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Date: 25/03/26

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 WAJIR COUNTY WATER COMPANY, MUNICIPALITY, HOSPITAL AND FUNDS FOR THE FINANCIAL YEAR 2024/2025 (1st JULY, 2024 TO 30th JUNE, 2025):

SECTOR	NO.	ENTITY
WATER COMPANY	1	WAJIR WATER AND SEWERAGE COMPANY LIMITED.
MUNICIPALITY	1	WAJIR MUNICIPALITY.
HOSPITAL	1	WAJIR COUNTY LEVEL 4 REFERRAL HOSPITAL.
FUNDS	3	WAJIR COUNTY DISASTER MANAGEMENT FUND.
		WAJIR COUNTY CLIMATE FUND.
		WAJIR COUNTY BURSARY FUND

26/03/26
APPROVED
RT. HON. SEN
AMASON J. KINOI

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MARCH, 2026

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ACRONYMS/ABBREVIATIONS

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
WCRH	Wajir County Referral Hospital
WSDP	Water and Sanitation Development Project
WWSC	Wajir Water and Sewerage Company Limited

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

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

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Wajir County water company, Municipality, Hospital and Funds for the Financial Year 2024/2025. The entities covered are: one (1) water companies – Wajir Water and Sewerage Company (WAJWASCO); one (1) municipality – Wajir Municipality; one hospital – Wajir County Level 4 Referral Hospital and three (3) funds – Wajir County Climate Change Fund, Wajir County Education Bursary Fund and Wajir County Disaster Management Fund.

The Governor of Wajir 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'enh | - Research Officer III |
| 15. Mr. Victor Kimani | - Media Relations officer |
| 16. Mr. Fredick Okola | - Audio officer |
| | - 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 audits 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 Auditor-General's reports on the audited Accounts of Wajir Water Company, the Municipality, hospital and Funds for the Financial Year 2024/2025 (1st July 2024 to 30th June 2025) as the primary documents for the interrogations. The Committee invited the Governor of Wajir 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 Six (6) entities in Wajir County for the Financial Year 2024/2025. The entities covered are: one (1) water company – Wajir Water and Sewerage Company (WAJWASCO); one (1) municipality – Wajir Municipality; one hospital – Wajir County Level 4 Referral Hospital and three (3) funds – Wajir County Climate Change Fund, Wajir County Education Bursary Fund and Wajir County Disaster Management Fund

All entities received Qualified Opinions except Wajir Bursary Fund from the Auditor-General, indicating the existence of significant audit issues that require urgent management attention and corrective action

The key issues identified across the entities include: weak financial management and delayed reporting; high Non-Revenue Water and poor revenue performance; incomplete asset records; over-reliance on County transfers; staffing and infrastructure gaps affecting service delivery; operation of funds under lapsed legal frameworks; delayed budget disbursements and under-absorption; and overall weaknesses in governance, internal controls, compliance, and financial sustainability.

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 Wajir 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 Municipality of Wajir 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 Wajir County Level 4 Referral 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 Wajir County Climate Change Fund, Wajir County Bursary Fund and Wajir County Disaster Management Fund for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

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GENERAL OBSERVATIONS FOR WAJIR WATER COMPANY

1. **Non-Revenue Water (NRW)** – The Committee observed that the Company recorded Non-Revenue Water at 45%, significantly above the 25% benchmark prescribed by the WASREB. The high NRW levels were attributed to ageing infrastructure, illegal connections, and metering inaccuracies, resulting in substantial financial losses and inefficiencies in service delivery.
2. **Weak Revenue Collection and Financial Sustainability**-The Committee observed under-collection of revenue, with Kshs. 18,614,585 collected against Kshs.24,800,629 billed, indicating weaknesses in debt management, enforcement mechanisms, and internal controls, thereby affecting the Company’s liquidity and sustainability.
3. **Financial Reporting and Compliance Gaps**-The Committee observed delays and inaccuracies in financial reporting, including late submission of supporting documents, raising concerns regarding compliance with Section 62 of the Public Audit Act, Cap. 412B, and adherence to IPSAS standards.
4. **Inadequate Asset Management and Governance Controls**-The Committee observed incomplete asset documentation and valuation, including the absence of a title deed for the headquarters land, exposing the Company to legal, financial, and governance risks.

GENERAL RECOMMENDATIONS FOR WAJIR WATER COMPANY

1. **Reduction of Non-Revenue Water (NRW)** – The Governor should ensure that the Accounting Officer develops and implements a Non-Revenue Water reduction strategy within ninety (90) days of adoption of this report, including segregation of physical and commercial losses, infrastructure rehabilitation, enhanced metering and billing systems, strengthened enforcement against illegal connections, and periodic performance monitoring. Submit the progress report to the Senate and a copy to the Auditor General. The Auditor General to provide a status update to the Senate on the same.
2. **Strengthening Revenue Collection**-The Governor should ensure that the Accounting Officer strengthens revenue collection systems through improved debt management, automation, enhanced enforcement, and effective internal controls, ensures all due revenue is accounted for and reported quarterly in line with the Public Finance Management Act, 2012, and integrates revenue performance into financial planning to safeguard public funds and improve sustainability.
3. **Timely and Accurate Financial Reporting** - The Governor should ensure that the Accounting Officer prepares and submits accurate, complete, and timely financial statements in full compliance with IPSAS and prescribed reporting templates, and submits all supporting documentation to the Auditor-General within the statutory timelines stipulated under Section 62 of the Public Audit Act, Cap. 412B.

4. **Asset Management: Documentation and Control** - The Governor should ensure that all Company assets are properly documented, valued, tagged, and disclosed in the financial statements, that ownership documentation including the title deed for the headquarters land is regularized within ninety (90) days of adoption of this report, and that periodic verification and strengthened governance controls are implemented to enhance accountability. The Auditor-General to verify progress in the subsequent audit cycle.

GENERAL OBSERVATIONS FOR WAJIR MUNICIPALITY

- 1. Lack of Operational Autonomy** – The Committee observed that Wajir Municipality relied heavily on County Government transfers for operations, totaling Kshs.199,460,538 out of total revenue of Kshs.326,528,885. 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, 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 Wajir Municipality 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 WAJIR MUNICIPALITY

- 1. Operationalization of Municipal Autonomy** - The Governor ensure that the operation of Municipality is undertaken according to the functions delegated as gazzetted by the county government. Further, the governor should ensure the Municipality is adequately funded in accordance with section 172 of the PFM Act 2012, to enhance the operational independence and enable effective service delivery. The governor should further ensure that the Municipality in the county are operationalized to undertake their delegated functions in line with the law by the commencement of the financial year 2026/2027.
- 2. Financial Reporting Compliance** - The Governor should ensure that the accounting Officer ensures that all financial statements are accurate, complete, and fully compliant with International Public Sector Accounting Standards (IPSAS). All finance staff shall receive comprehensive capacity-building to strengthen the quality of financial reporting, and all supporting documents must be submitted to the Auditor-General within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B.
- 3. Establishment of Internal Audit and Risk Management Framework** - The Governor should ensure that Wajir Municipality establishes a fully operational internal audit function, with qualified staff and a clear charter, in compliance with Section 155 of the Public Finance Management Act, 2012. The Municipality shall also develop and implement a comprehensive risk management policy to identify, assess, and mitigate operational and financial risks. Additionally, the Municipality shall take full custody of all its assets from the County Executive and maintain an updated fixed asset register 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 Senate and a copy to the Auditor-General within 90 days.

GENERAL OBSERVATIONS FOR WAJIR HOSPITAL

- 1. Employment Gaps**-The Committee observed that there were significant staffing shortages in key medical cadres, including anesthesiologists and radiologists. Further, many staff were engaged on short-term contracts without clear renewal terms, creating job insecurity and affecting continuity of service delivery.
- 2. Resource and Infrastructure Deficiencies**-The Committee observed that the hospital lacked essential medical equipment, including functional ICU and HDU beds, and had inadequate medical supplies. This limited the hospital's capacity to provide quality healthcare services as required under Article 43(1) of the Constitution of Kenya, 2010 and the Health Act, 2017.
- 3. Financial Management and Asset Recording**-The Committee observed weaknesses in revenue collection, billing systems, and preparation of financial statements. Fixed assets were not fully recorded in the asset register, contrary to Section 149(2)(0) and Section 156(1) of the Public Finance Management Act, 2012.
- 4. Expired Medical Supplies**-The Committee observed that expired drugs and laboratory supplies valued at Kshs.1,330,900 were not properly disposed of, indicating weak inventory management and non-compliance with the Public Procurement and Asset Disposal Regulations, 2020.

GENERAL RECOMMENDATIONS FOR WAJIR HOSPITAL

- 1. Human Resources and Staffing Compliance** - The Governor develops 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.
- 2. Medical Equipment and Supply Chain Management** - The Governor should prioritize the procurement of essential medical equipment, including Intensive Care Unit (ICU) and High Dependency Unit (HDU) beds, and ensure the consistent availability of medical supplies, pharmaceuticals, and consumables to improve service delivery and patient outcomes. A prioritized procurement plan with clear timelines and budget allocations shall be submitted to the Senate and a copy to the Auditor-General within sixty (60) days, with quarterly progress reports thereafter until full implementation is achieved.
- 3. Revenue Management and Financial Reporting** - The Governor should ensure the implementation of a proper billing and revenue management system for the hospital including automation, to minimize revenue leakages and optimize

collection from patients, insurers, and other payers. The Accounting Officer shall ensure the preparation of accurate, complete, and timely financial statements in compliance with International Public Sector Accounting Standards (IPSAS) and the Public Finance Management Act, Cap. 412A. Additionally, the fixed asset register shall be updated and maintained in accordance with Section 136(1) of the Public Finance Management (County Governments) Regulations, 2015, and submitted to Senate and a copy to the Auditor-General within 90 days.

4. **Disposal of Expired Supplies and Inventory Controls** - The Governor should ensure the Accounting Officer expedites the proper disposal of all expired medical and laboratory supplies, in accordance with the Public Procurement and Asset Disposal Act, 2022, Cap. 412C. and the guidelines issued by the Pharmacy and Poisons Board. The hospital shall enforce strict adherence to the First Expiry, First Out (FEFO) principle in the management, storage, and issuance of all medical supplies to minimize the risk of expiry and wastage of public resources. A comprehensive status report on the disposal exercise and the implementation of FEFO controls shall be submitted to Senate and a copy to the Auditor General within ninety (90) days of the adoption of this report.

GENERAL OBSERVATION FOR WAJIR FUNDS

- 1. Budgetary Control and Performance**-Underfunding of the fund revenue budget due to late disbursement of funds from the county treasury resulting to underutilization of the budget in the respective financial year. The full disbursement of the funds was received towards the close of the financial year, hence the under absorption of the budget as per the time of audit. The under-expenditure may have negatively affected the service delivery to the public.

GENERAL RECOMMENDATIONS FOR FUNDS

- 1. Timely and Predictable Disbursement of Funds** - The Governor should ensure that the County Treasury effects timely and predictable disbursement of funds to the fund account in accordance with approved budgetary provisions. This will enable the fund to execute its planned programs and activities within the stipulated timelines, thereby ensuring that intended public benefits are realized without delay. The County Treasury shall provide a disbursement schedule to the fund's Accounting Officer at the commencement of each financial year and adhere to the same, barring exceptional circumstances duly communicated.
- 2. Budgetary Control and Compliance Enforcement** - The Governor should direct the Accounting Officer to ensure strict compliance with Regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, on the exercise of budgetary control measures. This includes regular monitoring of budget performance, timely reporting of variances, and implementation of corrective actions to prevent overspending or under-absorption. The Accounting Officer is hereby notified that failure to comply with these statutory requirements shall attract the application of the penalties prescribed under Section 199 of the Public Finance Management Act, Cap. 412A, including personal liability and disciplinary action against officers found culpable. A quarterly budget performance report shall be submitted to the County Executive Committee and the Auditor-General for review.

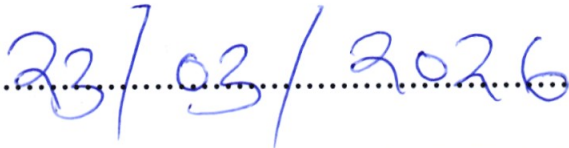
ACKNOWLEDGEMENTS

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

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



SIGNED:



DATE:





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



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

SECTOR	NO.	ENTITY
WATER COMPANY	1	WAJIR WATER AND SEWERAGE COMPANY LIMITED.
MUNICIPALITY	1	WAJIR MUNICIPALITY.
HOSPITAL	1	WAJIR COUNTY LEVEL 4 REFERRAL HOSPITAL.
FUNDS	3	WAJIR COUNTY BURSARY FUND.
		WAJIR COUNTY CLIMATE FUND.
		WAJIR COUNTY DISASTER MANAGEMENT FUND.

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

No.	Name	Signature
1.	Sen. Godfrey Atieno Osotsi, CBS, MP <i>(Chairperson)</i>	
2.	Sen. Eddy Gicheru Oketch, MP <i>(Vice – Chairperson)</i>	
3.	Sen. Agnes Kavindu Muthama, MP	
4.	Sen. William Kipkemoi Kisang, CBS, MP.	
5.	Sen. Peris Pesi Tobiko, CBS, MP	
6.	Sen. Beth Kalunda Syengo, MP	

7.	Sen. George Mungai Mbugua, MP	
8.	Sen. Raphael Chimera Mwinzangu, MP	
9.	Sen. Hamida Ali Kibwana, MP	

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CHAPTER ONE: WATER COMPANY

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

The Governor of Wajir County, Hon. FCPA Ahmed Abdullahi, 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 Wajir Water and Sewerage Company Limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|------------------------|--------------------|
| 1. CPA Mohamed Hussein | -CECM Finance. |
| 2. Habon Gure | -Accountant |
| 3. Siyad Adow Samow | - Accountant |
| 4. Roble Ahmed | -Managing Director |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of Wajir Water and Sewerage Company Limited for the period under review on the following basis-

1. Unsupported Trade and Other Receivables

The statement of financial position reflects the trade and other receivables balance of Kshs.543,923,224 as disclosed in Note 15 to the financial statements. The balance represents an increase of Kshs.495,654,395 or 1027% of the balance from the prior year balance of Kshs.48,268,829. However, the balance was not supported by way of ageing analysis of the individual customers. In addition, the disclosure Notes do not include the ageing analysis as prescribed in the reporting template.

In the circumstances, the accuracy and fair presentation of the trade and other receivables balance of Kshs.543,923,224 as at 30 June, 2025 could not be confirmed.

Management Response

The trade and other receivables balance of Kshs. 543,923,224 comprises of the following:

- i. Water and Sanitation Development Project receivables is Kshs. 505,969,261.
- ii. In-Kind Contribution for May & June 2025 Salaries of Kshs. 20,065,119
- iii. Trade receivables for Water sales of Kshs. 17,888,844

The Water and Sanitation Development Project funds & county Government In-Kind Contribution for May & June Salaries were received on 15th & 11th July, 2025 respectively. The aging analysis of trade and other receivables of Kshs. 17,888,844 was included in the financial statement under note 19. Copy of receipts, schedule activities

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

EMPHASIS OF MATTER

1. Unresolved Prior Year Matters

In the prior year audit reports, 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 Company in 2024/2025 revealed that the following thirteen (13) issues remained unresolved as at 30 June, 2025:

No.	Audit Issue
1.	Long-Outstanding Trade Receivables
2.	Unsupported Trade and Other Payables
3.	Budget and Budgetary Control
4.	Under Collection of Operating Revenue
5.	Excessive Personnel Expenditure Against Operating and Maintenance Costs
6.	Non-Revenue Water
7.	Unutilized Assets
8.	Provision of Water Services without a License

and the delayed disbursement from WSDP, copy of bank statements and ageing analysis was provided for scrutiny.

Committee Observation

The Committee observed that the management submitted the ageing analysis of the individual customers, as prescribed in the reporting schedule. However, the documents were submitted past the timelines as prided in the Public Audit Act.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

Completeness Of Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.993,869,289 and as disclosed in Note 13 to the financial statements. Review of the asset register revealed that the Company owns land on which the headquarters sits. However, the size, LR number and the value of the land have not been disclosed. Further, ownership documents to the land parcel were not provided for audit.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.993,869,289 and rightful ownership to the land parcel could not be confirmed.

Management Response:

The parcel of land of L.R No. 439 is duly registered under the company's name with a letter of allotment from national land commission (NLC). The company is in the process of obtaining title deed and will engage professional valuer after title deed is secured. Copy of the allotment letter and letter to county department of land was provided for committee verification.

Committee Observation

The Committee observed that the water company had no title deed for the land where the headquarters of the water company is located.

The committee Recommendation

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters of water, should engage with the relevant Water Works Development Agencies to ensure the transfer of ownership documents of the donated items is fast-tracked;**

No.	Audit Issue
9.	Use of Unapproved Water Tariffs
10.	Human Resource and Payroll Management Deficiencies
11.	Lack of Approved Staff Establishment and Scheme of Service

Management Response

NO.	FINANCIAL YEAR	AUDIT ISSUE	MANAGEMENT RESPONSE
1.	2023/2024	Long- Outstanding Trade Receivables	<ul style="list-style-type: none"> ● Debt management policy developed and recovery strategy implementation started. ● Debt recovery team was set up on 8th august 2024. ● 1.7M is set to be written off from books of accounts as bad and doubtful debt. ● Severe drought has affected the purchasing power of the local communities
2.	2023/2024	Unsupporte d Trade and Other - Payables	<ul style="list-style-type: none"> ● These are Historical Pending bills dating back to FY 2017/18 to FY 2020/2021. ● The board of management is engaging county executive through department of water for re-budgeting and consideration for settlement of these pending bills.
3.	2023/2024	Budget and Budgetary Control	<ul style="list-style-type: none"> ● The under-funding during the year was as a result of delayed disbursement of funds from development partners, specifically the World Bank Group -under water and sanitation Project.
4.	2023/2024	Under Collection of Operating Revenue	<ul style="list-style-type: none"> ● The under-collection of revenue was due to Severe Drought Conditions that has Disrupted livelihoods, leading to migration for resources, reduced water consumption, and diminished revenue. ● Resistance from community and unwillingness to settle bills ● Perception of that water as free natural resource
5.	2023/2024	Excessive Personnel Expenditure	Corrective Measures have been implemented to align personnel costs with WASREB guidelines, including

		Against Operating and Maintenance Costs	<ul style="list-style-type: none"> ● Rationalization of staff, which reduced the company's workforce from 521 in 2022 to 207 in the year under review. ● Automation of payroll processes to improve efficiency and accuracy. ● Review of HR policies to enhance staff optimization and ensure effective utilization of human resources.
6.	2023/2024	Non-Revenue Water	<p>The high Non-Revenue Water levels are due to aged water infrastructure like Storage and pipeline leakages, illegal connections, and metering inaccuracies. The management-initiated measures to curb NRW, including:</p> <ul style="list-style-type: none"> ● Pipeline rehabilitation and replacement in high-loss zones. ● Enhanced metering and billing systems to improve accuracy. ● Regular monitoring and audits of water distribution networks. ● Community sensitization programs to curb illegal connections.
7.	2023/2024	Un-utilized Assets	<ul style="list-style-type: none"> ● The Wajir dumping site was under construction, the world bank had issued a restriction on the use of the assets procured under WSDP until the Faecal sludge Treatment Plant is completed.
8.	2023/2024	Provision of Water Services without a License	<p>The management had submitted a formal application for renewal of the operating license to Water Services Regulatory Board (WASREB). Final Public participation by WASREB is schedule on 30th January 2026.</p>
9.	2023/2024	Use of Unapproved Water Tariffs	<p>The management had submitted a formal application for renewal of the operating tariff to Water Services Regulatory Board (WASREB). Final Public participation by WASREB is schedule on 30th January 2026.</p>
10.	2023/2024	Human Resource and Payroll Management	<p>Corrective Measures have been implemented to align personnel costs with WASREB guidelines, including</p>

		t Deficiencies	<ul style="list-style-type: none"> ● Rationalization of staff, has reduced the company's workforce from 521 in 2022 to 207 in financial year 2025/2026. ● Automation of payroll processes to improve efficiency and accuracy. ● Developed HR policy to enhance staff optimization.
11.	2023/2024	Lack of Approved Staff Establishment and Scheme of Service	The company has approved staff establishment.

Committee Observation

The Committee observed that the management of the water company took mitigation measures to address the outstanding prior matters for the Financial Year under review however, the matter has not been fully settled.

Committee Recommendations

The Committee recommends that —

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

2. Under-Collection of Revenue

The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.24,800,629. However, the actual amount received in respect of operating revenue was Kshs.18,614,585 resulting in uncollected revenue (additional receivables) of Kshs.6,186,044. The low rate of revenue collection may negatively affect the operations of the Company's, cash flows which may impact on the service delivery.

Management Response

The under-collection of revenue was due to: -

- i. Severe Drought Conditions that have Disrupted livelihoods.
- ii. Resistance from community and unwillingness to settle bills
- iii. Perception of that water as free natural resource

The management has developed Future operational plans that will enhance collection efficiency and improve service delivery by: -

- i. Regular debt recovery and re-enforcement of debt collection via water police units.
- ii. Community sensitization programs to support the water company.
- iii. Exploring the option of engaging private debt collectors or auctioneers

Committee Observation

The Committee observed that the Company recorded operating revenue of Kshs.24,800,629 but collected only Kshs.18,614,585, resulting in an under-collection of Kshs.6,186,044, which reflects weaknesses in revenue collection and follow-up mechanisms as evidenced by the variance between revenue billed and revenue actually collected.

Committee Recommendation.

The Committee recommends that-

- i. the Governor should take keen interest in the management and operations of the water company in line with Article 179 (4) of the Constitution;**
- ii. the Accounting Officer should prepare and submit quarterly reports to the County Treasury in regard to the financial and non-financial status of the water company in line with section 166 of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply;**
- iii. the County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act, 2012 and regularly report to the Governor through the County Executive Committee in line with Article 179 (6) of the Constitution;**
- iv. the County Treasury should undertake annual reporting on County Corporation, including an assessment of the commercial viability of the company in line with the standards set by the Water Services Regulatory Board under section 77(2) of the Water Act, 2016; and**

- v. **the Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability. Additionally, the management reviews and regularizes the company's existing assets and have updated assets register that reflect the current financial position. Further, management to determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).**

REPORT ON LAWFULLNESS & EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES.

1. Excessive Wage Bill

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.116,073,600, which represents 131% of the total operating and maintenance costs of Kshs.88,536,613. This proportion exceeds the recommended threshold of 29% recommended under Section 8.3 on Commercial Viability Guidelines on Clustering of Water Service Providers, 2018 by Water Services Regulatory Board (WASREB). The percentage of 131% exceeds the recommended percentage of 29% by 102% which translates to personnel cost of Kshs.90,307,345 which should have been utilized on operational and maintenance cost resulting in enhanced service delivery and improved water sales revenue.

In the circumstance, the Water Company was in breach on WASREB commercial viability guidelines in respect of personnel cost as percentage of operational and maintenance cost.

Management Response

Corrective Measures have been implemented to align personnel costs with WASREB guidelines, these include: -

- i. Rationalization of staff, which reduced the company's workforce from 521 in 2021/2022 to 207 in 2025/2026
- ii. Automation of payroll processes to improve efficiency and accuracy.
- iii. Development of HR policies to enhance staff optimization and ensure effective utilization of human resources. Copy of the current workforce was provided for scrutiny.

Committee observation

The committee observed that the county executive has taken corrective measures, including reducing staff from 521 to 207, automating payroll, and implementing HR policies, to align costs with guidelines and improve efficiency.

Committee Recommendations

The committee recommends that the Governor undertake further staff rationalization in the water company to ensure the company complies with WASREB guidelines on personnel costs, and the auditor general to keep the matter in check in the subsequent audit cycle.

2. Non-Revenue Water

During the year under review, the quantity of water produced was 281,069M³, while the quantity billed to customers was 154,587M³, resulting to un-billed volume of 126,482M³. The un-billed volume represents 45% of the total volume of water produced which is above the recommended 25% level of Non-Revenue Water by 20%. The estimated financial loss to the Company due to the Non-Revenue Water was Kshs.18,972,300 as per the prevailing tariff of Kshs.150 per cubic meter. The high level of Non-Revenue Water represents significant loss and ineffective use of public resources.

Management Response

The high Non-Revenue Water levels are due to aged water infrastructure like Storage and pipeline leakages, illegal connections, and metering inaccuracies. The management-initiated measures to curb NRW, including:

- i. Pipeline rehabilitation and replacement in high-loss zones.
- ii. Enhanced metering and billing systems to improve accuracy.
- iii. Regular monitoring and audits of water distribution networks.
- iv. Community sensitization programs to curb illegal connections.
- v. Developed Non-Revenue Water policy. Copy of the Expansion and rehabilitation water supply systems and NRW policy was provided for scrutiny.

Committee Observations

The Committee observed that the Non-Revenue Water was 45% way above the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB) guidelines.

Committee Recommendation

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer responsible for the water company puts in place comprehensive measures to mitigate the Non-Revenue Water. These measures include the installation of smart meters to ensure accurate billing, the replacement of the old water supply network as well as the introduction of a Geographic Information System (GIS) which will help the company receive real-time data on leaks in pipes and monitor maintenance;**

- ii. **the Governor should engage the Ethics and Anti-Corruption Commission (EACC) to facilitate the development of a comprehensive institutional corruption prevention policy for the company;**
- iii. **given the impact of Non-Revenue Water on the water company's cashflows, the Accounting Officer should ensure that a provision for Non-Revenue Water is included in the financial statements. Further, explanatory notes should be provided to detail the contributions of both commercial and physical loss factors to the overall Non-Revenue Water; and**
- iv. **the Auditor-General to monitor implementation and effectiveness of the measures put in place to mitigate on the Non-Revenue Water and report in the subsequent audit cycle.**

3. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balances of Kshs.541,120,611 as reflected under Note 18 to the financial statements. The balance includes trade payables balance of Kshs.192,250,789 which were outstanding since 2017/2018. No satisfactory explanation was given for the failure to treat the payables as a first charge on the budget and ensure that they are settled during the year under review. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which provide that Debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations. In the circumstances, Management was in breach of the law. In addition, failure to settle payables within the agreed timelines, exposes the Company to possible losses in case of litigation against the Company by the aggrieved parties.

Management Response

These are Historical Pending bills dating back to FY 2017/18 to FY 2020/2021. The board of management is engaging county executive through department of water for re-budgeting and consideration for settlement of these pending bills.

Copy of Pending Bills was provided for scrutiny.

Committee Observation

The Committee observed that the Water Company had pending bills of Kshs. 192,250,789 dating back to FY 2017/2018.

Committee Recommendations

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for**

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

4. Failure to Provide Sewerage Services to The County Residents.

The audit established that the Company did not provide sewerage services to the residents of the Wajir County. The Company lacks the relevant equipment and machinery to facilitate for provision of sewerage services. In addition, the Company lacks a sewage treatment plant that can facilitate proper disposal of sewage. This is in spite of the significant investment made in the previous years through support from development partners. In the circumstances, the effectiveness of financial resources invested by the Company could not be confirmed.

Management Response

The Company is undertaking construction of a multiyear Faecal Sludge Treatment Plant (FSTP) of KES. 500 million and currently at 50% completion stage. The benefits of providing a long-term, sustainable sanitation solution for Wajir Town will be realized once the project is complete. Evidence of the progress report and project photographs were provided for scrutiny.

Committee Observation

The Committee observed that the county Government of Wajir is constructing a KES 500 million Faecal Sludge Treatment Plant (FSTP), which is currently 50% complete to provide a long term and sustainable solution.

Committee Recommendation.

The committee recommends that the Governor expedite the completion of the Faecal Sludge Treatment Plant (FSTP) to ensure timely provision of sewerage services to Wajir residents and implement interim measures for safe sewage disposal while the plant is under construction to protect public health and the environment.

5. Use of Unapproved Water Tariff

Review of records provided for audit revealed that the Company charged an unapproved water tariff ranging from Kshs.125 to Kshs.150 per cubic meter on metered customers, a flat rate charge of Kshs.1,000 on un-metered customers per month and an undefined rate for livestock watering. However, Management did not seek approval for the tariffs from the Water Services Regulatory Board (WASREB). This was contrary to Section 72(1)(b) of the Water Act, 2016 which states that the powers and functions of the Water Services Regulatory Board include evaluation and recommendation of water and sewerage tariffs to the county water services providers and approve the imposition of such tariffs in line with consumer protection standards.

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

Management Response

The tariffs were used to address operational cost recovery and sustainability challenges faced by the Company. However, we recognize that approval from WASREB is mandatory before implementation of any tariff changes. A formal application for tariff review and approval has been prepared and submitted to WASREB. Copy of the letter to WASREB, acknowledgement receipt and conformation mail for public participation was provided for the committee verification.

Committee Observation

The committee observed that the company has applied for a tariff and is waiting for approval from WASREB.

Committee Recommendations

The Committee recommends that Governor ensures the Accounting Officer to engage WASREB to fast track the completion of the tariff review process within 60 days of the adoption of this report, and provide status to the Senate for verification.

6. Non-Compliance with Provision on Employment of Persons Living with Disabilities

Review of personnel records indicated that the Company had two hundred and twenty-nine (229) employees, out of whom only three (3) were persons living with disabilities representing one (1) percent of the Company's workforce. This is contrary to the requirement by Section 5(1e) of the Persons with Disabilities Act, 2025 which provides that every county government shall promote the inclusion of persons with disability in the county public service by putting in place measures to ensure that at least five per centum of the employment positions are filled by persons with disability;

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

Management Response

The current representation of persons with disabilities is below the statutory threshold due to lack of funding to carry out new recruitment. Company is committed to promoting diversity, equity, and inclusion in its workforce.

Committee Observation

The Committee observed that the query remains unresolved as the Company employed only 3 persons with disabilities (1% of the workforce), falling short of the 5% minimum requirement under Section 5(1e) of the Persons with Disabilities Act, 2025, resulting in non-compliance with the law.

Committee Recommendation

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

7. Provision of water Services without a license

Review of the certificate of operation of the Company revealed that the Company license expired on 29 September, 2019 and therefore the Company was operating without a valid license from the Regulatory Board contrary to Section 85(1) of Water Act, 2016. This is contrary to Section 85(1) of Water Act, 2016 which states that a person shall not provide water services except under a licence issued by the Regulatory Board.

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

Management Response

The management had submitted a formal application for renewal of the operating license to Water Services Regulatory Board. Final Public participation by WASREB is schedule on 30th January 2026. Evidence of the renewal application and acknowledgement receipt from was provided for scrutiny.

Committee Observations

The Committee observed that the company has applied for a license from WASREB, awaiting approval.

Committee Recommendations

The Committee recommends that the Governor ensure that the Board of Management engages WASREB to follow up on the issuance of the water license

and provide a status update on the same to the Senate within 60 days of the adoption of this report.

CHAPTER TWO: MUNICIPALITY

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

The Governor of Wajir County, Hon. FCPA Ahmed Abdullahi, 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 Wajir Municipality for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|------------------------|------------------------|
| 1. CPA Mohamed Hussein | -CECM Finance. |
| 2. Omar Hussein | - Municipal Manager. |
| 3. Aden Billow | - Principal Accountant |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified** opinion on the financial statements of Wajir Municipality for the financial year 2024/2025.

1. Unsupported Depreciation Expense

The statement of financial performance reflects depreciation and amortization expenses of Kshs.79,516,121 as disclosed in Note 10 to the financial statements. However, the Municipality did not have an approved depreciation policy outlining the depreciation method and rates applicable for the various asset classes. As a result, the basis for computation of the depreciation expense for the year could not be confirmed.

In the circumstance, the accuracy of the depreciation expense of Kshs.79,516,121 could not be confirmed.

Management response.

The Municipality depreciation policy is hereby provided. Evidence of minute and the policy was provided for scrutiny.

Committee Observation

The Committee observed that the Municipality did not have an approved depreciation policy in place during the year under review, but a policy has now been developed.

Committee Recommendations

The committee recommends that the matter be marked as resolved

2. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.244,927,534 as disclosed in Note 13 to the financial statements. Included in the balance are net book values of buildings of Kshs.13,607,620, motor vehicles of Kshs.14,819,631 and infrastructure assets of Kshs.216,500,283. However, the value of land on which the Municipal building sits was not disclosed in the financial statements.

In the circumstance, the accuracy of the property, plant and equipment of Kshs.244,927,534 could not be confirmed.

Management Response.

The management is in the process of surveying the land in which the Municipality sits on. Copy of Letter by Manager to CCO lands to carry-out survey was provided for committee verification.

Committee Observation

The Committee observed that the Municipality's property, plant, and equipment balance of Kshs.244,927,534 did not include the value of the land on which the Municipal building sits, as a survey is still in process.

Committee Recommendations

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor ensures the transfer of ownership documents of assets under the Executive to the Municipality is fast tracked;**
- ii. the Governor ensures that the management of the Municipality undertakes the valuation of all assets of the Municipality and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- iii. upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification**
- iv. the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB);**
- v. within 90 days of the adoption of this report, the Governor ensures that the operational autonomy of Municipality of Bomet is fully actualized in**

accordance with sections 169 – 181 of the Public Finance Management Act as read together with sections 12 (Structures and management of cities, municipalities), 20 (Governance and management functions of a board), 45 and 46 (financial autonomy) and provide evidence of the same to the Auditor-General for verification and monitoring. The Auditor-General should provide a status update in the subsequent audit cycle.

3. Over-Reliance on Transfers from County Government

The statement of financial performance reflects total revenue of Kshs.326,528,885. Included in this amount are salaries, goods, works and services relating to the Wajir Municipality totaling Kshs.199,460,538 which were paid by the County Executive of Wajir. 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.

During the year under review, the Municipality was still operationalizing own-source revenue streams. Measures are underway to implement revenue streams such as market fees, parking levies, and advertisement charges in line with PFM Act, Section 172(a). copy of the letter from land to CEC finance was provided for scrutiny.

Committee Observations

The Committee observed that the Municipality relied heavily on County Government transfers amounting to Kshs.199,460,538 out of total revenue of Kshs.326,528,885, with no operationalized own-source revenue streams or formal revenue collection framework, contrary to Section 172(a) of the Public Finance Management Act, 2012.

Committee Recommendation

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Board of the Municipality ensures the Integrated Development and Economic Plan and the Integrated Strategic Urban Development Plan (ISUDP) for the Municipality is put in place in line with section 20(1)(c) of the Urban Areas and cities Act, Cap.275;**

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

4.Failure to Execute Functions Provided in the Municipal Charter

Paragraph 2.3.1 of the Wajir Municipal Charter, outlines the functions to be executed by the Municipality. These include; construction and maintenance of urban roads and associated infrastructure, construction and maintenance of storm drainage and flood controls, construction and maintenance of street lighting, construction, maintenance and regulation of municipal markets and abattoirs and promotion, regulation and provision of municipal sports and cultural activities among others. However, these functions were executed by the County Executive of Wajir. The statement of performance against predetermined objectives indicates that the Municipality was only engaged in programmes related to solid waste management and street lighting.

In the circumstances, execution of functions assigned to the Municipality by the County Executive may result in duplication of effort, leading to inefficient use of public resource

Management Response.

The Municipality commenced implementation of some of the functions as approved in the Gazette Notice No.6474 dated 1st July 2019.

Management affirms its commitment to progressively implement the remaining functions as outlined in the Municipality Charter, in alignment with the devolved governance framework.

Committee Observation

The Committee observed that key functions assigned to the Municipality under the Municipal Charter continued to be executed by the County Executive, limiting the

Municipality's operational independence and potentially leading to duplication of roles and inefficient use of public resources.

Committee Recommendations

The Committee recommends that the Governor ensures that the functions provided under the Municipal Charter and gazette by the County Government are fully transferred and executed by the Municipality to avoid duplication and enhance efficiency in the use of public resources.

5.Unconfirmed Existence of Proper Budget Estimates

Records provided during the audit indicated that the Municipality had an approved expenditure budget of Kshs.424,344,053. However, the Management did not provide the approved revenue budget to finance the expenditure budget.

It was therefore not possible to confirm whether the Municipality had a budget prepared and approved in accordance with Regulation 31 of the Public Finance Management (County Governments) Regulations, 2015. Regulation 31(c) provides that budget revenue and expenditure appropriations shall be balanced.

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

Management Response.

While expenditure budgets were approved, stand-alone revenue estimates were embedded within the County's consolidated budget. Going forward, the Municipality will prepare and approve its own revenue budgets in compliance with Regulation 31 of the PFM (County Governments) Regulations, 2015.

Committee Observation

The Committee observed that although the Municipality had an approved expenditure budget of Kshs.424,344,053, no stand-alone approved revenue budget was provided, contrary to Regulation 31 of the Public Finance Management (County Governments) Regulations, 2015, which requires balanced revenue and expenditure estimates.

Committee Recommendation

During the budget making process, the Governor should ensure the board of the Municipality prepares budget estimates and submit to the CECM Finance for onward transmission to the county assembly for approval in accordance with with Regulation 31 of the PFM (County Governments) Regulations, 2015. The Auditor-General should verify compliance in the next audit cycle.

6. Failure to Establish Internal Audit Function

During the year under review, the Municipality 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 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.

At the time of the audit, there was no internal auditor in place within the Municipality. Subsequently, an internal auditor from the County Directorate of Internal Audit was seconded to Wajir Municipality to provide internal audit services. The secondment was formalized through an official letter of secondment.

Committee Observations

The Committee observed that although the Municipality did not have an internal audit unit during the year under review, an internal auditor has since been seconded from the County Directorate of Internal Audit to provide internal audit services.

Committee Recommendation

The Committee recommends that the Governor ensure the internal audit function is fully operational and that periodic audit reports are prepared and submitted. The Auditor-General should confirm the functionality of the internal audit unit in the subsequent audit cycle.

7. Lack of Risk Management Policy

During the financial year under review, the management did not establish or implement a risk management policy to identify, assess and mitigate potential risks. A comprehensive risk management framework would have been critical in safeguarding the Municipality's assets and ensuring long-term sustainability.

In the circumstances, the effectiveness of risk management systems at the Municipality could not be confirmed.

Management Response.

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The risk management policy has now been developed and is in place. A copy of the minutes of the board member and the risk management policy was provided for committee verification.

Committee Observations

The Committee observed that the Municipality has developed and put in place a Risk Management Policy to guide internal operations and risk mitigation.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

CHAPTER THREE: HOSPITAL

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS OF WAJIR COUNTY REFERRAL LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Wajir County, Hon. FCPA Ahmed Abdullahi 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 Wajir County Referral Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers-

1. CPA Mohamed Hussein -CECM Finance
2. Ms. Fardosa Bishar Mohamed - CO Medical Service
3. Dr. Dahir Somow - CEO WCRH
4. Mr. Jimale Hussein -Deputy CEO WCRH

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of Wajir County Referral Hospital for the period under review on the following basis-

1. Undisclosed Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment (PPE) balance of Kshs.1,900,660 as disclosed under Note 20 to the financial statements. However, the balance represents only additions made during the year. Value of buildings, other movable and immovable assets for which the hospital has control over, have not been incorporated in the financial statements. In addition, the assets had not been tagged to facilitate identification and tracking of movement. Further, ownership documents for the land on which the Hospital is situated were not provided for audit review.

In the circumstances, the accuracy, ownership and fair statement of the property, plant and equipment balance of kshs 1,900,660 could not be confirmed.

Management Response

The property, plant and equipment (PPE) balance of Kshs. 1,900,660 relates to assets acquired during the financial year under review. The management prepared a nominal list of all asset of the Hospital and is in the process of engaging a valuer to ascertain the actual values of the Property, Plant and Equipment (PPE) for the purpose of financial reporting. It is imperative to note that most of the hospital assets, especially building was inherited from the national government by the county government in 2013 on the onset of devolution. At that time the transitional authority was tasked to prepare an asset register of all the handed over PPEs. However, the management has planned to undertake the valuation of all hospital assets in the FY2025/26.

In addition, the management is in the process of registering the hospital land and obtaining ownership documents from the relevant institutions. A Part Development Plan (PDP) was prepared and gazetted to fast track the process of obtaining an allotment letter and subsequently title deed for the hospital land. Copy of the nominal list, letter from NLC and PDP and copy of gazette notice was provided for scrutiny.

Committee Observations:

The Committee observed that

- i. The Property, Plant and Equipment balance of Kshs.1,900,660 reflects only assets acquired during the year, while significant assets under the Hospital's control, including buildings and other inherited assets, were not disclosed in the financial statements.
- ii. There were weaknesses in asset management, as assets had not been tagged, ownership documents for the land were not provided for audit review, and valuation of inherited assets had not been undertaken, thereby affecting confirmation of ownership, existence and fair presentation of the assets.

Committee recommends

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters health, engages with the Ministry of Health of the National Government to ensure the transfer of ownership documents of land and buildings is fast tracked;**
- ii. the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- iii. upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and**
- iv. the Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

2. Unsupported Trade and Other Payables Opening Balance

The statement of financial position and as disclosed under Note 21 to the financial statements reflects trade and other payables balance of Kshs.47,032,956. Included in the balance is an amount of Kshs.3,530,035 in respect of unpaid bills carried forward from previous financial year. However, review of the prior year audited financial statements indicates a nil opening balance for trade and other payables. The inconsistency between the prior year closing balance and the current year opening balance has not been reconciled.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.47,032,956 as at 30th June 2025 could not be confirmed.

Management Response

The management acknowledges the audit findings. To address the issue, we the commenced verification of all outstanding payables and will retain only balances supported by adequate documentation in line with IPSAS requirements. Controls over year-end closure and reconciliation of payables have been strengthened to prevent recurrence.

Committee Observation

The committee observed that an unreconciled variance of Kshs. 3,530,035 was noted between the prior year nil opening balance and the current year reported unpaid bills brought forward in the trade and other payables balance of Kshs. 47,032,956.

Committee Recommendation

The Committee recommends that the Governor ensures that the accounting officer of the hospital undertakes the necessary reconciliations to ascertain the existence of payables amounting to Kshs. 3,530,035 and provide status update to the Senate within 60 days of the adoption of this report.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.110,000,000 and Kshs.76,765,316 respectively, resulting to under-funding of Kshs.33,234,634 or 30% of the budget.

The under-funding affected implementation of the planned activities and may have impacted negatively on the operations of the Hospital.

Management Response

During the financial year under review the hospital was unable to achieve the projected revenue targets due to delays in the approval, reimbursements and mass rejections of claims from SHA.

Hospital management takes note of the issues raised and will ensure that future revenue projections are realistic and based on historical performance trends.

The approved budget of Kshs.110,000,000 was developed in line with the Hospital's operational priorities and was intended to be financed through internally generated revenue streams, mainly from Cost Sharing collections and Social Health Authority (SHA) reimbursements across various service delivery departments.

Committee Observations

The Committee observed that the hospital experienced budgetary under-funding of 33,234,634 or 30% of the approved revenue budget. The under-funding was attributed to delays in approval, reimbursements, and mass rejections of claims from the Social Health Authority (SHA), which may have limited the hospital's ability to fully implement its planned activities.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer ensures timely submission of complete and accurate documents during audit processes, including evidence of resubmission and follow-up of rejected or partially approved SHA claims, in compliance with section 9(1)(e) of the Public Audit Act, Cap. 412B, failure to which the provisions of section 62(2) of the Public Audit Act, Cap. 412B shall apply;**
- ii. the Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and**
- iii. the Governor ensures the Accounting Officer to undertake a detailed 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 and the Auditor-General to provide a status update on the same during the subsequent audit cycle.**

1. Unresolved Prior year Matters

In the prior year audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance respectively. Review of the status during audit of the Hospital in 2024/2025 revealed that the following matters remained unresolved as at 30 June, 2025:

S/NO	ISSUE/OBSERVATIONS FROM AUDITOR
1	Non-Disclosure of Employee Cost Paid by County Government
2	Non-disclosure of Other Expenses Paid by County Government
3	Undisclosed Property, Plant and Equipment
4	Loss of Revenue Due to In-Patient Abscondment
5	Failure to Prepare Estimates of Income and Expenditure
6	Management of National Health Insurance Fund (NHIF)
7	Deficiencies in Implementation of Universal Health Coverage (UHC)
8	Lack of Approved Staff Establishment
9	Lack of internal Audit Function and Audit Committee
10	Lack of Key Management Policies
11	Weaknesses in Information Technology (IT) Internal Controls

Management Response

Most of the prior years unsolved matters were discussed in detail and addressed during the appearance before the Senate Public Investment and Special Funds Committee on 8th August 2025, and the county responds as follows: -

S/NO	ISSUE/OBSERVATIONS FROM AUDITOR	MANAGEMENT COMMENTS	STATUS (RESOLVED/ UNRESOLVED)	TIMEFRAME (PUT A DATE WHEN YOU EXPECT THE ISSUE TO BE RESOLVED)
1	Non-Disclosure of Employee Cost Paid by County Government	Reported in the Financial Statement FY2024-2025	Addressed	2024/2025
2	Non-disclosure of Other Expenses Paid by County Government	Reported in the Financial Statement FY2024-2025	Addressed	2024/2025

3	Undisclosed Property, Plant and Equipment	The management prepared a nominal list of Hospital assets, developed PDP and gazetted the same and are in the process of obtaining ownership documents for the hospital land.	Partly addressed on going	2024/2025 2025/2026
4	Loss of Revenue Due to In-Patient Abscondment	To curtail cases of abscondment, the management put in place security measures including construction of a perimeter wall, enforcement of strict visiting hours, gate pass and outsourced security. This has worked and there is no abscondment in FY2024-2025	Addressed	FY 2024/2025
5	Failure to Prepare Estimates of Income and Expenditure	Management has prepared an approved a revenue budget as well expenditure budget for FY2024/25 and is in full compliance with the Public Finance Management Act.	Addressed	FY2024/2025
6	Management of National Health Insurance Fund (NHIF)	Wajir County FIF regulations 2024 developed and therefore Wajir County FIF act implemented. This enabled the hospital management to utilize funds at source.	Addressed	FY2024-2025
7	Deficiencies in Implementation of	Wajir County Public Service Board recruited	Partly Addressed	FY2024 - 2025

	Universal Health Coverage (UHC)	212 health workers in July 2024 out of which 56 were posted to Wajir County Referral Hospital.		
8	Lack of Approved Staff Establishment	The hospital has a staff establishment approved by the Hospital Board	Addressed	FY 2024 - 2025
9	Lack of internal Audit Function and Audit Committee	Internal auditor deployed and hospital management board audit sub-committee established	Addressed	FY2024 - 2025
10	Lack of Key Management Policies	We have developed the 1 st Draft of the Hospital Strategic plan (2025-2030) which will address the development of relevant polices.	Partly addressed	FY 2025 - 2026
11	Weaknesses in Information Technology (IT) Internal Controls	We have developed the 1 st Draft of the Hospital Strategic plan (2025-2030) which will address this issue.	Partly addressed	FY 2025 - 2026

Committee Observation

The Committee observed that two of the prior year audit issues were addressed by management however, other matters appeared as substantive query during the financial year under review.

Committee Recommendation

The Committee recommends that —

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

all prior year matters, to the Senate and copies the Auditor-General for verification within 90 days of the adoption of this report.

2. Inaccuracy in the Presentation of the Statement of Performance Against Pre-Determined Objectives.

The statement of performance against predetermined objectives indicates two (2) key pillars in the Hospital strategic plan which include operational excellence and skilled and energetic management team. However, the activities and achievements in terms of outputs indicated were not specific and measurable. It was therefore not possible to establish levels of performance achieved against set targets.

Management Response

The management has corrected the anomaly and prepared performance against the predetermined objective. A copy of the statement of performance against predetermined objectives was provided for committee verification.

Committee Observation

The Committee observed that management has prepared and submitted the corrected statement of performance against predetermined objectives.

Committee Recommendation

Noting the mitigation measures the Committee recommends the matter be marked as resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Unbalanced Budget

Review of the Hospital budget for the financial year under review revealed that the approved expenditure budget was Kshs.110,000,000. **However, the Hospital did not have** corresponding detailed revenue budget to support the planned expenditures. As a result, the hospital budget was not balanced, contrary to the provisions of Regulation 31 (c) and (e) of the Public Finance Management (County Governments) Regulations, 2015 which provides that budget revenue and expenditure appropriations shall be balanced and total budget revenue shall cover total budget expenditure.

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

Management Response

Wajir County Referral Hospital Management acknowledges the audit observations. For the financial year 2025-2026 the management prepared a detailed revenue budget to

support the planned expenditures. This budget includes the estimates of revenue streams across the different hospital service delivery points. A copy of the revenue and expenditure budget for the FY 2025/2026 was provided for scrutiny.

Committee Observation

The Committee observed that the Hospital prepared its revenue budget retrospectively, resulting in an unbalanced budget in breach of Section 149(2)(h-i) of the PFM Act, 2012 and Regulation 29(2) of the PFM (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that the Governor ensures the Accounting Officer prepares all future budgets prospectively and balances revenue with expenditure, in compliance with Section 149(2) (h-i) of the Public Finance Management Act, 2012 and Regulation 29(2) of the Public Finance Management (County Governments) Regulations, 2015, failure to which the provisions of Section 199 of the PFM Act, 2012 on penalties for offenses shall apply

2. Irregular Designation of Chief Officers as Mandatory Signatory to the Hospital Bank Account

Review of financial operations at Hospital revealed that the Chief Officer of Finance and Health were designated and acted as a mandatory signatory to the Hospital bank account. This was contrary to the requirement of Section 18(1) of the Wajir County Health Facility Improvement Financing Act, 2023. The Act does not mandate the Chief Officer of Finance or the Chief Officer of Health to serve as signatories to the Hospital bank accounts.

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

Management Response

The designation of the Chief officers (CCO medical and CCO finance) as signatories to Wajir County Referral Hospital (WCRH) bank account was a transitional measure aimed at strengthening financial oversight during the initial stages of operationalizing the autonomy of the Hospital financial management.

However, we acknowledge the advice of the auditor general and necessary action will be taken once the transition period ends.

Committee Observation

The Committee observed that the Chief Officers of Finance and Health were designated as mandatory signatories to the Hospital bank account, contrary to Section 20(2) of the Wajir County Health Facility Improvement Financing Act, 2023.

Committee Recommendations

The Committee recommends within 60 days of the adoption of this report, the Governor ensures the mandatory signatories to the Hospital bank account is in accordance with Section 20(2) of the Wajir County Health Facility Improvement Financing Act, 2023 and provide evidence of the same to the Senate and copy to the Auditor-General.

Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of the Hospital records and interviews conducted to assess the staffing levels and presence of medical specialists revealed that the Hospital had staffing gaps, including deficit of one (1) anesthesiologist and one (1) radiologist. As a result, the Hospital did not meet the requirements stipulated under the Kenya Quality Model for Health (KQMH) designed for Level 4 Hospitals as shown below.

Staff Requirements	Level 4 standard	Number in Hospital	Variance	Percentage %
Anesthesiologist	2	1	1	50
Radiologist	2	1	1	50
Total	4	2	2	50

In addition, the Hospital lacked the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below:

Equipment & Machines	Level 4 Hospital Standard	Actuals In the Hospital	Variance	Percentage %
Functioning ICU Beds	6	0	-6	100%
HDU Beds	6	0	-6	100%
Total	182	37	-145	80%

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

Management acknowledges that the Hospital has some health cadres that do not meet the threshold required for a Level 4 Hospital while other cadres surpass the threshold. One of the major constraints is budget to cover the expenses.

The executive is progressively ensuring that the right staffing levels are achieved to provide quality health care services. Further the County Public Service Board recruited 212 health care workers in July 2024, for various cadres to address the gap. Out of the total recruited staff, 56 were posted to Wajir County Referral Hospital.

Regarding the matter of the hospital lacking functional ICU and HDU services, the management is in the process of operationalizing the newly established Accident and Emergency Centre and equipping it with ICU and HDU beds.

Copy of Tender advert for Supply, Delivery and Installation of HDU and ICU beds were provided for scrutiny.

Committee Observations

The Committee observed that the hospital was not offering key services required in a level 4 hospital, and the staffing requirements did not meet a number of key specifications as prescribed by the Kenya Quality Model for health policy guidelines.

Committee Recommendation

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward; and**
- ii. within ninety (90) days of the adoption of this report, the Committee recommends that the Governor ensures the hospital develops and implements a comprehensive plan, with appropriate budgetary allocations, to acquire and operationalize the required facilities and equipment to provide all services required for a Level 4 hospital. The Auditor-General**

should monitor progress and keep this matter under review in the subsequent audit cycle; and

- iii. **the Governor ensures the officer in charge of the facility has the requisite academic and professional qualifications in accordance with the Health Act, 2017 and provide evidence of measures taken to address the matter to Senate within 60 days of the adoption of this report.**

4. Trade and Other Payables

The statement of financial position and as disclosed under Note 21 to the financial statements reflects trade and other payables balance of Kshs.47,032,956. However, the following unsatisfactory matters were noted.

4.1 Failure to settle trade and other payables

During the year, the Hospital generated cash flow from rendering services-medical services income of Kshs.76,765,316. However, the payables representing 61% of the cash flow remained unpaid. This indicates a very high rate of accumulation of unpaid obligations relative to available resources which can strain the Hospital operations and affect service delivery. Further, Management did not demonstrate measures put in place to ensure bills are paid in a timely manner.

In the circumstances, the high rate of accumulation of payables may negatively sustainability of service delivery by the Hospital.

Management Responses

Management notes that the high level of outstanding payables is largely attributable to cash flow constraints arising from inconsistent and delayed reimbursements from the Social Health Authority (SHA), which constitutes the Hospital's primary source of internally generated revenue. In addition, a high rate of claim rejections has significantly affected the realization of expected revenues, thereby limiting the Hospital's ability to settle obligations as they fall due.

The outstanding payables was Kshs 47,032,956 of which the executive has since settled Kshs 22,300,000 as in-kind contribution. The hospital management undertakes to pay within this financial year.

Committee Observations

The Committee observed that out of the outstanding payables of 47,032,956, Kshs. 22,300,00 were settled by the hospital. further the management has committed to settle the pending bills within the financial year 2025/2026.

Committee Recommendation

The Committee recommends that-

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

4.2 Failure to Settle Pending Bills as First Charge

The Hospital did not settle payables amounting to Kshs.3,530,035 relating to previous years obligations were not factored as a first charge on the 2024/2025 budget. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which provide that Debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations.

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

Management Response

Wajir County Referral hospital management will comply with the audit recommendations by ensuring that all eligible pending bills are correctly disclosed and settled as a first charge in line with the PFM Regulations 2015.

Committee Observations

The Committee observed that the Hospital did not include Kshs. 3,530,035 of prior-year obligations as a first charge in the FY 2024/2025 budget, contrary to Regulation 41(2) of the PFM (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that the Governor ensure the Accounting Officer prioritizes settlement of all prior-year pending bills as a first charge on the budget, in strict compliance with Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015. Failure to comply with this requirement

may attract sanctions under Section 199 of the Public Finance Management Act, 2012.

REPORT ON EFFECTIVENES OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Revenue Safeguards and Controls

1.1. Incomplete Revenue Collection Documentation

Review of the revenue records provided revealed that between 01 July, 2024 and 04 March 2025, revenue was collected through a Pay Bill number that was integrated with the Hospital bank account. However, Management did not provide daily revenue reports detailing collections from medical services and records of waivers granted to patients experiencing financial hardships.

Management Response

Management acknowledges the audit observation regarding incomplete revenue collection documentation.

During the period under review, the processes of receipting, reconciliation, and generation of daily revenue statements were centrally managed by the County Department of Revenue. Consequently, the Hospital did not retain custody of detailed daily revenue reports for collections made through the Pay Bill number during that time.

Subsequently, the County replaced the Pay Bill revenue collection mechanism with an integrated and more elaborate electronic revenue management system. The current system is capable of securely generating accurate daily, monthly, and annual revenue reports, categorized by service areas, thereby enhancing accountability, traceability, and reporting.

With regard to waivers granted to patients facing financial hardship, Management confirms that all waivers are properly documented and approved in accordance with existing policies. Sample waiver forms and supporting records have been attached for audit verification.

Committee Observations

The Committee observed that the Hospital did not maintain detailed daily revenue reports for collections made through the Pay Bill system, resulting in weak revenue documentation and control during the period under review.

Committee Recommendations

The Committee recommends that-

- i. **The Governor ensures all revenue due to the Hospital is properly assessed, collected, recorded, reconciled, and reported promptly and accurately, in accordance with Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015, and that detailed daily revenue reports and supporting documentation, including waivers, are maintained for audit and accountability purposes.**
- ii. **The Governor takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete daily revenue records and revenue cashbooks in accordance with Section 156(1) of the Public Finance Management Act, 2012, and submits a status update report of the action taken to the Senate within 60 days of adoption of the report, failure to which Section 199 of the PFM Act penalties shall apply.**

1.2. Lack of Revenue Management System Agreement

Management did not provide a Service-Level Agreement (SLA) or contract between the Hospital and the software provider for the Revenue Management System in use. This omission hinders the ability to assess the systems availability, data privacy measures and pricing.

In the circumstances, the effectiveness of internal controls over revenue collection could not be confirmed.

Management Response

County Government Wajir has a service level agreement with Safaricom on the provision of a USSD code (*257#) service. The system is fully managed by the department of Finance and Economic planning (Revenue section) of Wajir County, hence there is no risk of loss or misuse of data through third party access.

Committee Observations

The Committee observed that the Hospital did not have a formal Service-Level Agreement (SLA) with Safaricom, and the revenue management system is managed by the County Department of Finance.

Committee Recommendations

The Committee recommends that the Governor ensure that-

- i. **Accounting Officer enters into a formal SLA with Safaricom for the Hospital Revenue Management System, maintains it in the Hospital's records, and submits a status report to the Committee within 90 days of the adoption of this report.**

2. Expired Medical and Laboratories Supplies

Review of the management of pharmaceuticals, non-pharmaceuticals, and laboratory reagents at the Hospital revealed that seventy-nine (79) items with an estimated value of Kshs.1,330,900 had expired as at the time of the audit review. It was further noted that the expired items were not properly disposed off, having been dumped alongside other general waste in an open area within the Hospital premises. This indicates non-adherence to the First Expiry, First Out (FEFO) principle in the issuance and management of medical supplies.

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

Management Response

The management acknowledges the issue of expired medical commodities. Currently the hospital management, with the help of the department of medical services has put in place measures including; storing the expired drugs in a separate store, formation of assets and disposal committee which has compiled the list of expired drugs for disposal through relevant authorities. Attached find, Asset and disposal committee appointment letter as well as a report on the expired commodities ready for disposal.

In addition, the hospital management is in the process of operationalizing microwave shredder supplied by the ministry of health in February 24th 2024. This machine will help the county in addressing medical waste disposal immediately it is commissioned. Evidence of terms of reference and report on expired commodities tender advert was provided for committee verification.

Committee observation

The Committee observed that the Hospital had 79 expired medical and laboratory items valued at Kshs. 1,330,900, which were not properly disposed off and were dumped alongside general waste.

Committee Recommendation

The committee recommends that-

- i. the Governor should ensure the Accounting Officer expedites the proper disposal of all expired medical and laboratory supplies, in accordance with the Public Procurement and Asset Disposal Act, 2022, Cap. 412C. and the guidelines issued by the Pharmacy and Poisons Board.**
- ii. the Governor ensures the hospital shall enforce strict adherence to the First Expiry, First Out (FEFO) principle in the management, storage, and issuance of all medical supplies to minimize the risk of expiry and wastage of public resources. A comprehensive status report on the disposal exercise**

and the implementation of FEFO controls shall be submitted to Senate and a copy to the Auditor General within ninety (90) days of the adoption of this report.

3. Lack of Approved Staff Establishment and Scheme of Service

During the year under review, the Hospital did not have an approved staff establishment and scheme of service in place to provide guiding framework for human resources management. It was therefore not possible to confirm the basis for staff recruitment and promotions in the Hospital.

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

Management Response

The hospital management has developed draft staff establishment as part of the Draft strategic plan (2025 -2026) which is to be approved by the Hospital management Board. Copy of staff establishment was provided for scrutiny.

Committee Observation:

The Committee observed that the Hospital has a draft staff establishment which is awaiting formal approval by the Hospital Management Board.

Committee Recommendations

The Committee recommends that the Governor ensures the hospital management board expedites the approval process of the staff establishment and provide evidence of the same to the Senate within 60 days of the adoption of this report.

4. Lack of an Approved Risk Management Policy and Disaster Recovery Plan

During the year under review, the Hospital did not have a risk management policy. Further, the Hospital did not have an approved disaster recovery plan to ensure continuity of operations in the event of a system failure, cyberattack, or other disruptive incidents like fire and floods. This is contrary to Regulation 158(1)(a) of the Public

Management Comments

The hospital management in close collaboration and technical guidance from the Council of Governors is in the process of developing a strategic plan for the Hospital. Some of the policy document which will be developed as part the deliverable includes a Risk management policy and a disaster recovery plan. Attached find a copy of the draft strategic plan.

Meanwhile the hospital operations are covered by the Wajir County Risk Management policy and recovery plan. Copy of the draft strategic plan was provided for scrutiny.

Committee Observations

The Committee observed that the Hospital operated without its own approved Risk Management Policy and Disaster Recovery Plan, instead relying on the County Government's Risk Management Policy to guide its operations.

Committee Recommendations

The Committee recommends that the Governor ensure that the board of management of the Hospital puts in place a risk management policy as provided under section 158(1) of the Public Finance Management (County Governments) Regulations, 2025, to guide the internal operations. Further, the Board of management to submit evidence to the Senate and to the Auditor -General within 90 days of the adoption of this report.

5.Lack of Internal Audit Function

During the year under review, the Hospital did not have an internal audit function in place. No internal audit reports were provided or evidence of audit activities undertaken to confirm that periodic internal audits had been conducted. This is contrary to the requirement of Section 12(2)(i) of the Wajir County Health Facility Improvement Financing Act, 2023 which requires that every health facility shall ensure internal audits are periodically undertaken to mitigate financial risks.

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

currently the hospital has an internal audit function in place. The Hospital Board has established an Audit Sub –Committee vide Min. 10/10/2024.

In addition, the department of finance seconded an internal auditor to the hospital to assist in internal audit of the facility. Copy of secondment letter of internal auditor and board minutes was provided for committee verification.

Committee Observation

The Committee observed that the Hospital has initiated the establishment of an internal audit function, but no internal audit reports or Sub-Committee meeting minutes were available to confirm its operation.

Committee Recommendations

The Committee recommends that the Governor ensures the Hospital internal audit function is functional and Auditor-General to provide status update in the subsequent audit cycle.

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CHAPTER FOUR: FUNDS

4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR WAJIR COUNTY DISASTER MANAGEMENT FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Wajir County, Hon FCPA Ahmed Abdullahi, EGH, appeared before the Committee on Tuesday, 26th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Wajir County Disaster Management Fund for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|--------------------------|---------------------------------|
| 1. Mr. Mohamed Hussein | - CECM Finance |
| 2. Mr. Abdikadir Hussein | - Director Disaster |
| 3. FCPA Hussein Ali | - Director Accounting Services. |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of the Wajir County Disaster Management Fund on the following basis; -

Unsupported Emergency Expenditure

The statement of financial performance reflects emergency expenditure of Kshs.199,933,600. However, Management did not provide documentary evidence in support of formal declaration of a state of disaster by the Governor, as required under Section 12(a) of the Wajir County Disaster Management Act, 2014 which provides that a disaster exists when the Governor declares, by notice, that an emergency exists after receiving advice from the Committee with the approval of the County Assembly that a disaster has occurred.

In the absence of evidence of existence of a disaster, it was not possible to confirm whether funds appropriated to the fund were utilized for the indented purpose.

In the circumstances, the occurrence and validity of expenditure amounting Kshs.199,933,600 could not be confirmed.

Management Response

The County Government relied on the advisory of the February 2025 Kenya Food Security Assessment Report and February 2025 NDMA drought Early warning bulletin and adopted by the cabinet to put measures that caution vulnerable communities from severe drought. At the time, the emergency situation was within the County's response capacity, and the need for a formal declaration of a state of disaster by the Governor

was not imminent as Such declaration would only be necessary if local capacities were exceeded and external support required.

The County adopted a proactive disaster risk management (DRM) approach, shifting from traditional reactive crisis response. The county considered early action on disaster risk reduction response based on credible early warning from National Drought Management Authority. However, the County is cognizant of the legal requirement for a formal declaration and is taking steps to ensure this is adhered to in future interventions. Copies of the February 2025 Kenya Food Security Assessment Report and the February 2025 NDMA drought Early warning bulleting was attached for the committee verification.

Committee Observations

The Committee observed that the management spent an amount of Kshs.199,933,600 on emergency expenditure without a formal declaration of a state of disaster by the Governor, and instead, relied on the advisory of the February 2025 Kenya Food Security Assessment Report and February 2025 NDMA drought Early warning bulletin and adopted by the cabinet to put measures that caution vulnerable communities from severe drought, contrary to Section 12(a) of the Wajir County Disaster Management Act, 2014

Committee Recommendations

The Committee recommends that the Governor complies with the provisions of the Wajir County Disaster Management Act, 2014 on responding to emergencies.

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

1. Failure to Prepare Disaster Management Plan.

Management did not provide evidence that Disaster Management Plan was prepared and approved for the period under review, as required under section 15(1) of the Wajir County Disaster Risk Management Act, 2025.

Management Responses

The County Disaster Management Plan has been developed as required under section 15(1) of the Wajir County Disaster Risk Management Act, 2025 and approved by the County Disaster Risk Management Committee. The County Disaster Management Plan is also ready and submitted for audit and verification. A copy of the Approved Disaster Management Plan 2025 was attached for the Committee verification.

Committee Observations

The Committee observed that the Management has developed and established the County Disaster Management Plan, which was approved by the County Disaster Management Committee.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

2. Operation of the Fund after Lapse of the Lifespan.

The Wajir County Disaster Management Fund was established by the Wajir County Disaster Management Act, 2014. This implies that as at 30 June 2025 the Fund was operational for more than ten (10) years. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015 provides that the initial approval for establishment of a county public Fund shall be for a maximum period of ten (10) years, beyond which the County Executive Committee and County Assembly approvals shall be sought. Management did not provide evidence to confirm that approval was sought.

Management Responses

The management is cognizant of the national guidelines requiring the review of county legislation after every ten (10) years, in line with Regulation 197(1) (i) of the Public Finance Management (County Governments) Regulations, 2015.

In compliance with these regulations, the county has initiated and concluded a comprehensive review of the Act in 2025, which resulted in the enactment of the Wajir County Disaster Risk Management Act, 2025.

The review process was undertaken to ensure continued legal validity, alignment with the Public Finance Management (County Governments) Regulations, 2015, and responsiveness to emerging disaster risk profiles. The enactment of the 2025 Act provided a renewed legal and institutional framework for disaster risk management. A copy of the Wajir county Disaster risk management Acts 2025 was attached for the committee verification.

Committee Observations

The Committee observed that the management sought the approvals for enactment of a new Wajir County Disaster risk management Acts 2025, which provided a renewed legal and institutional framework for disaster risk management.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

3. Failure to Appoint Disaster Management Committee.

Review of the Disaster Risk Management Committee's composition revealed that its constitution did not include the County Commissioner, the CECM responsible for environmental matters, the County Liaison Officer of the Kenya Red Cross Society (or a representative of an auxiliary humanitarian organization), and two representatives of non-state actors.

No satisfactory explanation was provided for the omission of these mandatory members as stipulated under the Act.

Management Responses

The Management confirms that the County Disaster Management Committee was duly constituted in accordance with the Wajir County Disaster Risk Management Act, 2025 (the current Act), with representation from relevant County departments, National Government institutions, and key disaster management stakeholders, including those stipulated under Section 5(1) of the Act.

As evidenced by the attached Appointment Letters, the County Commissioner, the CECM in charge of Environmental matters and the County Liaison Officer of the Kenya Red Cross Society were duly informed of their positions and roles at the Committee by dint of Section 5(1) of the Act.

In line with principles of transparency and accountability, Management has provided the respective appointment letters for audit verification. A copy of the Appointment Letters for Members of the County Disaster Management Committee.

Committee Observations

The Committee observed that the committee members were informed of their roles as per their appointment letters issued to them, in line with Section 5(1) of the Wajir County Disaster Risk Management Act, 2025

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR WAJIR COUNTY CLIMATE CHANGE FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Wajir County, Hon. FCPA Ahmed Abdullahi, 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 Wajir County Climate Change Fund for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

1. Mr Mohamed Hussein - CECM Finance
2. Mohamed Guhad - CO Environment and Climate Change Mr.
3. Abdikadir Hussein - Director Disaster
4. FCPA Husein Ali - Director, Accounting Services.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Wajir County Climate Change Fund on the following basis:

1. Unsupported Prior Year Adjustment

The statement of changes in net assets reflects a prior year adjustment of Kshs.128,331,481. However, the statement does not include explanatory notes on the nature and origin of the adjustment or error, as required by the prescribed reporting framework.

Additionally, supporting documentation, including detailed schedules of the underlying transactions, journal entries, cash books, and bank statements relating to this amount, was not provided for audit review.

In addition, the comparative balance on cash and cash equivalents presented in the statement of financial position did not incorporate the prior year adjustments for cash and cash equivalents.

It was also noted that the total column in the statement of changes in net asset has casting, error showing balance of Ksh.1,382,529 instead of Ksh.20,741,809 as at 30th June,2025.

In the circumstances, the accuracy, validity, and completeness of the prior year adjustment balance of Kshs.128,331,481 could not be confirmed.

Management response.

The prior year adjustment resulted from an undisclosed Bank balance in the financial year 2023/24. This has been explained in the note accompanying the statement of changes in net assets in the financial statement. In addition, supporting documents such as Bank Statements, bank reconciliations, and Cash Books, confirming the same, were provided for audit review and verification.

The same amount was incorporated under cash and cash equivalents in the statement of financial position and provided for audit. In addition, the casting error noticed in the total column in the statement of changes in net asset was as a result of clerical error and has been corrected accordingly. Copies of the Cashbook, Bank Reconciliation, Bank Statements, Amended Financial statement were attached for the committee verification.

Committee Observations

The Committee observed that all the documents to support the adjustments and variances were submitted for the auditor's verification, in accordance with Regulation 104 of the Public Finance Management (County Government) Regulations, 2015.

Committee Recommendations

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 the final revenue budget and actual amount on comparable basis of Ksh. 433,129,062 and Kshs.262,812,772, respectively, resulting to under-funding of Ksh. 170,316,290 or 39% of the budget. Similarly, the statement reflects actual expenditure of Ksh. 261,510,605 against actual receipts Ksh. 262,812,772 resulting in an under expenditure of Kshs.1,302,167.

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

Management response

The Fund management notes that the underperformance in total revenue was mainly attributable to factors beyond its control, such as unremitted grants, delays, or shortfalls in external funding. On the expenditure, the fund received Kshs. 262,812,772 and spent Ksh. 261,510,605, which is equivalent to 99.5% absorption rate, which is commendable.

Committee Observations

The Committee observed that—

- i. the fund had an under-funding of Ksh. 170,316,290 or 39% of its budget during the financial year under review; and
- ii. the fund had an under expenditure of Kshs.1,302,167of the budget during the financial year under review.

Committee Recommendations

The Committee recommends that—

- i. the Governor ensures that the CECM Finance ensures timely disbursement of funds to the Fund account, to enable it to execute its budget on time for the benefit of the public.**
- ii. The Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply;**

Other Matter

1. Unresolved Prior Year Matters

In the prior year audit report, three issues were raised under Other Matter, and the Report on Lawfulness and Effectiveness in the Use of Public Resources respectively. These included Inadequate Disclosure in the Statement of Performance against Predetermined Objectives, failure to publish Climate Finance Framework for the County, and failure to enact Climate Fund Regulations.

Management Responses

The management did not respond to this matter.

Committee Observation

The Committee observed that the management did not respond to the matter, as to what steps have been taken to address the unresolved prior matters.

Committee Recommendation

The Committee recommends the Governor ensures that the Accounting Officer resolves any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on

penalties for offences may apply and the Governor should ensure that the accounting officer submits the status report on the mitigation measures taken to resolve prior year matter.

Other Information

Inadequate Disclosure in the Statement of Performance Against Predetermined Objectives

The statement of performance against predetermined objectives reflects three (3) key programs drawn from the mandate of the Fund. The statement further highlights the objectives, outcomes, indicators, and performance under each program.

However, the statement contains scanty information on the objectives, outcomes, indicators, and performance under each program. The outcomes and performances achieved were not stated in specific and measurable terms in order to aid in the determination of any performance deviations.

Further, the indicators used were not disclosed in a manner that can be objectively measured. The first indicator quoting percentage of towns with solar street lights, whereas the projects are ward-based. On the other hand, the third indicator was indicated as conservancy operational. There was no clear mention of what entailed conservancies and how the Fund's operations contributed to the success of the said conservancies.

Management Response

The management notes that the fund used overall departmental indicators rather than the Climate Change Fund's specific mandate, hence the scope was above the fund's targets and indicators. Going forward, the gazetted Wajir County Climate Change Act and Fund Regulations, 2025, provide a clear framework for planning, monitoring, and reporting. The management commits to full compliance using clearer, ward-based indicators.

Committee Observations

The Committee observed that the management finalized on the Wajir County Climate Change Act, which stipulates clear targets and indicators for the operationalization of the fund.

Committee Recommendations

The Committee recommends that the matter be marked as resolved

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Failure to Enact Climate Fund Regulations

As at the time audit in October, 2025 Wajir Climate Change Fund Regulations were not enacted as required by the Wajir County Climate Change Fund Act, 2019. This is contrary to Section 32 of the Act which provides that the Executive Member in Charge of Finance shall make regulations for all matters necessary for the proper administration of the Act including: (a) sitting allowances for the County Planning Committee and the Ward Planning Committees, (b) the banking arrangements for the Fund and (c) the disbursement for funds for approved projects.

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

Management response

The management acknowledges that the Wajir Climate Change Fund Regulation was in draft form at the time of the Audit. The document has since been finalized, approved by the County Assembly, and gazetted to ensure compliance with the Act and to guide the administration and disbursement of funds. A copy of the Wajir County Climate Change Fund Regulation, 2025, was attached for the committee verification.

Committee Observations

The Committee observed that the management had finalized, approved and gazetted the draft regulations and were now operational.

Committee recommendations

The Committee recommends that the matter be marked as resolved.

4.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR WAJIR COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Wajir County, Hon. FCPA Ahmed Abdullahi, EGH, appeared before the Committee on Tuesday, 20th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Wajir County Bursary Fund for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Mohamed Hussein - CECM Finance
2. FCPA Husein Ali - Director, Accounting Services.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **unqualified** Opinion on the financial statements of the Wajir County Bursary Fund for the period under review.

1. Under-Absorption of Funds

The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis of Ksh. 211,485,038, representing 100% funding. Similarly, the statement reflects total expenditure of Kshs.85,401,334 against available funds of Kshs.211,485,038, resulting in an under-utilization of Kshs.126,083,704 or 60% of the approved budget.

The under-utilization may have negatively affected disbursement of bursary to needy students in Wajir County.

Management Reponses

Mr. Chairman, an amount of Ksh 130,000,000 which was part of the total approved budget of Ksh. 211,485,038 was received on 26th June 2025, as evidenced by the attached bank statements. The reported under-utilization of funds amounting to Ksh. 126,083,704 (60%) against the approved budget of Ksh. 211,485,038 is therefore attributable to the timing of fund receipts. Given that the funds were received towards the close of the financial year, there was insufficient time to fully utilize the amount within the financial year. Bank Statement

Committee Observations

The Committee observed that:

- i. the management had an under-utilization of Kshs.126,083,704 or 60% of the approved budget.

- ii. The full disbursement of the funds were received towards the close of the financial year, hence the under absorption of the budget as per the time of audit.

Committee Recommendations

The Committee recommends that—

- i. **the Governor ensures that the County Treasury ensures timely disbursement of funds to the Fund account, to enable it to execute its budget on time for the benefit of the public.**
- ii. **The Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply;**

2. Operation of the Fund After Lapse of the Lifespan

The Wajir County Bursary Fund was established by the Wajir County Bursary Fund Act, 2014. This implies that as at 30 June, 2025 the Fund was operational for more than ten (10) years. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015 provides that the initial approval for establishment of a county public Fund shall be for a maximum period of ten (10) years, beyond which the County Executive Committee and County Assembly approvals shall be sought. Management did not provide evidence to confirm that an approval was sought.

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

Management Response

The management has prepared a draft Wajir County Bursary Fund Bill to extend the lifespan of the Wajir County Bursary Fund. The draft Bill was tabled before the County Assembly on 14th January 2026 for approval. The management is committed to ensuring full compliance with the Public Finance Management (County Governments) Regulations, 2015.

Committee Observations

The Committee observed that:

- i. the Fund has operated for more than ten (10) years, contrary to Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015.

- ii. the management had forwarded the draft Wajir County Bursary Fund Bill to extend the lifespan of the fund.

Committee Recommendations

The Committee recommends that the management fast-track the approval of the bill at the County Assembly, to ensure functionality and compliance of the fund with its enabling Act. The Auditor General to keep this matter under check during the subsequent financial year audit, to confirm compliance.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

ANNEXTURES

Minutes

PAPERS LAID	
DATE	25 26/3/2026
TABLED BY	Sen Cheaney
COMMITTEE	CPISSP
CLERK AT THE TABLE	Belinda



13TH PARLIAMENT 5TH SESSION

MINUTES OF THE FIFTY FIRST SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON MONDAY, 24TH MARCH 2026 IN COMMITTEE ROOM 10, BUNGE TOWER AT 3.00 P.M.

PRESENT

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

ABSENT WITH APOLOGY

- | | |
|---------------------------------|--------------------|
| 9. Sen. Eddy Gicheru Oketch, MP | - Vice-Chairperson |
|---------------------------------|--------------------|

SECRETARIAT

- | | |
|----------------------|-----------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant I |
| 2. Mr. Godfrey Nyaga | - Clerk Assistant III |
| 3. Mr. Khatib Omar | - Clerk Assistant III |
| 4. Mr. Victor Kimani | - Audio officer |

A. OFFICE OF THE AUDITOR GENERAL

Mr. Mark Gachanja Liasion

B. ETHICS AND ANTI CORRUPTION COMMISION

Mr. Patrick Kinoti -Liaison Officer

MIN. NO. SEN/CPICSF/377/2026 PRAYER

The meeting was called to order by the Chairperson at ten minutes past three O'clock in the afternoon followed by a word of prayer.

MIN. NO. SEN/CPICSF/378/2026 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Agnes Kavindu Muthama, MP and seconded by Sen. George Mungai Mbugua, MP as follows –

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

MIN. NO. SEN/CPICSF/379/2026 CONSIDERATION AND ADOPTION OF REPORTS

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

1. Embu Report

Sector	No.	Entity
Water Companies	4	Ngandori water and sanitation company
		Nyagaka water and sanitation
		Embe water and sanitation company limited
		Embu water and sanitation company
Municipality	1	Embu municipality
Hospitals	4	Embu level 5 hospital
		Mbeere sub county hospital
		Runyenjes sub county hospital
		Ishiara sub county hospital
Funds	5	Embu county education support fund
		Embu county climate change fund
		Embu county executive car & mortgage fund
		Embu county government emergency fund

2. Kirinyaga Report

Sector	No.	Entity
Water Companies	2	Kirinyaga County Water and Sanitation plc(KICOWASCO)
		Rukanga Makutano Water and Sanitation plc. (RUMAWASCO)
Municipalities	1	Kerugoya -kutus municipal
Hospitals	3	Sagana sub - county level 4 hospital
		Kianyaga sub county level 4 hospital
		Kimbimbi sub county level 4 hospital
Funds	6	Kirinyaga county executive emergency fund
		County Government of Kirinyaga Executive Mortgage Fund
		Kirinyaga executive car loan & mortgage fund
		Kirinyaga county alcoholic drinks control fund
		Kirinyaga county climate change fund
		Kirinyaga county executive bursary fund

3. Lamu

Sector	No	Entity
Water company	1	Lamu water and sewerage company limited.
Municipality	1	Lamu municipality
Hospitals	3	Lamu county referral hospital
		Faza sub-county hospital
		Mpeketoni sub-county hospital

Funds	4	Lamu county bursary and scholarship fund
		Lamu county climate change fund
		Lamu county emergency fund
		Lamu county executive staff housing fund.

4. Mandera Report

Sector	No.	Entity
Water companies	2	Mandera water and sewerage company (MANDWASCO)
		Elwak water and sanitation company
Municipalities	2	Elwak municipality
		Mandera municipality
Hospital	7	Banisa Sub-County Hospital
		Kotulo Sub-County Referral Hospital
		Lafey Sub-County Hospital
		Mandera Central Sub- County Hospital
		Mandera County Referral Hospital
		Mandera North Sub- County Hospital
		Mandera West Sub-County Hospital
Funds	2	Mandera county climate change fund
		Mandera county education bursary fund

5. Mombasa Report

Sector	No.	Entity
Water company	1	Mombasa water supply and sanitation company
Hospitals	5	Likoni sub-county level 4 hospital
		Tudor sub-county level 4 hospital

		Mrima sub-county level 4 hospital
		Portreitz Sub-County level 4 hospital
		Coast General Teaching & Referral Hospital
Funds	2	Mombasa Alcohol Drinks Control Fund
		Mombasa County Elimu Scheme

6. Murang'a Report

Sector	No.	Entity
Water companies	5	Gatamathi water and sanitation company Gatanga water and sanitation plc Kahuti (Murang'a west) water and sanitation company limited Murang'a south water and sanitation company (MUSWASCO) Murang'a water and sanitation company (MUWASCO) limited
Municipalities	3	Kangari Municipality Kenol Municipality Murang'a Municipality
Hospitals	4	Kandara Sub-County Hospital Kigumo level 4 hospital Maragua Sub- County level 4 hospital Murang'a level 5 hospital
Funds	4	Murang'a county government education and scholarship fund Murang'a county agricultural farm inputs subsidy & incentive fund (afis fund) Murang'a county climate change fund

		Murang'a county youth fund
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7. Nyamira Report

sector	no.	entity
Municipality	1	Nyamira municipality
Hospitals	4	Esani level 4 hospital
		Manga level 4 hospital
		Masaba level 4 sub-county hospital
		Nyamira county referral hospital
Funds	4	Nyamira county education support fund
		Nyamira county emergency fund
		Nyamira county mortgage & car loan (executive) fund
		Nyamira county climate change fund

8. Tana River Report

Sector	No.	Entity
Water company	1	Tana River Water and Sanitation Company Limited
Municipality	1	Hola municipality
Funds	3	Tana river county climate change fund
		Tana river county disaster risk management fund
		Tana river county ward bursary fund

9. Tharaka Nithi Report

Sector	No.	Entity
Water company	1	Nithi water and sanitation company limited
Municipalities	2	Chuka municipality
		Kathwana municipality
Hospitals	3	Chuka referral hospital
		Magutuni sub county hospital
		Marimanti level 4 hospital
Funds	5	Tharaka nithi county bursary development fund
		Tharaka nithi county climate change fund
		Tharaka nithi county emergency fund
		Tharaka nithi county executive staff mortgage and loan scheme fund
		Tharaka nithi county youth empowerment fund

10. Wajir Report

Sector	No.	Entity
Water company	1	Wajir water and sewerage company limited.
Municipality	1	Wajir municipality.
Hospital	1	Wajir county level 4 referral hospital.
Funds	3	Wajir county disaster management fund.
		Wajir county climate fund.
		Wajir county bursary fund

11. Kwale Report

Sector	No.	Entity
Water company	1	Kwale water and sewerage company limited
Municipalities		Diani municipality

	4	Lungalunga municipality
		Kwale municipality
		Kinango municipality
Hospitals	4	Kwale sub-county hospital
		Msambweni county referral hospital
		Lungalunga Sub- County level 4 hospital
		Kinango Level 5 hospital
funds	5	Kwale County bursary and scholarship fund
		Kwale County Emergency fund
		Kwale County Youth, women and person with disabilities revolving fund
		Kwale County Trade revolving fund
		Kwale County Climate change fund

Committee resolution

The Committee unanimously adopted the aforementioned reports with amendments that for entities that had not appeared before the committee due to time constrain, Governors through their respective accounting officers to take remedial actions to address the issues raised in the Auditor-General's reports on the financial statements of those reports and submit mitigations measures taken to the Senate within 30 days of the adoption of this report and a copy to the Auditor-General.

MIN. NO. SEN/CPICSF/380/2026

ANY OTHER BUSINESS

There was no any other business.

MIN. NO. SEN/CPICSF/381/2026

DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at forty minutes past four o'clock in the afternoon. The next meeting would be called on notice.

SIGNED:  DATE: 24/03/2026

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