

PARLIAMENT OF KENYA LIBRARY

REPUBLIC OF KENYA



St. Hon. Speaker
 You may approve for tabling
 M. Nyegenye, C.B.S.,
 Clerk of the senate/ secretary, PSC
 Date: 23/03/26

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

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

23/03/26
 APPROVED
 RT. HON. SEN
 AMASON J. KINGI

PAPERS LAID	
DATE	26/3/2026
TABLED BY	Sen. Cherankey
COMMITTEE	CP&SF
TABLE	Belinda

MARCH, 2026

TABLE OF CONTENTS	
ACRONYMS/ABBREVIATION	3
DEFINITION OF TERMS	4
PREFACE	5
COMMITTEE MEMBERSHIP	6
ESTABLISHMENT OF THE COMMITTEE	7
EXECUTIVE SUMMARY	8
REPORT STRUCTURE	9
GENERAL OBSERVATIONS FOR THE WATER COMPANY	10
GENERAL RECOMMENDATIONS FOR THE WATER COMPANY	10
GENERAL OBSERVATIONS FOR THE MUNICIPALITY	12
GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY	12
GENERAL OBSERVATIONS FOR THE FUNDS	14
GENERAL RECOMMENDATIONS FOR THE FUNDS	14
ACKNOWLEDGEMENTS	16
CHAPTER ONE: WATER COMPANY	19
1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TANA RIVER WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025	19
CHAPTER TWO: MUNICIPALITY	38
2.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR HOLA MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025	38
CHAPTER THREE: FUNDS	46
3.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TANA RIVER COUNTY CLIMATE CHANGE FUND FOR THE FINANCIAL YEAR 2024/2025	46
3.2 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TANA RIVER COUNTY DISASTER RISK MANAGEMENT FUND FOR THE FINANCIAL YEAR 2024/2025	51
3.3 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TANA RIVER COUNTY WARD BURSARY FUND FOR THE FINANCIAL YEAR 2024/2025	57

ACRONYMS/ABBREVIATION

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

DEFINITION OF TERMS

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

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 Tana River County water company, municipality, and funds for the Financial Year 2024/2025. The entities considered include Tana River water and sanitation company limited, Hola municipality, Tana River County Climate Change Fund, Tana River County Disaster Risk Management Fund and Tana River County Ward Bursary Fund.

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

COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators-

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

COMMITTEE SECRETARIAT

- | | |
|------------------------------|----------------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant I |
| 2. Mr. Erick Njogu | - Clerk Assistant II |
| 3. Mr. Godfrey Nyaga | - Clerk Assistant III |
| 4. Mr. Khatib Omar | - Clerk Assistant III |
| 5. Mr. Kennedy Owuoth | - Fiscal Analyst |
| 6. Mr. Jeremy Chabari | - Legal counsel |
| 7. Mr. Erick Ososi | - Research Officer I |
| 8. Ms. Linet Aseka | - Research Officer III |
| 9. Mr. Martin Mulandi | - Research Officer III |
| 10. Mr. Peter Katana Kahindi | - Research Officer III |
| 11. Ms. Janice Lekuton | - Research Officer III |
| 12. Ms. Hamun Abdille | - Research Officer III |
| 13. Mr. David Munene | - Research Officer III |
| 14. Mr. Josphat Ng'enh | - Media Relations officer. |
| 15. Mr. Victor Kimani | - Audio officer |
| 16. Mr. Fredick Okola | - Serjeant-at-arms |

ESTABLISHMENT OF THE COMMITTEE

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

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

EXECUTIVE SUMMARY

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited Accounts of the Tana River water and sanitation company limited, Hola municipality, Tana River County Climate Change Fund, Tana River County Disaster Risk Management Fund and Tana River County Ward Bursary Fund for the Financial year 2024/2025 (1st July, 2024 to 30th June 2025) as the primary documents for the interrogation. The Committee invited the Governor, as the Chief Executive Officer of Tana River County pursuant to Article 179(4) as witness to respond to the audit queries raised in the reports under consideration on Thursday, 21st January, 2026 for the water company and municipality; and on Wednesday, 18th February, 2026 for funds.

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

All five entities received a qualified opinion from the Auditor-General, indicating material discrepancies and insufficient documentation preventing the issuance of an unqualified audit report.

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

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

REPORT STRUCTURE

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

CHAPTER ONE is a record of the audit queries raised in the Auditor-General's report on Tana River Water Company for the Financial Year 2024/2025, along with the Committee's observations and recommendations for each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for the municipality in Tana River (Hola Municipality) for the Financial Year 2024/2025, along with the Committee's observations and recommendations for each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for the funds in Tana River (Tana River County Climate Change Fund, Tana River County Disaster Risk Management Fund and Tana River County Ward Bursary Fund) for the Financial Year 2024/2025, along with the Committee's observations and recommendations for each audit query.

GENERAL OBSERVATIONS FOR THE WATER COMPANY

The Committee made the following general observations regarding the operations and financial management of the Water Company under review: -

- 1. Late submission of documents and inaccuracies in Financial Statements –**
The Committee observed a pattern of late submission of audit documents and financial statements that contained numerous inaccuracies. The delays hinder the audit process and may indicate an attempt to falsify records, while the prevalence of errors suggests a lack of competence that could potentially facilitate fraudulent activities.
- 2. Non-Revenue Water (NRW) –** The Committee observed that the Water Company recorded NRW levels that significantly exceeded the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB). This was mostly attributed to physical losses from dilapidated infrastructure, commercial losses from inaccurate meter reading and billing, and illegal connections. Tana River Water and Sanitation Company Limited had non-revenue water of 61% or 428,230 cubic meters (M³).
- 3. Deficiencies in Financial Reporting –** The Committee noted widespread inaccuracies and errors in the preparation and presentation of financial statements. Furthermore, both Accounting Officers and Managing Directors exhibited challenges in complying with Section 62 of the Public Audit Act, Cap. 412B, by failing to submit supporting documents to auditors on time. This impedes the accountability and audit process, while the persistent delays in finalizing complete financial statements point to a lack of requisite competencies and experience within the entities.
- 4. Non-Adherence to Accounting Standards –** The committee observed that accountants across several Water Companies faced challenges in fully adopting the International Public Sector Accounting Standards (IPSAS) framework. The Committee noted that while the Public Sector Accounting Standards Board (PSASB) periodically updates these standards to reflect emerging issues and best practices, many water companies struggle with their application, as evidenced by recurring audit queries.

GENERAL RECOMMENDATIONS FOR THE WATER COMPANY

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

- 1. Enhancement of Record Keeping and Audit Compliance –**The Governor ensures that the Board and Accounting Officer have proper record keeping and provide all requisite supporting documents to the Auditor-General in accordance with Section 9(1)(e) of the Public Audit Act, Cap. 412B, within the stipulated audit timelines. Adherence to the provisions of the Accountants Act, Cap. 531,

is mandatory. Failure to comply with these requirements shall necessitate the invocation of Section 62 of the Public Audit Act by the Committee.

2. **Mitigation of Non-Revenue Water** – The Governor to ensure that the Board of Directors and Accounting Officer institute comprehensive measures to reduce Non-Revenue Water, addressing both physical and commercial losses. These measures should include the adoption of Geographic Information System (GIS) technology for real-time detection of bursts and leakages, installation of smart meters to ensure accurate billing, rehabilitation of dilapidated infrastructure, and the development of institutional anti-corruption policies with robust enforcement mechanisms to curb illegal connections. Furthermore, management should disclose the proportional breakdown of physical and commercial losses, expressed as percentages, in their periodic reports.
3. **Capacity Building on Financial Reporting Standards** – The Governor ensures that the Board of Directors, in consultation with the Public Sector Accounting Standards Board (PSASB), facilitate continuous capacity building for finance officers and management on International Public Sector Accounting Standards (IPSAS) to improve the quality of financial reporting and enhance compliance. The Governor ensures that the Board ensure that all accounting personnel possess the requisite competency and experience as mandated by the Accountants Act. Additionally, the Governor ensures the Accounting Officer enforce strict adherence to the financial reporting template prescribed by the National Treasury. These measures will strengthen the maintenance of books of account, improve the accuracy of financial statements, and ensure their timely submission to the Auditor-General.

GENERAL OBSERVATIONS FOR THE MUNICIPALITY

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

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

GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY

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

1. **Timely Submission of Audit Documents** – The Governor ensures that the Municipal Manager and the head of finance ensure that all supporting documents requested by the Auditor-General are submitted within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B. The Municipal Board shall institute an internal tracking mechanism to monitor compliance, and any officer found to have caused undue delay shall be subject to disciplinary action.
2. **Enforcement of Municipal Autonomy** – The Governor ensures that the County Executive Committee member responsible for lands, housing, and urban

development should, within sixty (60) days of the adoption of this report, take immediate steps to operationalize Sections 12, 20, 45, and 46 of the Urban Areas and Cities Act, 2011, by formally delegating management, functional, and financial powers to the Municipal Boards and Managers. The Municipal Boards shall thereafter provide a compliance report to the County Assembly and the Senate Committee on County Public Investments and Special Funds.

3. **Strengthening Financial Reporting Capacity-** the Governor ensures that the Municipal Manager and the head of finance shall, in consultation with the County Treasury and the Public Sector Accounting Standards Board (PSASB), develop and implement a continuous capacity-building program for all finance officers on the application of International Public Sector Accounting Standards (IPSAS). This program shall commence within sixty (60) days of the adoption of this report and shall be repeated quarterly to ensure updated knowledge of revised standards. Further, the Governor ensures that the Municipal Manager shall ensure that all financial statements prepared from the financial year 2024/25 onwards fully comply with the most current IPSAS framework as issued by the PSASB. Any deviation shall be explicitly explained and justified in the notes to the financial statements.

GENERAL OBSERVATIONS FOR THE FUNDS

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

1. **Late Submission of Audit Documents**– the Committee noted that the Auditor-General encountered significant challenges due to the late submission of supporting documents during the audit process. This delay hinders the accountability and audit process and contravenes Section 62 of the Public Audit Act, Cap. 412B, which mandates timely provision of documentation.
2. **Deficiencies in Financial Reporting and Standards Compliance** – The Committee observed that there were numerous inaccuracies and errors in the financial statements of the various funds, raising concerns about the capacity of the officers responsible for their preparation. Furthermore, the funds face persistent challenges in adapting to the International Public Sector Accounting Standards (IPSAS) framework required for the preparation of their financial statements.
3. **Challenges in Applying Updated Accounting Standards**- The Committee observed that the Public Sector Accounting Standards Board (PSASB) periodically reviews IPSAS to address emerging issues and align with best practices. The funds struggled to apply the updated standards, as evidenced by the audit queries.

GENERAL RECOMMENDATIONS FOR THE FUNDS

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

1. **Timely Submission of Audit Documents** – The Governor ensures that the management to ensure that all supporting documents requested by the Auditor-General are submitted within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B. The Municipal Board shall institute an internal tracking mechanism to monitor compliance, and any officer found to have caused undue delay shall be subject to disciplinary action.
2. **Strengthening Financial Reporting Capacity**- The Governor ensures that the management shall, in consultation with the County Treasury and the Public Sector Accounting Standards Board (PSASB), develop and implement a continuous capacity-building program for all finance officers on the application of International Public Sector Accounting Standards (IPSAS). This program shall commence within sixty (60) days of the adoption of this report and shall be repeated quarterly to ensure updated knowledge of revised standards. Further, the Governor ensures the management to ensure that all financial statements

prepared from the financial year 2024/25 onwards fully comply with the most current IPSAS framework as issued by the PSASB. Any deviation shall be explicitly explained and justified in the notes to the financial statements.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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: 


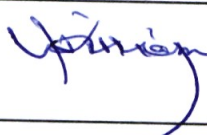
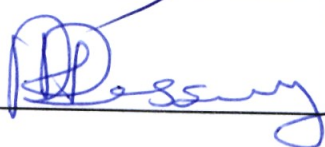
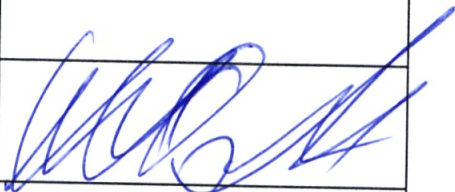

DATE: 23/03/2026

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

ADOPTION OF THE REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF TANA RIVER COUNTY WATER COMPANY, MUNICIPALITY AND FUNDS FOR THE FINANCIAL YEAR 2024/2025 (1st JULY, 2024 TO 30th JUNE, 2025)

ENTITY	NO.	
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

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

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

CHAPTER ONE: WATER COMPANY

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TANA RIVER WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025

The Governor of Tana River County, Hon. Maj (Rtd) Dr. Dhadho Godhana, appeared before the Committee on Thursday, 21st January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Tana Water and Sanitation Company for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

1. Ms. Brenda Makaya - CECM Finance
2. Mr. William Jillo - Acting Managing Director TAWASCO
3. Mr. James Muraguri - Accountant Tana Water and Sanitation

REPORT ON THE FINANCIAL STATEMENTS

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

1. Long Outstanding Receivables

The statement of financial position reflects a balance of Kshs. 62,525,574 in respect of trade and other receivables as disclosed in Note 19 to the financial statements after provision for bad debts of Kshs. 15,631,393. Included in the gross receivables balance of Kshs. 78,156,968 are receivables balance of Kshs. 68,479,659 which had been outstanding for more than one (1) year. However, there was no policy on the impairment of long outstanding receivables casting doubt on the fair statement of the accounts receivable balance.

In the circumstances, the accuracy and full recoverability of the outstanding receivables balance of Kshs. 62,525,574 could not be confirmed.

Management Response

The Management stated that the Board of Directors of Tana Water and Sanitation Company Limited (TAWASCO), at its full Board meeting held on 14th November 2025, approved the Company's Debt Management Policy. The policy provides a framework for managing receivables and establishes impairment rates. Management has commenced implementation of the policy and is actively applying its guidelines to reduce the Company's long-outstanding receivables.

Committee Observation

The Committee observed that; -

- i. while management reported that a Debt Management Policy was approved by the Board on 14th November 2025, this occurred well after the close of the financial year under review. Consequently, the policy was not in effect during the period when the Kshs. 68,479,659 in receivables, all outstanding for more than one year, was reported.
- ii. while the policy now exists, its effectiveness in recovering the long-overdue amount of Kshs. 62,525,574 remains to be seen, as the doubt regarding the accuracy and recoverability of these balances existed throughout the financial year under review.

Committee Recommendation

The Committee recommends that—

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

2. Unsupported Domestic Travel and Subsistence Allowances

The statement of profit or loss and other comprehensive income reflects general and operations expenses of Kshs. 39,611,138 as disclosed in Note 10 to the financial statements. The amount includes Kshs. 4,003,210 incurred on domestic travel and subsistence allowances. However, the schedule provided does not indicate employee name, personal number, job group, imprest warrant number, amount, activity undertaken and results achieved.

In the circumstances, the accuracy and completeness of domestic travel and subsistence allowances of Kshs. 4,003,210 could not be confirmed.

Management Response

Management submitted that they have since provided an updated schedule that includes the employee name, personal number, job group, imprest warrant number, amount, activity undertaken and results achieved.

Committee Observation

Whereas the updated schedule containing the required details (employee names, job groups, and activities undertaken) was provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendation

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

3. Unsupported Maintenance Expenses

The statement of profit or loss and other comprehensive income reflects maintenance expenses of Kshs. 7,305,291 as disclosed in Note 12 to the financial statements, out of which Kshs. 2,831,401 was incurred on repair of plant and equipment. However, the supporting schedules showing the description, model, function, location and cost incurred on each item of plant and equipment maintained or repaired were not provided for audit. Further, the amount of Kshs. 7,305,291 includes infrastructure network expenditure of Kshs. 4,241,890 which was not supported by job card, description of repairs, pre and post inspection reports, cost and inspection and acceptance certificates.

In the circumstances, the accuracy, completeness and value for money spent on maintenance expenditure of Kshs. 7,305,291 could not be confirmed.

Management Response

The management has since provided supporting schedules detailing the description, model, function, location, and cost of the items. In addition, documentation relating to the infrastructure network has been provided, including job cards, descriptions of

repairs undertaken, pre- and post-inspection reports, associated costs, and inspection certificates.

Committee Observation

The Committee observed that whereas the documents were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

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

4. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs. 25,334,527 as disclosed in Note 17 to the financial statements. However, the balance excludes undetermined value of land and buildings. Management attributed this to lack of ownership documents for the land. In addition, included in the property, plant and equipment balance was Kshs. 11,366,254 in respect to water and sewer infrastructure. However, the balance excludes undetermined values of water treatment facilities in Bura, Ngao and Hola and two (2) boreholes in Madogo and Hola. Management attributed this due to lack of ownership documents.

In the circumstances, the value for money on additions accuracy, completeness and ownership of property, plant and equipment balance of Kshs. 25,334,527 could not be confirmed.

Management Response

The management stated that infrastructure currently being operated by TAWASCO is owned by the County Government of Tana River and the Coast Water Works Development Agency (CWWDA). Formal handing over of this infrastructure to TAWASCO has not yet been undertaken.

Committee Observation

The Committee observed that; -

- i. the reported Property, Plant, and Equipment balance of Kshs. 25,334,527 is significantly understated as it excludes the value of land and buildings.

- Furthermore, the water infrastructure balance of Kshs. 11,366,254 is incomplete, as it omits critical assets including water treatment plants and boreholes.
- ii. due to the lack of formal handover and ownership documents from the County Government and the Coast Water Works Development Agency, the accuracy and completeness of the Company's entire asset base remains unconfirmed.

Committee Recommendation

The Committee recommends that—

- i. **that the Governor fast-tracks the transfer of ownership of all assets to the Company within 90 days of the adoption of this report and provide status update of the same to the Senate; and**
- ii. **the Governor engages the Coast Water Works Development Agency to ensure that ownership documents are processed and the assets are officially recognized in the Company's books. A progress report on the status of these transfers should be submitted to the Senate within 90 days of the adoption of this report.**

5. Unsupported Refundable Deposits and Prepayments Balance

The statement of financial position reflects refundable deposits and prepayments balance of Kshs. 47,445,168 as disclosed in Note 27 to the financial statements. Included in the balance was Kshs. 46,549,020 which was not supported with a detailed schedule of individual customers. In addition, the customer deposits are not maintained in a designated bank account and have been utilized in the Company's operations.

In the circumstances, the accuracy, completeness and existence of customer deposits balance of Kshs. 46,549,020 could not be confirmed.

Management Response

TAWASCO appeared before the Senate during the FY 2023/2024, where one of the recommendations was the opening of a dedicated bank account for customer deposits and the subsequent remittance of all customer deposits into that account. The Company implemented the recommendation and has provided documents to that effect. In addition, the Board of Directors approved a Debt Recovery Policy that provides for the offsetting of long-outstanding receivables from dormant customers against their respective deposits as an initial step in the debt recovery process.

Committee Observation

The Committee observed that; -

- i. while management reported the opening of a dedicated bank account following Senate recommendations and the approval of a Debt Recovery Policy, they failed to provide a bank statement or schedule confirming that the Kshs. 46,549,020 in customer deposits is actually held in that account.
- ii. these funds had previously been utilized for Company operations, and without evidence of full replenishment and a detailed customer-by-customer register, the existence and safety of these refundable deposits cannot be confirmed.

Committee Recommendation

The Committee recommends that; -

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

6. Inaccuracies in the Statement of Cash Flows

Note 19 of the notes to the statement of cash flows reflects Kshs. 7,031,119 in respect of profit or loss before tax. However, the statement of profit or loss and other comprehensive incomes reflects a corresponding balance of Kshs. 7,697,319, resulting in unreconciled variance of Kshs. 666,200. Further, the same Note reflects a negative balance of Kshs. 803,690 in respect to prepayments whereas the statement of financial position reflects a corresponding balance of Kshs1,469,892, resulting in a variance of Kshs2,273,582 which was not explained. In addition, the Note reflects a decrease in receivables of Kshs. 14,822,289 whereas the statement of financial position reflects a

corresponding decrease of Kshs. 7,458,760, resulting in an unexplained variance of Kshs. 7,363,529.

In the circumstances, the accuracy, and completeness of the statement of cash flows could not be confirmed.

Management Response

During the preparation of responses to the Management Letter and the draft audit report, the financial statements; were amended. However, Note 29 to the Statement of Cash Flows was inadvertently not updated, resulting in the noted variance.

Committee Observation

The Committee observed that—

- i. the management admitted that while the primary financial statements were amended, Note 29 (relating to the Statement of Cash Flows) was inadvertently not updated, leading to significant unreconciled variances. These include a Kshs. 666,200 discrepancies in profit before tax, a Kshs. 2,273,582 variances in prepayments, and a substantial Kshs. 7,363,529 mismatch in receivables.
- ii. mere admission of clerical error without providing the actual reconciled Note 29 or a corrective schedule leaves the accuracy and completeness of the cash flow statement unconfirmed.

Committee Recommendation

The Committee recommends that—

- i. **the Governor ensures that the Accounting officer undertakes Prior year adjustments to reconcile the variances in relation to the statement of cash flow in the next Audit cycle FY 2025/2026, and the Auditor-General should keep the matter in view in the subsequent audit cycle;**
- ii. **the Governor takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply. Further, the Governor submits a status update report of the administrative action taken to the Senate within 60 days of the adoption of this report;**
- iii. **the Governor ensures that the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and**

section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and

- iv. the Governor ensures the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

7. Unsupported Inventory Balance

As previously reported, the statement of financial position reflects comparative balance for inventory of Kshs. 125,900 as disclosed in Note 17 to the financial statements. However, the balance was not supported by the inventory stock take report.

In the circumstances, the accuracy of the inventory balance of Kshs. 125,900 could not be confirmed.

Management Response

The opening inventory balance was derived from the audited financial statements for the year ended 30 June 2024 and was not subject to any audit issues, as all supporting documentation was provided and reviewed during the audit process.

Committee Observation

The Committee observed that the management of the water company mitigated to the matter by providing stock take report for the period under review.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

8. Unsupported Adjustment to Share Capital Balance

As previously reported, included in the statement of changes in equity is share capital balance as at 1st July, 2023 amounting to Kshs. 5,000,000 and a closing balance of Kshs. 100,000 as at 30 June, 2025. However, the statement of changes in net assets does not disclose the adjustment made to share capital balance in the year. Management has also

not supported the adjustment with approval and authority to adjust the share capital balance. In the circumstances, the accuracy of the share capital balance of Kshs. 100,000 could not be confirmed.

Management Response

The figure reported as at 1st July 2023 was erroneous. It was subsequently corrected in the following financial years in accordance with the provisions of the Memorandum and Articles of Association as provided.

Committee Observation

The Committee observed that; -

- i. the query remains not addressed. The Company's financial records show a drastic reduction in share capital from Kshs. 5,000,000 as of July 2023 to Kshs. 100,000 as of June 2025 without a clear disclosure in the Statement of Changes in Equity. While Management admitted the previous figure was erroneous, they failed to produce the specific Board or Shareholder resolutions authorizing the said capital reduction;
- ii. there was no evidence of a formal journal entry or accounting reconciliation to justify how and when this significant adjustment was effected in the books of account;
- iii. without justification in the reduction of the share capital from Ksh. 5,000,000 to Ksh. 100,000 over the years, the Committee is unable to ascertain the ownership structure and value of the water company.

Committee Recommendation

The Committee recommends that the Governor to ensure that the structure and ownership of the water company is in accordance with the relevant laws and WASREB guidelines within 60 days of the adoption of this report and provide a status update to the Senate on the mitigation measures taken.

Emphasis of Matter

9. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual on a comparable basis of Kshs. 97,500,000 and Kshs. 96,696,440 respectively, resulting in under collection of Kshs. 803,560 or 1% of the budget. The Company spent an amount of Kshs. 88,380,773 against actual receipts of Kshs. 96,696,440, resulting in underutilization of Kshs. 8,315,668 or 9% of the actual receipts.

The underutilization may have negatively impacted on the planned activities of the Company which affected service delivery to the public.

Management Response

The under collection resulted from the non-operation of the Ngao Water Supply in June– August due to low water levels in the River Tana, caused by upstream diversion at Matomba Brook, resulting in inadequate raw water for treatment and supply.

Committee Observation

The Company reported a minor revenue under-collection of Kshs. 803,560 (1%) and an underutilization of funds totaling Kshs. 8,315,668 (9%) which was close to the budgeted targets.

Committee Recommendation

The Committee recommends that the query be marked as resolved.

Other Matter

Unresolved Prior Year Matters

In the prior year’s audit report, several issues were raised under the Report on Financial Statements. Review of the status during audit of the Company in 2024/2025 revealed that thirteen (13) matters remained unresolved.

Management Response

No.	Audit Issue	Management Response
1	Unsupported and Long Outstanding Trade and Other Receivable Balance	The Board of Directors of Tana Water and Sanitation Company Limited (TAWASCO), at its full Board meeting held on 14th November 2025, approved the Company’s Debt Management Policy. The policy provides a framework for managing receivables and establishes impairment rates. Management has commenced implementation of the policy and is actively applying its guidelines to reduce the Company’s long-outstanding receivables.

No.	Audit Issue	Management Response
		Copy of the approved Debt Management Policy and the Board minutes approving Debt Management Policy provided.
2	Inaccuracies in the Annual Report and Financial Statements	<i>(No response provided)</i>
3	Inaccurate, Unsupported and Long Outstanding Trade and Other Payables Balance	<i>(No response provided)</i>
4	Unsupported Adjustment to Share Capital Balance	The figure reported as at 1st July 2023 was erroneous. It was subsequently corrected in the following financial years in accordance with the provisions of the Memorandum and Articles of Association, as attached. Memorandum & Articles of Association provided.
5	Budget Control and Performance	<i>(No response provided)</i>
6	Non-Revenue Water	In the TAWASCO's water tariff, the company and Water Services Regulatory Board (WASREB) agreed and gazetted the following targets; In the year under review, TAWASCO's Non-Revenue Water (NRW) was 61% against a target of 65%. Approved Tariff provided.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

No.	Audit Issue	Management Response
7	Un-remitted National Social Security Fund Contributions	<p>During the year under review, management was unable to clear all outstanding bills due to cash flow constraints. However, an approved payment plan with the National Social Security Fund (NSSF) is in place, and management is complying with and honoring the agreed terms.</p> <p>Approved payment plan provided.</p>
8	Failure to Settlement Pending Bills	<p>During the year under review, management was unable to clear all outstanding bills due to cash flow constraints. However, management has significantly reduced the outstanding balance through the implementation of a structured payment plan and remains committed to honoring this plan.</p> <p>Pending Bills Movement Schedule and Payment Plans for details on the settlement of the outstanding bills provided.</p>
9	Lack of Approval Budget and Procurement Plan	<i>(No response provided)</i>
10	Inactive Customer Accounts	<i>(No response provided)</i>
11	Lack of Audit Committee and Functional Internal Audit	<p>An Audit Committee was constituted during a meeting held on 22nd October 2024. Subsequently, additional members were co-opted into the Committee on 14th November 2025 following a directive from the Water Services Regulatory Board requiring the inclusion of two additional members. With</p>

No.	Audit Issue	Management Response
		<p>regard to the functioning of the Internal Audit Committee, the Internal Audit Unit of the County Government has been designated by the County Treasury to undertake internal audit services for TAWASCO.</p> <p>Minutes constituting committee and the Letter from Internal Audit Department provided.</p>
12	Lack of Information Communication Technology Policy and Disaster Recovery Plan	<i>(No response provided)</i>
13	Lack of Risk Management Policy and Strategy	<p>The board of directors have approved a draft Risk Management Policy.</p> <p>Draft Risk Management Policy; Minutes of board approval (in soft copy) provided.</p>

Committee Observation

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

Committee Recommendation

The Committee recommends that-

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

matters to the Senate and a copy to the Auditor-General within 60 days of the adoption of this report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

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

1.0 Non-Revenue Water above allowable limit

The statement of profit or loss and other comprehensive income reflects operating income of Kshs. 32,792,083 as disclosed in Note 6 to the financial statements, out of which Kshs. 31,950,103 was in respect of water sales. The Company produced 700,933 cubic meters of water, out of which 272,703 cubic meters (39%) was billed to customers for Kshs. 31,950,103 and the balance of 428,230 cubic meters or 61% was not billed. The unbilled water represents non-revenue water. The percentage of unbilled water is higher than the allowable loss limit of 25% by the Water Service Regulatory Board guidelines. The 428,230 cubic meters of non-revenue water resulted to a loss of revenue estimated at Kshs. 50,171,427 at average sale per cubic meter of Kshs.117.16

In the circumstances, Management was in breach of policy guidelines.

Management Response

In the TAWASCO’s water tariff, the company and Water Services Regulatory Board (WASREB) agreed and gazetted the following targets;

Target	2023/2024	2024/2025	2025/2026
Water Coverage	24%	25%	26%
Non-Revenue Water (NRW)	70%	65%	62%
Collection Efficiency (%)	80%	85%	90%

In the year under review, TAWASCO’s Non-Revenue Water (NRW) was 61% against a target of 65%.

Committee Observation

The Committee observed that-

- i. the response by the management does not address the query;

- ii. a significant discrepancy between the national regulatory standards and the Company's specific gazetted targets. While the Auditor-General highlighted that the NRW of 61% far exceeds the WASREB national allowable limit of 25%—resulting in a staggering revenue loss of Kshs. 50,171,427—Management contended that they outperformed their specific gazetted target of 65% for the 2024/2025 financial year.
- iii. although Management met their localized contractual target, a 61% water loss is commercially unsustainable, indicates aging infrastructure or widespread illegal connections, and severely undermines the Company's ability to be self-reliant.

Committee Recommendation

The Committee recommends that—

- i. **the Governor should ensure that the Accounting Officer puts in place comprehensive measures to mitigate on the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;**
- ii. **the Governor ensures that the Accounting Officer segregates NRW to both Physical or Commercial so that the water company can ascertain and identify specific mitigating measures to effectively address and reduce the NRW levels; and**
- iii. **the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put place to reduce cases of theft and illegal connections.**
- iv. **The EACC investigates the high Non-Revenue Water (NRW) levels to determine whether it was as a result of systemic commercial theft, illegal connections, collusion between staff and unauthorized water users or any other administrative lapses, and provide status update on the matter to the Senate within 90 days of the adoption of this report.**

2.0 Non Compliance with the Constitution on Law on Affirmative action

The Company had a total staff population of seventy-one (71) comprising fourteen (14) seconded staff and fifty-seven (57) casual staff. However, only one (1) or 1% was a person living with disability. Further, out of the seventy-one (71) staff, fifty-six (56) or 79% were of the male gender. This was contrary to the provisions of the National Cohesion and Integration Act, 2008 which requires that not more than two-thirds or (66%) of all employees should be of the same gender.

In the circumstances, Management was in breach of policy guidelines.

Management Response

The company is working towards compliance with the one-third gender rule; however, progress has been gradual due to the nature of the company's operations, which are predominantly plumbing-related. Notable improvement is expected during the renewal of staff contracts scheduled for March.

Committee Observation

The Committee observed that the company's current staff composition was not in line with the law on affirmative action for persons living with disabilities and gender.

Committee Recommendation

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

3.0 Non- Compliance with Fiscal Responsibility Principles

The statement of comparison of budget and actual amounts reflects total revenue and expenditure budget of Kshs. 97,500,000, out of which Kshs. 27,479,210 or (28%) was in respect of development budget, contrary to Section 107(2)(b) of the Public Finance Management Act, 2012 which requires that at least 30% of County Government entity's total budget should be allocated to development activities.

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

Management Response

The company acknowledges that development expenditure for FY 2024/2025 stood at 28%, below the required 30%. For FY 2025/2026, the company has aligned its budget to the 30%–70% threshold through the e-Government Procurement (eGP) system and will ensure full compliance.

Committee Observation

The Committee observed that-

- i. management acknowledged that the development expenditure for the year under review stood at 28%, which is below the mandatory 30% threshold stipulated under Section 107(2)(b) of the Public Finance Management Act, 2012.
- ii. while management has committed to aligning the FY 2025/2026 budget to the 30%–70% ratio through the e-Government Procurement (eGP) system, the actual implementation and adherence to this threshold can only be verified in the subsequent audit cycle.

Committee Recommendation

The Committee recommends that the Company adheres to the provisions of regulation 25 (1) (g) of the Public Finance management (County Government) Regulations, 2015 which limits the county government's actual expenditure on development to at least thirty percent of the county government's budget; and the Auditor-General to provide a status update on the matter during the subsequent audit cycle to ascertain whether the Company has successfully attained and maintained the minimum 30% development expenditure threshold as committed by management.

4.0 Failure to Settle Pending Bills

The statement of financial position reflects trade and other payables balance of Kshs. 6,118,934 which includes a balance of Kshs. 3,646,401 owed to suppliers which has remained outstanding for over two years. Failure to settle the debts is contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which require 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

During the year under review, management was unable to clear all outstanding bills due to cash flow constraints. However, management has significantly reduced the outstanding balance through the implementation of a structured payment plan and remains committed to honoring this plan.

Committee Observation

The Committee observed that-

- i. the Company has failed to settle Kshs. 3,646,401 owed to suppliers for over two years, which is a direct breach of Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015.
- ii. while management cited cash flow constraints as the primary hurdle, they have reported the implementation of a structured payment plan to settle these long-outstanding obligations.
- iii. The accumulation of pending bills undermines supplier confidence and risks legal litigations that could further strain the Company's finances.

Committee Recommendation

The Committee recommends that—

- i. **the Governor to ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2025/2026 and provide a status update to the Senate within 60 days of the adoption of this report ; and**
- ii. **the Governor ensures that the County Executive Committee Member in charge of water continuously monitors the financial performance of the water company in line with section 184 of the Public Finance Management Act, 2012 and report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance.**

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

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

1. Lack of Audit Committee and a Functional Internal Audit

The Company did not have an Internal Audit Unit and the Board had not established an Audit Committee as provided under Clause 3.7(2) of the Corporate Governance Guidelines for Water Services Sector, 2018 which stipulates that the audit committee, technical services committee and finance and human resource committee are mandatory.

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

Management Response

An Audit Committee was constituted during a meeting held on 22nd October 2024. Subsequently, additional members were co-opted into the Committee on 14th November 2025 following a directive from the Water Services Regulatory Board requiring the inclusion of two additional members. With regard to the functioning of the Internal Audit Committee, the Internal Audit Unit of the County Government has been designated by the County Treasury to undertake internal audit services for TAWASCO.

Committee Observation

The Committee observed that-

- i. Previously, the Company operated without an Internal Audit Unit or a Board Audit Committee, in violation of Clause 3.7(2) of the Corporate Governance Guidelines for the Water Services Sector, 2018.
- ii. management has since responded by formally constituting an Audit Committee as of 22nd October 2024 (with co-opted members added in November 2025) and designating the County Government's Internal Audit Unit to oversee TAWASCO's operations. However, the actual effectiveness and independence of these oversight bodies have yet to be tested.

Committee Recommendation

The Committee recommends that the Auditor-General provides a status update on the matter during the subsequent audit cycle to ascertain whether the newly constituted Audit Committee is meeting quarterly as required and to verify if the County Internal Audit Unit has produced actionable internal audit reports for the Company within 60 days of the adoption of this report.

CHAPTER TWO: MUNICIPALITY
2.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR HOLA MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025

The Governor of Tana River County, Hon. Maj (Rtd) Dr. Dhadho Godhana, appeared before the Committee on Thursday, 21st January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Municipality of Hola for financial year 2024/2025. He was accompanied by-

1. Ms. Brenda Makaya - CECM Finance
2. Ms. Mariam Bunu -Chief Officer Finance
3. CPA. Jacob Jarha -Municipal Manager

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Municipality of Hola for the period under review on the following basis:

1. Unsupported Property Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs. 110,071,031. However, the supporting schedule showing asset description, date of purchase, value, location and ownership details were not provided for audit. Further, note 10 to the financial statements, reflects net book values of cellphones of Kshs. 3,400,000, computers valued at Kshs. 5,200,000 and inventory software valued at Kshs. 2,358,000 as at 30 June, 2024. However, the balances were excluded from the balances as at 1 July, 2024.

In the circumstances, the accuracy, completeness and existence of property, plant and equipment balance of Kshs. 110,071,031 could not be confirmed.

Management Response

The asset register showing asset description, date of purchase, value, location and Ownership is provided. The assets were depreciated on straight line method at the rate of 33.3% per annum, and as at the end of 30th June 2024, cellphones, computers and inventory software were fully depreciated and Nil balances reported on the financial statement.

Committee Observation

The Committee observed that; -

- i. the submission of the documents was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

- ii. while an asset register was provided for future verification, management failed to provide a reconciliation for the specific cellphone, computer, and software amounts totaling Kshs. 10,958,000.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer submits all the required documents during the audit process in a timely manner, in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle;
- ii. the Auditor-General to undertake physical verification of all assets of the Municipality and provide a status report to the Committee within 60 days from the adoption of this report;
- iii. the Accounting Officer ensures that a valuation of all the Municipality's assets is carried out within sixty (60) days of the adoption of this report; and
- iv. the Governor ensures that the process of development of a depreciation policy is completed within sixty (60) days of the adoption of this report.

2. Inaccuracy in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects Kshs. 42,924,346 in respect of performance difference on expenditure instead of the re-cast amount of Kshs. 70,790,092 resulting to an unreconciled variance of Kshs. 27,865,746. Further, the budget reconciliation statement was not disclosed in the financial statements. In the circumstances, the accuracy, and completeness statement of comparison of budget and actual could not be confirmed.

Management Response

Management is in agreement with the audit observation and will ensure that re-casted amounts are correctly posted in the statement of comparison of budget and actual amounts in future.

Committee Observation

The Committee observed that the issue is not addressed as management concurred with the finding but provided no evidence of correction or reconciliation.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer performs the necessary prior year adjustments in the financial statements during the FY 2025/2026 audit cycle;
- ii. the Governor ensures that the Accounting Officer complies with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply;
- iii. the Governor ensures that the Accounting Officer strengthens internal audit controls and ensure proper record keeping;
- iv. the Governor ensures the Accounting Officer enhances the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements; and
- v. the Governor ensures the Accounting Officer takes administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, Cap. 534.

3. Unreconciled Net Cash flow from Operating Activities

The statement of cash flows reflects Kshs.494 in respect to net cash flows from operating activities which was not reconciled to the surplus for the year. In the circumstances, the accuracy of the net cash flows from operating activities balance of Kshs.494 could not be confirmed.

Management Response

The management stated that the amount of Ksh.494 in respect to the net cash flows from operating activities was reconciled to the surplus for the year as indicated on note 12 to the financial statements and relates to bank charges for the year under review. Bank statements and certificate of bank balances for the year under review were provided for authentication.

Committee Observation

The Committee observed that although Management attributed the Kshs. 494 variances to bank charges (citing Note 12 and providing bank statements), they failed to provide a formal reconciliation between the net cash flows and the reported surplus.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures that the Accounting officer undertakes Prior year adjustments to reconcile the variances in relation to the statement of cash flow in the next Audit cycle FY 2025/2026, and the Auditor-General should keep the matter in view in the subsequent audit cycle;
- ii. the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and
- iii. the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

4. Anomalies in Presentation of the Financial Statements

The page numbering as per the table of contents is inconsistent with the annual reports and financial statements. This is contrary to the format prescribed by the Public Sector Accounting Standards Board which requires the two parts to be aligned.

In the circumstances, the financial statements were inconsistent with the prescribed reporting template.

Management Response

The Management acknowledged the auditor's observation and stated that they have since updated the table of contents to match with the page numbering of the financial statements and annual reports.

Committee Observation

The Committee observed that the page numbering of the financial statement was not in line with the format prescribed by the Public Sector Accounting Standards Board (PSASB).

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer takes appropriate administrative action on responsible officers within the Accounts and

- Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in accordance with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;
- ii. the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties and offences shall apply;
 - iii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and
 - iv. the Governor ensures that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the requirements of the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.

OTHER MATTER:

Unresolved Prior Year Matters

In the prior year audit report, one (1) issue was raised under the Report on Financial Statements and two (2) issues under the Report on Lawfulness and Effectiveness in Use of Public Resources. These include unsupported property, plant and equipment, lack of independence and failure to prepare an integrated urban areas development plan. Review of the status during audit of the Fund in 2024/2025 revealed that the matters remained unresolved.

Management Response

Management stated they are in agreement with the audit observations regarding these unresolved prior year matters. However, they noted that they had attached minutes from the cabinet approving the reviewed Integrated Development Plan for submission to the assembly for approval. They further stated that they had provided the schedule supporting property, plant, and equipment, indicating when the assets had been purchased, their value, ownership, and location.

Committee Observation

The Committee observed that the Municipality had not resolved the issues raised in the previous year's audit.

Committee Recommendation

The Committee recommends that-

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, the following matters formed the basis for the conclusion that public resources were not applied lawfully and effectively:

1. Lack of Operational Independence of the Municipality

The Municipality of Hola was granted a charter on 12th June, 2018 which was supposed to grant its operational independence from County Government of Tana River. However, review of the operation of the Municipality revealed lack of autonomy as Municipality budget was prepared and controlled by the County Executive. The Municipal budget was not approved by the Municipal Board. This is contrary to Section 12(1) of the Urban Areas and Cities Act, 2011 which states that the Management of a City and Municipality shall be vested in the County Government and administered on its behalf by a Board, a Manager appointed pursuant to Section 28 and such other staff or officers as the County Public Service may determine.

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

Management Response

Management agreed with the observation and provided cabinet minutes approving the transfer of functions to the Municipality.

Committee Observation

The Committee observed that the issue is not addressed. Although Management provided cabinet minutes approving the transfer of functions, the Municipality still lacks genuine autonomy.

Committee Recommendation

The Committee recommends that-

- i. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government; and**
- ii. the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor to keep this matter in view and report in the subsequent audit cycle.**

2. Failure to Prepare an Integrated Urban Areas Development Plan

The Municipality of Hola has not prepared an Integrated Urban Area Development Plan in accordance with section 5(b) of the Urban Areas and Cities Act, 2011. The Integrated Development Plan (Integrated Development Plan) is a critical road map in achieving the development goals for an urban area hence failure to come up with the plan means Municipality of Hola may not achieve its intended goals. This is contrary to Section 38 of the Urban Areas and Cities Act (Cap 275) Areas Act provides that a city or urban area shall prepare an integrated city or urban area development plan in accordance with the Third Schedule to this Act.

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

Management Response

Management concurred with the Auditor's observation. However, they stated that they had provided minutes from the cabinet approving the reviewed Integrated Development Plan and further noted that they had submitted the plan for approval by the county assembly.

Committee Observation

The Committee observed that although approval minutes were provided, the Integrated Development Plan (IDP) attached to the submission was not yet formally approved.

Committee Recommendation

The Committee recommends that within 90 days of the adoption of this report the Governor ensures that the Municipality of Hola should develop an Integrated Development Plan in accordance with section 9(3)(b) of the Urban Areas and Cities

Act, Cap. 275 and submit evidence of the same to the Senate and a copy to the Auditor-General for verification.

CHAPTER THREE: FUNDS

3.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TANA RIVER COUNTY CLIMATE CHANGE FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Tana River County, Hon. Maj (Rtd) Dr. Dhadho Godhana, appeared before the Committee on Wednesday, 18th February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Tana River County Climate Change Fund for financial year 2024/2025. He was accompanied by-

1. Ms. Brenda Mokaya- CECM- Finance
2. Mr. Abdulahi Omar Said- County Chief Officer
3. Ms. Salima Makuru- County Chief Officer

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Tana River County Climate Change Fund for the period under review on the following basis:

1. Unsupported Climate Change Related Costs

Climate change related costs totalling Kshs.170,117,010 against corresponding vote book amount was Kshs.193,761,154 resulting to unreconciled variance of Kshs.23,644,144. The expenditure of Kshs.170,117,010 includes tax payments of Kshs.10,462,564 that have not been matched against any invoice or payment receipts.

Management Response

The expenditure of Kshs.170,117,010 was applied to development activities .The variance of Kshs.23,644,144 represents recurrent expenditure, which is allowable under the FLLoCA Program Operational Manual (POM).

Management has since undertaken a detailed reconciliation of all tax remittances. The tax payments totaling Kshs.10,462,564 have now been accurately matched to their specific parent transactions.

Committee Observation

The Committee observed that—

- i. There was unreconciled variance of Kshs.23, 644,144 between the vote book and the statement of financial performance total expenditure. However, the variance was later supported with recurrent expenditure schedule as well as POM and as such the matter was addressed.
- ii. whereas schedule showing payee, description, payment voucher number, invoice date parent amount and various matching taxes totalling to

Kshs.10,462,564 were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendation

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

2. Inaccurate Net Assets Balance

The statement of financial position reflects net assets balance of Kshs.35,207,201. However, the corresponding statement of net assets balance is Kshs.Kshs.34,307,200 resulting to a variance of Kshs.900,001.

Management Response

Management acknowledges the variance of Kshs.900,000 between the Statement of Financial Position and the Statement of Net Assets as reported in the Certified financial statements.

Committee Observation

The Committee observed that there was unreconciled variance of Kshs.900,001 between the statement of financial position and statement of net assets balance.

Committee Recommendation

The Committee recommends that—

- i. the governor ensures that the Accounting officer undertakes reconciliation of the financial statements within 60 days of the adoption of this report, and the Auditor-General should keep the matter in view in the subsequent audit cycle;**
- ii. the governor takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply. Further, the Governor**

- submits a status update report of the administrative action taken to the Senate within 60 days of the adoption of this report;
- iii. the governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;
 - iv. the governor ensures the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and
 - v. the governor ensures the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.

Other Matter

Unresolved Prior Year Matters

In the prior years' 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 Fund in 2024/2025 revealed that four (4) issues remained unresolved.

Management response

Management acknowledged the four issues raised during the audit.

Committee Observation

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

Committee Recommendation

The Committee recommends that—

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

1. Non-Compliance With the Public Sector Accounting Standards Reporting Template

Fund Chairperson's Report reflects foreword Note by H.E the Governor, but the report is instead signed by the Deputy Governor. In addition, Management Discussion and Analysis on page xxii excludes figure 1 on major risks facing the Fund while the statement of financial position is not signed by the Fund Accountant and ICPAK No. also not reflected.

Management Response

Management stated that the Forward Note was intended to be from the Deputy Governor in his capacity as Chair of the Board, and his signature was therefore appropriate. The Statement of Financial Position was duly signed by the Fund Accountant, with the ICPAK membership number indicated, in full compliance with the Public Sector Accounting Standards Reporting Template. The omission of Figure 1 on major risks in the MD&A was a presentation oversight, which will be corrected in subsequent submissions.

Committee Observation

The Committee observed that the management of the fund did not comply with the reporting template issued by the Public Sector Accounting Standards Board during the preparation of financial statements submitted at the time of audit.

Committee Recommendation

The Committee recommends that-

- i. the governor takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply. Further, the Governor submits a status update report of the administrative action taken to the Senate within 60 days of the adoption of this report;**
- ii. the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties and offences shall apply;**
- iii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and**
- iv. the Governor ensures that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the requirements of the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

3.2 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TANA RIVER COUNTY DISASTER RISK MANAGEMENT FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Tana River County, Hon. Maj (Rtd) Dr. Dhadho Godhana, appeared before the Committee on Wednesday, 18th February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Tana River County Disaster Risk Management fund for financial year 2024/2025. He was accompanied by-

1. Ms. Brenda Mokaya- CECM- Finance.
2. Mr. Abdulahi Omar Said- County Chief Officer
3. Ms. Salima Makuru- County Chief Officer

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Tana River County Disaster Risk Management fund for the period under review on the following basis:

1. Unsupported Use of Goods and Services

The statement of financial performance reflects use of goods and services expenditure amount of Kshs. 84,508,143 as disclosed in Note 8 to the financial statements. Review of the supporting documents revealed that out of the expenditure of Ksh. 84,508,143 an amount of Kshs. 17,436,163 was not adequately supported.

In the circumstances, the accuracy, completeness and propriety of use of goods and services expenditure amount of Kshs. 84,508,143 could not be confirmed.

Management Response

Management stated that the use of goods and services expenditure amounting to Kshs. 84,508,143 as disclosed in Note 8 to the financial statements. Out of this, an amount of Kshs. 17,436,163 was initially noted as not adequately supported during the review.

Management has since compiled and is ready to avail all the necessary supporting documents for the expenditure in question to the auditors. This will enable verification of the accuracy, completeness, and propriety of the expenditure.

Further, management is committed to strengthening internal controls over documentation and record-keeping to ensure that all future expenditures are fully supported and readily available for audit review.

Steps being taken include:

- Establishing stricter document retention and filing protocols.

- Training staff on compliance with financial documentation requirements.
- Periodic internal reviews to confirm completeness of supporting records before external audits.

Management remains committed to transparency and accountability in the use of public resources and welcomes continued oversight by authorities.

Committee Observation

The Committee observed that –

- whereas Payment voucher, Payment certificate, completion certificate, Payment certificate Agreement, Award, LSO, Tender opening and Evaluation Reports were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.
- BQ was however not provided which constitutes an offence under section 62(2) of the Public Audit Act, Cap.412B.

Committee Recommendation

The Committee recommends that Governor ensures that the Accounting Officer should ensure access and timely submission of documents during the audit process in line with sections 9(1) (e) and 47(1) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Other Matter

Unresolved Prior Year Audit Matters

In the audit of the previous year several issues were raised under the report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, even though Management has indicated the issues as resolved, no evidence was provided to support how issues listed in Appendix 1 were resolved.

Committee Observation

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

Committee Recommendation

The Committee recommends that—

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

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

1. Duplicate Fund Roles

The County Executive has established both the Tana River County Disaster Risk Management Fund and Tana River County Emergency Fund to address emergencies and disaster events as and when they occur. However, records provided for audit indicate the two (2) funds have duplicating roles and funded similar activities during the year as detailed below:

Expenditure Item	Disaster Risk Management Fund (Kshs)	Emergency Fund (Kshs)
Relief Food	23,971,728	36,358,500
Water Tanks	6,960,000	15,000,000
Conflict Resolutions	4,800,000	3,250,000

Management Response

We note that while both funds are established to safeguard lives, property, and livelihoods during crises, their intended mandates and timing of interventions differ as outlined:

1. **Emergency Fund:** Primary Purpose is to finance immediate and short term response activities; Timing of Use is Activated during or immediately after an emergency (Response phase).
2. **Disaster Risk Management Fund:** Primary Purpose is to support long term disaster preparedness, recovery, and resilience building; Timing of Use is Applied before and after disasters (preparedness, recovery, and prevention phases).

To address the concern, we are undertaking the following:

- Development of Clear Operational Guidelines.
- Establishment of a Coordination Mechanism.
- Harmonized Reporting and Monitoring.
- Policy and Legal Alignment.

Committee Observation

The Committee observed that the Tana River County Disaster Risk Management Fund and Tana River County Emergency Fund had duplicating roles and were funded for similar activities.

Committee Recommendation

The Committee recommends that the Governor ensures that the management of the funds implement measures to assign specific roles to both the Tana River County Disaster Risk Management Fund and Tana River County Emergency Fund so as to ensure there are no overlap of mandate and to submit a status report on the same to the Senate within 60 days of the adoption of this report.

2. Errors in Presentation and Disclosures in the Annual Report and Financial Statements

The financial statements presented for audit did not comply with the reporting template issued by the Public Sector Accounting Standards Board

- (i) The Fund administration Committee reflected only six (6) individuals instead of seven (7) as required.
- (ii) Management Discussion and analysis and statement of Management's responsibility reflects Tana River County Disaster Risk Management Act, 2021 instead of 2020.
- (iii) Significant accounting policies reflect the word entity instead of the fund

In the circumstances, the management was in breach of Section 164(1) of the Public Finance Management Act, 2012 which require at the end of each financial year, the Accounting Officer for a county government entity to prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board.

Management Response:

- i. This was occasioned by the hospitalization of one committee member. The member has since resumed duties.
- ii. This was a typographical error and will be corrected in the subsequent final report.
- iii. This arose from the use of a standard reporting template and wording will be aligned accordingly in future statements.

Committee Observation

The Committee observed that the management of the fund did not comply with the reporting template issued by the Public Sector Accounting Standards Board during the preparation of financial statements submitted at the time of audit.

Committee Recommendation

The Committee recommends that-

- i. **the Governor ensures that the Accounting Officer takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in accordance with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties and offences shall apply; and**
- iii. **the Governor ensures that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the requirements of the Public Sector Accounting Standards and should further**

invest in technology to enhance efficiency and improve the accuracy of financial statements.

3.3 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TANA RIVER COUNTY WARD BURSARY FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Tana River County, Hon. Maj (Rtd) Dr. Dhadho Godhana, appeared before the Committee on Wednesday, 18th February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Tana River County Ward Bursary Fund for financial year 2024/2025. He was accompanied by-

1. Ms. Brenda Mokaya- CECM- Finance.
2. Ms Bona Fatuma Gafo County Chief Officer Education
3. Mr. Abdulahi Omar Said- County Chief Officer

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Tana River County Ward Bursary Fund for the period under review on the following basis:

Other Matter

Unresolved Prior year Matters

In the prior years' audit reports, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the issues are still outstanding. Review of the status during audit in 2024/2025 revealed that a number of matters remain unresolved.

Management Response

A draft "Tana River County Ward Bursary Fund Regulations 2025" document has been developed by the Executive and forwarded to the County Assembly for deliberation and enactment. The committee has been reconstituted in accordance with the Public Finance Management (PFM) Act. New members were vetted, and appointment letters were issued. The bursary for each ward is vetted separately by the ward committees and the list of successful applicants with the list of institutions is submitted to the bursary board for approval. The Tana River ward bursary fund Act has been distributing funds equally in all wards as per the previous regulations to the fund. However, the proposed amendments in the new regulations seek to address allocations based on equity.

On 13th July, 2025, the County Government of Tana River entered into an Intergovernmental Partnership Agreement with the Ministry of Education for the issuance of bursaries and scholarships within Tana River County.

The Fund will continue following up with the concerned institutions while also working with TVETA, and other regulatory bodies to obtain updated accreditation lists.

Committee Observation

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

Committee Recommendation

The Committee recommends that—

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

1. Failure to Develop Enabling Regulations to the Act

The County Executive Committee Member in charge of Education, Vocational Training and Sports formulated the Tana River County Ward Bursary Regulations and submitted them to the County Assembly on 14 December, 2019 in line with Section 9(1) of Tana River County Ward Bursary Fund Act, 2014. However, the County Assembly has not passed the Regulations for onward transmission to the Governor for assent.

Management Response

The Bursary Fund Regulations 2025 have been developed and formally submitted for approval. The delay in operationalization is due to the ongoing legislative approval process, which is beyond management's direct control at this stage.

Committee Observation

The Committee observed that the Tana River County Ward Bursary Regulations had not been enacted.

Committee Recommendation

The Committee recommends that the Governor ensures that process of the enactment of the Tana River County Ward Bursary Regulations is fast tracked and should submit a status update to the Senate within 60 days of the adoption of this report.

2. Unexplained Inequalities in the Distribution of Bursaries

The statement of financial performance reflects bursary payments amounting to Kshs.144,086,500 as disclosed in Note 2 to the financial statements. Included in the amount is Kshs.63,104,300 paid to Colleges out of which Kshs.8,467,500 was paid to two(2) Aviation Colleges in respect of students studying aviation courses without policy guidelines on the minimum or maximum bursary pay outs and in the absence of the enactment of a sharing formula. This is contrary to Section 11(1) of the Tana River County Ward Bursary Fund Act, 2014 Amended 2018 which provides that subject to enactment of a sharing formula to be approved by the County Assembly, the Board shall disburse funds equitably to the wards. In the circumstances, Management is in breach of the law.

Management Response

Management clarifies that these beneficiaries were sponsored to pursue aviation training, whose fee structures are comparatively higher than those of other institutions. The allocations were therefore made in line with the actual cost of training.

Committee Observation

The Committee observed that the fund did not have policy guidelines on the minimum or maximum bursary pay outs and also a sharing formula which is contrary to Section 11(1) of the Tana River County Ward Bursary Fund Act, 2014 Amended 2018.

Committee Recommendation

The Committee recommends that the fund strictly adhere to Section 11(1) of the Tana River County Ward Bursary Fund Act, 2018, failure to which failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

3. Lack of Proper Constitution and Gazettement of Ward Bursary Committee

Section 5 of the Tana River County Ward Bursary Fund Administration Act,2014 which is not part of the amended Sections of 2018 requires the Fund Administration Board to be composed of ten (10) members. Review of the financial statements revealed that the Fund Administration Committee is composed of seven (7) members and it did not indicate which category of people they represent a part from the Chief Officer and the

Fund Administrator. Further, the Fund Administration Committee was not gazetted contrary to Section 25 (1) of the County Government Act, 2012 which states that a legislation passed by the County Assembly and assented to by the Governor shall be published in the County Gazette and Kenya Gazette within seven (7) days after assent. In the circumstances, Management is in breach of the law.

Management Response

County Assembly has since approved and appointed members of the County Ward Bursary Board through letter Ref. CTR/CA/E&S/032/VOL.3/15 dated 3rd January 2024.

Committee Observation

The Committee observed that only 7 instead of 10 members of the fund administration committee were gazette.

Committee Recommendation

The Committee recommends that the Governor—

- i. ensures that the fund fast tracks the gazette process for all the 10 members and provide a status update on the same to the Senate within 60 days of the adoption of this report;
- ii. Ensures the fund adheres to Section 25 (1) of the County Government Act, 2012, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

4. Bursary Payments to Unaccredited Institutions

The Statement of Financial performance reflects bursary payments amounting to Kshs. 144,086,500 as disclosed in Note 2 to the financial statements. Included in the amount is Kshs.63,104,300 paid to colleges out of which Kshs.2,294,000 was paid to unaccredited colleges.

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

Management Response

The Fund will continue following up with the concerned institutions while also working with TVETA, and other regulatory bodies to obtain updated accreditation lists.

Committee Observation

The Committee observed that Kshs.2,294,000 was paid to unaccredited colleges.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the fund management make payments to institutions that are accredited as prescribed by the law; and
- ii. the Auditor-General keeps this matter in view in the subsequent audit cycle.

PAPERS LAID	
DATE	26/3/2026
TABLED BY	Sen Cherancey
COMMITTEE	CPI & SR
CLERK AT THE TABLE	Behindal

ANNEXTURES

Minutes

PAPERS LAID	
DATE	26/3/2026
TABLED BY	Sen - Cheraney
COMMITTEE	CPI & SF.
CLERK AT THE TABLE	Behndah



13TH PARLIAMENT 5TH SESSION

MINUTES OF THE FIFTY FIRST SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON TUESDAY, 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

7. Nyamira Report

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

8. Tana River Report

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

9. Tharaka Nithi Report

Sector	No.	Entity
Water company	1	Nithi water and sanitation company limited
Municipalities	2	Chuka municipality
		Kathwana municipality
Hospitals	3	Chuka referral hospital


4. Iten County Referral Hospital
5. Tambach Sub-County Hospital
6. Elgeyo Marakwet County Assembly Catering Services Revolving Fund
7. Elgeyo Marakwet Alcoholic Drinks and Control Fund-Executive
8. Elgeyo Marakwet Car and Mortgage Revolving Fund-Executive
9. Elgeyo Marakwet County Climate Change Fund
10. Elgeyo Marakwet Education Fund-Executive.

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

There was no any other business.

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

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



SIGNED: DATE: 24/3/2026

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