to an over expenditure of Ksh. 3,362,006 or 11%.

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

Management response

The Management has engaged the County Treasury to ensure timely and full disbursement of funds and will strengthen budget implementation through monthly variance analysis and reporting to the Board.

Similarly, the actual expenditure incurred as per the comparison of budget the total expenditure 30,690,337 against the total amount received 30,975466 and surplus of 285,129, therefore there was no over expenditure.

Copies of the financial statement for the year ended 30th June 2025 were attached for the Committee verification.

Committee Observation

The Committee observed that the underfunding was due to late disbursement of funds from the County Treasury, and that the documents to support the reconciliation of the variance of Ksh 285,129 were submitted to the auditors during their exit meetings with the management, hence addressing the matter satisfactorily.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

REPORT ON THE LAWFULLNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Delayed Transfer of Functions to the Municipality

Review of the Municipality's operations revealed that various functions specified in Section 2 of the Municipal Charter are currently overseen by the County Executive of Garissa.

These functions include managing refuse collection and solid waste services, providing water and sanitation infrastructure, municipal infrastructure, enforcing municipal plans, providing administrative services, promoting infrastructural development and collecting revenue.

Management Response

Management respectfully acknowledges the transfers of functions has been delayed by the government of the day, however the current government transferred the functions to municipality.

The transfer was effective duly documented through the gazette notice no: 2403 dated 2nd June, 2023. The copy of the following has been submitted; -

a) The board members are fully committed.

b) A letter from the County Secretary dated 22nd Nov, 2024 which confirms the transfer process.

c) A letter from the CECM finance appointing Garissa Municipal Manager to be a collector of revenue date 3rd March, 2025.

Committee Observation

The committee noted that the county executive have since transferred the functions to the municipality, and even appointed the manager of the municipality as a collector of revenue, thus addressing the matter satisfactorily.

Committee Recommendation

The Committee recommends that the Governor ensures the operationalization of the of municipality is undertaken according to the functions delegated as gazetted by the County Government. Further, the Governor should ensure that municipality is adequately funded in accordance with section 172 of the Public Finance Management Act, 2012, to enhance their operational independence and enable effective service delivery. The Governor should further ensure that the municipality is operationalized to undertake their delegated functions in line with law by the commencement of the Financial Year 2026/2027.

2. **Non-Compliance with Gender Equality**

Review of the staff report data presented for the audit revealed that Garissa Municipality had one hundred and seventy-eight (178) employees. However, one hundred and forty-seven (147) employees representing approximately 82.6% were of male gender while thirty-one (31) representing approximately 17.4% were of female gender.

This is contrary to Section B.22(2) of the Human Resource Policies and Procedures Manual for the Public Service, May, 2016 states that the Government will endeavor to have a gender balanced Civil Service by ensuring that not more than two-thirds of positions in its establishment are filled by either gender.

Management Response

Management has issued an advisory to the Garissa County Public Service Board to address the gender imbalance and the recruitment is outside the mandate of the Municipality Board.

Committee Observation

The Committee observed that the query remains unresolved as the municipality failed to comply with section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires no public establishment to have more than one third of its staff from the same ethnic community.

Committee Recommendation

The Committee recommends that—

i. **The Governor should ensure that there is compliance with section 7(1) and 2 of the National Cohesion and Integrity Act which states that; *(1) All public establishment shall seek to represent the diversity of people of Kenya in employment of staff; (2) No public establishment shall have more than one third of its employees from same ethnic group*; and**

ii. **The Governor in collaboration with the County Public Service Board make deliberate efforts to progressively comply with section 65 of the County Governments Act, 2012 which provides that at least thirty percent 30% of the vacant posts at entry level be filled by candidates who are not from the dominant ethnic community.**

3. **Failure to Meet Recruitment Thresholds for Persons with Disabilities**

Review of staff records for the period under review revealed that only three (3) employees out of one hundred and seventy-eight (178) employees, representing 2% were persons living with disabilities. This is contrary to Section 13 of the Persons with Disabilities Act, 2003, which requires that a minimum of 5% of all casual, emergency and contractual positions be reserved for persons with disabilities in both the public and private sectors.

Management Response

The recruitment falls under the mandate of the Garissa County Public Service Board, Management has issued an advisory to the Board to address the shortfall and ensure compliance with the Persons with Disabilities Act in future recruitments.

Committee Observation

The Committee observed that the query remains unresolved as the municipality failed to comply with Section 21 (2) (b) of the Persons with Disability Act, 2025, which states that '*where an employer has at least twenty employees, reserve at least five per cent direct employment opportunities for persons with disabilities to secure employment;*'

Committee Recommendation

The Committee recommends that—

i. **The Governor should ensure that there is compliance with Section 21 (2) (b) of the Persons with Disability Act, 2025; and**

ii. **The Municipality Board and the Accounting Officer makes deliberate efforts to progressively comply with Section 21 (2) (b) of the Persons with Disability Act, 2025, which states that '*where an employer has at least twenty employees, reserve at least five per cent direct employment opportunities for persons with disabilities to secure employment.***

4. **Failure to Provide the Published Finance Manual**

During the year under review, the Management did not provide the published financial manuals as required by Regulation 9(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the County Treasury to publish financial manuals and forms which may be used by County Government entities to support implementation of these Regulations.

The financial manuals and forms, issued in accordance with these Regulations shall facilitate adoption of international standards and emerging best practices.

Management Response

The publication of financial manuals and forms is the responsibility of the County Treasury. Management has formally requested the County Treasury to provide the published financial manuals and will ensure their adoption and use upon receipt to support compliance with the Public Finance Management (County Governments) Regulations, 2015.

Committee Observation

The Committee observed that the management has its financial management function domiciled in the County treasury, and therefore, it does not prepare its separate financial manuals.

Committee Recommendation.

The management recommends that the Governor ensures that the Accounting Officer prepares a separate Finance Manual in accordance with regulation 9 (1) of the Public Finance Management (County Governments) Regulations, 2015.

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

1. **Ineffective Internal Audit Function**

Review of the internal controls and governance structure at the Municipality revealed that, while the Municipality has an arrangement with the County Government to second internal auditors, only one (1) internal auditor was seconded to the entity. Further, no internal audit was conducted during the year under review.

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

Management Response

The department has an internal auditor deployed from the County Executive and Audit and Compliance Committee. Management has availed the approved Internal Audit Annual Work Plan and the audit charter to demonstrate the existence and functionality of the internal audit function.

Committee Observation

The Committee observed that the audit function was not effective as I has no conducted any internal audit up to the time of audit, in accordance to Section 155 (3) (a) of the Public Finance Management Ac, 2012. However, the management submitted documents to support the existence of a functional Internal Audit Committee, thus addressing the matter satisfactorily.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2. **Poor control in the management of Imprest Register**

Review of the Imprest Register reveals that the register did not indicate designation of the imprest holder, signature of the imprest holder, purpose of the imprest, and imprest warrant number.

Management Response

Management has provided a proper imprest register to the Auditor, detailing all imprest holders and their respective signatures.

Committee Observation

The Committee observed that the management failed to submit the updated imprest to the auditors, contrary to Section 62 (1) (c) of the Public Audit Act, 2015. However the documents were later submitted to the auditors during their exit meeting with the management.

Committee Recommendation.

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

3. **Unsupported Performance in the Statement of Performance Against Predetermined Objectives**

The performance of the programs being implemented in the statement of performance against predetermined objectives is not specific, measurable, achievable, relevant and timebound.

The kilometers of road network and the number of parking facilities increased within the town have not been disclosed. Further, the number of youths engaged on temporary jobs have not been disclosed.

Management Response

The management has acknowledged there was an oversight and information will be provided in the current Financial year 2025/2026.

Committee Observation

The Committee observed that the management failed to submit the project implementation status report to the auditors, contrary to Section 62 (1) (c) of the Public Audit Act, 2015.

Committee Recommendation.

The Committee recommends that—

i) **the Auditor-General to undertake a project verification exercise to ascertain the status of the projects and submit a status update in the subsequent audit cycle; and**

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

2.2 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR DADAAB MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Garissa County, **Hon. Nathif Jama Adam**, appeared before the Committee on Monday, 26th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Dadaab Municipality, for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mohamed Abdi Ali- Municipal Manager
2. Abdilahi Abdi Bakari- Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Dadaab Municipality on the following basis;-

1. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment net book balance of Kshs.71,693,165 as disclosed in Note 12 to the financial statements. Included in the property, plant and equipment balance is Kshs.25,000,000 in respect of land. However, Management did not provide ownership documents for the land. Further, the Management did not maintain assets register to record the transactions relating to non-current assets disclosed in the financial statements.

In the circumstances, the accuracy and ownership of property, plant and equipment balance of Kshs.71,693,165 could not be confirmed.

Management Response

The national government is yet to transfer property, plant and equipment ownership documents to the Municipality by Transition Authority. As for the assets register, the Municipality maintained updated Fixed Asset Register (FAR) during the period under review. The register has been availed during the audit period and now ready for review. A copy of the Fixed Asset Register was attached for the Committee verification.

Committee Observation

The Committee observed that the municipality had land owned by the Transition Authority had not been transferred to the Municipality at the close of the year.

Committee Recommendation

The Committee recommends that—

i. **the Governor ensures that the municipality secures full ownership of the queried property, plant and equipment and provide a status update to the committee within 60 days of adoption of this report;**

ii. **the Accounting Officer ensures that the municipality maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board (PSASB) and the company to carry out a valuation of all its assets and submit the same to the Auditor-General within 60 days from the adoption of this report;**

iii. **the Governor engages the Intergovernmental Relations Technical Committee (IGRTC) to ensure that the process of transfer of all assets and liabilities are completed in a timely manner; and**

iv. **the Auditor-General to undertake physical verification of all assets of the Municipality and provide a status report to the Committee within 60 days from the adoption of this report.**

2. Budget Performance and Control

The statement of comparison of budget and actual amounts reflects revenue budget and actual revenue on comparable basis of Kshs.6,797,594 and Kshs.5,597,594 respectively, resulting in budget under-funding of Kshs.1,200,000 or 18% of the budget. Similarly, the Municipality incurred expenditure of Kshs.5,340,324 against available funds of Kshs.5,597,594, resulting in an under-absorption of Kshs.257,270 or 5% of available funds.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the residents of Dadaab Municipality.

Management Response

Management Meetings with the County Treasury have been initiated to address timely and full disbursement of approved funds. Similarly, the under absorption 257,270 that the auditors reported in the statement of comparison of budget and actual amounts is the part of the payable that the department reported in the financial position of the financial statement and also captured in the note 13 of the financial statement. An extract of financial statement for the year ended 30th June 2025 was attached for the committee verification.

Committee Observation

The Committee observed that the municipality had an under-funding of Kshs.1,200,000 or 18% of the budget and also had an under-absorption of Kshs.257,270 or 5% of the actual receipts.

Committee Recommendation

The Committee recommends that the Governor—

i. **the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs, connection of more customers and automation to address revenue leakages. The Auditor-General to confirm the effectiveness of the mitigating measures put in the municipality and report in the subsequent audit cycle; and**
ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply**

4. Over Reliance on Transfers from County Government

The statement of financial performance and Note 6 to the financial statements reflect a receipt balance of Kshs.4,800,000 from the County Government of Garissa and was the only revenue realized during the year. This indicates that the Municipality was financed solely through allocations from the County Government, rather than generating its own revenue as provided under Section 172(a) of the Public Finance Management Act, 2012. This section mandates municipalities to generate revenue from sources such as rates, fees, levies, charges and other revenue-raising measures.

In the circumstances, the sustainability of service delivery may not be guaranteed due to over reliance on allocations from the County Government.

Management Response

The executive has fully transferred the function of revenue collection to municipality through the letter from the CECM Finance appointing Dadaab Municipal Manager to be a collector of revenue dated 5th January 2026 which is a critical step in enhancing its financial independence and ability to fund its operations. A copy of a letter of designation of COR was attached for the committee verification.

Committee Observation

The Committee observed that the management was a newly established entity, and had put in place measures to collect revenue from rates, fees, levies and charges, as required by Section 157 (1) of the Public Finance Management Act, 2012, as well as engaging NGOs for support and funding, to improve its revenue streams.

Committee Recommendation

The Committee recommends that—

i. **the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government; and**

ii. **the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor to keep this matter in view and report in the subsequent audit cycle**

5. Delayed Transfer of Functions to the Municipality

Review of the operations of the Municipality revealed that many of the functions stipulated under the Municipal Charter, were carried out by the County Executive of Garissa. These include construction and maintenance of urban roads and associated infrastructure, construction, maintenance and regulation of municipal markets and abattoirs, promotion, regulation and provision of municipal sports and enforcement of municipal plans and development control, construction and maintenance of rehabilitation centers and control of drugs and substance abuse, management of public transport, promoting and undertaking infrastructural development and services within the Municipality, developing a framework for spatial and master plans for the Municipality, construction and management of community centers, funeral parlors, cemeteries, libraries and religious institutions.

In the circumstances, the justification for the establishment of the Municipality could not be confirmed.

Management Response

The county executive had transferred all the functions to municipality. The transfer was effective duly documented through the gazette notice no. 157 dated 7th July, 2023. The copy of the following has been submitted.

The board members are fully constituted. Copies of the letter from the County Secretary dated 12th Nov, 2024 which confirms the transfer process, a letter from the CECM finance appointing Dadaab Municipal Manager to be a collector of revenue date 5th January 2026 confirms the transfer and a copy of functions to the Municipality, were attached for the committee verification.

Committee Observation

The Committee observed that the County government was in the process of progressively transferring the remaining functions to the municipality including establishment of a Municipal Board, signing of the Municipal Charter by the Governor, appointment of the management team led by the Municipal Manager, and the gazettement of municipal functions.

Committee Recommendation

The Committee recommends that the Governor ensures that the municipality carries out its operations in accordance with the delegated functions as gazzeted by the county governor in the Municipality Charter.

6. **Failure to Establish Audit Committee**

During the year under review, the Municipality did not have an audit committee. This is contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each County Government entity shall establish an audit committee.

Lack of audit committee may lead to reduced oversight of financial reporting which may increase risk of errors, misstatements or even fraud in financial records and reports.

Management Responses

The Municipality board had established the Audit and compliance committee that is tasked with risk assessment, mitigation and internal control system. The committee acts as an oversight for the Municipality. Copies of board minutes of the formation of audit and compliance committee were attached for the committee verification.

Committee Observation

The Committee observed that The Municipality operated without an internal audit committee in place during the financial year under review.

Committee Recommendation

The Committee recommends that—

i. **the County Executive Committee Member (CECM) - Finance ensures that the municipality puts in place all internal control systems such as the**

Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012, and a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of the municipality. Further, the managements to submit evidence of the same to the Auditor General for verification; and

ii. **the Auditor-General to verify the functionality of the Board and provide a report on the same to the Senate during the subsequent audit cycle.**

7. **Failure to Establish Internal Audit Function**

During the year under review, the Municipality did not have an internal audit unit. This is contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a county government entity shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the existence of effective mechanisms and processes for review and evaluation of budgetary performance, financial management, transparency and accountability in the Municipality could not be confirmed.

Management Responses

The internal audit unit was established, and auditors were deployed on 15th May 2025 from county treasury as per the deployment letter attached for committee verification. The department performs its function, prepared risk management policy, internal annual audit work plan, audit chat and audit manual and all approved by the board. Copies of minute of the audit and compliance committee anti prepared risk management policy, internal annual audit work plan, audit chat.

Committee Observation

The Committee observed that the municipality did not have an audit committee and an internal audit function in place during the financial year under review contrary to Section 155(1) of the Public Finance Management Act, Cap.412A.

Committee Recommendation

The Committee recommends that the Board of Directors ensures that the Municipality puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act,

2012 among others to guide the internal operations of the municipality. Further, the managements to submit evidence of the same to the Auditor General.

8. **Lack of Risk Management Policy**

Review of internal control and risk management operations revealed that the Municipality did not have a documented risk management policy.

In the circumstances, Management lacked objective means to identify, assess and mitigate operational and other risks faced by the Municipality.

Management Response

The risk policy has been developed and the Board approved and availed to the auditors for review. A copy of the approved risk management policy was submitted to the committee verification.

Committee Observation

The Committee observed that municipality did not have a risk management policy in place to effectively execute internal controls of the municipality.

Committee Recommendation

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

2.3 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MASALANI MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Garissa County, Hon. Nathif Jama Adam, EGH, appeared before the Committee on Monday 26th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Masalani Municipality, for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

Yusuf Mohamed Abdi- Municipal Manager

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Masalani Municipality on the following basis;-

1. Unsupported Prior Year Adjustments on Capital Fund Balance

The statement of changes in net assets reflects a net asset balance of **Kshs.2,665,598.** Included in this balance is a prior year adjustment of **Kshs.1,890,000** in respect of capital fund related to development grants (property, plant and equipment) donated in the previous year. However, Management did not provide details of the development grant or a schedule of the property, plant and equipment.

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

Description	Land/Building	Motor Vehicles	Furniture & Fittings	Computers	Total
Depreciation Rate	2%	12.5%	12.5%	33.33%	-
As at 1 July 2023	0	0	0	0	0
Additions	0	0	880,000	0	880,000
As at 30 June 2024	0	0	880,000	0	880,000
Prior Year Adj.	0	1,800,000	880,000	200,000	2,880,000
As at 30 June 2025	0	1,800,000	880,000	200,000	2,880,000
Accumulated Depr.	0	225,000	220,000	66,660	511,600
NBV 30 June 2025	0	1,575,000	660,000	133,340	**2,368,340**

Motor v. initial cost = 1800,000
Depreciation =225,000
Total =1,575,000
F and F initial cost =880,000
Depreciation for 2 years =220,000
Total = 660,000
Computers initial cost =200,000
Depreciation =66,660
Total =133,340
Hence the total non-current asset for f/y 2024/2025 is 2,368,340.

Description	Capital / Development Fund (Ksh)	Revaluation Reserve (Ksh)	Accumulated Surplus (Ksh)	Total (Ksh)
Balance as at 1 July 2023	**0**	**0**	**0**	**0**
Surplus/(Deficit) for the year	0	0	5,880,825	5,880,825
Balance as at 30 June 2024	**0**	**0**	**5,880,825**	**5,880,825**
Balance as at 1 July 2024	**0**	**0**	**5,880,825**	**5,880,825**
Prior Year Adjustment	1,890,000	0	(5,000,000)	(3,110,000)
Surplus/(Deficit) for the year	0	0	(105,227)	(105,227)
Balance as at 30 June 2025	**1,890,000**	**0**	**775,598**	**2,665,598**

Receivable amounting to Ksh. 5,000,000 recognized during the previous year includes receivables from County Government, which the Municipality does not expect to receive in the current year. Therefore, the amount had to be adjusted to reflect true state of affairs of the Municipality.

The Kshs.1,890,000 includes prior year balances in respect to Property, Plant and Equipment which were not disclosed in the prior year. Adjustment was performed to reflect the true state of affairs of the Municipality.

M. vehicle	=1800,000
Computers	=200,000
Total	**=2000,0000**
prior year depreciation	=110,000
Hence, 2000,000-110,000	=1890,000.

The figure 775,598 is a result of 5,880,825 -5,000,000(receivables not expected)-surplus of FY (105227) =775598.

1890,000 +775598=2665,598 (unrecognize assets for prior year minus depreciation of the prior year plus the accumulated surplus for the two years)

Committee Observation

The Committee observed that the management submitted the management submitted the details of the motor vehicle to support the expenditure of the capital fund related to development grant, hence addressing the matter satisfactorily.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

Emphasis of Matter

1. **Budget Performance and Control**

The statement of comparison of budget and actual amounts reflects revenue budget and actual revenue on comparable basis of Kshs.6,000,000 and Kshs.4,500,000 respectively, resulting to under-funding of Kshs.1,500,000 or 25% of the budget. Similarly, the Municipality incurred expenditure of Kshs.4,202,801 against a budget of Kshs.4,500,000 of available funds, resulting in under absorption of Kshs.297,199.

Underfunding and under absorption may have adversely affected service delivery to Masalani residents.

Management Response

With regard to the issue of underfunding, the management engaged the County Treasury to raise concerns about the budget shortfall, which limited the Municipality's ability to fully implement its planned activities for the financial year. Following these discussions, the Treasury acknowledged the challenges and committed to giving due consideration to all funding requests submitted by the Municipality in future budget cycles. This assurance will enable the Municipality to strengthen its financial planning and ensure adequate resources are allocated for service delivery and development projects.

On the matter of under-absorption, management wishes to clarify that the unutilized balance of Ksh. 297,199 was subsequently absorbed and spent in alignment with the approved budget.

As of now, all funds allocated to the Municipality for the financial year under review have been fully utilized in accordance with the laid-down financial regulations and guidelines. This demonstrates our commitment to prudent financial management, accountability, and efficient use of public resources.

Committee Observation

The Committee observed that the underfunding was due to late disbursement of funds from the County Treasury, and that the documents to support the reconciliation of the variance of Ksh 285,129 were submitted to the auditors during their exit meetings with the management, hence addressing the matter satisfactorily.

Committee Recommendation

The Committee recommended that the auditors keeps the matter of underfunding in view in the subsequent audit cycle, to confirm that there are effective internal controls, to ensure that revenue and expenditure budgets are prepared, approved, and balanced before the start of the financial year, in accordance with Regulation 31 (e) of the Public Finance Management (County Governments) Regulations, 2015.

Other Matter

1. Over Reliance on Transfers from County Government

The statement of financial performance and Note 6 to the financial statements reflects receipts of Kshs.4,500,000 from the County Government of Garissa as the only revenue realized during the year.

This indicates that Masalani Municipality was financed solely through allocations from the County Government, rather than generating its own revenue as provided under Section 172(a) of the Public Finance Management Act, 2012.

This section mandates Municipalities to generate revenue from sources such as rates, fees, levies, charges and other revenue-raising measures.

In the circumstances the sustainability of service delivery may not be guaranteed due to over reliance on allocations from the County Government.

Management Response

Masalani Municipality is a newly established institution whose primary objective is to bring services closer to the residents of Masalani. With the goodwill and support of the County Executive, efforts are underway to progressively strengthen the Municipality's institutional capacity.

As part of this process, the County Executive is in the advanced stages of facilitating the Municipality to begin collecting its own source revenue, thereby enhancing its autonomy and ability to deliver services effectively. To this effect there is a draft finance bill that will transfer the revenue function to the Municipality once approved by the county assembly.

Committee Observation

The Committee observed that the management was a newly established entity, and had put in place measures to collect revenue from rates, fees, levies and charges, as required by Section 157 (1) of the Public Finance Management Act, 2012, as well as engaging NGOs for support and funding, to improve its revenue streams.

Committee Recommendation

The Committee recommends that the Governor ensures that the municipality carries out its operations in accordance with the delegated functions as gazzeted by the county governor in the Municipality Charter and adequately resourced as per section 172 of Public Finance Management Act, Cap. 412B.

2. **Delayed Transfer of Functions to the Municipality**

Review of the operations of the Municipality revealed that many of the functions stipulated under the Municipal Charter, were carried out by the County Executive of Garissa. These include construction and maintenance of urban roads and associated infrastructure, construction, maintenance and regulation of municipal markets and abattoirs, promotion, regulation and provision of municipal sports and enforcement of municipal plans and development control, construction and maintenance of rehabilitation centers and control of drugs and substance abuse, management of public transport, promoting and undertaking infrastructural development and services within the Municipality, developing a framework for spatial and master plans for the municipality, construction and management of community centers, funeral parlors, cemeteries, libraries, and religious institutions.

In the circumstances, the service delivery by the Municipality to the residents may have been adversely affected.

Management Response

Following the inauguration of Masalani Municipality, the County Executive has taken deliberate steps to establish the necessary structures and systems to ensure smooth operations and effective service delivery. Key milestones achieved include the establishment of a fully functional Municipal Board, the signing of the Municipal Charter by the Governor, the appointment of a competent management team led by the Municipal Manager, and the official gazettement of municipal functions. In line with the devolution framework, the County Executive has already begun transferring functions to the Municipality.

To date, functions such as drainage system management, sanitation, and hygiene have been formally assigned and are being implemented by the Municipality. The transfer of the remaining functions is being carried out progressively, with the process now at an advanced stage. This gradual approach is intended to ensure that the Municipality builds the required capacity to effectively and sustainably manage all its devolved functions. For evidence you can refer to the photos attached to the report.

Committee Observation

The Committee observed that the County government was in the process of progressively transferring the remaining functions to the municipality including establishment of a Municipal Board, signing of the Municipal Charter by the Governor, appointment of the management team led by the Municipal Manager, and the gazettement of municipal functions.

Committee Recommendation

The Committee recommends that the Governor ensures that the municipality carries out its operations in accordance with the delegated functions as gazzeted by the county governor in the Municipality Charter.

3. Unresolved Prior year Matters

The Management did not provide a report on how it has addressed the recommendations and findings of the previous year's audit as required by Section 31(1)(a) of the Public Audit Act, 2015.

The following prior year audit issues remained unresolved as at 30 June, 2025 as detailed below:

i. Budgetary Control and Performance
ii. Over Reliance on Funding from County Government
iii. Conferment of Municipal Status
iv. Non-compliance With Board of Management Constitution Procedures
v. Lack of Transfer of Functions to the Municipality by the County Executive
vi. Non-compliance with Budget Formulation Laws
vii. Lack of Risk Management Policy.

In the circumstances, the Management was in breach of Section 31(a) of the Public Audit Act, 2015, which requires the entity to submit a report on how it has addressed the recommendations and findings of the previous year's audit.

Management Response

The management has taken note of the issues raised in the previous audit report and has made significant progress in addressing them. Most of the recommendations have already been acted upon, and corrective measures have been put in place to strengthen compliance, accountability, and operational efficiency.

The management is committed to ensuring that all outstanding matters are fully resolved and can, upon request, provide the necessary documentation and evidence to demonstrate the actions taken. Management remains dedicated to continuous improvement and will continue to align its operations with the relevant laws, regulations, and best practices to enhance service delivery and prudent use of public resources.

Committee observation

The Committee observed that the management has made significant progress in addressing the unresolved prior year issues, including provision of documents, and strengthening compliance, accountability and operational efficiency.

Committee Recommendation

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**

ii. **the Governor ensures the accounting officer submits a detailed status report to the Senate, and copy to the Auditor General on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

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

1. Failure to Establish internal Audit function

During the year under review, the Municipality did not have an internal audit unit. This is contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a County Government entity shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the existence of effective mechanisms and processes for review and evaluation of budgetary performance, financial management, transparency and accountability in the Municipality could not be confirmed.

Management Response

The audit and Risk Compliance Committee has been duly constituted and the department has engaged the Executive to second internal auditors and the Executive has confirmed that this matter will be acted upon within the course of this month with internal auditors scheduled for deployment

The Municipality is currently utilizing the internal audit function at the county Executive level, however, soon they will have their own independent internal audit.

Committee Observation

The Committee observed that the municipality did not have an audit committee and an internal audit function in place during the financial year under review contrary to Section 155(1) of the Public Finance Management Act, Cap.412A.

Committee Recommendation

The Committee recommends that the Board of Directors ensures that the Municipality puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of the water company. Further,

the managements to submit evidence of the same to the Auditor General for verification.

CHAPTER THREE: HOSPITALS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR GARISSA LEVEL 5 TEACHING AND REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Garissa County, Hon. Nathif Jama Adam, EGH, appeared before the Committee on Monday, 23rd March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Garissa Level 5 Teaching and Referral Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Mohamed H. Mursal, -County Secretary
2. Mr. Mahat Sheikh Salah - CEO, Garissa Level 5 Hospital
3. Ms. Abdia Abdiwahab - Chief Officer, Health
4. Mr. Abdi Ali Nuriye - Head of Treasury
5. Mr. Aden Hussein - County Director of Health
6. Dr. Muse Kune Hassan - Medical Superintendent
7. Dr. Abdullahi Moahmed Mohamud - Medical Superintendent
8. Mr. Abdi Omar - Fund Administrator, Scholarship Fund
9. Dr. Mahat Idle Gure - Medical Superintendent
10. Mr. Ramalan Mohamed - ICT Officer
11. Mr. Abdullahi Diriye - Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Garissa Level 5 Teaching and Referral Hospital on the following basis;-

1. Unsupported and Long Outstanding Trade and Other Receivables Balance

The statement of financial position reflects receivables from exchange transactions balance of Kshs.93,953,561 as disclosed in Note 17 to the financial statements which relates to approved Social Health Authority (SHA) claims not yet received by the Hospital as at the end of the financial year.

However, debtors' movement schedule indicating balance brought forward, amount accrued for the current period, payments received from the debtors to arrive at a closing balance of Kshs.93,953,561 were not provided for audit review. Further, the analysis in Note 17 to the financial statements which has been analyzed in years indicates that Kshs.27,483,484 had been outstanding for more than one (1) year.

In the circumstances, the accuracy, completeness and recoverability of receivables from exchange transactions balance of Kshs.93,953,561could not be confirmed.

Management Response

Debtors' movement schedule indicating balance brought forward, amount accrued for the current period, payments received from the debtors to arrive at a closing balance of Kshs.66,470,077of SHA is now ready for audit review.

The amount of Ksh 27,483,484 outstanding for more than one year represents the balance owed to NHIF prior to the conversion to SHA. This balance was to be taken over and paid by SHA; however, the payment has not yet been materialized. Copies of SHA and NHIF were attached for the Committee verification.

Committee Observation

The Committee observed the hospital provided the necessary schedules in addressing the matter and the auditor confirmed verification of the same.

Committee Recommendation

The Committee recommends that the matter be marked as resolved

2. **Unsupported Capital Fund**

The statement of financial position and the statement of changes in net assets reflect capital fund balance of Kshs.294,165,766. However, there was no schedule or explanation provided in support of the balance. In the circumstances, the accuracy and completeness of the capital fund balance of Kshs.294,165,766 as at 30 June, 2025 could not be confirmed.

Management Response

The stated Capital Fund balance relates to the Hospital's property, plant, and equipment (PPE). The supporting schedule has been availed for audit review. Copies of schedule of Capital fund were attached for the Committee verification.

Committee Observation

The Committee observed that the schedule was later provided for audit verification and verified by the auditor.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.250,285,000 and Kshs.245,116,624 respectively, resulting to an under-funding of Kshs.5,168,376 or 2% of the budget. Similarly, the Hospital spent a total of Kshs.204,473,177 against actual receipts of Kshs.245,116,624, resulting in an under expenditure of Kshs.40,643,447 or 17% of the receipts.

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

Management Response

The under-collection of Ksh. 5,168,376, representing 2% of the budget, resulted from the hospital waiving fees for patients from disadvantaged backgrounds, which reduced cash receipts.

Additionally, the shortfall in revenue was largely due to the late payment of SHA claims during the last week of the financial year. Copies of the Waiver committee and list of beneficiaries were the attached for the Committee verification.

Committee Observation

The Committee observed that ;-

i) The Hospital achieved a commendable 98% revenue collection rate. However, the shortfall of Ksh. 5,168,376 (2%) is attributed to policy-driven waivers for the disadvantaged, which in turn created a structural budget deficit,

ii) The Hospital held over Kshs.40,643,447 or 17% of the receipts in liquid cash that was not utilized by the end of the financial year, due to a systemic delay in the processing of SHA claims, making it procedurally impossible to follow Public Procurement and Asset Disposal Act (PPADA) timelines to spend that money within the same year.

Committee Recommendation

The Committee recommends that—

i) The Hospital Board should formalize the "Waiver Policy" to include strict means-testing criteria for disadvantaged patients. This ensures that revenue leakage is minimized and only the truly needy benefit;

ii) The Hospital Management should engage SHA to reconcile claims monthly rather than quarterly to avoid the "last-week" influx of cash that cannot be utilized effectively;

iii) **The Governor should ensure that the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply.**

Other Matter

Unresolved Prior year Matters

In the prior year audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance.

Review of the status during audit of the Hospital in 2024/2025 revealed that the following fifteen (15) issues remained unresolved as at 30 June, 2025:

S/No	Issue
1.	Unsupported Locum Allowances
2.	Non-disclosure of In-kind Contribution from the County Government
3.	Undisclosed Property, Plant and Equipment
4.	Unconfirmed Inventory Balance
5.	Unsupported Receivables
6.	Deficiencies In Implementation of Universal Health Coverage
7.	Irregular Engagement of Casual Workers
8.	Lack of Approved Budget
9.	Failure to Transfer Revenue to the County Revenue Fund Account
10.	Lack of Quarterly Revenue Reports
11.	Lack of Staff Establishment
12.	Lack of internal audit
13.	Lack of Risk Management Policy
14.	Lack of Information Technology Internal Controls

15.	Lack of Approved Strategic Plan

Management Response

The prior audit matters were addressed through submissions made to the County Public Investments and Special Funds Committee on 3rd June 2025 and to the Regional Office of the Auditor-General. The hospital is currently awaiting the Committee's resolution on the matters raised.

Committee Observation

The Committee observed that the hospital management mitigated on various previous year audit issues, on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1.0. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of the Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits, equipment and machinery requirements with significant deficits being noted in staffing levels and availability of critical equipment and equipment and machinery requirements.

1.1 Deficiencies in Staffing

The Hospital experienced significant shortfalls in staffing when compared to the Health Policy Guidelines for a Level 5 facility, as outlined below:

Staff Requirements	**Level 5 Standard**	**Number in Hospital**	**Deficit**	**Percentage of the Deficit**
Medical officers	50	21	29	58%

Anesthesiologists	7	0	7	100%
Cardiologist	2	0	2	100%
Gastroenterologist	2	0	2	100%
Pathologist	2	0	2	100%
BSN Nurses	100	10	90	90%
Critical Care Nursing Nurses	48	14	34	71%
Dental Officers	10	2	8	80%
Kenya Enrolled Community Health Nurses	250	27	223	89%
Kenya Registered Community Health Nurses	308	129	179	58%
Mortuary Attendants	10	1	9	90%
Total	**789**	**174**	**549**	**70%**

1.2 Deficiencies in Equipment and Machinery

Significant deficits were also noted in the availability of essential medical equipment and machinery, as shown below:

Equipment and Machinery Requirements	**Level 5 Standard**	**Actuals in the Hospital**	**Deficit**	**Percentage %**
Beds	500	360	140	28%
Resuscitative (2 in Labor & 1 in Theatre)	3	3	0	0%
New Born Unit Incubators	10	3	7	70%
Functional ICU Beds	12	6	6	50%
High Dependency Unit (HDU) Beds	12	2	10	83%

Support and Utility Vehicles	8	3	5	63%
At Least 7 Functional Operational Theatres- Maternity & General	7	6	1	14%
Total	**552**	**317**	**169**	**30%**

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which include the right to health care services, including reproductive health care as required by Article 43 (1) of the constitution of Kenya, 2010 may not be achieved.

In the circumstances, the Hospital may not be able to deliver on its mandate.

Management Response

1. The County has undertaken significant measures to strengthen healthcare service delivery in line with Universal Health Coverage (UHC) objectives. This includes the recruitment of twentyone (21) nurses and the operationalization of one additional theatre. Additionally, a cardiologist and a pathologist have successfully completed their postgraduate training and are expected to be deployed and fully operational within two (2) months, further strengthening the County's specialized service capacity.
2. The Garissa County Department of Health has formally submitted a request to the Public Service Board to advertise and recruit key specialized cadres, including an anaesthesiologist, gastroenterologist, dermatologist, and neurologist. Recognizing that specialized personnel require extended training periods, the County acknowledges that immediate recruitment alone is not sufficient. Therefore, a sustainable approach combining capacity building and phased recruitment has been adopted to ensure continuity and quality of care.
3. To enhance critical care services, the County has initiated the expansion of High Dependency Unit (HDU) infrastructure through the addition of four (4) ventilated beds, alongside progressive improvements in staffing and equipment in compliance with established critical care standards. Implementation is being undertaken in phases due to resource constraints while ensuring uninterrupted service delivery. Further, the County confirms that the Intensive Care Unit (ICU) has a total capacity of ten (10) beds. At the time of the audit, only six (6) beds were functional, while four (4) beds were nonoperational due to equipment faults. The County has since deployed engineers on-site to undertake the necessary repairs, and restoration works are currently ongoing. These interventions are being implemented in phases,

taking into account resource constraints while ensuring continuity of critical care services.

4. The County anticipates achieving full bed capacity standards upon the completion and operationalization of the Mother and Child Hospital, which will provide an additional capacity of four hundred (400) beds, bringing the total bed capacity to seven hundred and ninety-four (794) beds. In addition, two (2) newborn unit incubators have been procured, increasing the total number of incubators to five (5), thereby strengthening neonatal care services.
5. On transport logistics, several vehicles are currently undergoing repair and maintenance and are expected to be fully operational by the end of April 2026. In the interim, three (3) vehicles remain functional and continue to support day-to-day hospital operations addressing these gaps and enhance service delivery

Committee Observation

The Committee observed that the hospital had made tremendous improvement towards meeting the requirements of Kenya Quality Model for Health Policy Guidelines through employing more health staff including specialists and acquired equipment and machineries. Further, the Governor informed the Committee of the challenges of resource constraint making the hospital not fully attaining the staff levels and equipment and machinery required.

Committee Recommendation

The Committee recommends that—

i. **the Governor put in place a comprehensive plan outlining the specific measures being taken to further address the hospital's staffing and resource shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and leveraging on technology (telemedicine); and**

ii. **The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.**

2. Irregularities in the Contract on Installation of Revenue Collection Software

The Hospital entered into a contract agreement with a local Commercial Bank on 30 April, 2025 for installation of revenue collection software with a payment plan of one- off payment of Kshs.300,000 and quarterly deductions from the Hospital account of Kshs.200,000 for a period of five (5) years.

However, review of the contract agreement between the Bank and the Hospital revealed following anomalies in respect of data protection:

I. It was not clear who was to act as the data controller and the data processor,

II. There was no mention on data security measures in the contract,

III. No provisions for notifying the entity in the event of a data breach involving the patient's names and failure to disclose where or how the patients' details will be hosted or managed.

The gaps in the contract could potentially result in non-compliance with the data localization requirements. This is contrary to Section 25 of the Data Protection Act, 2019 which provides that every data controller or data processor shall ensure that personal data is processed in accordance with the right to privacy of the data subject and processed lawfully, fairly and in a transparent manner in relation to any data subject.

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

Management Response

The contractual agreement between the hospital and the local commercial bank designates the hospital as the data controller and processor and provides data security measures, as well as mechanisms for notifying the relevant entity in the event of a data breach. A copy of attached copy of the contract agreement.

Committee Observation

The Committee observed that the county mitigated on the matter.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

3. Climate Change and Financing

During the audit review, it was noted that the Hospital did not make any expenditure allocations or financing provisions for climate change initiatives during the year under review.

This indicates non-prioritization of climate change actions, contrary to the requirements of the Climate Change Act, 2016 and the national development agenda on climate resilience.

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

Management Response

The hospital has taken measures to incorporate climate change initiatives in the budget for the financial year 2025-2026 and the same will be addressed in subsequent year. Copies of budget for the financial year 2025-2026 appearing were attached for he committee verification.

Committee Observation

The Committee observed that the Hospital management has taken measures to incorporate climate change initiatives in the budget for the financial year 2025-2026, in line with The Climate Change Act, 2016, as evidenced by the submitted minutes of the management letters.

Committee Recommendation

The Committee recommends that this matter be marked as resolved.

4. Failure to Meet Threshold on Recruitment of Persons with Disabilities

The Hospital engaged only one (1) person living with disability out of a total of one hundred and forty-four (144) casual workers, representing approximately 0.69% of the total casual workforce.

This falls significantly short of the minimum threshold prescribed under Section B.23 (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016, which requires that at least five percent (5%) of all appointments be allocated to persons with disabilities.

This indicates non- compliance with the legal and policy provisions aimed at promoting inclusivity and equal employment opportunities for persons with disabilities in public service employment.

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

Management Response

The hospital has engaged ten (10) persons living with disabilities. Of these, seven (7) are duly registered with the National Council for Persons with Disabilities, thereby meeting the statutory requirement that at least five percent (5%) of all appointments be allocated to persons with disabilities.

Management has instituted measures to sensitize casual staff on the importance of registering with the Council to ensure sustained compliance with this requirement going forward.

Committee Observation

The Committee observed that the management addressed the matter as required

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

5. Lack of Ethnic Diversity in Casual Staff Recruitment

Review of staff data presented for audit revealed that the Hospital engaged one hundred and forty-four (144) casual employees during the period under review. However, out of these, seventy (70), representing 48.6%, were female, while seventy- four (74), representing 51.4%, were male.

While the gender distribution appears relatively balanced, it was noted that all the casual employees were drawn from the same ethnic community. This is in contravention of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which requires public institutions to reflect the ethnic diversity of the people of Kenya and to ensure that no public establishment employs more than one-third of its staff from a single ethnic group.

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

Management Response

The hospital recruited its casual staff from more than one ethnic community, as evidenced by the lists of casual employees for the four (4) quarters. The management attached a copy of the list of casual staff.

Committee Observation

The Committee observed that the hospital made significant process in addressing the matter of ethnic diversity in its employees and was it 25% compliant level.

Committee Recommendation

The Committee recommends that the Garissa County Public Service Board progressively comply with Section 65 of the County Governments Act, 2012 and Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, by filling vacant posts in a manner that promotes ethnic diversity and represents the people of

Kenya. The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.

6. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.30,995,424 as disclosed in Note 20 to the financial statements. Included in the payables is a balance of Kshs.25,838,329 or 83% which has been outstanding for more than one year. However, the payables were not appropriately classified as first charge liabilities contrary to the National Treasury Circular No. 10/2020 dated 16 June, 2020 which directs prompt clearance of pending bills and that payment of pending bills are treated as a first charge to subsequent years approved budget. In the circumstances, Management was in breach of the Treasury Circular.

Management Response

During the current financial year, the hospital settled payables amounting to Ksh. 18,699,627 and has put in place measures to progressively clear the outstanding balances, subject to the availability of funds. Copies of the list of suppliers paid were attached for the Committee verification.

Committee Observation

The Committee observed that the hospital paid payables amounting to Ksh. 18,699,627 that has been outstanding for more than one year and further put in place plans to pay the remaining balances.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of Internal Audit

During the year under review, the Hospital did not have internal audit arrangements, contrary to Section 155 of the Public Finance Management Act, 2012, which states that a County Government entity shall ensure that it complies with the Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, it was not possible to confirm the effectiveness on oversight on internal controls, risk management and governance systems in the Hospital.

Management Response

The hospital has an internal auditor seconded from the County Treasury who conducts independent internal audit reviews and submits quarterly audit reports to strengthen governance, enhance internal controls, and provide effective checks and balances over hospital management operations.

Copies of deployment letters and internal audit reports were availed for the Committee verification.

Committee Observation

The Committee observed that the management had a functional audit function, as evidenced by the submitted deployment letters and Internal Audit reports for quarter 1 and Quarter 4 for the financial year 2024-2025.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2. **Lack of Risk Management Policy and Disaster Recovery Plan**

The Hospital did not put in place risk management policies, strategies, disaster recovery plan and risk register to mitigate against risk.

In the circumstances, it was not possible to confirm the effectiveness on oversight on internal controls, risk management and governance systems in the Hospital.

Management Response

The hospital had a Risk Management Policy and a Disaster Recovery Plan in place at the time of the audit, and the documents are available for review. A copy of risk management policy and disaster recovery plan were attached for the committee verification.

Committee Observation

The Committee observed that the management submitted the Risk Management Policy and Disaster Recovery Plan to the Committee for verification.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

3. **Incomplete Fixed Asset Register and Lack of Asset Management Policies**

The hospital does not have an updated fixed assets register in place indicating the cost, asset tag number and asset location. Further, the fixed asset register provided for audit did not incorporate the fixed assets procured during the year as required by Regulation 136 of the Public Finance Management (County Government) Regulations, 2015.

Further, it was observed that the hospital does not have in place policies and procedures relating to asset management and the non-current assets were not physically inspected on a regular basis.

The Hospital did not also maintain a register of land and buildings recording each parcel of land and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, leasehold terms, maintenance contracts and other pertinent management details.

In the absence of an up-to-date fixed asset register, the risk of loss of assets through pilferage is high.

Management Response

The hospital has an up-to-date asset register, and all assets are duly tagged in accordance with the applicable asset management policies. The hospital has also established policies and procedures governing asset management, which are in place and available for audit review.

Committee Observation

The Committee observed that the Fixed Asset Management Policy provided for audit verification.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

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

The Governor of Garissa County, Hon. Nathif Jama Adam, EGH, appeared before the Committee on Monday, 23rd March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Ijara Sub-County Hospital for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

1. Mr. Mohamed H. Mursal, -County Secretary
2. Mr. Mahat Sheikh Salah - CEO, Garissa Level 5 Hospital
3. Ms. Abdia Abdiwahab - Chief Officer, Health
4. Mr. Abdi Ali Nuriye - Head of Treasury
5. Mr. Aden Hussein - County Director of Health
6. Dr. Muse Kune Hassan - Medical Superintendent
7. Dr. Abdullahi Moahmed Mohamud - Medical Superintendent
8. Mr. Abdi Omar - Fund Administrator, Scholarship Fund
9. Dr. Mahat Idle Gure - Medical Superintendent
10. Mr. Ramalan Mohamed - ICT Officer
11. Mr. Abdullahi Diriye - Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **qualified Opinion** on the financial statements of the Ijara Sub-County Hospital on the following basis;-

2. Failure to Prepare and Submit Financial Statements for Prior Years

The Management did not prepare and submit financial statements for the 2021/2022 and 2022/2023 financial years. The Accounting Officer did not provide satisfactory explanation for the failure to prepare and submit the financial statements to Auditor-General. This is contrary to Section 149(2)(K) of the Public Finance Management Act, 2012 which provides that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned not later than three (3) months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

In the circumstances, the accuracy and completeness of comparative balances presented in the financial statements for the financial year ended 30 June, 2025 could not be confirmed.

Management Response

The financial statement for the financial year 2021/2022- 2022/2023 have been prepared and is hereby availed for audit review. Copies of the Financial Statement for Financial Year 2021/2022 and 2022/202 were attached for the Committee verification.

Committee Observation

The Committee observed that the management provided the prior year financial statements, as required by Section 149(2)(K) of the Public Finance Management Act, 2012.

Committee Recommendation

The Committee recommends that the Management should ensure that effective internal controls are put in place including measures to enhance technical capacity in the financial reporting unit. The matter be however marked as resolved.

2. Loss of Revenue Due to In-Patient Mismanagement

The statement of financial performance reflects revenue from exchange transactions in respect of user fee (Financing Improvement Facility- cost sharing) of Kshs.5,393,490 as disclosed in Note 6 to the financial statements. The Facility's monthly service workload reports indicated that seventy-eight (78) anonymous in-patients who had accumulated undisclosed amounts of Hospital bills sneaked out of the Hospital wards before making payments. The incident was not reported to Management for action. Management did not formulate policies and safeguards to prevent such cases from occurring. Further, the Hospital did not ensure that in-patients pay deposit before admission. This resulted in some patients leaving the Hospital without making payments due after being discharged, resulting in loss of revenue.

Management Response

The Hospital serves a largely vulnerable population, which in the past made it difficult to consistently enforce deposits and fully recover inpatient bills hence the above-mentioned numbers of patients relate to patients who were given waivers due to their inability to pay their bills because of their humble background.

However, the Hospital has now fully migrated to the Social Health Authority (SHA) system, the Government's public health insurance framework aimed at expanding coverage and supporting reimbursement for services provided at public health facilities. Through

SHA, the Hospital is now able to process and submit inpatient and outpatient claims in a more structured and reliable manner, which has improved revenue recovery.

The Hospital is engaging and sensitizing communities to register under SHA, so that patients can access care without financial barriers while helping the Hospital reduce future revenue losses. Copies of the ***Waiver*** committee minutes and list of beneficiaries were attached for the Committee verification.

Committee Observation

The Committee observed that waiver committee minutes did not have specific details of the patient together with bills accumulated, as required by Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that the Governor ensures the hospital complies with section 159 PFM Act, 2012 on matters granting of waivers to patients and further put in place adequate internal controls on patient's management in the hospital including keeping accurate records of waivers given. The Governor to provide status update on the matter to the Senate within 60 days of the adoption of this report.

3. **Non-Disclosure of Depreciation Expense**

The statement of financial performance reflects total expenses of Kshs.92,431,983. However, the amount does not include depreciation charge on property, plant and equipment of Kshs.1,064,478 reflected in Note 16 to the financial statements. In addition, the depreciation policy applied and the rates of depreciation used were not disclosed.

In the circumstances, the accuracy of total expenses of Kshs.92,431,983 and the net surplus of Kshs.8,451,054 could not be confirmed

Management Response

The depreciation was erroneously included in the statement of changes in equity because there was no depreciation in the year under review and the financial statement has been amended as per the attached records for the Committee verification.

Committee Observation

The Committee observed that the management submitted inaccurate amended note 16 to the financial statements. The Depreciation and impairment cast submitted had casting errors, contrary to International Public Sector Accounting Standards (IPSAS 1).

Committee Recommendation

The Committee recommends that the accounting officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records.

4. **Unsupported Receivable from Exchange Transactions Audit Observation**

The statement of financial position reflects property, plant and equipment balance of Kshs.4,701,353 as disclosed in Note 16 to the financial statements. The Hospital had in its control movable and immovable assets including land, buildings, medical equipment, and computers. However, land and buildings were not disclosed as part of the property, plant and equipment in the financial statements. Further, the ownership documents for land were not provided for audit. In addition, land and buildings were not recorded in the fixed asset register.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.4,701,353 could not be confirmed.

Management Response

The receivables relate to claims submitted through the SHA portal and the system-generated schedule from the SHA portal showing outstanding claims is hereby attached for audit review.

Committee Observation

The Committee observed that the Management provided a breakdown for the receivables for verification.

Committee Recommendation

The Committee recommends that the management should institute measures to strengthen internal controls in order to address weaknesses in record keeping. The matter be marked as resolved.

5. **Undisclosed Assets**

The statement of financial position and statement of changes in net assets reflects a balance of Kshs.5,325,453 in respect to capital grant. However, Management did not give an analysis of the composition and nature of the capital grants.

In the circumstance, the accuracy and completeness of the capital grant balance of Kshs.5,325,453 could not be confirmed.

Management Response

The land and buildings cannot be valued because they were inherited from the national government and the ownership documents are yet to be transferred to County government.

Committee Observation

The Committee observed that the land and building was not included as part of Property, Plant and Equipment.

Committee Recommendation

The Committee recommends that Governor ensures the management conduct valuation of all the hospital's fixed assets and correct any misstatements (including over-depreciation). The Auditor-General should review and confirm the corrected balances in the subsequent audit cycle.

6. **Unsupported Capital Grant Balance**

The statement of financial position and statement of changes in net assets reflects a balance of Kshs.5,325,453 in respect to capital grant. However, Management did not give an analysis of the composition and nature of the capital grants.

In the circumstance, the accuracy and completeness of the capital grant balance of Kshs.5,325,453 could not be confirmed.

Management Response

The capital grant relates an ambulance that was inherited from the county government and we have included it in the notes of financial statement. The amended Financial Statements copies were attached for audit review.

Committee Observation

The Committee observed that the hospital did not include in its Financial Statements the donated ambulance.

Committee Recommendation

The Committee recommends that the Accounting Officer ensures the ambulance is captured in-kind donation from the County Executive and the necessary adjustments be made in the FS of 2025/2026

OTHER MATTER

Unresolved Prior Year Issues

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

No.	Financial Year	Audit Issue
1	2023/2024	Failure to Prepare and Submit Financial Statements for Prior Years
2	2023/2024	Non-Disclosure of Employees costs paid by the County Government
3	2023/2024	Undisclosed balance of Property, Plant and Equipment
4	2023/2024	Unconfirmed Inventory
5	2023/2024	Cash and Cash Equivalents
6	2023/2024	Late Submission of Financial Statements
7	2023/2024	Failure to prepare estimates for Income and Expenditure
8	2023/2024	Deficiencies in Implementation of Universal Health Coverage
9	2023/2024	Lack of Hospital Management Board
10	2023/2024	Lack of Internal Audit Function and Audit Committee
11	2023/2024	Weakness in Administration and Collection of Revenue
12	2023/2024	Lack of Key management Policies
13	2023/2024	Lack of Staff Establishment
14	2023/2024	Failure to Maintain Fixed Asset Register

Management Response

Management has since prepared and presented to the Auditor-General responses awaiting recommendations issued by the Auditor-General and guided by Senate resolutions on this matters.

Committee Observation

The Committee observed that the hospital management taken mitigation measures to address the prior year issues.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Failure to Prepare Estimates of Income and Expenditure

The Management of the Hospital did not prepare estimates of income and expenditure and submit the same to the respective County Executive Committee Members as required. Although the statement of comparison of budget and actual amounts was prepared and included in the financial statements, the source and validity of budget amounts reflected in the statement could not be confirmed. The Hospital therefore operated without an approved budget during the year under review. This is contrary to Section 149(2) (h-i) of the Public Finance Management, 2012 which provides that an accounting officer shall, in respect of the entity concerned prepare estimates of expenditure of the entity in conformity with the strategic plan of the entity and submit the estimates of an entity, which is not a County corporation to the County Executive Committee member for finance.

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

Management Response

The income and expenditure estimates had been prepared and is hereby attached for audit review.

Copies of the approved estimates of income and expenditure for FY 2024/2025 were attached for audit review.

Committee Observation

The Committee observed that the hospital management mitigated the matter.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2. Deficiencies in Implementation of Universal Health Coverage Audit Observation

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

Staff Requirements	Level 4 **Standard**	Number in **Hospital**	**Variance**	Percentage %
Medical Officers	16	2	14	88
Anesthesiologist	2	0	2	100
General Surgeons	2	1	1	50
Gynecology	2	0	2	100
Pediatrics	2	0	2	100
Radiologist	2	0	2	100
Kenya Registered Community Health Nurses	75	10	65	86
Total	101	13	88	88
Bed Capacity	150	80	70	47
Equipment and Machine				
Resuscitaire (2 in Labor & 1 in Theatre)	3	2	1	33
New Born Unit Incubators	5	1	4	80
New Born Unit Cots	5	1	4	80
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at Least S Dialysis Machines	5	0	5	100
Two Functional Operational Theatres-Maternity & General	2	1	1	50

Further, the Hospital lacked functional intensive care unit beds, high dependency unit beds, renal unit with at least five (5) dialysis machines. In addition, physical inspection conducted in the month of September, 2025 revealed that medical equipment listed below was not in working condition:

Name	**Model**	**Serial Number**	**Ownership**	**Condition**
Fluorogram	Filim	f341	USAID	Not Working
Centrifuge	Zentec	eba20	USAID	Not Working
Scale	Labtech	b17501	Hospital	Not Working

Autoclave	Wego	gri214	Ministry of Health	Not Working
Resuscitator	Phoenix	nrc100	MES	Not Working
Weighing scale	Secaa	5724201	USAID	Not Working
Weighing scale	Secaa	5723421	USAID	Not Working
Weighing scale	Secaa	57213901	USAID	Not Working
Fridge	Vesfrox	2a314	Ijara Sub County Hospital	Not Working
BP monitor	Omron	m2e10	Ijara Sub County Hospital	Not Working
Bp monitor	Omron	m3	Ijara Sub County Hospital	Not Working
Bp monitor	Omron	m2	Ijara Sub County Hospital	Not Working

The deficiencies contravene the First Schedule of the Health Act, 2017 and imply that accessing highest attainable standards of health, which includes the right to health care services including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not been achieved. Further, this contravened the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage (UHC).

In the circumstances, the Hospital did not comply with Kenya Quality Model for Health Policy Guidelines for Level4 Hospital and this may have negatively affected discharge of the Hospital's mandate.

Management Response

In line with the national Staffing Norms and Standards, staffing requirements are determined based on facility status and workload indicators. However, the County Government has adopted a workload-based staff posting approach, taking into account service demand and overall facility utilization in order to respond to emerging service delivery needs.

IJara Sub County Hospital received 10 staff of different cadres, i. e 6 general Nurses,1 Biomedical Engineer,1 Orthopedic Trauma Technician,1 HRIO and 1 Radiographer in the recent staff posting of July 2025. The County Government continue to prioritize service delivery and implementing measures aimed at progressively addressing staffing, equipment, and infrastructural gaps to enhance compliance with Level 4 standards and support effective implementation of Universal Health Coverage. As per the attached appendices. Copies of the Recruitment and posting of new staff and pictorial evidences of infrastructural developments and supplies were attached for the Committee review and verification.

Committee Observation

The Committee observed that the Hospital was not providing all key services required of a Level 4 facility, and staffing levels do not meet several of the specifications outlined in the Kenya Quality Model for Health.

Committee Recommendation

The Committee recommends that—

i. **the Governor put in place a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward and leverage on technology; and**

ii. **The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. **Expired Medical Supplies**

Physical inspection conducted on the month of September, 2025 revealed that the Hospital had six (6) commodities of drugs of unknown value that had expired. It was also noted that the Hospital did not have a policy on disposal of the expired drugs.

In the circumstance, the effectiveness of internal controls on the management of pharmaceuticals and non-pharmaceuticals inventory to achieve the Hospital mandate could not be confirmed.

Management Response

The expired drugs were 6 commodities of short expiry window and were since disposed appropriately.

Committee Observation

The Committee observed that the Hospital held pharmaceutical and non-pharmaceutical supplies that had expired, including donated drugs from KEMSA with short expiry periods.

Committee Recommendation

The Committee recommends that the Governor ensures the Accounting Officer implements measures to monitor and manage expiry dates of all pharmaceutical and non-pharmaceutical supplies, including donated items, and that all inventory is properly accounted for and managed in accordance with the guidelines Pharmacy and Poisons Board.

2. Stock-Out of Essential Medical Supplies

Audit inspection of stores carried out in the month of September, 2025 revealed that thirteen (13) commodities were out of stock. In addition, there were no policy guidelines on the required reorder levels, hence not possible to confirm whether commodities were within the required stock levels.

In the circumstance, the effectiveness of internal controls on the management of pharmaceuticals and non-pharmaceuticals inventory to achieve the Hospital mandate could not be confirmed.

Management Response

The 13 stock-out commodities were mostly non-essential, In addition, KEMSA has been engaged to support last-mile delivery of essential medical commodities to enhance availability and continuity of supply. The drugs are now available at the facilities. Copies of the KEMSA Delivery Note were attached for the Committee review and verification.

Committee Observation

The Committee observed that

Committee Recommendation

The Committee recommends that the matter be makred as resolved

3. Lack of Hospital Management Board

Review of Hospital's governance systems revealed that during the year under review, the Hospital operated without properly constituted Board of Management. This is contrary to Section 9 of the Facilities Improvement Fund (FIF) Act, 2023, which requires the County Executive Committee Member to support the implementation of Facility Improvement Financing by appointing Health Facility Management Committees, Health Management Committees, and Boards, where applicable, and publishing the same in the official Gazette.

In the circumstances, it was not possible to confirm the effectiveness of governance systems at the Hospital.

Management Response

In line with the Facilities Improvement Financing (FIF) Act, 2023 and the applicable county health legislation, the process of constituting the Hospital Management Board has been completed at the County level and the list of nominated members has already been submitted to the County Executive Committee Member (CECM) for Health for formal appointment and gazettement.

The hospital is currently awaiting gazettement by the CECM for Health, after which the Board will be duly constituted and operational.

In the interim, the hospital continues to operate under the oversight of the County Department of Health and the Sub-County Health Management structures to ensure continuity of governance, accountability and service delivery.

The delay in the gazettement was due to a dispute raised within the community. The concerns required careful review and stakeholder engagement to ensure transparency, inclusivity and adherence to due progress.

Management prioritizes resolving the community issues amicably and ensuring that all concerns were properly addressed before proceeding with the gazettement. This approach was necessary to promote harmony, maintain public trust and ensure that the final board composition reflects broad community acceptance.

The matter is currently being addressed and steps are underway for gazettement.as per the attached minutes of the proposed members and their positions.

Committee Observation

Committee Observation

The Committee observed that the list of nominated members has already been submitted to the CECM for Health for formal appointment and gazettement

Committee Recommendation

The Committee recommends that the Governor ensures there is a Hospital Board in place within 60 days of the adoption of this report and provide evidence of appointment of the same to the Senate.

4. Lack of Key Management Policies

Management did not establish key policies including human resource policy manual, credit management policy, finance manual, risk management policy and business continuity plan during the year under review. Lack of key policies and manuals may result to the Hospital deviating from its goals and overall strategic objectives which may affect overall governance of the Hospital.In the circumstances, the effectiveness of internal controls at the Hospital could not be confirmed

Management Response

Approved County policies are being applied while facility-specific manuals are being progressively developed as per the attached County Human Policies and FIF Policy.

Committee Observation

The Committee observed that the Hospital did not have its own risk management policy, but relies on the County Risk Management Policy.

Committee Recommendation

The Committee recommends that the Governor ensures the Accounting Officer develops and implements a hospital -specific risk management policy that aligns with the County Risk Management Policy, including mechanisms for fraud prevention, to safeguard the achievement of strategic objectives and compliance with Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015.

5. Failure to Establish Internal Audit Function

During the year under review, the Hospital did not have an internal audit unit. This is contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a county government entity shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board. In the circumstances, the existence of effective mechanisms and processes for review and evaluation of budgetary performance, financial management, transparency and accountability in the Hospital could not be confirmed.

Management Response

The internal audit services for the Hospital are provided through the County Internal Audit function, which covers all county entities, including health facilities.

Committee observation

The Committee observed that the hospital did not have an audit committee and an ineffective internal audit function in place, contrary to Section 155(1) of the Public Finance Management Act, Cap.412A.

Committee Recommendation

The Committee recommends that the Governor ensures the hospital board puts in place all internal control systems such as the Internal Audit function as provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of the water company. Further, the managements to submit evidence of the same to the Auditor General for verification.

6. Failure to Establish Audit Committee

During the year under review, the Hospital did not have an Audit Committee. This is contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each County Government entity shall establish an audit committee. Lack of Audit Committee may lead to reduced oversight of financial reporting which may increase risk of errors, misstatements or even fraud in financial records and reports.

In the circumstances, the effectiveness of internal controls and oversight structures at the Hospital could not be confirmed.

Management Response

The hospital is in the process of constituting audit committee.

Committee observation

The Committee observed that the hospital did not have an audit committee and an ineffective internal audit function in place, contrary to Section 155(1) of the Public Finance Management Act, Cap.412A.

Committee Recommendation

The Committee recommends that the Governor ensures the hospital board puts in place all internal control systems such as the Internal Audit function as provided

under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of the water company. Further, the managements to submit evidence of the same to the Auditor General for verification.

3. Lack of Staff Establishment and HR Controls

During the year under review, the Hospital's staff returns revealed a total of sixty-three (63) employees out of which fourteen (14) were nurses attached to each department. However, the approved Hospital's annual work plan for the year was not provided for audit review.

In addition, the approved staff establishment for the Hospital was not provided for audit review. It was, therefore, difficult to establish the total number of employees required and any shortfalls if any. Also, the staff list did not have key information such as job group and personal numbers. Further, the Hospital did not have a human resource policy manual.

In the circumstances, it was not possible to confirm the effectiveness of human resource management controls.

Management Response

The approved staff establishment is maintained at the County level and applies to the Hospital as part of the overall county health staffing framework.

The Hospital operates within this approved establishment and will ensure that the relevant documentation is availed for audit review going forward. Copies of the County Staff Establishment were attached for the Committee verification.

Committee Observation

The Committee recommends that the management is yet to have an approved staff establishment and prepare workplans.

Committee Recommendation

The Committee recommends that the Management should ensure that an approved staff establishment is in place and work plans and HR Manuals are formulated and submitted to the Senate and copied to the Auditor General.

4. Failure to Collect Deposits from Patients

The Management did not ensure that in-patients pay deposit before admission. This resulted to absconders leaving the Hospital without making due payment and resulting to loss of revenue

Management Response

The hospital serves a referral hub for the entire Sub County and largely serves vulnerable pastoral community as well as nearby neighboring County of Tan River that forms an outside catchment population.

The Hospital has since fully transitioned to the Social Health Authority (SHA) framework, under which patient admissions are largely covered through insurance rather than cash deposits.

Under this arrangement, admissions are subject to verification of SHA registration and eligibility, and claims for inpatient services are processed systematically through the SHA system.

Committee Observation

The Committee observed that the Hospital lost revenue as a result of absconders. The waiver committee minutes did not have specific details of the patient together with bills accumulated, as required by Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommended that the management ensures that there are adequate internal controls and enforcement of mandatory deposits are put in place before admission of in-patients.

3.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MODOGASHE SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Garissa County, Hon. Nathif Jama Adam, EGH appeared before the Committee on Monday, 23rd March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Modogashe Sub-County Hospital for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

1. Mr. Mohamed H. Mursal, -County Secretary
2. Mr. Mahat Sheikh Salah - CEO, Garissa Level 5 Hospital
3. Ms. Abdia Abdiwahab - Chief Officer, Health
4. Mr. Abdi Ali Nuriye - Head of Treasury
5. Mr. Aden Hussein - County Director of Health
6. Dr. Muse Kune Hassan - Medical Superintendent
7. Dr. Abdullahi Moahmed Mohamud - Medical Superintendent
8. Mr. Abdi Omar - Fund Administrator, Scholarship Fund
9. Dr. Mahat Idle Gure - Medical Superintendent
10. Mr. Ramalan Mohamed - ICT Officer
11. Mr. Abdullahi Diriye - Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **adverse Opinion** on the financial statements of the Modogashe Sub-County Hospital on the following basis;-

1. Failure to Prepare and Submit Financial Statements for Prior Years

The Hospital Management did not prepare and submit financial statements for financial year 2021/2022 and 2022/2023. This was contrary to Section 149(2)(K) of the Public Finance Management Act, 2012 which provides that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

In the circumstances, the accuracy and completeness of comparative balances presented in the financial statements for the financial year ended 30 June, 2025 could not be confirmed.

Management Response

The financial year 2021/2022- 2022/2023 have been prepared and is hereby availed for audit review. Copies of the Financial Statement for Financial Year 2021-2022 and 2022-2023 were attached for the Committee verification.

Committee Observation

The Committee observed that the Hospital was in violation of Section 149(2)(k) of the Public Finance Management Act, 2012. The failure to submit statements for two consecutive years suggests a breakdown in financial oversight and accountability.

Committee Recommendation

The Committee recommends that—

i) **The Accounting Officer must ensure that all future financial statements are prepared and submitted to the Auditor-General and the National Treasury strictly within the statutory three-month window following the end of the financial year;**

ii) **The Auditor-General should carry out a comprehensive audit of the newly submitted 2021/2022 and 2022/2023 statements together with 2025/2025 to ensure they are accurate and that no funds were misappropriated during the period of non-reporting; and**

iii) **The County Department of Health should conduct a capacity assessment of the hospital's finance department to determine if the delay was due to a lack of technical skills or personnel, and provide support where necessary.**

2. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transactions of Kshs.10,365,939, as disclosed in Notes 6 and 7 to the financial statements. However, Management did not provide supporting documentation such as ledgers, schedule of transactions indicating date, source and amount of revenue, miscellaneous receipts or other source documents to support the disclosed revenue.

In the circumstances, the accuracy and completeness of the revenue balance of Kshs.10,365,939 could not be confirmed..

Management Response

The receivables relates to revenue from exchange transactions amounting to Kshs.10,365,939 was as a result of paid claims by SHA amounting to Ksh. 8,280,268 and cash collection of Ksh. 2,085,671. Supporting system-generated records have been availed for audit verification. Copies of the system-generated schedule from the SHA portal showing paid claims and cash collection summary were attached for the Committee verification.

Committee Observation

The Committee observed that the hospital provided the necessary documents to address the matter

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

3. Non-Disclosure of Employees' Costs Paid by the County Government

The statement of financial performance reflects casual employees' costs of Kshs.576,000 as disclosed in Note 8 to the financial statements. However, the amount excludes salaries and allowances for permanent employees working at the Hospital which were paid by the County Executive of Garissa. Management did not provide satisfactory explanation for the failure to disclose the in-kind contributions from the County Executive in the statement of financial performance.

Management Response

Management has taken note of the applicable IPSAS requirements regarding disclosure of such costs and confirms that employee costs paid by the County Government will be appropriately disclosed in subsequent financial statements to enhance completeness and transparency. Copies of the Hospital staff deployment information were attached for the Committee verification.

Committee Observation

The Committee observed that the salaries and allowances for permanent employees working at the Hospital were paid by the County Executive and hospital did not disclose the same as in-kind contribution as required.

Committee Recommendation

The Committee recommends that—

i) **The governor ensures the Accounting Officer discloses as contribution in-kind in the Financial statements of the hospital; and**

ii) **The CECM for Finance should provide a uniform reporting template for all Sub-County Hospitals and capacity building sessions to ensure consistency across the county.**

4. Unsupported Inventory Balance

The statement of financial position reflects a balance of Kshs.13,388,220 in respect of inventories as disclosed in Note 14 to the financial statements. However, Management did not support the balances with details on quantity of the stocks held and their values. In addition, the disclosed balance was not supported by annual stock take records.

In the circumstances, the valuation, accuracy and completeness of inventory balance of Kshs.13,388,220 could not be confirmed.

Management Response

The stock records (inventory register) and annual stock take is hereby availed for audit review.

Committee Observation

The Committee observed the inventory register has been updated and provided for review.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

5. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects a balance of Kshs.45,555,470 in respect of property, plant and equipment as disclosed in Note 15 to the financial statements. However, the Hospital Management did not maintain a fixed asset register containing all key asset details including description of the assets, identification or serial numbers, acquisition date, cost of acquisition and location. In addition, Management did not provide ownership documents for the land on which the Hospital buildings and structures sits.

In the circumstances, the ownership, completeness and accuracy of property, plant and equipment balance of kshs.45,555,470 could not be confirmed.

Management Response

The update asset and register is available for audit. The ownership documents is yet to be transferred to the hospital by the National government. The fixed asset register will be updated accordingly to ensure full and accurate disclosure in future financial statements. Supporting documentation initiating this process, and the Asset register is available for audit review.

Committee Observation

The Committee observed that–

i. The updated fixed asset register and depreciation workings were availed for audit verification

ii. The hospital was yet get ownership documents for its land.

Committee Recommendation

The Committee recommends that the Governor ensures through the CECM responsible for Lands the hospital land is surveyed and ownership documents obtained within the FY 2026/2027

6. Inaccuracies in the Accumulated Surplus Balance

The statement of financial position reflects a balance of Kshs.69,309,629 in respect to accumulated surplus as at 30 June 2025. However, the corresponding balance in the statement of changes in net assets was Kshs.3,877,231 resulting in an explained variance of Kshs.65,432,398. In addition, accumulated surplus balance did not include the previous and the current year surplus balances disclosed in the statement of financial performance.

In the circumstances, the accuracy and completeness of the accumulated balance of Kshs.69,309,629 could not be confirmed.

Management Response

The inconsistencies arose from errors during preparation of the financial statements and the absence of audited opening balances from prior years. We have commenced reconciliation and correction of the accumulated surplus balances, and the necessary adjustments will be reflected in subsequent financial statements.

Committee Observation

The Committee observed that the management failed to reconcile the discrepancy between the Statement of Financial Position (Ksh 69.3M) and the Statement of Changes in Net Assets (Ksh 3.8M) Unconfirmed Cash and Cash Equivalents Balance.

Committee Recommendation

The Committee recommends that—

i) **The Governor ensures that the Accounting Officer, within (60) days, leads a comprehensive reconciliation exercise to align the Statement of Financial Position, the Statement of Changes in Net Assets, and the Statement of Financial Performance. A corrected set of statements must be submitted to the Senate and copied to the Auditor General; and**

ii) **The Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records.**

7. **Unconfirmed Cash and Cash Equivalents Balance**

The statement of financial position reflects cash and cash equivalent balance of Kshs.2,085,671. However, Note 12 to the financial statements disclosed a balance of Kshs.3,877,671 resulting in an unreconciled variance of Kshs.1,792,000. In addition, the statement of cash flows has an unconfirmed negative adjustment in the form of bank charges of Kshs.40,245 which was not supported with bank statement entries

In the circumstances, the accuracy and validity of the disclosed balance of Kshs.2,085,671 could not be confirmed.

Management Response

The variances arose from unreconciled bank balances and timing differences. Management has since strengthened cash management controls and undertaken bank reconciliation exercises. Going forward, bank reconciliations will be prepared and reviewed regularly to ensure accuracy of cash balances reported.

Committee Observation

The Committee observed significant unreconciled variance of Kshs.1,792,000 between cash book balances, bank statements and balances reported in the financial statements, which were not adequately explained at the time of audit.

Committee Recommendation

The Committee recommends that—

i. **the Governor ensures that the Accounting Officer undertakes prior year adjustments to reconcile the variance of (Kshs.1,792,000) in the statement of financial position in the subsequent audit cycle FY 2025/2026. The Auditor-General to keep this in view in the subsequent audit cycle;**

ii. **the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records; and**

iii. **the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A.**

Emphasis of Matter

Budgetary Control and Performance

and actual on comparable basis of Kshs.16,240,631 and Kshs.10,365,939 respectively resulting to an under-funding of Kshs.5,874,692 or 36% of the budget. Similarly, the Management spent Kshs.7,143,626 against actual revenue of Kshs.10,375,939 resulting to under expenditures of Kshs.3,222,313 or 31% of available funds.

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

Management Response

The under-funding and the resultant under-expenditure arose primarily from delayed and non-payment of approved medical service claims during the year under review. A significant portion of the Hospital's projected revenue was expected from reimbursement of claims submitted to the SHA.

However, delays in settlement of these claims resulted in cash flow constraints, which limited the Hospital's ability to fully implement planned activities despite the approved budget. Copies of the System-generated schedule from the SHA portal showing outstanding claims were attached for the Committee verification.

Committee Observation

The Committee observed that the query remains unresolved as there was a budgetary under-funding of Kshs.5,874,692 or 36% of the budget, and an under-expenditure of Kshs.3,222,313 or 31% of available funds. This was linked to delayed and non-payment of approved medical service claims during the year under review

Committee Recommendation

The Committee recommends that –

i). **The Governor ensures the Accounting Officer complies with regulation Regulations 42 of the Public Finance Management (County Governments) Regulations, exerting budgetary control measures; and**

ii). **the Social Health Authority should ensure timely disbursement of funds to hospitals in accordance with the approved claims as submitted and approved.**

OTHER MATTER

Unresolved Prior Year Issues

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

No.	Financial Year	Audit Issue
	2023/2024	Failure to Prepare and Submit Financial Statement for Prior Years
	2023/2024	Non-Disclosure of Employee Cost Paid by County Government
	2023/2024	Non-Disclosure of Inventory
	2023/2024	Non-Disclosure of Property, Plant and Equipment
	2023/2024	Failure to Prepare Estimates of Income and Expenditure.
	2023/2024	Late Submission of Financial Statement

Management Response

The Financial Year 2023-2024 represents the initial reporting period following the Hospital's operationalization as a Level 4 facility. The management has since prepared and presented to the Auditor-General responses awaiting recommendations issued by the

Auditor-General and guided by Senate resolutions on these matters. Copies of the responses for audited statements financial year 2023-2024 were attached for the Committee verification.

Committee Observation

The Committee observed that the management prepared and presented to the Auditor-General responses awaiting recommendations issued by the Auditor-General and guided by Senate resolutions on these matters.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCE

1. Failure to Prepare Estimates of Income and Expenditure

The Management did not prepare estimates of income and expenditure and submit the same to the respective County Executive Committee Members as required. The Hospital operated without an approved budget during the year under review. This was contrary to Section 149(2) (h-i) of the Public Finance Management, 2012 which provides that an accounting officer shall, in respect of the entity concerned prepare estimates of expenditure of the entity in conformity with the strategic plan of the entity and submit the estimates of an entity, which is not a county corporation to the County Executive Committee Member for Finance.

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

Management Response

The income and expenditure estimates have been prepared and as per the copies of the approved Budget estimates of income and expenditure for FY 2024-2025 availed for audit review.

Committee Observation

The Committee observed that the management prepared and summited he expenditure estimates.

Committee Recommendation

The Committee recommended that the matter be marked as resolved.

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

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

Staffing Requirement	**Required**	**Available**	**Deficit**
Medical Officers	16	2	14
Radiologists	2	0	2
General Surgeons	2	0	2
Gynecology	2	0	2
Anesthesiologists	2	0	2
Pediatricians	2	0	2
Registered Community Health Nurses	75	15	60
Total	**101**	**17**	**84**
Bed Capacity	150	56	94
Equipment and Machines			
Baby Cots	5	2	3
Incubators	5	1	4
Resuscitare in Theatre	1	1	
Resuscitare in Labour Ward	2	1	1
Functional ICU Beds	6	0	6
HDU Beds	6	0	
Renal unit with dialysis machine	5	0	5
Functioning operating theatres, Maternity and General	2	1	1
Services Not Offered			
Gynaecology Services			
Renal Services			

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved. Further, this contravened the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage (UHC).

In the circumstances, the Hospital may not be able to deliver on its mandate.

Management Response

In line with the national Staffing Norms and Standards, staffing requirements are determined based on facility status and workload indicators. However, the County Government has adopted a workload-based staff posting approach, taking into account service demand and overall facility utilization in order to respond to emerging service delivery needs.

Based on this approach, Modogashe Sub-County Hospital received ten (10) newly posted staff of different cadres, comprising: five (5) nurses, one (1) radiographer, one (1) biomedical engineer, one (1) orthopedic and trauma officer, one (1) pharmaceutical technologist, and one (1) Health Records and Information Officer (HRIO).

The additional staffing is intended to strengthen essential clinical and support services, improve patient flow, enhance diagnostic and emergency care capacity, and support effective health information management at the facility.

In addition, the County has factored in the recruitment of more staff with an appropriate skill mix in the next financial year to further strengthen service delivery and address existing human resource gaps.

The County Government will continue to prioritize service delivery by implementing measures aimed at progressively addressing staffing, equipment and infrastructural gaps in health facilities. This is geared towards enhancing compliance with Level 4 hospital standards and supporting the effective implementation of Universal Health Coverage (UHC). Copies of the Recruitment and posting of new staffs and Pictorial evidences of infrastructural developments and supplies were attached for the Committee verification.

Committee Observation

The Committee observed that the Hospital was not providing all key services required of a Level 4 facility, and staffing levels do not meet several of the specifications outlined in the Kenya Quality Model for Health.

Committee Recommendation

The Committee recommends that—

i) **Governor puts in place a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing** existing resources, improving employee welfare, and ensuring sustainable staffing levels and leverage on technology (Telemedicine); and

ii) **The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.**

3. Inconsistencies in the Notes and Balances in the Financial Statements

The amended financial statements provided for audit revealed the following anomalies:

i. The statement of financial performance reflects medical services income of Kshs.2,085,671. However, Note 6 on page 22 discloses an income of Kshs.10,365,939, resulting in an unreconciled variance of Kshs.8,280,268.

ii. The statement of financial position discloses receivables from exchange transactions of Kshs.8,280,268. However, the Note on page 26 discloses Kshs.5,874,692, resulting in an unreconciled variance of Kshs.2,405,576.

In the circumstances the financial statements did not adhere to the reporting template as provided by the Public Sector Accounting Standards Board.

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

Management Response

The reconciliation of the affected balances, including medical services income and receivables from exchange transactions. Necessary corrections and adjustments will be effected in subsequent financial statements to ensure full compliance with the Public Sector Accounting Standards Board reporting templates.

Committee recommendation

The Committee recommends that the matter be marked as resolved.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of Hospital Management Board

The Board of Management that is supposed to direct the Hospital in achieving its strategic objectives was not constituted. In the circumstances, the Hospital may not achieve its strategic objectives.

Management Response

The observation is acknowledged. In line with the Facilities Improvement Financing (FIF) Act, 2023 and the applicable county health legislation, the process of constituting the Hospital Management Board has been completed at the County level and the list of nominated members has already been submitted to the County Executive Committee Member (CECM) for Health for formal appointment and gazettement.

The hospital is currently awaiting gazettement by the CECM for Health, after which the Board will be duly constituted and operational.

In the interim, the hospital continues to operate under the oversight of the County Department of Health and the Sub-County Health Management structures to ensure continuity of governance, accountability and service delivery.

The delay in the gazettement was due to a dispute raised within the community. The concerns required careful review and stakeholder engagement to ensure transparency, inclusivity and adherence to due progress.

Management prioritizes resolving the community issues amicably and ensuring that all concerns were properly addressed before proceeding with the gazettement. This approach was necessary to promote harmony, maintain public trust and ensure that the final board composition reflects broad community acceptance. The matter is currently being addressed and steps are underway for gazettement. The minutes of the proposed members and their positions were attached for the Committee verification.

Committee Observation

The Committee observed that the management had completed the process of constituting the Hospital Management Board and awaiting gazettement by the CECM for Health, after which the Board will be duly constituted and operational.

Committee Recommendation

The Committee recommends that the Governor ensures the hospital has hospital management board in place and functional within 60 days of the adoption of this report and submit evidence of the appointment to the Senate within the same period.

2. **Lack of Internal Audit Function**

The Hospital did not have an internal audit function. This is contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board. In the circumstances, the effectiveness of checks and balances in the Hospital could not be confirmed.

Management Response

The internal audit services for the Hospital are provided through the County Internal Audit Unit, which covers all County Government entities, including health facilities. The Hospital has been subject to audit reviews under this arrangement and continues to implement audit recommendations issued. Management remains committed to strengthening internal controls under this framework.

Committee observation

The Committee observed that the hospital did not have an ineffective internal audit function in place, contrary to Section 155(1) of the Public Finance Management Act, Cap.412A.

Committee Recommendation

The Committee recommends that the Governor ensures the hospital board puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of the water company. Further, the managements to submit evidence of the same to the Auditor General for verification.

3. **Lack of Audit Committee**

The Hospital did not have an audit committee. This is contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each County Government entity shall establish an audit committee. In the circumstances, the effectiveness of checks and balances in the Hospital could not be confirmed.

Management Response

The hospital is the process of constituting audit committee.

Committee observation

The Committee observed that the hospital did not have an audit committee and an ineffective internal audit function in place, contrary to Section 155(1) of the Public Finance Management Act, Cap.412A.

Committee Recommendation

The Committee recommends that the Governor ensures the hospital board puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of the water company. Further, the managements to submit evidence of the same to the Auditor General for verification.

4. Lack of Key Management Policies

The Hospital had not put in place key policies like Human Resource Policy Manual, Credit Management Policy, Finance Manual, Risk Management Policy and Business Continuity Plan during the year under review.

Lack of key policies and manuals may result to the Hospital deviating from its goals and overall strategic objectives which may affect overall governance of the Hospital.

Management Response

The management is utilizing the county policies such FIF and Human resource policy. Copies of the County Human Resource and FIF policy.

Committee Observation

The Committee observed that the management is using the approved County policies while progressively developing the facility-specific manuals.

Committee Recommendation

The Committee recommends that the Governor ensures that the hospital management board develops the human resource policy manual, credit management policy, finance manual, risk management policy and business continuity plan ensure that these key documents and manuals are implemented, as required by Regulation 158(1)(a) of the Public Finance Management (County Governments) Regulations, 2015.

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

The Governor of Garissa County, Hon. Nathif Jama Adam, EGH appeared before the Committee on Monday 23rd March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Dadaab Sub-County Hospital for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

1. Mr. Mohamed H. Mursal, -County Secretary
2. Mr. Mahat Sheikh Salah - CEO, Garissa Level 5 Hospital
3. Ms. Abdia Abdiwahab - Chief Officer, Health
4. Mr. Abdi Ali Nuriye - Head of Treasury
5. Mr. Aden Hussein - County Director of Health
6. Dr. Muse Kune Hassan - Medical Superintendent
7. Dr. Abdullahi Moahmed Mohamud - Medical Superintendent
8. Mr. Abdi Omar - Fund Administrator, Scholarship Fund
9. Dr. Mahat Idle Gure - Medical Superintendent
10. Mr. Ramalan Mohamed - ICT Officer
11. Mr. Abdullahi Diriye - Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of the Dadaab Sub-County Hospital on the following basis;-

1. **Failure to Prepare and Submit Financial Statements for Prior Years**

The Hospital did not prepare and submit financial statements for the financial years 2021/2022 and 2022/2023, contrary to Section 149(2)(k) of the Public Finance Management Act, 2012.

Management Response

The management acknowledged the observation and clarify that the financial year 2023/2024 represents the first year of full operation and reporting as a Level 4 Hospital, following the upgrading and operationalization of the facility. Prior to this period, the

Hospital was in a formative and transition phase during which comprehensive financial reporting structures were not fully established.

Since commencement of operations as a Level 4 Hospital, appropriate financial management arrangements have been put in place, and we are committed to timely preparation and submission of financial statements in full compliance with the Public Finance Management Act, 2012 going forward.

Committee Observation

The Committee observed that the Hospital was in violation of Section 149(2)(k) of the Public Finance Management Act, 2012. The failure to submit statements for two consecutive years suggests a breakdown in financial oversight and accountability.

Committee Recommendation

The Committee recommends that—

i. **The Accounting Officer must ensure that all future financial statements are prepared and submitted to the Auditor-General and the National Treasury strictly within the statutory three-month window following the end of the financial year;**
ii. **The Auditor-General should carry out a comprehensive audit of the newly submitted 2021/2022 and 2022/2023 statements together with 2025/2025 to ensure they are accurate and that no funds were misappropriated during the period of non-reporting; AND**
iii. **The County Department of Health should conduct a capacity assessment of the hospital's finance department to determine if the delay was due to a lack of technical skills or personnel, and provide support where necessary.**

2. Unsupported Cash and Cash Equivalent Balance

The statement of financial position reflects cash and cash equivalent balance of Kshs.3,928,976 as disclosed in Note 11 to the financial statements. However, review of cash management records revealed that the current account cashbook was not being updated regularly. Instead of recording daily cash collections, mobile money deposits to bank and receipts from the Social Health Insurance Fund (SHIF) was recorded as a single lump sum entry amounting to Kshs.8,047,444 covering the period from July, 2024 to 30 June, 2025 without providing any details. This was contrary to Regulations 100 of Public Finance Management Act (County Government) Regulations, 2015 which requires maintenance of cashbook which shows transaction of receipts and payments.

Management Response

The management stated that the lump sum entries comprised consolidated receipts from mobile money collections and reimbursements from the Social Health Insurance Fund (SHIF) over the year. Management has since strengthened cash management controls, including daily updating of cashbooks and segregation of receipt categories. Regular bank reconciliations are now being prepared and reviewed to ensure accuracy of cash balances. Copies of the updated cashbook and bank reconciliation statements were attached for the Committee verification.

Committee Observation

The Committee observed that cashbooks were not updated regularly and receipts were recorded as lump sum entries.

Committee Recommendation

The Committee recommends that—

i) **the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records; ND**

ii) **the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A.**

3. Non-Disclosure of Inventory Balance

The statement of financial position did not reflect any inventory as at 30 June, 2025. However, review of stock records provided for audit revealed that the Hospital held inventory balances relating to pharmaceutical and non-pharmaceuticals items of undetermined values as at 30 June, 2025. In addition, there was no evidence provided to confirm that annual stock take was conducted to confirm the closing balances of inventories as at 30 June, 2025.

Management Response

The inventory balance has been captured in the inventory register and is hereby available for audit review. The hospital will update the financial statement in order to capture all the balances in the financial year 2025/2026. Copies of the Inventory registers and stock-take records were attached for the Committee verification.

Committee Observation

The Committee observed that the hospital management submitted for review the Inventory registers and Stock-take records.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

Other Matter

Unresolved Prior Year Issues

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Dadaab Sub County level 4 Hospital in 2024/2025 revealed that the following fourteen (14) issues remained unresolved

Management Response

The management clarified that most of the issues relate to periods when the Hospital operated under limited governance and financial autonomy. Management has since developed action plans to progressively address the outstanding matters and remains guided by recommendations issued by the Auditor-General and resolutions of the Senate. A copy of the Response to Audited Financial Statement Financial Year 2023-2024 was attached for the Committee verification.

Committee Observation

The Committee observed that the management has taken mitigation measures in addressing the matters.

Committee Recommendation.

The Committee recommends that the matter be marked as resolved

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Non-Compliance with the Financial Reporting Template

The Institute of Certified Public Accountants of Kenya (ICPAK) membership number for the accountant who signed the financial statements was not disclosed. This was contrary to the requirement of the Annual Financial Reporting Template issued by the Public Sector Accounting Standards Board that requires disclosure of ICPAK membership number of the Head of Finance who signs the financial statements.

In the circumstances, the financial statements were not fully compliant with the Annual Financial Reporting Template.

Management Response

The interim financial statement were not signed by the registered ICPAK account. However, the final amended financial statement, which form part of the audited financial statements, were duly signed by an accountant registered with the Institute of Certified Public Accountants of Kenya (ICPAK). An extract of Financial Statement signed with ICPAK number was attached for the Committee verification.

Committee Observation

The Committee observed that the management submitted the final amended financial statement, which form part of the audited financial statements, duly signed by an accountant registered with the Institute of Certified Public Accountants of Kenya (ICPAK).

Committee Recommendation.

The Committee recommends that the matter be marked as resolved.

2. Failure to Prepare Estimates of Income and Expenditure

The Management did not prepare estimates of income and expenditure and submit the same to the respective County Executive Committee Members as required. The Hospital operated without an approved budget during the year under review.

Management Response

The Committee confirmed that during the year under review, budgeting was undertaken within the established county planning framework. Arrangements are in place to strengthen facility-level participation in budget preparation. Upon formal constitution of the Hospital Management Board, the Hospital will fully comply with statutory requirements relating to preparation and approval of estimates.

Committee Observation

The Committee observed that the management provided a consolidated budget for the county Health department and indicated that the hospital was included in that budget.

Committee Recommendation

The Committee recommends that—

i. **The Committee recommends that the Governor through the hospital board ensure the hospital prepare its budget and expenditure estimates as required; and**

ii. **The Governor ensures to enhance the capacity of in-post officers preparing financial statements to comply with the requirements of the Public Sector Accounting Standard.**

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

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

Management Response

Notably, the County government has significantly strengthened service delivery capacity through the establishment and operationalization of the new Dadaab Sub-County Hospital, which was constructed and equipped with support from development partners-the United Nation (UN). The facility is well equipped and includes an Intensive Care Unit (ICU), dialysis unit which are under constructions from the county, radiology services with ultrasound, digital X-ray and CT scan, an oxygen plant, a fully solarized power system, a newborn unit, outpatient and inpatient services with a current bed capacity of 100 (with plans to upscale to 250 beds), a casualty and maternity wing, two fully equipped operating theatres, a Mother and Child Health (MCH) wing, a spacious warehouse, modernized staff quarters, and a well-equipped laboratory.

In view of the expanded infrastructure and service capacity, the Hospital is well positioned for elevation to Level 5 status in the near future. We are committed to continued collaboration with the National Government and partners to address the remaining gaps and ensure optimal utilization of the available facilities.

In line with the national Staffing Norms and Standards, staffing requirements are determined based on facility status and workload indicators. However, the County Government has adopted a workload-based staff posting approach, taking into account service demand and overall facility utilization in order to respond to emerging service delivery needs.

Based on this approach, Dadaab Sub-County Hospital received eleven (11) newly posted staff of different cadres, comprising: six (6) nurses, one (1) radiographer, one (1) biomedical engineer, one (1) orthopedic and trauma officer, and two (2) Health Records and Information Officer (HRIO).

The additional staffing is intended to strengthen essential clinical and support services, improve patient flow, enhance diagnostic and emergency care capacity, and support effective health information management at the facility.

In addition, the County has factored in the recruitment of more staff with an appropriate skill mix in the next financial year to further strengthen service delivery and address existing human resource gaps.

The County Government will continue to priorities service delivery by implementing measures aimed at progressively addressing staffing, equipment and infrastructural gaps in health facilities. This is geared towards enhancing compliance with Level 4 hospital standards and supporting the effective implementation of Universal Health Coverage (UHC).Copies of the Staff deployment schedules and Evidence of equipment and infrastructural development of new Dadaab Sub-County Hospital were attached for the Committee verification.

Committee Observation

The Committee observed that the Hospital was not providing all key services required of a Level 4 facility, and staffing levels do not meet several of the specifications outlined in the Kenya Quality Model for Health.

Committee Recommendation

The Committee recommends that—

i) **the Governor put in place a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward and leverage on technology to bridge the gap; and**

ii) **The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.**

5. Lack of Hospital Management Board

The Hospital did not have a duly constituted Board of Management.

Management Response

The observation is acknowledged. In line with the Facilities Improvement Financing (FIF) Act, 2023 and the applicable county health legislation, the process of constituting the Hospital Management Board has been completed at the County level and the list of nominated members has already been submitted to the County Executive Committee Member (CECM) for Health for formal appointment and gazettement.

The hospital is currently awaiting gazettement by the CECM for Health, after which the Board will be duly constituted and operational.

In the interim, the hospital continues to operate under the oversight of the County Department of Health and the Sub-County Health Management structures to ensure continuity of governance, accountability and service delivery.

The delay in the gazettement was due to a dispute raised within the community. The concerns required careful review and stakeholder engagement to ensure transparency, inclusivity and adherence to due progress.

Management prioritizes resolving the community issues amicably and ensuring that all concerns were properly addressed before proceeding with the gazettement. This approach was necessary to promote harmony, maintain public trust and ensure that the final board composition reflects broad community acceptance.

The matter is currently being addressed and steps are underway for gazettement. Attached is the minutes of the proposed members and their positions as contained in the Hospital Board initiation letter.

Committee Observation

The Committee observed that the list of nominated members has already been submitted to the CECM for Health for formal appointment and gazettement

Committee Recommendation

The Committee recommends that the Governor ensures there is a Hospital Board in place within 60 days of the adoption of this report and provide evidence of appointment of the same to the Senate.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Out of Essential Medical Supplies

The statement of financial position reflects nil inventory balance. Audit inspection of stores carried out on 5 October, 2025 indicated that thirty-nine (39) categories of medical commodity items were out of stock.

In addition, there were no policy guidelines on the required reorder levels, hence not possible to confirm whether commodities were within the required stock levels.

In the circumstance, the effectiveness of internal controls on the management of pharmaceuticals and non-pharmaceuticals inventory to achieve the Hospital mandate could not be confirmed.

Management Response

The hospital had enough stock that was delivered on 10th April 2025 from MEDS (mission for essential drugs and supplies) and initially we had this supplies at our stores. Copies of the KEMSA Delivery Note was attached for Committee verification.

Committee Observation

The Committee observed that the management has enhanced its procurement planning and stock monitoring processes to minimize future stock-outs. In addition, the management has engaged KEMSA to support last-mile delivery of essential medical commodities to enhance availability and continuity of supply. The drugs are now available at the facilities.

Committee Recommendation

The Committee recommends that the Governor ensures that the Accounting Officer strengthens the hospital's internal controls to ensure proper essential stock-in to

avoid lack of essential supplies including life-saving drugs, and ensure that stock records are included in the financial statement figures.

2. Lack of Functional Audit Committee

The Hospital did not have an audit committee. This was contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each county government entity shall establish an audit committee.

In the circumstances, the effectiveness of checks and balances in the Hospital could not be confirmed

Management Response

The Hospital has been subject to audit reviews under this arrangement and continues to implement audit recommendations issued. Management remains committed to strengthening internal controls under this framework. The hospital is in the process of constituting audit committee.

Committee observation

The Committee observed that the hospital did not have an audit committee and an ineffective internal audit function in place, contrary to Section 155(1) of the Public Finance Management Act, Cap.412A.

Committee Recommendation

The Committee recommends that the Governor ensures the hospital board puts in place all internal control systems such as the Internal Audit function as provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of the water company. Further, the managements to submit evidence of the same to the Auditor General for verification.

1. Lack of Internal Audit Function and Audit Committee

The Hospital did not have an internal audit unit. This was contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a county government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the effectiveness of checks and balances in the Hospital could not be confirmed.

Management Response

The hospital is in the process of constituting audit committee.

Committee observation

The Committee observed that the hospital did not have an audit committee and an ineffective internal audit function in place, contrary to Section 155(1) of the Public Finance Management Act, Cap.412A.

Committee Recommendation

The Committee recommends that the Governor ensures the hospital board puts in place all internal control systems such as the Internal Audit function as provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of the water company. Further, the managements to submit evidence of the same to the Auditor General.

2. Lack of Key Management Policies

The Hospital had not put in place key policies like Human Resource Policy Manual, Credit Management Policy, Finance Manual, Risk Management Policy, and Business Continuity Plan during the year under review. Lack of key policies and manuals may result to the Hospital deviating from its goals and overall strategic objectives which may affect overall governance of the Hospital.

In the circumstances, the Hospital lacked the tools for effective policy implementation.

Management Response

We were utilizing the county policies such as FIF and human resource policy. Copies of County Policies were attached for the Committee verification.

Committee Observation

The Committee observed that the Hospital did not have its own risk management policy, but relies on the County Risk Management Policy.

Committee Recommendation

The Committee recommends that the Governor ensures the Accounting Officer develops and implements a hospital -specific risk management policy that aligns with the County Risk Management Policy, including mechanisms for fraud prevention, to safeguard the achievement of strategic objectives and compliance with Regulation 158(1) of the Public Finance Management (County Governments) Regulation.

CHAPTER FOUR: FUNDS

4.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR GARISSA COUNTY EMERGENCY FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Garissa County, Hon. Nathif Jama Adam, EGH, appeared before the Committee on Monday 23rd March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Garissa Emergency Fund for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

1. Mr. Mohamed H. Mursal, -County Secretary
2. Mr. Mahat Sheikh Salah - CEO, Garissa Level 5 Hospital
3. Ms. Abdia Abdiwahab - Chief Officer, Health
4. Mr. Abdi Ali Nuriye - Head of Treasury
5. Mr. Aden Hussein - County Director of Health
6. Dr. Muse Kune Hassan - Medical Superintendent
7. Dr. Abdullahi Moahmed Mohamud - Medical Superintendent
8. Mr. Abdi Omar - Fund Administrator, Scholarship Fund
9. Dr. Mahat Idle Gure - Medical Superintendent
10. Mr. Ramalan Mohamed - ICT Officer
11. Mr. Abdullahi Diriye - Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an unqualified Opinion on the financial statements of the Garissa County Emergency Fund;-

Other Matter

Unresolved Prior Year Matters

The Management did not provide a report on how it has addressed the recommendations and findings of the previous years' audit as required by Section 31(1)(a) of the Public Audit Act, 2015.The following prior year audit issues remained unresolved as at 30 June, 2025 as detailed below:

i. Failure to Enact Emergency Fund Regulations
ii. Failure to prepare Estimates of Income and Expenditure

In the circumstances, the Management is in breach of Section 31(a) of the Public Audit Act, 2015, which requires the entity to submit a report on how it has addressed the recommendations and findings of the previous year's audit.

Manage response

The issue was submitted to the County Public Investment and Special Funds Committee, where it was duly discussed and deliberated upon.

Committee observation

The Committee observed that the management had mitigated prior matters and confirmed by the Auditor- General

Committee recommendation

The Committee recommends that the matter be marked as resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Failure to Enact Emergency Fund Regulations

Review of records of Garissa County Emergency Fund as at September, 2025, revealed that Management had not put in place Emergency Fund Regulations as required under Section 12 of Garissa County Emergency Fund Act, 2014. In the circumstances, Management was in breach of the law.

Management Response

At the time of audit in September 2025, the Emergency Fund Regulations had not been finalized. However, Management confirms that the County was in the process of enacting the Regulations in compliance with of the Garissa County Emergency Fund Act.

The process has since progressed, and necessary steps are being undertaken to ensure the Regulations are developed, approved by the County Assembly, and operationalized.

Committee observation

The Committee observed that the management was yet enact the regulations for the Fund.

Committee Recommendation

The Committee Recommendation that the Governor ensures the necessary regulations are in place for the Fund within 60 days of the adoption of this report and provide evidence enactment to the Senate within the same period.

2. Non-Adherence to E-procurements Executive Order

Review of procurements process indicated that the Management procured drought related supplies worth Kshs.39,678,994 during the year under review. However, Management did not acquire goods and services through e-procurement as is required by the Executive Order No.2 of 2018 issued on 28 June, 2018 by the President of the Republic of Kenya which requires all public procuring entities to undertake all their procurement through government e-procurement module. In the circumstances, Management was in breach of the law.

Management Response

The procurement in question related to urgent drought response interventions which required immediate action to safeguard lives and livelihoods, and therefore could not await the timelines associated with the e-procurement process. Article 227(1) of the Constitution of Kenya, 2010 provides for a procurement system that is fair, equitable, transparent, competitive and cost-effective, but does not limit procurement to electronic platforms only. Further, Section 103 of the Public Procurement and Asset Disposal Act, 2015 allows for emergency procurement where there is an urgent need that would not permit the use of standard procurement methods. The drought situation constituted such an emergency, justifying the use of manual procurement to ensure timely delivery of essential supplies.

Committee observation

The Committee observed did not acquire goods and services through E-procurement as required while procuring drought related supplies. The management cited the urgent nature of the supplies

Committee recommendation

The Committee recommends that the Governor should ensure that Fund management should fast track the process of implementation of e-procurement.

4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR GARISSA COUNTY REVOLVING FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Garissa County, Hon. Nathif Jama Adam, EGH, appeared before the Committee on Monday 23rd March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Garissa Revolving Fund for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Mohamed H. Mursal, -County Secretary
2. Mr. Mahat Sheikh Salah - CEO, Garissa Level 5 Hospital
3. Ms. Abdia Abdiwahab - Chief Officer, Health
4. Mr. Abdi Ali Nuriye - Head of Treasury
5. Mr. Aden Hussein - County Director of Health
6. Dr. Muse Kune Hassan - Medical Superintendent
7. Dr. Abdullahi Moahmed Mohamud - Medical Superintendent
8. Mr. Abdi Omar - Fund Administrator, Scholarship Fund
9. Dr. Mahat Idle Gure - Medical Superintendent
10. Mr. Ramalan Mohamed - ICT Officer
11. Mr. Abdullahi Diriye - Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of the Garissa County Revolving Fund on the following basis:

Non-Performing Loans

The statement of financial position reflects a of in respect to receivables balance of Kshs.37,216,648 as disclosed in Note 6 to the financial statements. Review of disbursement records revealed that an amount of Kshs.37,800,000 was advanced to five (5) groups and individuals in the month of December, 2024. The beneficiaries were required to commence repayment after a three-month grace period ending in February, 2025. However, as at 10 September, 2025, seven months after expiry of the grace period, only Kshs.882,860 had been repaid. Further, only six (6) groups were consistently repaying, though not at the stipulated rates, while seventy-eight (78) groups had either defaulted or made irregular repayments. This represents a repayment compliance rate of less than 7%. No evidence of demand letters, repayment schedules, or legal action against defaulters was provided. In addition, management did not have credit policy and collection strategy for non-performing loans.

In the circumstances, the accuracy and recoverability of the outstanding loan balance of Kshs.37,216,648 could not be confirmed. This further represents possible erosion of capital fund and potential loss of public funds.

Management Response

Management has issued formal demand letters to all defaulting beneficiaries and initiated follow-ups to enforce compliance, while structured repayment schedules are being implemented to guide and regularize repayments. Additionally, a recovery mechanism has been strengthened through continuous monitoring and beneficiary engagement to address repayment challenges. Further, Management has commenced the process of initiating legal action against persistent defaulters in line with applicable laws. A credit and loan recovery policy is currently being developed and is expected to be finalized by the end of FY 2025/2026 to strengthen enforcement and improve future loan performance.

The County Executive Committee should review the operations of the Fund with a view of ascertaining the viability of the Fund to prevent possible loss of public funds.

Other Matter

Unresolved Prior Year Matters

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

Financial Year	**Audit Issue**
2023/2024	Unsupported Cash and Cash Equivalent balances
2023/2024	Late Submission of Financial Statements
2023/2024	Non-compliance with Loan Repayment and Annual Reporting Regulations
2023/2024	Non-compliance with Annual Reporting Regulations

Management Response

The issue was submitted to the County Public Investment and Special Funds Committee, where it was duly discussed and deliberated upon.

Committee observation

The Committee observed that the management had mitigated prior matters and confirmed by the Auditor- General

Committee recommendation

The Committee recommends that the matter be marked as resolved.

REPORT OF LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Irregular Issuance of Unsecured Loans

Review of loan application and disbursement records revealed that the Fund disbursed Ksh.37,800,000 as loans to five (5) eligible groups and entrepreneurs. However, loans amounting to Kshs.1,000,000 were disbursed without deposit of adequate security or the availability of the required two reputable guarantors. This is contrary to Regulation 19(1) of the Public Finance Management (Garissa County Revolving Fund) Regulations, 2018 which provides that an applicant shall be required to provide chattels registered under his or her name or under the name of their group as security or provide two guarantors of reputable persons in the absence of such security for a loan to be granted.

In the circumstance, Management breached the law.

Management Response

Management has strengthened and strictly enforced loan approval procedures to ensure that no loan is issued without sufficient security and fully compliant guarantor requirements, in line with Regulations 19 and 24 of the Garissa Revolving Fund Regulations. Further, all the 5 affected beneficiary groups have been formally issued notices requiring them to provide second guarantors and regularize their loan documentation. Follow-up mechanisms have been instituted to ensure compliance, and supporting evidence of the issued notices and ongoing regularization process has been attached for audit review.

Committee observation

Management have provided formal demands letters to loan defaulters though this has not yielded any results towards loan recovery.

Committee recommendation

The Committee recommends that Governor ensures County Executive Committee reviews the operations of the Fund with a view of ascertaining the viability of the Fund to prevent possible loss of public funds. Those responsible for the non-recovery of issued loans should be held responsible for any loss.

2. Conflict of Interest - Loans Guaranteed by County Staff and Members of County Assembly

Review of the records provided revealed that the Fund advanced loans amounting to Kshs.3,800,000 to nine (9) beneficiaries. However, the loans were guaranteed by four (4) Members of the County Assembly and a County Executive Committee Member for Trade and Enterprise Development, thereby creating conflict of interest and contravening Section 17(1) of the Public Service Code of Conduct and Ethics, 2016 which provides that a public officer shall use the best efforts to avoid a situation where that public officer's personal interests conflict with or appear to conflict with the officer's official duties.

In the circumstance, Management was in breach the Public Service Code of Conduct and Ethics, 2016. The audit was conducted in accordance with /SSAls 3000 and 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them.

Management Response

The participation of the County Executive Committee Member (CECM) for Trade and County Assembly staff in guaranteeing loans under the County Revolving Fund did not contravene any legal provisions. The County Revolving Fund Act does not expressly

Committee observation

The Committee observed that some Members of the County Assembly guaranteed loans who are supposed to oversight the operations of the Fund.

Committee recommendation

The Committee recommends that the Governor should ensure that at all time employees of the County avoid situations that may lead to conflict of interest.

Unresolved Prior Year Matter

During previous audits, one (1) audit issue under the Report on Lawfulness and Effectiveness in the Use of Public Resources remained unresolved and Management has not provided satisfactory reasons for the delay in addressing this matter. The unresolved issue was on the failure to enact Climate Change Fund Regulations. This is in breach of the Section 31(1)(a) of the Public Audit Act, 2025 which requires the Fund to state on how it has addressed prior year audit recommendations. Management Response The issue was submitted to the County Public Investment and Special Funds Committee, where it was duly discussed and deliberated upon. Conclusion As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect(s) of the matter(s) described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way. Basis for Conclusion Failure to Enact Climate Change Fund Regulations As at the time of audit in September, 2025 the Climate Change Fund Regulations were not in place. This is contrary to Section 31 of the Garissa County Climate Change Fund Act, 2018, which states that the Executive Committee Member for the time being in charge of Environment shall, with the approval of the County Assembly, make Regulations for the better carrying out of the provisions of this Act. In the circumstances, Management was in breach of the law.

Committee observation

The Committee observed that the management had mitigated prior matters and confirmed by the Auditor- General

Committee recommendation

The Committee recommends that the matter be marked as resolved.

1. Irregular Issuance of Unsecured Loans

Review of loan application and disbursement records revealed that the Fund disbursed Ksh.37,800,000 as loans to five (5) eligible groups and entrepreneurs. However, loans amounting to Kshs.1,000,000 were disbursed without deposit of adequate security or the availability of the required two reputable guarantors. This is contrary to Regulation

Management responses

All the 5 affected beneficiary groups have been formally issued notices requiring them to provide second guarantors and regularize their loan documentation.

Committee Observation

The Committee observed that loans were unprocedurally issued to beneficiaries where the necessary securities were not deposited.

Committee recommendation

The Committee recommends that the Governor ensures immediate measures are put in place to prioritize recovering all the outstanding loans that are long overdue and status update to the Senate within 90 days of the adoption of this report.

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

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

1. Mr. Mohamed H. Mursal, -County Secretary
2. Mr. Mahat Sheikh Salah - CEO, Garissa Level 5 Hospital
3. Ms. Abdia Abdiwahab - Chief Officer, Health
4. Mr. Abdi Ali Nuriye - Head of Treasury
5. Mr. Aden Hussein - County Director of Health
6. Dr. Muse Kune Hassan - Medical Superintendent
7. Dr. Abdullahi Moahmed Mohamud - Medical Superintendent
8. Mr. Abdi Omar - Fund Administrator, Scholarship Fund
9. Dr. Mahat Idle Gure - Medical Superintendent
10. Mr. Ramalan Mohamed - ICT Officer
11. Mr. Abdullahi Diriye - Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered unqualified Opinion on the financial statements of the Garissa County Climate Change Fund:

1. Unresolved Prior Year Matter

During previous audits, one (1) audit issue under the Report on Lawfulness and Effectiveness in the Use of Public Resources remained unresolved and Management has not provided satisfactory reasons for the delay in addressing this matter. The unresolved issue was on the failure to enact Climate Change Fund Regulations.

This is in breach of the Section 31(1)(a) of the Public Audit Act, 2025 which requires the Fund to state on how it has addressed prior year audit recommendations.

Management Response

The issue was submitted to the County Public Investment and Special Funds Committee, where it was duly discussed and deliberated upon.

Committee observation

The Committee observed that the management had mitigated prior matters and confirmed by the Auditor- General

Committee recommendation

The Committee recommends that the matter be marked as resolved.

2. Failure to Enact Climate Change Fund Regulations

As at the time of audit in September, 2025 the Climate Change Fund Regulations were not in place. This is contrary to Section 31 of the Garissa County Climate Change Fund Act, 2018, which states that the Executive Committee Member for the time being in charge of Environment shall, with the approval of the County Assembly, make Regulations for the better carrying out of the provisions of this Act.

Committee observation

The Committee observed that the management was yet enact the regulations for the Fund.

Committee Recommendation

The Committee Recommendation that the Governor ensures the necessary regulations are in place for the Fund within 60 days of the adoption of this report and provide evidence enactment to the Senate within the same period.

4.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR GARISSA COUNTY SCHOLARSHIP FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Garissa County, Hon. Nathif Jama Adam, EGH, appeared before the Committee on Monday 23rd March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Garissa Scholarship Fund for the Financial Year 2024/2025.The Governor was accompanied by the following officers—

1. Mr. Mohamed H. Mursal, -County Secretary
2. Mr. Mahat Sheikh Salah - CEO, Garissa Level 5 Hospital
3. Ms. Abdia Abdiwahab - Chief Officer, Health
4. Mr. Abdi Ali Nuriye - Head of Treasury
5. Mr. Aden Hussein - County Director of Health
6. Dr. Muse Kune Hassan - Medical Superintendent
7. Dr. Abdullahi Moahmed Mohamud - Medical Superintendent
8. Mr. Abdi Omar - Fund Administrator, Scholarship Fund
9. Dr. Mahat Idle Gure - Medical Superintendent
10. Mr. Ramalan Mohamed - ICT Officer
11. Mr. Abdullahi Diriye - Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of the Garissa County Scholarship Fund on the following basis:

Basis for Qualified Opinion

Unsupported Bursary Payments

The statement of financial performance, as disclosed in Note 10 to the financial statements, shows bursary transfers amounting to Kshs.49,499,491. Out of this, bursary payments totaling Kshs.931,591 were not supported by acknowledgment documents. In addition, cheque dispatch registers used to monitor and track the issuance of cheques were not availed for audit.

In the circumstances, the accuracy and completeness of bursary of Kshs.931,591 could not be confirmed.

Management Response

That all the requisite acknowledgment documents supporting the bursary payments totaling Kshs.931,591 have since been compiled and are now fully availed for audit verification and review. The County has operationalized a comprehensive Cheque Dispatch Register capturing full beneficiary acknowledgment details, dispatch mode, and traceability of all payments.

Committee observation

The Committee observed that the management addressed the matter but outside the audit timelines and informed the Committee that getting the acknowledge receipts from some of the educational institutions was a challenge. Further, the Governor committed that the management will address the matter leveraging on technology.

Committee recommendation

Noting the mitigation by the Governor, the Committee recommends that the matter be cleared.

Other Matter

Unresolved Prior Year Matters

During previous audits, two (2) audit issues under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in the Use of Public Resources remained unresolved. Management has not provided satisfactory reasons for the delay in addressing these matters. The unresolved issues are:

a) Unsupported Bursary Payments

b) Non-Provision of Nomination Documents for the Fund Management Committee

Management Response

The issue was submitted to the County Public Investment and Special Funds Committee, where it was duly discussed and deliberated upon.

Committee observation

The Committee observed that the management had mitigated prior matters and confirmed by the Auditor- General

Committee recommendation

The Committee recommends that the matter be marked as resolved.

ANNEXTURES

Minutes of the 52nd Sitting held on Monday 23rd March, 2026

13TH PARLIAMENT 5TH SESSION

MINUTES OF THE FIFTY SECOND SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON MONDAY, 23RD MARCH 2026 IN COMMITTEE ROOM 10, BUNGE TOWER AT 4.00 P.M.

PRESENT

1.	**Sen. Godfrey Atieno Osotsi, CBS, MP**	**- Chairperson**
2.	Sen. Agnes Kavindu Muthama, MP	- Member
3.	Sen. William Kisang' Kipkemoi, MP	- Member
4.	Sen. Beth Kalunda Syengo, MP	- Member
5.	Sen. Peris Pesi Tobiko, CBS, MP	- Member
6.	Sen. Raphael Chimera Mwinzagu, MP	- Member
7.	Sen. George Mungai Mbugua, MP	- Member
8.	Sen. Hamida Ali Kibwana, MP	- Member

ABSENT WITH APOLOGY

9.	Sen. Eddy Gicheru Oketch, MP	**- Vice-Chairperson**

SECRETARIAT

1.	Mr. Yussuf Shimoy	- Clerk Assistant I
2.	Mr. Godfrey Nyaga	- Clerk Assistant III
3.	Mr. Khatib Omar	- Clerk Assistant III
4.	Mr. Victor Kimani	- Audio officer

A. OFFICE OF THE AUDITOR GENERAL

Mr. Mark Gachanja Liasion

B. ETHICS AND ANTI CORRUPTION COMMISION

Mr. Patrick Kinoti -Liaison Officer

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

The meeting was called to order by the Chairperson at twenty minutes past four O'clock in the afternoon 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 by Sen. Agnes Kavindu Muthama, MP and seconded by Sen. George Mungai Mbugua, MP as follows –

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

MIN. NO. SEN/CPICSF/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. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kisumu County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

   a. Kisumu Water and Sanitation Company (KIWASCO)
   b. City Of Kisumu
   c. Ahero County Hospital
   d. Chulaimbo County Hospital
   e. Kisumu County Hospital
   f. Kombewa County Referral Hospital
   g. Lumumba Sub County Hospital
   h. Migosi Sub County Hospital
   i. Muhoroni County Hospital
   j. Nyakach County Hospital
   k. Kisumu County Mortgage & Car Loan (Executive) Fund
   l. Kisumu County Mortgage & Car Loan Assembly Fund
   m. Kisumu Lakefront Development Corporation
   n. Kisumu County Emergency Fund
   o. Kisumu County Bursary Fund
   p. Kisumu County Climate Change Fund
   q. Kisumu County Covid-19 Emergency Response Fund Account
   r. Kisumu County Education Fund
   s. Kisumu County Women, Youth and People with Disabilities Fund

2. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kwale County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

   a. Kwale Water and Sewerage Company Limited
   b. Diani Municipality
   c. Lungalunga Municipality
   d. Kwale Municipality
   e. Kinango Municipality
   f. Kwale Sub-County Hospital
   g. Msambweni County Referral Hospital
   h. Lungalunga Sub-County Level 4 Hospital
   i. Kinango Level 5 Hospital
   j. Kwale County Bursary and Scholarship Fund
   k. Kwale County Emergency Fund
   l. Kwale County Youth, Women and Person with Disabilities Revolving Fund
   m. Kwale County Trade Revolving Fund
   n. Kwale County Climate Change Fund

3. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in West Pokot County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

   a. Kapenguria Water Company Limited
   b. Kapenguria Municipality
   c. Kapenguria Referral Hospital
   d. Chepareria Sub-County Level 4 Hospital
   e. Kacheliba Sub-County Level 4 Hospital
   f. Sigor Sub-County Level 4 Hospital
   g. West Pokot County Cooperative Development Fund

4. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nandi County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

   a. Kapsabet Nandi Water and Sanitation Company (KANAWASCO)
   b. Kapsabet Municipality
   c. Kapsabet County Referral Hospital
   d. Nandi County Alcoholic Drinks Fund
   e. Nandi County Climate Change Fund
   f. Nandi County Executive Education Fund

g. Nandi County Emergency Fund
h. Nandi County Facilities Improvement Fund

5. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Bomet County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**
    a. Bomet Water and Sanitation Company Limited (BOMWASCO)
    b. Bomet Municipality
    c. Cheptalal Level 3b Hospital
    d. Kapkoros Level 3a Hospital
    e. Longisa Level 4 Hospital
    f. Ndanai Level 4 Hospital
    g. Sigor Level 4 Sub-County Hospital
    h. Bomet County Education Revolving Fund
    i. Bomet County Bursary Fund
    j. Bomet County Climate Change Fund
    k. Bomet County Executive Car and Mortgage Scheme Fund

6. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kirinyaga County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**
    a. Kirinyaga County Water and Sanitation Plc(KICOWASCO)
    b. Rukanga Makutano Water and Sanitation Plc. (RUMAWASCO)
    c. Kerugoya -Kutus Municipal
    d. Sagana Sub - County Level 4 Hospital
    e. Kianyaga Sub County Level 4 Hospital
    f. Kimbimbi Sub County Level 4 Hospital
    g. Kirinyaga County Executive Emergency Fund
    h. County Government of Kirinyaga Executive Mortgage Fund
    i. Kirinyaga Executive Car Loan & Mortgage Fund
    j. Kirinyaga County Alcoholic Drinks Control Fund
    k. Kirinyaga County Climate Change Fund
    l. Kirinyaga County Executive Bursary Fund

7. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nyeri County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**
    a. Mathira Water and Sanitation Company Limited
    b. Narumoru Water and Sanitation Company Limited
    c. Nyeri Water and Sanitation Company Limited

d. Othaya-Mukurweini Water and Sanitation Company
e. Tetu Water and Sanitation Company Limited
f. Nyeri Municipality
g. Karatina Subcounty Level 4 Hospital
h. Mt Kenya Subcounty Referral Hospital
i. Mukureini Sub County Hospital
j. Nyeri County Referral Hospital
k. Othaya Sub County Hospital
l. Nyeri County Climate Change Fund
m. Nyeri County Elimu Fund
n. Nyeri County Enterprise Fund
o. Nyeri County Health Services Fund

8. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Taita-Taveta County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

a. Tavevo Water and Sewerage Company Limited
b. Special Municipality of Mwatate
c. Taveta Municipality
d. Voi Municipality
e. Moi (Voi) County Referral Hospital
f. Wesu Sub-County Hospital
g. Taveta Sub-County Hospital
h. Mwatate Sub-County Hospital
i. Taita Taveta County Education Fund Board
j. Taita Taveta County Car Loan and Mortgage Fund
k. Taita Taveta County Facilities Improvement Fund
l. Taita Taveta County Climate Change Fund
m. Taita Taveta Investment and Development Corporation

9. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nyandarua County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

a. Nyandarua Water and Sanitation Company Limited
b. Olkalou Water and Sanitation Company Limited
c. Mairo-Inya Municipality
d. Engineer Municipality
e. Olkalou Municipality
f. Engineer County Hospital
g. Jm Kariuki Memorial County Referral Hospital

h. Nyandarua County Bursary Fund
i. Nyandarua County Climate Change Fund
j. Nyandarua County Executive (State and Public) Car Loan and Mortgage Scheme Fund
k. Nyandarua County Emergency Fund

10. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Samburu County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

a. Samburu Water and Sanitation Company Limited (SAWASCO)
b. Maralal Municipality
c. Samburu County Teaching and Referral Hospital
d. Baragoi Sub-County Hospital
e. Samburu County Executive Staff Mortgage Fund
f. Samburu County Bursaries Fund
g. Samburu County Climate Change Fund
h. Samburu County Conservancies Fund
i. Samburu County Persons Living with Disability Fund
j. Samburu County Youth and Women Enterprise Development Fund

11. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Samburu County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

1. Garissa Water and Sewerage Company Limited.
2. Garissa Municipality
3. Dadaab Municipality
4. Masalani Municipality
5. Garissa County Level 5 Teaching and Referral Hospital
6. Ijara Sub-County Hospital
7. Modogashe Sub-County Hospital
8. Dadaab Sub-County Hospital
9. Garissa County Emergency Fund
10. Garissa County Revolving Fund
11. Garissa Climate Change Fund
12. Garissa County Scholarship Fund

12. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Elgeyo Marakwet County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

1. Iten Tambach Water and Sewarage Company Limited.
2. Cherang'any Marakwet Water and Sanitation Company Limited
3. Iten Tambach Unicipality

4. Iten County Referal Hospital
5. Tambach Sub-County Hospital
6. Elgeyo Marakwet County Assembly Catering Services Revolving Fund
7. Elgeyo Marakwet Alcoholic Drinks and Control Fund-Executive
8. Elgeyo Marakwet Car and Mortgage Revolving Fund-Executive
9. Elgeyo Marakwet County Climate Change Fund
10. Elgeyo Marakwet Education Fund-Executive.

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

There was no any other business.

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

The Chairperson adjourned the meeting at forty-five minutes past five o'clock in the afternoon. The next meeting would be called on notice.

SIGNED: .... **DATE:** 24/3/2026

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