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THE SENATE

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Clerk of the senate/secretary, PSC
Date: 25/03/26

THIRTEENTH PARLIAMENT – FIFTH SESSION

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF THARAKA NITHI COUNTY WATER COMPANY, MUNICIPALITIES, HOSPITALS AND FUNDS FOR THE FINANCIAL YEAR 2024/2025 (1st JULY, 2024 TO 30th JUNE, 2025):

SECTOR	NO.	ENTITY
WATER COMPANY	1	NITHI WATER AND SANITATION COMPANY LIMITED
MUNICIPALITIES	2	CHUKA MUNICIPALITY KATHWANA MUNICIPALITY
HOSPITALS	3	CHUKA REFERRAL HOSPITAL MAGUTUNI SUB COUNTY HOSPITAL MARIMANTI LEVEL 4 HOSPITAL
FUNDS	5	THARAKA NITHI COUNTY BURSARY DEVELOPMENT FUND THARAKA NITHI COUNTY CLIMATE CHANGE FUND THARAKA NITHI COUNTY EMERGENCY FUND THARAKA NITHI COUNTY EXECUTIVE STAFF MORTGAGE AND LOAN SCHEME FUND THARAKA NITHI COUNTY YOUTH EMPOWERMENT FUND

26/03/26

PAPERS LAID	
DATE	26/3/2026
TABLED BY	Sen. Cherankey
COMMITTEE	CPISSF
CLERK AT THE TABLE	Belinda

APPROVED
RT. HON. SEN
MASON J. KINGI

MARCH 2026

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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

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 by physical losses such as leakages, bursts, and overflows through the existing old and dilapidated water supply network, and commercial losses due to metering anomalies and illegal connections.
7. **Going Concern:** This is an accounting principle used for a company that is financially stable enough to meet its obligations and continue its business for the foreseeable future.

PREFACE

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

- a) examine the reports and accounts of county public investments; and
- 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 Tharaka Nithi County water company, municipalities, hospitals and funds for the Financial Year 2024/2025. The entities considered include Nithi Water And Sanitation Company Limited, Chuka Municipality, Kathwana Municipality, Chuka Referral Hospital, Magutuni Sub County Hospital, Marimanti Level 4 Hospital , Tharaka Nithi County Bursary Development Fund , Tharaka Nithi County Climate Change Fund , Tharaka Nithi County Emergency Fund , Tharaka Nithi County Executive Staff Mortgage And Loan Scheme Fund, Tharaka Nithi County Youth Empowerment Fund.

The Governor of Tharaka Nithi 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 Osoi | - Research Officer I |
| 8. Ms. Linet Aseka | - Research Officer III |
| 9. Mr. Martin Mulandi | - Research Officer III |
| 10. Mr. Peter Katana Kahindi | - Research Officer III |
| 11. Ms. Janice Lekuton | - Research Officer III |
| 12. Ms. Hamun Abdille | - Research Officer III |
| 13. Mr. David Munene | - Research Officer III |
| 14. Mr. Josphat Ng'eno | - Media Relations officer. |
| 15. Mr. Victor Kimani | - Audio officer |
| 16. Mr. Fredick Okola | - Serjent-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 Tharaka Nithi County water company, municipalities, hospitals and funds for the Financial Year 2024/2025. The entities considered include Nithi Water And Sanitation Company Limited, Chuka and Kathwana Municipalities, Chuka Referral Hospital, Magutuni Sub County Hospital, Marimanti Level 4 Hospital , Tharaka Nithi Bursary Fund , Tharaka Nithi Climate Change Fund, Tharaka Nithi Emergency Fund , Tharaka Nithi Executive Staff Mortgage And Loan Scheme Fund, Tharaka Nithi Youth Empowerment 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 Tharaka Nithi County pursuant to Article 179(4) as witness to respond to the audit queries raised in the reports under consideration on Monday, 19th January 2026.

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 into the reports of the Auditor-General on the Financial Operations of the water company, municipalities, hospitals, and funds for the Financial Year 2024/2025.

Nithi Water And Sanitation Company Limited, Chuka Referral Hospital, Magutuni Sub County Hospital, Marimanti Level 4 Hospital , Tharaka Nithi County Bursary Development Fund , Tharaka Nithi County Climate Change Fund , Tharaka Nithi County Emergency Fund , Tharaka Nithi County Executive Staff Mortgage And Loan Scheme Fund and Tharaka Nithi County Youth Empowerment Fund received a qualified opinion from the Auditor-General, indicating material discrepancies and insufficient documentation preventing the issuance of an unqualified audit report; while Kathwana Municipality and Chuka Referral Hospital received unqualified opinion.

Some of the key findings across the entities include: long outstanding payables, unsupported property, plant and equipment balance, non-revenue water at levels exceeding regulatory benchmarks; long outstanding receivables, budgetary control issues, inaccuracies in financial statements, unresolved prior year matters, lack of operational independence of the municipality, non-compliance with Public Procurement Capacity Building Levy and non-compliance with Law on Ethnic Composition. The Committee has made comprehensive recommendations directed at the Governor of Vihiga County and relevant accounting officers to address the identified audit issues within specified timeframes.

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

REPORT STRUCTURE

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

CHAPTER ONE is a record of the audit queries raised in the report of the Auditor-General for Tharaka Nithi's Water Company (Nithi Water and Sanitation Company Limited) for the Financial Year 2024/25 and observations and recommendations of the Committee on each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for Tharaka Nithi's Municipalities (Chuka and Kathwana Municipalities) for the Financial Year 2024/25 and observations and recommendations of the Committee on each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for Tharaka Nithi's Hospitals (Chuka Referral Hospital, Magutuni Sub-County Hospital and Marimanti Level 4 hospital) for the Financial Year 2024/25 and observations and recommendations of the Committee on each audit query.

CHAPTER FOUR is a record of the audit queries raised in the report of the Auditor-General for Tharaka Nithi's Funds (Tharaka Nithi County Bursary Development Fund, Tharaka Nithi County Climate Change Fund, Tharaka Nithi County Emergency Fund, Tharaka Nithi County Executive Staff Mortgage and Loan Scheme Fund and Tharaka Nithi County Youth Empowerment Fund) for the Financial Year 2024/25 and observations and recommendations of the Committee on 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. **Non-Revenue Water (NRW)** – The Committee observed 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. Nithi water had NRW of 55%.
2. **Long Outstanding Trade Receivables**- The water company had huge amounts of receivable balances emanating from individuals, private and public institutions. The trade receivable balances could not be supported by a detailed debtors ageing analysis, a guide on the most appropriate ways of collecting debts. The significant balance of outstanding debtors indicates Management’s inability to manage the debt portfolio, which may result in bad debts and an inability to deliver services. Further, failure to collect amounts receivable contravenes Regulation 46 (1) of the Public Finance Management (County Governments) Regulations, 2015.
3. **Pending bills**- The committee observed that the Water Company owed suppliers and other service providers pending bills. The significant balances owed to supplies of goods and services pose a risk of incurring nugatory expenditure through interest and penalties that could arise from litigation by the creditors for failure to settle amounts owed within the contractual timelines. The Management of the Company did not provide detailed settlement plans to be followed to settle the outstanding debts.
4. **Ethnic Inclusivity** – The Committee observed that the water company were non-compliant with section 7 (1) and (2) of the National Cohesion and Integration Act, Cap.7N which provides, “*all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its establishment from the same ethnic community*” and Section 65(1) (e) of County Government Act, Cap.265 which provides, “*The need to ensure that at least 30% of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County*”. Nithi Water had 68 out of 76 staff who were from the dominant community.
5. **Non-transfer of assets and liabilities** – The Committee observed that the water company had not fully transferred all assets and liabilities from the defunct council and Regional Water Works Development Agency as is required by the Water Act, Cap.372. In this regard, the water company did not reflect its correct financial position within its books of account.

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. **Mitigation of Non-Revenue Water** – The Governor ensures 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.
2. **Management of debt owed to the water company** – The Governor ensures that the Board of directors and Accounting Officer submit a debtors' schedule and a debt management policy to the Senate within 60 days of the adoption of this report, and a copy of the same to the Auditor General. Further, the Governor ensures that the Board and Accounting Officer put in place recovery measures for the outstanding amount with clear timelines; failure to do so will result in the Committee recommending appropriate enforcement measures.
3. **Compliance with Ethnic Inclusivity and Diversity Requirements** – The Governor ensures that the Board and County Government to make deliberate efforts to progressively comply with section 7 (1) and (2) of the National Cohesion and Integration Act and Section 65(1) (e) of the County Governments Act on diversity, realization of the one-third rule on recruitment in public institutions and ethnic inclusivity. In addition, the Board and the County Governments should establish a diversity policy to comply with the law. Compliance status shall be reviewed in subsequent audit periods.
4. **Resolution of Asset and Liability Transfer Disputes** - The Council of Governors should engage the Ministry of Water, Sanitation and Irrigation, the Water Services Regulatory Board (WASREB), the Regional Water Works Development Agencies and the Inter-Governmental Relations Technical Committee to settle the matter on the transfer of the assets and liabilities as required by the Water Act.

GENERAL OBSERVATIONS FOR MUNICIPALITIES

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

1. **Weak Budgetary Control and Performance** – The Committee observed that municipalities had weaknesses in executing their approved budgets and did not adhere to the approved budget ceilings set for programs. The municipalities either over-utilized or under-utilized the appropriated funds. Further, some Municipalities prepared unbalanced budgets contrary to regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015
2. **Non-collection of Own Source Revenue by the Municipality**– The Committee observed that the municipalities did not collect own source revenue to sustain its operations during the year. This is contrary to section 9. (3) (c) and (d) of Urban Areas and Cities Act, 2011 and Section 172 of the Public Finance Management Act, 2012.

GENERAL RECOMMENDATIONS FOR MUNICIPALITIES

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

1. **Preparation of Realistic Budgets and Revenue Projections** – The Governor ensures that the management prepares realistic budgets and revenue projections to avert revenue shortfalls that negatively impact hospitals' service delivery. In the budget preparation process, the Board should consider previous budgetary allocations and ensure that any proposed increases are reasonable and justified.
2. **Funding of the Municipality**- The Governor ensures that the County Treasury adequately funds the municipality so that delivery of services to the residents is as envisaged in the Municipality charter in accordance with section 172 of the Public Finance Management Act, 2012; failure to do so will result in the Committee recommending appropriate enforcement measures.

GENERAL OBSERVATIONS FOR HOSPITALS

The Committee observed that-

1. **Employment and Contractual Issues:** Many UHC workers are on short-term contracts without clear renewal terms, which creates job insecurity. This instability can lead to high turnover rates, affecting the quality and continuity of healthcare services in public facilities. Additionally, the contractual terms and conditions for UHC workers often lack clarity and transparency, leading to misunderstandings and potential exploitation.
2. **Resource and Infrastructure Constraints:** Healthcare workers frequently work in facilities that lack essential resources, such as medical supplies and equipment, necessary for delivering quality care. This shortage can be demoralizing for workers and limits the overall effectiveness of service delivery to patients in such hospitals.
3. **Lack of a proper billing system in hospitals;** this results in revenue losses and inefficiencies as patients are not billed properly, and some are not billed as they escape from these hospitals.
4. **Stockouts, delays and expired drugs in hospitals;** KEMSA's drug supply has been associated with poor forecasting, which leads to stockouts and delays. The quality of drugs supplied by KEMSA has also been questioned, with reports of expired or substandard drugs being delivered.
5. **Bookkeeping, Preparation & Accuracy of the Financial Statements -** The Committee observed that there were inaccuracies and errors regarding the preparation and presentation of financial statements in almost all hospitals. Further, the Accountants and the Managing Directors faced challenges in submitting supporting documents to the auditors on time, contrary to section 62 of the Public Audit Act, Cap. 412B, making the accountability and audit process difficult. The delays in the preparation of complete financial statements indicate a lack of requisite competencies and experience in the hospitals.
6. **Compliance with Reporting Standards and Accuracy of the Financial Statements -** The Committee observed that Accountants experienced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) reporting framework in preparation of financial statements. Additionally, the Committee observed that the Public Sector Accounting Standards Board (PSASB) reviews the IPSAS periodically to take into account emerging issues and conform to best accounting practices. The Committee found that some hospitals experienced challenges in the application of these standards while preparing financial statements, as evidenced by the audit queries.

GENERAL RECOMMENDATIONS FOR HOSPITALS

The Committee recommends that-

1. Human Resource Management and Labor Relations - The Governor, in coordination with the County Governments and the Ministry of Health, prioritize the regularization of employment contracts for Universal Health Coverage (UHC) workers. This process should establish clear criteria for transitioning eligible staff to permanent or long-term contracts, based on performance metrics and service needs. Concurrently, a formal memorandum of understanding between national and county governments must be developed to explicitly delineate roles and responsibilities concerning healthcare employment, funding mechanisms, and service delivery. This will enhance inter-governmental accountability and streamline resource management.

2. Operational Infrastructure and Resource Provision – The governor should ensure the consistent and adequate provision of essential operational resources. This includes guaranteeing the uninterrupted supply of medical commodities, personal protective equipment (PPE), and the procurement and maintenance of functioning medical equipment. Such investment is critical for enabling health workers to deliver effective care safely and efficiently.

3. Digital Transformation and Systems Integration – The governor should ensure that all hospitals under the county's purview implement an Integrated Hospital Management Information System (HMIS). This system must feature integrated billing capabilities to facilitate seamless patient registration, real-time billing, and streamlined discharge processes. The automation of these workflows is essential to minimize manual errors, ensure accurate and timely patient billing, and enhance overall financial control.

4. Supply Chain and Pharmaceutical Management

The governor should ensure that the Kenya Medical Supplies Authority (KEMSA) and county supply chains must adopt a robust, automated Inventory Management System (IMS). This system should enable real-time tracking of drug stocks across the entire supply chain, facilitating automated reordering to prevent stock-outs. Furthermore, the integration of barcoding and digital tracking technologies is crucial for monitoring drug expiration dates. This will allow for proactive recalls of near-expiry stock before dispatch, ensuring patient safety and reducing financial losses.

5. Financial Compliance and Audit Readiness - The Governor must direct hospital management to maintain meticulous records and provide all requisite supporting documentation to the Auditor-General, as mandated by **Section 9(1)(e) of the Public**

Audit Act. Full adherence to the stipulations of the **Accountants Act** is non-negotiable. Persistent failure to comply with these statutory obligations will necessitate the invocation of **Section 62 of the Public Audit Act** by the relevant oversight committee to enforce accountability.

6. Capacity Building and Financial Reporting Standards

The governor should ensure that hospital management, in consultation with the Public Sector Accounting Standards Board (PSASB), institutes a program of continuous professional development for finance officers. This training should focus on the application of international public sector accounting standards. Furthermore, the Hospital Board must ensure that all accounting personnel possess the requisite competencies and experience as prescribed by the Accountants Act. The accounting officer is also directed to strictly enforce compliance with the financial reporting template issued by the National Treasury to strengthen the maintenance of books of account, the preparation of accurate financial statements, and their timely submission to the Auditor-General.

7. Prudent Financial Planning and Budgeting- The governor should ensure that the Hospital Board and accounting officers are directed to prepare realistic and evidence-based budgets and revenue projections. In accordance with legal provisions, all budget estimates must be formally forwarded to the County Executive Committee Member for Health for review before submission to the County Treasury for final approval. The ongoing automation of hospital billing systems is further endorsed as a critical tool for enhancing revenue collection and financial accuracy.

GENERAL OBSERVATIONS FOR FUNDS

The Committee observed that—

1. **Inadequate Budget Allocation-** Most funds in Tharaka Nithi County were not adequately funded, in some instances no allocation was made in their budgets. This was contrary to the county's own funds act.
2. **Irregular Composition of County Bursary Board-** Most funds had boards that were either not constituted or did not have the required amount of board members. For example, Tharaka Nithi County Bursary Development Fund had a board with a membership of 7 instead of the required number of 5 board members.

GENERAL RECOMMENDATIONS FOR FUNDS

The Committee recommends that-

1. **Adherence to Statutory Funding Provisions for County Funds -** The Governor should ensure that the County funds in Tharaka Nithi are adequately funded in accordance to the relevant County fund legislation. This is to ensure that the funds are able to achieve their mandate.
2. **Regularization and Legal Compliance of Fund Board Composition -** The Governor should ensure that the funds' board membership is regularised and, in some instances, composed in accordance to the various county fund legislation. This ensures that the funds are able to execute their mandate in accordance to the various county funds legislation.

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

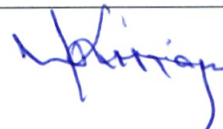
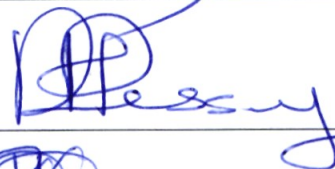



HON. SEN. GODFREY ATIENO OSOTSI, CBS, MP
CHAIRPERSON

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

SECTOR	NO.	ENTITY
WATER COMPANY	1	NITHI WATER AND SANITATION COMPANY LIMITED
MUNICIPALITIES	2	CHUKA MUNICIPALITY
		KATHWANA MUNICIPALITY
HOSPITALS	3	CHUKA REFERRAL HOSPITAL
		MAGUTUNI SUB COUNTY HOSPITAL
		MARIMANTI LEVEL 4 HOSPITAL
FUNDS	5	THARAKA NITHI COUNTY BURSARY DEVELOPMENT FUND
		THARAKA NITHI COUNTY CLIMATE CHANGE FUND
		THARAKA NITHI COUNTY EMERGENCY FUND
		THARAKA NITHI COUNTY EXECUTIVE STAFF MORTGAGE AND LOAN SCHEME FUND
		THARAKA NITHI COUNTY YOUTH EMPOWERMENT FUND

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 NITHI WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025

The Governor of Tharaka Nithi County, Hon. Muthomi Njuki, EGH appeared before the Committee on Monday, 19th January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Nithi Water and Sanitation Company Limited, for the financial year 2024/2025. The Governor was accompanied by:

1. Mr. Lawrence K.I Rweria - CECM Finance
2. Mr. Laban Mwaniki - Managing Director
3. Mr. Kinyua Kabinga -Chief Officer Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Nithi Water and Sanitation Company for the period under review on the following basis-

1. Variance in Refundable Deposits Balance

As previously reported, the statement of financial position reflects refundable deposits and prepayments balance of Kshs.23,092,325, which comprise of customer deposits as disclosed in Note 44 to the financial statements.

However, the bank confirmation certificates and cashbooks revealed total customer deposits balance of Kshs.1,253,255, records show that Kshs.20,000,000 was invested in Treasury Bills with Central Bank of Kenya, and that the Ministry of water had not refunded customers deposits amounting to Kshs.2,197,283. This results to total deposits of Kshs.23,450,538 leading to unexplained and unreconciled variance of Kshs.358,213.

In the circumstances, the accuracy of the customers deposits balance of Kshs.23,092,325 could not be confirmed.

Management response

Management stated that;

The management confirms there was unreconciled variance of customer deposits of Kshs. 358,213 which was a positive variance as a result of interests earned of Kshs 1,574,047 after the investment in the treasury bills. Ksh 1,215,834 of the Interest earned during the year was reinvested in major capital works.

Committee Observation

The Committee observed that there was an unexplained variance of Kshs.358,213 that emanated from customer deposits balance of Kshs.23,092,325 as reflected in the statement of financial position and total customer deposits of Kshs.23,450,538 as shown in the bank confirmation certificates, cashbooks, records of investments in Treasury Bills with Central Bank of Kenya and the unrefunded customers deposits by the Ministry of Water. This variance was attributed to interest earned from the investment in Treasury Bills.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer undertakes prior year adjustments to reconcile the variance of Kshs.358,213 in the statement of financial position in the subsequent audit cycle FY 2025/2026. The Auditor-General to keep this in view in the subsequent audit cycle;**
- ii. the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, 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;**
- 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 the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

2. Unconfirmed Ownership for Property Plant and Equipment

The statement of financial position reflects plant property and equipment balance of Kshs.166,465,457 which includes free hold land and motor vehicles including motor cycles balances of Kshs.150,000 and Kshs.5,963,510 respectively as disclosed in Note 20 to the financial statements. However, the company does not have title to the land and motor vehicle log books for 12 motor vehicles and motor cycles.

In the circumstances, the accuracy and ownership of free hold land and motor vehicles including motor cycles balances of Kshs.150,000 and Kshs.5,963,510 respectively could not be confirmed.

Management response

Management stated;

The company confirms holding plant property and equipment valued at Ksh. 166,465,457 which includes free hold land, motor vehicles and motorcycles of Kshs.150,000 and Kshs.5,963,510 respectively.

The twelve (12) motor vehicles and motorcycles which did not have ownership documents and not included on the Financial Statements, were donation from Tana Water Works Development Agency were submitted.

Committee Observation

The Committee observed that the water company did not have a title deed for the free hold land and log books for 12 motor vehicles and motor cycles. Further, the Committee observed that the 12 motor vehicles and motor cycles were donations by the Tana Water Works Development Agency.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the water company secures full ownership of the queried property, plant and equipment and provides a status update to the committee within 60 days of adoption of this report;**
- ii. the Governor ensures that the Accounting Officer timely submission of documents by the Accounting Officer 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 line with section 62(2) of the Public Audit Act, 2015;**
- iii. the Governor ensures that the Accounting Officer ensures that the water company maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board (PSASB) and the company carries out a valuation of all its assets and submits the same to the Auditor-General within 60 days from the adoption of this report;**
- iv. the Governor engages the Intergovernmental Relations Technical Committee (IGTRC) to ensure that the process of transfer of all assets and liabilities are completed in a timely manner; and**

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

3. Long Outstanding Trade and Other Receivables

As previously reported, the statement of financial position reflects trade and other receivables balance of Kshs.76,683,532 which includes trade receivables balance of Kshs.60,113,937 as disclosed in Note 29 to the financial statements. Review of the trade receivables ageing analysis revealed that Kshs.43,295,448 or 72% had been outstanding for more than 120 days.

However, although a provision for doubtful receivables of Kshs.23,444,436 has been made no evidence was provided of efforts made to recover the overdue debts, contrary to Section 83(2)(f) of the Public Finance Management (County Governments) Regulations, 2015 which requires that entities pursue debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the County Government are collected and banked promptly.

In the circumstances, the recoverability of the long outstanding receivables balance of Kshs.43,295,448 could not be confirmed.

Management response

Management Stated that;

The management confirms holding Trade and other receivables balance of kshs.76,683,532 which includes trade receivables amounting to Kshs. 60,113,937 as disclosed in Note29 to the financial statements. Most of the amount relates to old water customers who have since been disconnected for non-payment of water bills. The management has employed several measures and strategies to recover the outstanding debts that has yielded a payment of account receivable amounting to Ksh 26,131,882 as per the attached schedule.

Committee Observation

The Committee observed that the water company had trade receivables amounting to Kshs.60,113,937 of which Kshs. 43,295,448 had been outstanding for more than 120 days. Further, the Committee observed that no evidence had been provided to the Auditor-General to show any efforts to recover the overdue debt, which is contrary to Section 83(2)(f) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' schedule to the Auditor-General for verification;**
- ii. the Governor ensures that the Accounting Officer submits, within 60 days of the adoption of this report, 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 the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place, provide a status update on the matter in the subsequent audit cycle; and**
- 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, writes off the irrecoverable debts in line with Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.**

4. Long Outstanding Trade and Other Payables

As previously reported, the statement of financial position reflects trade and other payables balance of Kshs.41,184,095 which includes trade payables balance of Kshs.18,136,684 as disclosed in Note 43 to the financial statements. Review of the trade payables ageing analysis showed that a total of Kshs.18,136,684 or 55% of the outstanding trade payables had been outstanding for over 120 days. Further, the trade and other payables balance of Kshs.41,184,095 include other payables balance of Kshs.20,152,508 which has not been analyzed.

Management did not provide an explanation for failing to settle the long outstanding creditors. Failure to settle obligations as and when they fall due exposes the company to litigation and interest claims from creditors.

In the circumstances, the accuracy and completeness of other payables balance of Ksh 20,152,508 could not be confirmed. In addition, the company is exposed to possible legal actions and increased costs due to interests and penalties on delayed payments.

Management response

Management stated that;

The Management acknowledges holding trade and other payables of kshs.41,184,095 which includes trade payables balance of Kshs. 18,136,684 outstanding for over 120 days as at 30 June 2025 and other payables of Kshs.20,152,508 which was as a result of financial constraints. The company has made a significant effort to reduce the long outstanding payables with an amount of Kshs 15,187,182 paid during financial year .

Committee Observation

The Committee observed that the water company had trade payables amounting to Kshs.41,184,095 , of which Kshs.18,136,684 had been outstanding for over 120 days. Further, the Committee observed that the water company did not provide any measures it was taking to settle all the debt obligations.

Committee Recommendation

The Committee recommends that-

- i. the Governor to ensures the water company makes budgetary provision to clear the outstanding payables amounting to Kshs.41,184,095 by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report;**
- 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; and**
- iii. within sixty (60) days of the adoption of this report, the Accounting Officer engage the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.**

5. Unconfirmed Name of the Company

The financial statements submitted for audit bear the name "Nithi Water and Sanitation Company Limited. However, the certificate of incorporation dated 25 March, 2025 gives the name of the company as 'Tharaka Nithi Water and Sanitation PLC'. This implies that the company under audit is not clear

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

Management response

Management stated that;

The management confirms that the statement submitted during audit bear the Name "Nithi water and sanitation Company Limited" instead of Tharaka Nithi Water and sanitation PLC pending change of details and operationalization of the new company. Attached is certificate of incorporation and CR 12.

Committee Observation

The Committee observed that the water company completed the process of changing the name of the water company to Tharaka Nithi Water and sanitation PLC. Therefore, the matter was satisfactorily addressed.

Committee Recommendation

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

Other Matters

6. Lack of Gender and Ethnic Diversity

In the audit report of the previous year, an issue on lack of gender and ethnic diversity was raised under report on Lawfulness and Effectiveness in Use of Public Resources. It was observed that out of the seventy-six (76) staff, fifty-two (52) were male and it was also observed that sixty-eight(68) were from the dominant community. However, the issue remained unresolved as at 30 June, 2025 contrary to Section 149 (2) (1) of Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

Management response

Management stated that;

The management confirms that as at 30 June 2025, fifty two (52) employees were male and twenty-four (24) were female staff. The number exceeds by one (1) person of the 2/3 rule which in our case stands at 51 of the totals 76 workforce. the nature of the company operations which is largely manual, attracts male labourers, in respect to ethnicity composition, the management has ensured diversity in the top management with equal opportunity offered to people of all backgrounds.

Committee Observation

The Committee noted that the water company lacked gender and ethnic diversity as it had 76 staff of which 52 were male and also 68 were from the dominant community which is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the Board and the accounting officer make deliberate efforts to progressively comply with section 65 of the County Governments Act, 2012, which provides that at least thirty percent 30% of the vacant posts at entry level be filled by candidates who are not from the dominant ethnic community; and**
- ii. the Governor ensures that the Board and the accounting officer make deliberate efforts progressively in the endeavour to comply with Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.**

7. Non-Compliance with WASREB Guidelines on Shareholding of the Company

As reported previously, the statement of financial position reflects nil ordinary share capital. This is contrary to Section 3.3.1(7) of Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that under the direction of Section 77 of the Water Act, 2016, these companies should then change their memorandum to public companies limited by shares following the model for the sector, care being taken that real public participation in WSP governance is retained and Section 3.3.1(4) of Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that the county government shall hold all the shares in trust for the people of the County and the other shareholders who hold the shares in trust and not in their personal capacity are the Office of CECM in charge of Finance, the Office of the CECM in charge of water and the County Secretary who shall hold one share each.

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

Management response

Management stated that;

The management confirms that the statement of financial position reflects nil ordinary share capital. The process of changing the company from private company limited by guarantee to shareholding was finalized. Attached is cover letter submitting documents for transition to the new company.

Committee Observation

The Committee observed that the company was operating as a private company limited at the time of audit which was contrary to Section 3.3.1(7) of Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 and Section 3.3.1(4) of Water Service

Regulatory Board (WASREB) Corporate Guidelines, 2018. However, the Committee further observed that the water company had finalized the process of transitioning to a public company. Therefore, the matter was satisfactorily addressed.

Committee Recommendation

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

8. Non-Revenue Water

As reported previously, the statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.104,383,977 which includes water sales amount of Kshs.101,286,754 as disclosed in Note 6 to the financial statements.

Review of records on water production revealed that the company produced a total volume of 2,662,811m³ of water during the year under review. However, only 1,191,371m³ or 45% of the total volume was billed to customers. The balance totaling 1,471,440m³, or approximately 55% of total production was Non-Revenue-Water (NRW) which is above the allowable loss of 25% set in guidelines issued by the Water Services Regulatory Board (WASREB).

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

Management response

Management stated that;

The company acknowledges NRW levels of 55% in the audited FY 2024/2025 against allowable sector benchmark of 25%. In compliance to WASREB target reduction from 65% to 62% and in consultation with ministry of water sanitation and irrigation NRW reduction manual within financial year 2024/2025, the company has implemented comprehensive strategies as annexed below. This has resulted to further reduction of NRW from the set target by WASREB from 62% to currently at 54%.

1. PHYSICAL LOSSES i). Continued rehabilitation of aged and dilapidated water distribution infrastructure.). Pegging of road widths in collaboration with the county government, KeRRA, KURA and KeNHA to avoid pipeline damages during road works. iii). Continuous installation of ball valves in all storage tanks to minimise the overflows. iv). Carrying out minimum night flow measurements to determine the exact areas with water losses. v). Positive relationships between the company and the Community resulting to reporting on bursts, leakages or any other illegal activities on water infrastructures

2. COMMERCIAL LOSSES i). Continuous replacement of faulty meters, currently replaced more than 3,600 faulty consumer meters. ii). Mapping of all the connections

by use of Geographical Information system (GIS). iii). Rehabilitation of water treatment works to fully conventional units reducing meter reading inaccuracies and faultiness caused by water quality due to debris and blockages. iv). Continuous removal and surcharging of illegal connections. v). In corroboration with Government of Kenya, and Japan International Cooperation Agency (JICA) the company NRW staff undergoing training and implementation of NRW management in installation of accurate production and district metered zones, smart meters, meter testing and accurate billing. Currently implementation in progress.

Committee Observation

The Committee noted that the water company had Non- Revenue Water(NRW) amounting to 55% of total production(1,471,440m³) which was above the allowable loss of 25% set in guidelines issued by the Water Services Regulatory Board (WASREB).

Committee Recommendation

The Committee recommends that—

- i. the Governor should ensure that the Accounting Officer puts in place comprehensive measures to mitigate 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 in 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 a result of systemic commercial theft, illegal connections, collusion between staff and unauthorized water users or any other administrative lapses, and provide a status update on the matter to the Senate within 90 days of the adoption of this report.**

9. Non-Compliance with Fiscal Responsibility Principles on Wage Bill

As reported previously, the statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.44,275,375 which is 36% of total operation and maintenance cost of Kshs 120,339,867 contrary to Paragraph 3.2 of the performance report of Kenya's Water Service Sector 2020/2021 from WASREB, issue Number 14/2022 on Personnel Analysis and Ranking under economic efficiency which states that the personnel expenditure for any Company ranked as large Company should not exceed 30% as percentage of operation and maintenance cost.

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

Management response

Management stated that;

The Management confirms that for FY 2024/2025 36% as a percentage of total operation and maintenance was incurred on staff costs and this was due to some places of the company's area of operation which are sparsely populated and they require more man power i.e Mutonga-Gituma, Kibunga- Kakimiki schemes in semi-arid regions. However, the percentage has continued dropping currently to 34% due to improved revenues.

Committee Observation

The Committee observed that the company's personnel costs represented 36% of the total operation and maintenance cost, exceeding the 30% ratio recommended by Water Services Regulatory Board (WASREB).

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer develops a staff rationalisation plan with specific annual reduction targets to achieve the WASREB benchmark of 35% and report to the Senate and a copy to the Auditor-General within 90 days after adoption of this Report; and**
- ii. the Company adheres with the provisions of regulation 25(1) of the Public Finance management (County Government) Regulations, 2015 which limits the wage bill to thirty-five percent (35%) of the total revenue and establish a lean staff complement, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

CHAPTER TWO: MUNICIPALITIES

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

The Governor of Tharaka Nithi County, Hon. Muthomi Njuki, EGH appeared before the Committee on Monday 19th January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Chuka Municipality for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Lawrence Rweria - CECM, Finance
2. Mr. Kinyua Kabinga - Chief Officer Finance
3. Mr. Stanley Morris Mwiti - Municipal Manager

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **unqualified opinion** on the financial statements of Municipality of Chuka for the period under review on the following basis

EMPHASIS OF MATTER

Under Emphasis of Matter, the Auditor-General raised the following issue-

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Ksh. 22,750,000 and Ksh. 2,592,459 respectively, resulting in an under-funding of Ksh. 20,157,541 or 89% of the budget. Similarly, the Municipality spent Ksh. 2,848,488 against actual receipts of Ksh. 2,592,459, resulting in an over-utilization of Ksh. 256,029 or 10% of the actual receipts.

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

Management Response

Management stated that;

Management acknowledges under-funding of the Municipality to the tune of Ksh. 20,157,541 during the year ended 30th June 2025. This was a result of delayed disbursement of Kenya Urban Support Programme (KUSP II) funds, which were received in July 2025 after the close of the year.

The reported over-utilization of funds amounting to Ksh. 256,029 relates to accounts payable on conference services during the Municipal Board meeting, which had not yet been paid by the County Executive as at 30th June 2025.

Committee Observation.

The Committee observed that; -

- i. The municipality has significant budgetary under-funding of Kshs 20,157,541 due to delayed disbursement of KUSP II funds, which were received after the close of the financial year.
- ii. the reported over-utilization of Kshs256,029 arose from outstanding payables, highlighting the need for timely fund disbursement and better coordination with the County Treasury.

Committee Recommendation

The Committee recommends that-

- i. The Governor ensures that the Accounting Officer ensures strict compliance with section 149(2) (h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standards Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply;**
- ii. The Governor ensures that the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- iii. the National Treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate.**

2. Weaknesses in Reporting on Performance Against Predetermined Objectives

Audit review of the Statement of Performance against predetermined objectives of Chuka Municipality for the year ended 30 June 2025 revealed the following:

- i. The performance report was not supported by adequate evidence from monitoring and evaluation reports.
- ii. Management did not provide progress reports on the attainment of objectives in the Chuka Municipality Integrated Development Plan (2024–2029), nor explanations for over- or under-performance.
- iii. Current year targets and variances in the Annual Work Plan were not reconciled with cumulative targets, achievements, and related remarks.

- iv. Some indicators such as “documented board charter” and “rebranding” were vague, not measurable, and lacked time-bound targets.
- v. Predetermined objectives in the Annual Work Plan 2024/2025 were not aligned with what was reported in the financial statements.

In the circumstances, it was not possible to confirm whether the approved budget was executed as planned and whether value for money was obtained from the total development funding during the year.

Management Response

The Municipality being in its early stages of establishment, during which key planning and reporting frameworks were still under development. The Municipality has since finalized and adopted the Integrated Development Plan (IDeP) 2024–2029, which now guides the preparation of annual work plans, budgets, and performance targets. In addition, steps have been taken to strengthen monitoring and evaluation (M&E) processes through the preparation of quarterly progress and performance reports to provide adequate evidence of implementation and results.

Further, the Municipality is reviewing and refining its performance indicators to ensure they are specific measurable, achievable, realistic, and time-bound (SMART), and is enhancing alignment between the annual work plan, performance reports, and financial statements. These measures will improve consistency in planning, implementation, and reporting, and ensure effective monitoring of development outcomes.

Committee Observation

The Committee observed that the management had not submitted monitoring and evaluation reports together with progress reports on the attainment of objectives in the Chuka Municipality Integrated Development Plan (2024–2029) to the Auditor-General at the time of audit. However, the Committee observed that the management of the Municipality mitigated the query by putting in place an Integrated Development plan which they provided and was verified by the Auditor-General and the Committee.

Committee Recommendation

The committee recommends that—

- i. the Governor ensures that the Accounting Officer submits documents in a timely manner 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; and**
- ii. the Auditor-General keeps the matter in view and reports to the Committee in the next audit cycle.**

REPORT ON THE 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 sources were not applied lawfully and in an effective way—

1. Non-collection of Own Source Revenue by the Municipality

The statement of financial performance reflects in kind contributions by the County Government Ksh. 2,592,459 as disclosed in Note 6 to the financial statement. Audit review established that Chuka Municipality did not collect own source revenue to sustain its operations during the year. The Municipality relied only on Donor and County Government funding for its operations. This is contrary to section 9. (3) (c) and (d) of Urban Areas and Cities Act, 2011 and Section 172 of the Public Finance Management Act, 2012.

Management Response

The Management acknowledges the audit finding with regard to non-revenue collection by the Municipality of Chuka. The Municipality being an entity of the County Government of Tharaka Nithi is semi-autonomous and fully funded by the County executive.

To ensure efficiency and effectiveness in collection of own sources of revenue and avoid duplication of roles, it is more economical to centralize the revenue management with County Executive which would in return fund the municipality operations.

Committee Observation

The committee noted that the Municipality was financed solely through donor and County Government funding.

Committee Recommendation

The Committee recommends that-

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

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

REPORT ON THE 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. Municipality Operating Without a Strategic Plan

Audit review established that the Municipality operated during the year under review without an approved strategic plan. As a result, the Municipality continued to implement activities on an ad-hoc basis without a documented medium- to long-term framework to guide development priorities and service delivery contrary to Section 20 (1) (b) of Urban Areas and Cities Act, 2011 which states that subject to the provisions of this Act a board of a city or municipality shall develop and adopt policies, plans, strategies and programmes, and may set targets for delivery of services.

In the absence of a strategic plan, Management may not implement programmes that meet the needs of the public and in compliance with the law.

Management Response

Management takes note of the audit observation regarding the absence of an approved Strategic Plan during the year under review. The Municipality was in the process of developing its Integrated Development Plan (IDeP), which serves as the foundational planning framework to guide all subsequent strategic and operational plans.

The IDeP was finalized and approved by the County Assembly in July 2025, in line with the provisions of the Urban Areas and Cities Act, 2011, which requires municipalities to prepare integrated development plans to coordinate development

activities and resource allocation. A copy of the plan was provided to the committee for verification.

Following the approval of the IDeP, the Municipality has now initiated the process of developing a Strategic Plan, which will be aligned to the approved IDeP to ensure coherent, medium- to long-term planning, prioritization, and effective service delivery. A copy of the plan was provided to the committee for verification.

Committee Observation

The Committee observed that the Municipality did not have a strategic plan in place during the financial year under review which was contrary to Section 20 (1) (b) of Urban Areas and Cities Act, 2011.

Committee Recommendation

The Committee recommends that—

- i. within ninety (90) days of the adoption of this report, the Governor ensures that the Board of the Municipality has a strategic plan in place in accordance with section 20(1)(b) and (c) of the Urban Areas and Cities Act, Cap. 275; and**
- ii. the Auditor-General to monitor the implementation of the above recommendation and provide a status update of the same to the Senate during the subsequent audit cycle.**

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

The Governor of Tharaka Nithi County, Hon. Muthomi Njuki, EGH, appeared before the Committee on Monday 19th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kathwana Municipality for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|----------------------------|-------------------------|
| 1. Mr. Lawrence Rweria | - CECM, Finance |
| 2. Mr. Kinyua Kabinga | - Chief Officer Finance |
| 3. Ms. Casty Gakii Micheni | - Manager municipality. |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **unqualified opinion** on the financial statements of Municipality of Kathwana for the period under review on the following basis –

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Ksh. 22,750,000 and Ksh. 11,071,476 respectively resulting to an under-funding of Kshs. 11,678,524 or 51% of the budget. Similarly, the Municipality spent Ksh. 9,874,395 against actual receipts of Ksh. 11,071,476 resulting to an under-utilization of Kshs. 1,197,081 or 11% of the actual receipts.

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

Management Response

Management stated that;

The Management acknowledges under funding of the Municipality to tune of Ksh 11,678,524 during the year ended 30th June 2025. This was result of delayed disbursement of Kenya Urban Support Programme (KUSP II) whose funds was received in July 2025 after the close of the year.

The reported under-utilization of funds amounting to Ksh. 1,197,081 relates to amount spent to settle account payables due to contractor for Kathwana market been retention funds.

Committee Observation

The Committee observed that—

- i. The Municipality recorded significant under-funding of Ksh. 11,678,524 (51% of the budget) due to delayed disbursement of KUSP II funds.
- ii. under-utilization of Ksh. 1,197,081 (11% of actual receipts) was mainly due to settlement of retention funds for Kathwana Market contractors.

Committee Recommendation

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply; and**
- ii. **the National Treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate.**

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 sources were not applied lawfully and in an effective way; -

1. Non-Collection of Own Source Revenue by the Municipality

As previously reported, the statement of financial performance reflects in kind contributions by the County Government Ksh. 11,071,476 as disclosed in note 6 to the financial statement. Audit review established that Municipality of Kathwana did not collect own source revenue to sustain its operations during the year under review. The Municipality relies on Donor and County government funding for its operations. This is contrary to section 9. (3) (c) and (d) of Urban Areas and Cities Act, 2011 and 172 of the Public Finance Management Act, 2012.

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

Management Response

Management stated that;

The Management acknowledges the audit finding with regard to non-revenue collection by the Municipality of Kathwana. The Municipality being an entity of the County Government of Tharaka Nithi is semi-autonomous and fully funded by the County executive.

To ensure efficiency and effectiveness in collection of own sources of revenue and avoid duplication of roles, it is more economical to centralize the revenue

management with County Executive which would in return fund the municipality operations.

Committee Observation

The committee observed that the Municipality was financed solely through donor and County Government funding.

Committee Recommendation

- i. within sixty (60) days of the adoption of this report, the Board of the Municipality ensures the Integrated Development and Economic Plan and the Integrated Strategic Urban Development Plan (ISUDP) for the Municipality is put in place in line with section 20(1)(c) of the Urban Areas and cities Act, Cap.275;**
- ii. the Governor takes all the necessary steps to ensure the Municipality achieves full operational independence in accordance with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, cap.275 and the Auditor General to verify the implementation of this recommendation in the next audit cycle;**
- iii. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government; and**
- iv. the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor to keep this matter in view and report in the subsequent audit cycle.**

CHAPTER THREE: HOSPITALS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR CHUKA REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Tharaka Nithi County, Hon Muthomi Njuki, EGH appeared before the Committee on Monday 19th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Chuka Referral Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers —

- | | |
|---------------------------|--------------------------|
| 1. Mr. Lawrence k. Rweria | - CECM Finance |
| 2. Mr. Elijah Ndudii | -Director Accounts |
| 3. Mr. Wamwaki John | - Medical superintendent |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a qualified opinion on the financial statements of for Chuka Referral Hospital the financial year 2024/2025.

1. Inaccuracies in the statement of Cash Flows

The statement of cash flows reflects comparative rendering of services- medical service income and comparative refunds paid out (Transfers to CRF) amounts of Ksh. 110,670,298 and Ksh 39,834,452 respectively. However, the prior year audited financial Statements Reflect corresponding balances of Ksh 112,670,297 on account of rendering medical services income and Ksh 124,438,800 on account of transfers to CRF resulting in unreconciled variances of Ksh 1,999,999 and Ksh. 84,604,348.

Management response

Management state that;

The management confirms rendering of medical services fee of Ksh. 112,670,297 in the financial year 2023/2024 and transfers to County Revenue Fund (CRF) of Ksh. 126,438,799 during the same period. The management acknowledges the audit finding on arithmetic errors in the financial statements. The errors will be amended by restating the comparative figures on current year financial statements.

Committee Observation

The Committee observed significant arithmetic inaccuracies and unreconciled variances within the Hospital's Statement of Cash Flows, where comparative figures for medical

service income and transfers to the County Revenue Fund (CRF) did not align with the prior year's audited financial statements.

Committee Recommendation

The Committee recommends the Governor to ensure that-

- i. the Accounting Officer should undertake prior year adjustments to reconcile the variances in the statement of cashflows in the subsequent audit cycle FY 2025/2026. The Auditor-General to keep this in view in the subsequent audit cycle;**
- ii. the Accounting Officer to take 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;**
- iii. 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 National Treasury enhances awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and**
- v. the Accounting Officer 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.**

2. Variance Between Claimed and Approved Amounts

Review of claims submitted to the Social Health Authority (SHA) by Chuka County Referral Hospital as at 30th June 2025 revealed that several claims were approved for amounts lower than what the hospital had submitted.

The hospital submitted claims totalling Ksh. 2,528,081, but SHA approved Ksh. 1,049,120 leading to a variance of Ksh. 1,478,961. This discrepancy may have arisen from avoidable submission errors, non-adherence to SHA's documentation requirements or misinterpretation of SHA tariff guidelines. These issues not only affect

the hospital's revenue due to underpayment but also raise concerns about internal controls, staff training, and compliance culture within the hospital.

Management Response

Management stated that;

The management takes cognizant of the above claims which were submitted to Social Health Insurance Fund but SHA reimbursement was below the approved rates. This was occasioned by clerical errors and lack of supporting documentation for the claims. The hospital has since resubmitted the claims with correct supporting documents for payment of the balance. The management has also taken steps to train the billing clerks to avoid making errors in claims.

Committee Observation

The Committee observed a significant variance of Kshs. 1,478,961 between the claims submitted to the Social Health Authority (SHA) and the amount approved, attributed to clerical errors and inadequate supporting documentation. The Committee further noted that no documentary evidence was provided to confirm that the claims were resubmitted to SHA with the correct supporting documents for recovery of the balance

Committee Recommendation

The Committee recommends that the Governor ensure that-

- i. the Accounting Officer ensures timely submission of complete and accurate documents during audit processes, including evidence of resubmission and follow-up of rejected or partially approved SHA claims, in compliance with section 9(1)(e) of the Public Audit Act, Cap. 412B, failure to which the provisions of section 62(2) of the Public Audit Act, Cap. 412B shall apply.**
- ii. the 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 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;**
- iii. 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 National Treasury enhances awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and**
- v. the Accounting Officer 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.**

3. Incomplete Asset and Delay in Installing and Commissioning of Intensive Care Unit (ICU) Equipment

The statement of financial position reflects total Assets balance of Kshs 444,145,397 which includes plant and medical equipment balance of Ksh 396,190,570 the latter balance excludes Plant and Medical Equipment balance of Ksh. 74,064,950 in respect of a contract for the supply, installation and commissioning of Intensive Care Unit (ICU) equipment at the facility within a period of one-hundred and twenty (120) days.

However, as at the time of the audit in July, 2025, after one hundred and twenty (120) days had lapsed, the intensive care unit materials had been delivered but had not been installed and commissioned. Therefore, the supplier was in breach of the Contract.

In the circumstances, the value for money in respect to Ksh. 74,064,950 incurred on the contract could not be ascertained.

Management Response

Management stated that;

The management acknowledges the delayed installation and commissioning of the Intensive Care Equipment due to structural adjustments required to fit the equipment as at the time of audit.

The ICU has since been successfully Installed, staff employed and commissioned on 16th December 2025. The images of the ICU in operation was provided to the committee.

Committee Observation

The Committee observed that the Management had completed the installation and commissioning of the Intensive Care Unit (ICU) equipment, and that the ICU is fully operational.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

REPORT ON LAWFULLNESS 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 sources were not applied lawfully and in an effective way—

1. Irregular Transfer of Funds to the County Revenue Fund Account

The statement of financial performance reflects rendering of services – medical service income amount of Ksh. 199,130,670 as disclosed in Note 7 to the financial statements. Review of revenue records reveals that County Receiver of Revenue collected and transferred the funds collected in respect of Chuka County Referral Hospital under Facility Improvement Fund to the County Revenue Fund (CRF). This contravened Section 5 (1) of the Facilities Improvement Financing Act, 2023 which states that there shall be retention of all monies raised or received by or on behalf of all public health facilities.

Instead of retaining the funds for direct facility use, the County Receiver of Revenue redirected them to the County's Revenue Fund Account, undermining the purpose of Facility Improvement Financing Act, 2023 to empower health facilities with financial autonomy for service improvements. The health facilities should however retain the funds in their facility improvement Fund Account.

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

Management Response

Management stated that;

The management acknowledges there was delay in the implementation of the Facilities Improvement Financing Act, 2023 due to delay in the Enactment of Tharaka Nithi Health Facilities Improvement Financing Act which has since been enacted and is due for implementation in the Financial Year 2025/2026.

Committee Observation

The Committee observed that medical service income was irregularly transferred to the County Revenue Fund (CRF) instead of being retained in the Hospital's Facility Improvement Fund, in contravention of Section 5(1) of the Facilities Improvement Financing Act, 2023, undermining the financial autonomy of the health facility. The Committee also observed that with the recent enactment of the Tharaka Nithi Health Facilities Improvement Financing Act, implementation is expected to correct this practice.

Committee Recommendation

The Committee recommends that the Governor ensures that the hospital retains all collections under the Facility Improvement Fund in the facility's own account for direct use, in accordance with Section 5(1) of the Facilities Improvement Financing Act, 2023, and that full implementation of the Tharaka Nithi Health Facilities Improvement Finance Act, 2025 is monitored in the financial year 2025/2026.

2. Deficiencies in Implementation of Universal Health Care (UHC)

Review of Hospital records and interviews revealed there was no compliance with the Implementation of Universal Health Care (UHC) as detailed below:

	Category	Required No.	In Place	Deficiency
1.	Intensive Care Unit (ICU) Beds	12	0	12
2.	High Dependency Unit (HDU) Beds	12	0	12
3.	Beds	500	219	281
4.	Medical Officers	50	13	37
5.	Nurses	100	25	75
6.	Critical Care Nurses	48	9	39
7.	Enrolled Community Nurses	250	8	242
8.	Registered Community health Nurses	308	86	222

These deficiencies contravened the First Schedule of Health Act, 2017 and implied that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 could not be achieved.

In the circumstances Management was in breach of the law on classification of health services and guidelines, standards and policies for a Level 5 Hospital as per the Kenya Quality Model for Health Policy Guidelines.

Management Response

Management stated that;

The management takes note of the Audit Finding and acknowledges challenges in the implementation of Universal Health Coverage (UHC). The management has been able to address some of the deficiencies with the establishment of Intensive Care Unit (ICU) with 5 beds, ICU nurses and other Cadres and will continue engaging the County Executive through the Department of Medical Services to increase budget allocation for recruitment of additional staff and purchase of Essential Equipment.

Committee Observation

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

Committee Recommendation

The Committee recommends that—

- i. within sixty (90) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward; and**
- i. Within ninety (90) days of the adoption of this report, the Committee recommends that the Governor ensures the hospital develops and implements a comprehensive plan, with appropriate budgetary allocations, to acquire and operationalize the required facilities and equipment to provide all services required for a Level 5 hospital. The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.**

3. Irregular Pooling of Funds to One Facility Improvement Fund Account

During the year under audit Chuka Referral Hospital had a Facility Improvement Fund account. It was noted that the funds for Chuka Referral, Magutuni Level 4, Tharaka

level 4 and Kibunga Level 3 Hospitals were all pooled to a single Facility Improvement Fund account which was contrary to Section 5 (2) of The Facilities Improvement Financing Act,

2023 which states there shall be opened a facility improvement financing account for each public health facility into which shall be paid all monies received by or on behalf of the respective public health facility.

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

Management Response

Management stated that;

The Management takes note of the Audit finding and wishes to clarify that The Four Facilities Maintain Separate Bank Accounts for the remittance of Social Health Authority (SHA) Claims. However ordinary revenue collection done through pay bills is channeled to consolidated Bank Account for all county facilities before sweeping to CRF.

The separation will be done following the enactment of Tharaka Nithi Facilities Improvement Financing, 2025 which will enable the hospital to utilize the revenue collected without having to transfer to CRF hence forth.

Committee observation

The Committee observed that revenues collected on behalf of Chuka Referral Hospital and other facilities were pooled into a single Facility Improvement Fund account, contrary to Section 5(2) of the Facilities Improvement Financing Act, 2023, as full separation of facility accounts had not been implemented at the time of audit.

Committee Recommendation

The Committee recommends that the Governor ensure that Chuka Referral Hospital and other affected facilities establish and operate separate Facility Improvement Fund accounts in accordance with Section 5(2) of the Facilities Improvement Financing Act, 2023, and that the Auditor-General keep the matter under review in the subsequent audit cycle to confirm full compliance.

4. Long Outstanding Accounts Payable

The statement of financial position reflects account payables balance of Ksh. 162,126,515 as disclosed in Note 18 to the financial statements. However, the

management did not provide aging analysis of the various accounts payables balances to support the balance in the financial statements. Further, Management did not demonstrate measures put in place to ensure bills are paid in time to avoid further accumulation and finally paying of huge amounts of interest on principal amounts. This was contrary to section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract(s) are reflected in approved budget estimates.

In the circumstances, the Hospital Management was in breach of the law and there is risk loss of public funds through litigations, interest and penalties.

Management Response

Management stated that;

The management acknowledges that the Facility had some pending bills during the period under review. These are amounts due to suppliers for the goods and services procured by the County government as in-kind transfers. The management through the county Department of Health will ensure enough budget allocation to settle the pending bills in the financial year 2025.2026.

Committee observation

The committee observed that-

- i. The Hospital had long outstanding accounts payable amounting to Kshs. 162,126,515, for which no aging analysis was provided to support the balances disclosed in the financial statements.
- ii. The Management had not demonstrated adequate measures to ensure timely settlement of bills, increasing the risk of accumulation of pending bills, interest, penalties, and potential litigation.

Committee Recommendation

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle;**

- ii. **the Governor to ensures the hospital makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report; and**
- iii. **the Accounting Officer prepares and maintains a comprehensive ageing analysis of all accounts payable within 60 days of the adoption of this report and puts in place effective controls to ensure that procurement is undertaken only where sufficient budgetary provision exists, in compliance with section 53(8) of the Public Procurement and Asset Disposal Act, 2015..**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISKS 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. Non –Functional Hospital Management Committee.

Review of records reveal that the Referral Hospital had nine (9) members of the Management Committee who were appointed by the County Executive Committee member for Health and Sanitation through gazette notice No. 9017 dated 19th July, 2024 and subsequently inaugurated. However, management did not provide individual appointment letters for the Committee members to support and validate the gazettment. Therefore, the Audit could not confirm the regularity, composition or tenure of the committee.

Further, there was no documentation provided to confirm that the Committee held any meeting during the year under review. Consequently, the committee active engagement to oversee administration, promote the development, approve plans, programs, and estimates on budgetary allocation and expenditure could not be verified.

There was also no evidence provided to indicate that the hospital management Committee had constituted any sub-Committees to address specific governance or operational issue as would be expected in effective institutional oversight structures.

In the circumstances, the effectiveness of overall governance of the Hospital could not be confirmed.

Management Response

Management stated that;

The Management acknowledges the delay in issuance of appointment letter to the members of the Committee, the members have since been issued with individual appointment letters which are hereby submitted for audit review, and are expected to hold inaugural meeting this month of January 2026.

Committee Observation

The Committee observed that the Hospital Management Committee members have since been issued with individual appointment letters, which were verified thereby regularizing the composition and legality of the Committee.

Committee Recommendation

The Committee recommends that the Auditor-General keep the matter under review in the subsequent audit cycle to confirm that the Hospital Management Committee is fully functional and undertaking its oversight role.

2. Failure to Establish an Audit Committee

During the year under review, the Hospital did not have an audit committee. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an Audit Committee.

In the circumstances, the Hospital operated without a mechanism for assessing and mitigating financial and operational risks.

Management Response

Management stated that;

The Hospital being a county entity is subject to the audit services by the county internal audit unit and report discussed by the County Internal Audit Committee. The County has established an Internal Audit Committee who considers reports for all county entities. Therefore, it would not be in the interest of effective and efficient utilization of public funds to have multiple committees doing the same job.

Committee Observation

The Committee observed that the Hospital operated without an Audit Committee, although audit oversight was provided through the County Internal Audit Committee.

Committee Recommendation

The Committee recommends that the Governor ensure the board of management of the Hospital puts in place all internal control systems systems such as the Internal Audit Committee, as provided under section 155 (5) of the Public Finance Management Act, Cap. 412A, among others, to guide the internal operations of the Hospital. Further, the County Executive Committee Member (CECM) - Finance to submit evidence of the same to the Auditor General for verification.

3. Lack of an Approved Disaster Recovery Plan

The Hospital operated an Information Technology (IT) system for capturing, storing and processing fees. In addition, the Hospital was responsible for custody of sensitive medical data of patients seeking its services alongside other operational data such as pharmaceutical and non-pharmaceutical inventory management activities. However, the Hospital did not have an approved IT continuity plan and disaster recovery plan.

In the circumstances, the Hospital may not effectively identify, prevent and mitigate against disasters and ensure that its operations are not interrupted.

Management Response

Management stated that;

The Management confirms that the Facility has developed a comprehensive Disaster Recovery Plan which identifies, prevents and mitigates against Disasters and hereby submitted for audit review. Evidence attached for scrutiny.

Committee Observation

The Committee observed that the facility has developed a comprehensive disaster recovery plan.

Committee Recommendation.

Noting the mitigation measures, the committee recommends that the matters be marked as resolved.

4. Submission of Claims Exceeding SHA Gazetted Rates

An audit review of claims submitted by Chuka County Referral Hospital to the Social Health Authority (SHA) revealed that multiple claims were billed at rates above the gazetted (agreed) tariff limits, contrary to SHA policy and contractual terms.

From the sampled claims the hospital submitted claims totaling Ksh. 471,918, whereas the applicable gazetted rates for the same procedures amounted to Ksh.180,000. SHA approved and paid Ksh. 472,798, resulting in an excess of Ksh. 292,780 above the allowable threshold based on the gazetted rates.

This practice indicates a systemic failure to adhere to SHA's pricing framework, and places the hospital at risk of financial misreporting and regulatory non-compliance.

Management Response

Management stated that;

The Management wish to hereby clarify using the correct rates that are in accordance to SHA approved rates, however the documentation to support were not adequate as may have been required to support the amounts. The management undertakes to train its staff to avoid clerical errors which may have contributed to the above discrepancy.

Committee Observation

The Committee observed that –

- i. The Hospital submitted SHA claims above the gazetted tariff rates, resulting in overpayment.
- ii. Management failed to provide adequate documentation and evidence of corrective actions, indicating weak internal controls and non-compliance with SHA pricing guidelines.

Committee Recommendations

The Committee recommends the Governor to ensure that—

- i. the Accounting Officer complies with the Social Health Insurance Act, 2023 and applicable Social Health Authority (SHA) regulations by ensuring that all claims submitted to SHA are accurate, supported by complete documentation, and strictly adhere to gazetted tariff rates, failure to which the provisions of section 199 of the Public Finance Management Act, Cap. 412A and section 62 of the Public Audit Act, Cap. 412B on penalties for offences shall apply.**
- ii. 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 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;**

- 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.**
- iv. **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.**

5. Lack of a Procurement Plan

Review of the Hospitals Financial Management processes revealed that Hospital did not have an approved procurement plan contrary to section 53 (2) of the PPADA, 2015 which stipulates that An Accounting Officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

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

Management Response

The Management confirms that the Hospital did not have an independent procurement plan but relied on the County Department of Health Procurement Plan for procurement of goods and services. This was due to the fact that, the County operated centralized procurement for all entities, however with the enactment of the Tharaka Nithi Facility Improvement Financing Act, 2025, the facility will have its own independent procurement unit.

Committee Observation

The committee observed that the hospital did not have an approved independent procurement plan the year under review but relied on the county department of health procurement plan for procurement of goods and services.

Committee Recommendation

The Committee recommends that the Governor ensure that the Hospital develops and implements its own annual procurement plan in compliance with section 53(2) of the Public Procurement and Asset Disposal Act, 2015, and that the Auditor-General monitors the implementation in the subsequent audit cycle to ensure adherence and proper planning.

Weaknesses in Revenue System Controls

1. Lack of System Administration and Access Rights

The hospital does not have a designated system administrator and lacks access to the reporting portal for generating key revenue reports (billings, invoices, receipts) yet it is responsible for managing and accounting for revenue.

Lack of these rights may lead to weak IT and user access controls - absence of a system admin limits oversight on user activities and may expose the system to unauthorized transactions or data manipulation, dependence on external parties (Ministry of Health) for system reports which compromises data ownership, accountability, and timely reporting and violation of internal control principles - management cannot independently verify completeness and accuracy of system-generated revenue data.

Management Response

Management stated that;

The management takes note of the audit finding and undertakes to engage with the provider of the Afya-Ke system to enhance administrative rights, custody and integrity of data for the Hospital.

Committee Observation

The Committee observed that the hospital lacks a designated system administrator and access to the Afya-Ke reporting portal.

Committee Recommendation

The Committee recommends that the Accounting Officer of the Hospital appoints a designated system administrator and secures full access rights to the Afya-Ke reporting portal, in line with Section 149(2)(b) of the Public Finance Management Act, Cap. 412A, and Section 47(2) of the Public Audit Act, Cap. 412B, within ninety (90) days from the adoption of this report, progress on implementation is reported to the Senate, and a copy is sent to the Auditor General.

2. Inadequate Revenue Reconciliation and Verification

The revenue accountant relies solely on M-Pesa and bank statements to prepare revenue reports. The auditor could not confirm whether the management ensures

completeness and accuracy of revenue when system reports are not used for reconciliation. Lack of revenue reconciliation and verification may lead to incomplete revenue reporting whereby transactions not reflected in M-Pesa or bank statements (e.g., unpaid invoices or pending bills) are excluded, leading to understatement or overstatement and no reconciliation between system-generated reports and bank / M-Pesa statements, which violates basic revenue control procedures.

Absence of reconciliation between system transactions and banking records increases the likelihood of unrecorded or misappropriated funds. The management has not shown that they conduct reconciliations between total billings, collections, and deposits to confirm that all revenue earned is banked. This may lead to revenue losses due to uncollected or diverted payments.

The hospital collects revenue for the county government, yet it lacks full control over its collection and reporting system. This contravenes the section 68 Of the Public Finance Management Act, 2012 regarding maintenance of effective internal controls over revenue when it lacks access to its own revenue system. In the circumstances, the controls on revenue transactions could not be confirmed.

Management Response

Management stated that;

The management confirms having carried out reconciliation between the system reports and the pay bill collection. The reconciliation reports are hereby submitted for the audit review.

Committee Observation

The Committee observed that the Hospital has implemented reconciliation between system-generated revenue reports, M-Pesa/ paybill collections, and bank statements.

Committee Recommendation

Noting that the mitigation measures have been implemented, the committee recommends that the matter be marked as resolved.

3. Weak Data Integrity and Audit Trail

Hospital management cannot independently retrieve or review system-generated reports. The auditor could not confirm the mechanisms in place to ensure integrity and traceability of revenue data from the Ministry's system.

In the circumstances, in the absence of sound data integrity and audit trail, accuracy and completeness of transactions may not be achieved and increased risk of fraud or data tampering, as transactions cannot be independently verified.

Management Response

The Management asserts that, the hospital implements the National Government system designed for all public health facilities referred to as Afya – Ke. Some of the access rights are restricted to system super users. However, the facility is capable of accessing the reports on need basis.

Committee Observation

The Committee observed that the Hospital's access to Afya-Ke system reports is restricted, limiting independent verification of transactions and leaving revenue data vulnerable to errors, misreporting, or tampering.

Committee Recommendation

- i. The Committee recommends that the Governor direct the Accounting Officer to ensure that authorized hospital staff have full access to Afya-Ke system reports to independently verify and reconcile all revenue transactions; and**
- ii. the Auditor-General monitors the implementation of full access and robust audit trail procedures and provides a status update to the Senate during the subsequent audit cycle.**

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

The Governor of Tharaka Nithi County, Hon. Muthomi Njuki, EGH. appeared before the Committee on Monday, 19th January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Magutuni sub-county hospital the financial year 2024/2025. The Governor was accompanied by:

4. Mr. Lawrence K.I Rweria -CECM- Finance
5. Mr. Kinyua Kabinga - Chief Officer- Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Magutuni sub-County hospital for the period under review on the following basis-

1. Inaccuracies in the Financial Statements

Review of the Financial Statements submitted for Audit reveals the following

- i) The statement of changes in Net Assets reflects Accumulated Deficit Balance of Ksh. 21,687,526. However, re-computation of the same gives a balance of Ksh 21,851,158 resulting in a variance of Ksh 528,706 which has not been explained or reconciled.
- ii) The statement of financial performance reflects revenue from exchange transactions total amount of Ksh 28,851,158. However, recast of the statement results in Kshs 27,851,158 resulting in a Variance of Ksh 1,000,000 which has not been explained or reconciled.

In the circumstances, the accuracy of revenue from exchange transactions total amount of Ksh 28,851,158 and accumulated deficit balance of Kshs 21,687,526 could not be confirmed.

Management Response

Management stated that;

The management acknowledges the audit finding on arithmetic errors in the financial statements. The errors will be amended by restating the comparative figures on current year financial statements.

Committee Observation

The Committee observed that there was a variance of Ksh 528,706 from the statement of changes in Net Assets that reflects Accumulated Deficit Balance of Ksh. 21,687,526 and a re-computation of the same that gives a balance of Ksh 21,851,158.

Committee Recommendation

The Committee recommends that the Governor ensure that—

- i. the Accounting Officer should undertake prior year adjustments to reconcile the variance of Ksh 528,706 in the statement of changes in Net Assets in the subsequent audit cycle, FY 2025/2026. The Auditor-General to keep this in view in the subsequent audit cycle;**
- ii. the Accounting Officer to take 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;**
- iii. 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;**
- iv. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- v. 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**
- vi. 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.**

2. Unsupported Property, Plant and Equipment

The statement of financial position and as disclosed in Note 16 to the financial statements reflects property, plant and equipment net book value of Ksh. 47,351,363. However, the balance excludes land, furniture, fittings, medical equipment, computer accessories and printers. In addition, the register of land and buildings and terms for

which they are held, were also not provided for audit. Further, the 8 – acre piece of land on which the Hospital sits, does not have a title deed contrary to Section 72(1) A of Public Financial Management Act states that an accounting officer is responsible for the management of the entity’s assets and liabilities; and (b) manage those assets in a way which ensures that the national government entity achieves value for money in acquiring, using and disposing of those assets.

Further, ownership documents for two motor vehicles were also not provided for audit. In the circumstances, the accuracy and completeness and valuation of property, plant and equipment net book value of Ksh. 47,351,363 could not be confirmed.

Management Response

The management confirms that they are in the process of carrying out identification, transfer and valuation for Land, Furniture and Fittings, Medical Equipment, Computer Accessories and Printers. This will culminate in updating of the Asset Register once the process is successfully completed.

The two motor vehicles registered under GK log book are still held by the National Government ministry with the County executive making follow up for transfer of log books.

Committee Observation

The Committee noted that the ownership documents for two motor vehicles, register of land and buildings and terms for which they are held, were not provided for audit.

Committee Recommendation

The Committee recommends that-

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

prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

3. Non-Remittance of Capacity Building Levy

Magutuni Level 4 Hospital did not deduct or remit the capacity building levy at the rate of 0.03% for every procurement done during the year. This is contrary to Public Procurement Regulatory Authority Circular No. 01/2024 Ref: PPRA/6/5 VOL. II (224) dated 30th August, 2024 which requires procuring entities to collect the levy at the rate of 0.03% of the contract sum from suppliers on all procurement contracts signed between the supplier and a procuring entity and remit to the Authority through the eCitizen platform.

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

Management Response

The Management confirms that the hospital supplies are paid through the IFMIS system under the County Executive – Department of Medical Services. The IFMIS system was configured with levy deduction with effect from January 2025 and all amounts deducted henceforth remitted to authority. The period before configuration of the IFMIS system could not have been possible to effect the deduction of the levy.

Committee Observation

The Committee noted that Magutuni Level 4 Hospital did not deduct or remit the capacity building levy at the rate of 0.03% for every procurement done during the year. However, the hospital remitted the capacity building levy after the audit.

Committee Recommendation

The Committee recommends that the board of the hospital continuously collect the levy at the rate of 0.03% of the contract sum from suppliers on all procurement contracts as prescribed in the Public Procurement Regulatory Authority Circular No. 01/2024 Ref: PPRA/6/5 VOL. II (224).

4. Irregular Transfer of Funds to the County Revenue Fund Account

The statement of changes in net assets reflects Transfer to CRF amount of Ksh. 19,562,103. This amount was collected under Facility Improvement Fund to the County Revenue Fund. This contravenes Section 5 (1) of the Facilities Improvement Financing Act, 2023 which states that there shall be retention of all monies raised or received by or on behalf of all public health facilities. Instead of retaining the funds for direct facility

use, the hospital redirected them to the County’s Revenue Fund Account, undermining the purpose of FIF to empower health facilities with financial autonomy for service improvements. The health facilities should, however, retain the funds in their facility improvement Fund Account.

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

Management Response

The Management confirms that the Tharaka Nithi Health Facilities Financing Act, 2025 has since been enacted to comply with the Facility Improvement Act ,2023 to enable the Facility to retain its Revenue and run independently without transferring funds to the County Revenue Fund (CRF). The County has now enacted and hereby submitted for audit review.

Committee Observation

The Committee noted that the hospital redirected funds amounting to Ksh. 19,562,103. to the County’s Revenue Fund Account instead of retaining the funds.

Committee Recommendation

The Committee recommends that the management ensures that the hospital retains funds in the facility improvement Fund Account for direct use as stipulated in Section 5 (1) of the Facilities Improvement Financing Act, 2023.

5. Deficiencies in Implementation of Universal Health Care (UHC)

During the year under review Magutuni Level 4 Hospital was not offering key services required in a level 4 hospital, further the staffing levels and the equipment at the facility revealed that the Hospital did not meet a number of key specifications as prescribed by the Kenya Quality Model for Health policy guidelines as analysed below:

Services	Level 4 Standard	Observation
Surgical	Should be in place	Not in place
Paediatric	Should be in place	In place
In patience	Should be in place	In place
Renal dialysis	Should be in place	Not in place
Mortuary and Autopsy	Should be in place	Autopsy not in place
Advance life support	Should be in place	Not in place
In-patient beds	150	50
obstetrics and gynaecology	Should be in place	
Pathology	Should be in place	Not place

Two functional operating theatres Maternity and General	2	In place
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In the circumstances, the Hospital was not operating as per the provisions of Health Act, 2017 schedule on classification of health services and the guidelines, standards and policies for a Level 4 Hospital as per Kenya Quality Model for Health Policy Guidelines and may have hindered the realization of the Government program on Universal Health Coverage.

Management Response

The management wishes to acknowledge that they are in the process of acquiring additional Medical Equipment and essential Medical Personnel in order to comply with the Kenya Quality Model for Health Policy guidelines. The shortfall was occasioned by budget constraints. The County Department of Medical Services is liaising with the County executive and well-wishers for equipping and staffing needs.

Committee Observation

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

Committee Recommendation

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital’s staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward; and**
- ii. within ninety (90) days of the adoption of this report, the Committee recommends that the Governor ensures the hospital develops and implements a comprehensive plan, with appropriate budgetary allocations, to acquire and operationalize the required facilities and equipment to provide all services required for a Level 4 hospital. The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle; and**
- iii. the Governor ensures the officer in charge of the facility has the requisite academic and professional qualifications in accordance with the Health Act, 2017 and provide evidence of measures taken to address the matter to Senate within 60 days of the adoption of this report.**

6. Failure to Prepare a Budget for the Hospital

The statement of comparison of budget and actual amounts reflects total revenue of Ksh.183,641,130 and expenditure of kshs.158,777,091 during the year under review. However, the Hospital budget allocation for the year was captured and approved at the Tharaka Nithi County Ministry of Health overall budget instead of the hospital management team this is contrary to Facility improvement financing Act 2023 Section 15 and Regulations 29(I) of the Public Finance Management (County Governments) Regulations 2015 which states that the Accounting Officer shall ensure that the draft estimates relating to his or her department are prepared in conformity with the Constitution, the Act and the Regulations.

In the circumstances, the Hospital expenses may not be properly controlled and the intended service delivery to the public hampered.

Management Response

The Management wishes to clarify that the Facility depended on the county Government for its operations during the year under review. Procurement of goods and services was done centrally at the county Headquarters using the Department of Medical Services Budget. The management will however be able to prepare its own budget once the Tharaka Nithi Facilities Improvement Financing Act, 2025 is operationalized.

Committee Observation

The Committee noted that hospital did not have a budget and that its budget allocation was year was captured and approved at the Tharaka Nithi County Ministry of Health overall budget.

Committee Recommendation

The Committee recommends that the accounting officer ensures that the hospital prepares its own budget in accordance to Section 15 Facility improvement financing Act 2023 and Regulations 29(I) of the Public Finance Management (County Governments) Regulations 2015.

7. Failure to Maintain Revenue Cash Book

The income from rendering of services was collected and deposited in Health Sector Revenue Collection Account. However, Management did not maintain a revenue cash book with details on daily billings and collections (amount paid), transfers to the Fund Account, withdrawals through Authority to Incur the Expenditure (AIEs) and revenue receivables.

In addition, the monthly departmental revenue schedules were not supported with detailed daily schedules on amount charged per patient. This was contrary to Regulation 100 of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and preparation of the accounts of the vote for which he or she is responsible. Further, there are no quarterly revenue reports on the revenues collected and banked as required by law. In the circumstances, Management was in breach of the law.

Management Response

The management wishes to clarify that the Facility maintained a Cashbook and Bank Account for Remittance of Social Health Insurance Funds (SHIF). The funds are transferred to the county Revenue Fund (CRF) Account. See attached Cashbooks and Bank Reconciliation.

With regard to other hospital charges, the facility operates a pay bill number through which patients remit the charges. The revenue collections are on daily basis moved to a single pay bill number and then transferred to a consolidated county revenue bank account before been swept to County Revenue Fund (CRF) Account. See attached Hospital billings.

Committee Observation

The Committee observed that the hospital did not maintain a revenue cash book. Further, the Committee observed that the monthly departmental revenue schedules were not supported with detailed daily schedules on amount charged per patient which was contrary to Regulation 100 of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that the Governor ensures that the accounting officer should maintain a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and preparation of the financial accounts in accordance to Regulation 100 of the Public Finance Management (County Governments) Regulations, 2015.

8. Failure to Establish an Audit Committee and Operationalize Internal Audit Function

During the year under review, the Hospital did not have an audit committee. Further, no evidence was produced to confirm that the Hospital had an Internal Audit Unit. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an Audit Committee. In the circumstances, the Hospital operated without a mechanism for assessing and mitigating financial and operational risks.

Management Response

The Hospital being a County entity is subject to the audit services by the county internal audit unit and report discussed by the County Internal Audit Committee. The County has established an Internal Audit Committee who considers reports for all county entities.

Therefore, it would not be in the interest of effective and efficient utilization of public funds to have multiple committee doing the same job. The Gazette notice for the County Internal Audit Committee hereby submitted for audit review.

Committee Observation

The Committee noted that the hospital did not have an audit committee which was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that —

- i. the Governor ensures the Board of Management ensures that the hospital puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012, and a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of the water company. Further, the managements to submit evidence of the same to the Auditor General for verification; and**
- ii. the Auditor-General to verify the functionality of the Board and provide a report on the same to the Senate during the subsequent audit cycle.**

3.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MARIMANTI LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Tharaka Nithi County, Hon. Muthomi Njuki, EGH appeared before the Committee on Monday, 19th January 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Marimanti Level 4 hospital the financial year 2024/2025. The Governor was accompanied by:

1. Mr. Lawrence K.I Rweria - CECM- Finance
2. Mr. Kinyua Kabinga- - Chief Officer Finance
3. Dr. Andrew Njoroge - Medical superintendent

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Marimanti Level 4 hospital for the period under review on the following basis-

1. Failure to Distinguish and Account for All Revenue Streams of the Hospital

The statement of financial performance and as disclosed in Note 7 reflects Ksh. 55,882,340 in respect to rendering of services Medical Service Income to the financial statements. However, review of ledgers and other revenue data provided for audit revealed that revenue was lumped into one pool with no clear distinction of various revenue streams at the hospital. In addition, Management did not disclose the number of revenue streams which existed at the hospital .and why streams were not documented and reported in the financial statements. In the circumstances, the accuracy and completeness of rendering of services –Medical income amount of kshs 55,882,340 could not be confirmed.

Management Response

Management stated that;

The Management confirms the facility generated Kshs 55,882,340 during the year under review. The current system, Afya-Ke does not provide for the distinction of revenue streams. The management is engaging the provider of the system to incorporate this feature.

Committee Observation

The Committee observed that the current system being used by the hospital lumped revenue into one pool with no clear distinction of various revenue streams in the hospital and the management did not provide any reason why the revenue streams were not documented in the financial statements.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the management in conjunction with the provider of the system update the system to clearly stipulate the number of revenue streams. The revenue streams should be documented and reported in the subsequent years' financial statements, further management to submit a status report on the same within 60 days of the adoption of this report;**
- ii. The Auditor General keep this matter in view in the subsequent audit cycle.**

2. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Ksh. 24,330. However, the Hospital does not have an operational bank account as per the requirement of Section 20 sub section (1) of Facility Improvement Financial Act, 2023 which states that there shall be opened and operated a bank account for every entity into which all monies received by and on behalf of the entities for the facility improvement financing shall be paid into. In addition, the Management of the Hospital does not control the funds collection for the services rendered but is directly transmitted to the County Government of Tharaka Nithi through pay bill Number – 671617. The patients are charged extra charges by paying through the pay bill services. Further, the bank account quoted on the financial statement is held with Family Bank which had a balance of Kshs.599 controlled by the Tharaka Nithi County Government. This account is in the name Tharaka District Hospital and not Marimanti Sub County Hospital therefore we could not be able to verify which entity is being referred to. Further, the Hospital Management do not control this account nor are they signatory to it. In addition, the bank statement provided for audit review for Facility Improvement Finance (FIF) discloses a balance of Kshs.404.31 as at 30 June, 2025 which is combined with other health facilities Chuka, Magutuni and Kibung'a hospitals within the County. It is not possible to state how much relates to Marimanti sub-county Hospital as a cash book for recording all the revenue collected is not maintained separately. There is no bank reconciliation statement drawn to state the amounts collected by each hospital inclusive of Marimanti that was provided for audit purpose. In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Ksh. 24,330 could not be confirmed.

Management Response

Management stated that;

The management confirms that the Cash and cash Equivalent of Kshs 24,329.88 is the actual figure comprising of Kshs 23,731 in Marimanti paybill statement and Kshs

598.88 Bank balance in Tharaka District Hospital Bank Account no 05400001534 and which was provided for audit review. We have initiated the adjustment of the bank account name to read Marimanti Level 4 Hospital.

Currently all the revenue is received in a single revenue account before sweeping the whole amount to County Revenue Fund. The County is in the process to operationalize Facility Improvement Financing Act, 2025 which will provide enabling legislation for respective health facilities to operate an Appropriation in Aid.

Committee Observation

The Committee observed that medical service income was irregularly transferred to the County Revenue Fund (CRF) instead of being retained in the Hospital's Facility Improvement Fund, in contravention of Section 5(1) of the Facilities Improvement Financing Act, 2023, undermining the financial autonomy of the health facility. The Committee also observed that with the recent enactment of the Tharaka Nithi Health Facilities Improvement Financing Act, implementation is expected to correct this practice.

Committee Recommendation

The Committee recommends that the Governor ensures that the hospital retains all collections under the Facility Improvement Fund in the facility's own account for direct use, in accordance with Section 5(1) of the Facilities Improvement Financing Act, 2023, and that full implementation of the Tharaka Nithi Health Facilities Improvement Finance Act, 2025 is monitored in the financial year 2025/2026.

3. Inaccurate Property, Plant and Equipment Balances

The statement of financial performance reflects property, plant and equipment net book value of Ksh. 86,863,028 which includes Buildings, plant and Medical Equipment and Civil works of Ksh. 80,756,278, Ksh. 2,790,625 and Ksh. 3,316,125 respectively as disclosed in Note 19 to the financial statements. Review of the supporting documentation revealed the following anomalies;

- i. Other assets like specialized and non-specialized medical equipment and furniture and fittings were not disclosed.
- ii. Ownership documents such as title deed for parcel of land on which the hospital is built and log books for the Two Motor vehicle were not provided for audit review.

- iii. Physical inspection conducted in September, 2025 revealed that numerous assets were either grounded, unserviceable or abandoned within the hospital compound.

Further, the Management did not provide for audit review, an approved annual disposal plan for these assets. In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.86,863,028 could not be confirmed.

Management Response

Management stated that;

The Management takes note of the audit finding and wish to confirm that, the medical facility has initiated the process of identification, valuation and transfer of non-current assets that were previously reported under County Executive. The Management is also in the process of disposing the grounded and unserviceable assets through the county Assets and Disposal Committee.

Committee Observation

The Committee observed that—

- i. The management had not disclosed specialized and non-specialized medical equipment and furniture and fittings in their submissions;
- ii. Log books for two motor vehicles and ownership document of the land the hospital was built on was not provided for audit.
- iii. The hospital was in the process of disposing the grounded and unserviceable assets through the county Assets and Disposal Committee.

Committee Recommendation

The Committee recommends that—

- i. **the Governor ensures that the hospital secures full ownership of the queried property, plant and equipment and provide a status update to the committee within 60 days of adoption of this report;**
- ii. **the Governor ensures that the Accounting Officer timely submission of documents by the Accounting Officer 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 line with section 62(2) of the Public Audit Act, 2015;**
- iii. **the Governor ensures that the Accounting Officer ensures that the hospital maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board (PSASB) and the company to carry out a valuation of all its assets and submit the same to the Auditor-General within 60 days from the adoption of this report;**

- iv. **the Governor engages the Intergovernmental Relations Technical Committee (IGTRC) to ensure that the process of transfer of all assets and liabilities are completed in a timely manner; and**
- v. **the Auditor-General to undertake physical verification of all assets of the hospital and provide a status report to the Committee within 60 days from the adoption of this report.**

4. Inaccurate Receivables from Exchange Transaction

The statement of Financial Position reflects receivables from exchange transaction balance of Ksh. 20,978.216 as disclose in note 17 to the financial statements, However, supporting ledgers show a balance of Ksh. 21,018.824. This leads to a variance of Kshs 40,608 which has not been explained or reconciled. In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of kshs 20,978,216 could not be confirmed.

Management Response

Management stated that;

The Management wish to confirm that the actual Receivable from Exchange Transaction as at 30th June 2025 amount to Ksh. 20,978.216 and as disclosed in the Financial Statement. Verification of support documents that had been provided for audit review revealed a duplicated transaction that was later amended. The updated account receivable schedule is hereby submitted for audit review.

Committee Observation

The Committee observed that the variance of Ksh 40,608 in the statement of financial position and the supporting ledgers submitted was as a result of a duplicated transaction in the supporting ledgers submitted that was amended. This was verified by the Auditor-General and thus the matter was satisfactorily addressed.

Committee Recommendation

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

5. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Ksh. 321,010,000 and Ksh. 256,872,123 respectively resulting to an under-funding of Ksh. 64,137,877 or 20% of the budget. Similarly, the Fund spent Ksh.281, 311,119 against actual receipts of Kshs.256, 872,123 resulting in an overutilization of Ksh. 24, 438,996 or 10% of the actual receipts. The under-funding

affected the implementation of planned activities and may have impacted negatively on service delivery to the public.

Management Response

Management stated that;

The Management acknowledges under-realization of receipt during the year under review. This was attributed to delayed SHA refunds and also medical stock outs leading to lesser dispensation of drugs. The reported over utilization of funds does not amount to budget overrun but, expenditure against the reported receipts. The actual expenditure amounted to Ksh.256,877,746 which was within the approved budget.

Committee Observation

The Committee observed that the hospital had an under-funding of Ksh. 64,137,877 or 20% of the budget and an overutilization of Ksh. 24, 438,996 or 10% of the actual receipts.

Committee Recommendation

The Committee recommends that –

- i. the Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply; and**
- ii. the National Treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate.**

6. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Ksh. 51,663,339 as disclosed in Note 17 to the financial statements. Review of records provided for audit revealed that included in the payables balance is long outstanding trade payables balance of Kshs.11, 950,233 which were not settled as at the time of audit for periods ranging from 1 year to nine (9) years as at the time of audit and Management has not shown any effective policy and measures put in place to clear the outstanding payables. Further, Management did not provide any plausible explanation as to why suppliers had not been paid for supplies made nine (9) years ago. Further to settle bills during the year in which they relate distorts the financial statements and adversely effects the budgetary provisions for the subsequent year to which they have to be charged.

Management Response

The management acknowledges having reported long outstanding trade payables which have existed due to inadequate resources. The Facility through the Department of Medical Services has made budgetary allocation in the financial year 2025/2026 to ensure the pending bills are cleared.

Committee Observation

The Committee observed that the hospital had trade payables amounting to Kshs.11,950,233 that had been outstanding for between 1 year to nine (9) years. Further, the Committee observed that the water company did not provide any measures it was taking to settle all the debt obligations.

Committee Recommendation

The Committee recommends—

- i. the Governor ensures that the hospital formulates a repayment plan to fully repay its outstanding debt obligation amounting to Kshs. 11,950,233; and**
- ii. Further, the Governor ensures that the hospital submits a status update to the Senate within 60 days of the adoption of this report and the Auditor-General keeps the matter in view in the subsequent audit cycle.**

7. Non-compliance with the public sector Accounting Standards Board Financial reporting requirements

Review of the financial statements submitted for audit revealed the following anomalies

- I. The financial statement erroneously included a letter to the Auditor General From the CECM –Finance, Economic planning and resource Mobilization in submission of the financial statements
- II. The table of contents is wrongly labelled as follows
 - a) Report of the medical superintendent is on page Vii and not Vii while report no 6-Corporate Governance statement on page x is completely omitted
 - b) Report no 7- Management discussion and analysis is on page xiv and not XV
 - c) Report No 9-Report of Board of management is on page xviii and not xviii
 - d) The table of content should be re-numbered from No 6 to 17

In the circumstance the accuracy of the financial statement could not be confirmed.

Management Response

Management stated that;

The Management acknowledges the errors on the table of contents and the forwarding letter inadvertently affixed together with Financial Statements and has rectified the financial statement. The corrections will be made from the current year financial statements. Meanwhile we have also rectify the errors as per the extract Table of Content submitted for audit review.

Committee Observation

The Committee observed that the financial statements submitted by the hospital had errors and were not as prescribed by the Public Sector Accounting Standards Board.

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 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;**
- ii. the Governor ensures that the Accounting officer adheres to section 81(3) of the Public Finance Management Act, 2012, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- 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 that the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, 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 that the Accounting Officer enhances 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**

8. Illegal Transfer of Facility Improvement Funds (FIF) to County Revenue Fund Account

Review of bank statements and financial statements, as disclosed under note 14 to the financial statements, revealed that the Hospital transferred to the County Revenue Fund (CRF) of the County Government of Tharaka Nithi a total of Kshs.42, 917,490 during the financial year ended 30 June 2025. This was contrary to section 9 (a) of the Facilities Improvement Financing Act, 2023 which stipulates that the county executive committee member shall support the implementation of the facility improvement financing by facilitating effective collection and retention of facility improvement financing revenue and section 5 (1) of the Facilities Improvement Financing Act, 2023 which requires all monies raised or received by or on behalf of a public hospital to be retained in the hospital's facility improvement financing account. The Management did not provide explanation for the illegal transfer to the Tharaka Nithi County Government CRF account. In the circumstance, Management was in breach of the law.

Management Response

The Management acknowledges delay in the implementation of Facilities Improvement Financing Act, 2023. This has necessitated transferring of revenue from the facility to the County Revenue Fund (CRF) Account. The County has however enacted the Tharaka Nithi health facility Financing act ,2025 that will enable retention of monies at the medical facility under appropriation in aid.

Committee Observation

The Committee observed that medical service income was irregularly transferred to the County Revenue Fund (CRF) instead of being retained in the Hospital's Facility Improvement Fund, in contravention of Section 5(1) of the Facilities Improvement Financing Act, 2023, undermining the financial autonomy of the health facility. The Committee also observed that with the recent enactment of the Tharaka Nithi Health Facilities Improvement Financing Act, implementation is expected to correct this practice.

Committee Recommendation

The Committee recommends that the Governor ensures that the hospital retains all collections under the Facility Improvement Fund in the facility’s own account for direct use, in accordance with Section 5(1) of the Facilities Improvement Financing Act, 2023, and that full implementation of the Tharaka Nithi Health Facilities Improvement Finance Act, 2025 is monitored in the financial year 2025/2026.

9. Wrong Title Naming

The financial statement are referred to as Marimanti Level 4 Hospital. However, the license renewal issued by medical practitioners and dentist Board in July, 2025 referred to the hospital as Marimanti Sub County Hospital.

Management Response

The management takes note of the audit finding and acknowledges the anomaly which arose during the Gazzetment of the Health Facility and undertakes to rectify the error. The correct hospital name is Marimanti Level 4 Hospital as per attached gazette notice and the license name amended.

Committee Observation

The Committee observed that the query was addressed as the license name was amended and verified by the Auditor General.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

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

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that Marimanti Sub-County Hospital did not meet the requirements of Kenya Quality Model for Health Policy In addition, the Hospital lacked the necessary equipment and machines outlined in the Health Policy Guidelines.

Staff requirement	Level 4 Standard	Number in Hospital	Deficit	%
Medical Officers	16	5	11	68
Anaestheologists	2	0	2	100
General Surgeons	2	1	1	50

Staff requirement	Level 4 Standard	Number in Hospital	Deficit	%
Gynacologists	2	1	1	50
Paediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	44	31	41
TOTALS	101	51	50	50
	Level 4 Hospital Standard	Actuals in the Hospital	Variance	%
Beds	150	88	62	41
Resuscitatore(2 in labour 1 in Theatre	3	0	3	100
New born unit incubators	5	4	1	20
New born Unit Cots	5	4	1	20
Functional Icu Beds	6	0	6	100
High Dependency Unit (HDU)beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres- Maternity and General	2	2	0	0

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health

care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

Management Response

The management acknowledges gaps in the implementation of Universal Health Coverage (UHC) due to deficit in key personnel and infrastructure in the Hospital. The management is however putting measures such as making requisition to the County Government through the Department of Medical Services, Public Health and Sanitation for recruitment and deployment of additional staff to the Facility. The management is also liaising with the County Government, Financiers and well-wishers for acquisition of essential medical Equipment and Machines.

Committee Observation

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

Committee Recommendation

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward; and**
- ii. within ninety (90) days of the adoption of this report, the Committee recommends that the Governor ensures the hospital develops and implements a comprehensive plan, with appropriate budgetary allocations, to acquire and operationalize the required facilities and equipment to provide all services required for a Level 4 hospital. The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle; and**
- iii. the Governor ensures the officer in charge of the facility has the requisite academic and professional qualifications in accordance with the Health Act, 2017 and provide evidence of measures taken to address the matter to Senate within 60 days of the adoption of this report.**

11. Non-adherence to Data Protection Act, 2019

Interviews conducted revealed that the hospital has not registered with the Data Commissioner which poses a risk on the protection of sensitive information. The Company is therefore in breach of the Data Protection Act, 2019 which requires registration of data controllers and data processors.

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

Management Response

The management acknowledges that the Facility has not registered with the Commissioner for Data as per the requirements of the Data Protection Act 2019. The necessary registration will be done as per the requirement of the law.

Committee Observation

The Committee observed that the hospital has not registered with the Data Commissioner which is contrary to the Data Protection Act, 2019.

Committee Recommendation

The Committee recommends that the management of the hospital register with the data commissioner in accordance to Data Protection Act, 2019 within 60 days of the adoption of this report. The Auditor General to keep this matter in view in the subsequent audit cycle.

12. Irregular Processing and Custody of Payment Vouchers

Review of accountable documents for the hospital revealed that initiation, processing and custody of payment vouchers is done at the county headquarters contrary to section 22 of the Facilities Improvement Financing Act, 2023. Further, according to the accountable documents records, the medical superintendent appears not to have any role except making requisition for goods works and services. Under the circumstances, Management is in breach of the law.

Management Response

The management acknowledges that the accounting documents were held at the county headquarters since all the funding was carried there awaiting enactment of Tharaka Nithi Facilities Improvement Financing Act, 2025 which has now been enacted thus allowing the facility to operate independently. Further, it is imperative to note that, the Facilities Improvement Financing Act, 2023 only relates to revenue generated by the health facilities, while the bulk of expenditure is incurred directly by the County Executive and hence the payment vouchers are properly under the custody of the county headquarter.

Committee Observation

The Committee observed that the vouchers were being processed centrally at County Headquarters but with enactment of Tharaka Nithi Health Facility Financing Act, the Hospital will start processing own payments.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

13.Failure to Prepare Annual Budget for the Facility

The statement of financial performance reflects Ksh. 241,607,102 and Ksh. 209,107,382 in respect to total revenue and expenditure respectively. However, the Management did not prepare the budget estimates for the reported revenue and expenditure contrary to the requirement of Regulation 29(1) of the Public Finance Management (County Government) Regulations, 2015. Further, the failure to prepare budget for the Hospital Contravened Section 9 (g) of the Facilities Improvement Financing Act, 2023 which requires the county executive committee member to support the implementation of the facility improvement financing by offering planning and budgeting support to health facilities to ensure integration into the county planning and budgeting process on facility improvement financing. In the circumstances, Management was in breach of the law.

Management Response

The Management acknowledges that the Facility did not have its own independent budget during the period under review but depended on the County Department of Health Budget for its Procurement. The Hospital will however strive to have its own budget with the enactment of the Tharaka Nithi Health Facilities Financing Act, 2025.

Committee Observation

The Committee observed that the budget for the Hospital were being prepared at County Headquarters and included in the County Executive Budget but with enactment of Tharaka Nithi Health Facility Financing Act, the Hospital will start preparing its own.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

14.Non-Compliance with the Law on Reservation of Employment for Persons with Disability

A review of the staff Payroll Data established that Marimanti Hospital had a total of One Hundred and Fifty-Eight (158) employees on its payroll. However, 2 or 1% of employees are persons with disability contrary to Section 13 of the Persons with

Disability Act which stipulates that the Council shall endeavor to secure the reservation of five per cent of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities.

Management Response

The Management acknowledges and appreciates the need to adhere to the Law on persons with Disability. The Facility will Liaise with the Human Resources Management and Development Department and the County Public Service Board to ensure Compliance with the Law in Recruitment and Deployment of Hospital Staff.

Committee Observation

The Committee observed that the hospital had a total of One Hundred and Fifty-Eight (158) employees with only 2 employees being persons with disability contrary to Section 13 of the Persons with Disability Act.

Committee Recommendation

The Committee recommends that the management of the hospital adhere to Section 13 of the Persons with Disability Act

15. Non-Compliance with a third Basic Salary Pay Rule

A review of the payroll for the month of June, 2024 revealed that certain employees had total statutory and other deductions exceeding two-thirds of their wages leaving a net pay of less than one-third of the employee's wages. This is in contravention of Section 19(3) of the Employment Act, 2007, which requires employers to ensure that deductions do not exceed two-thirds of an employee's wages at any one time. In the circumstances, Management was in breach of the law.

Management Response

The management takes note of the above Audit finding. The anomaly was caused by the introduction of the mandatory housing levy, increased National Social Security Fund (NSSF) deduction and the increased Social Health Authority (SHA) contributions.

Committee Observation

The Committee observed that the hospital has employees earning less than one-third of the employee's wages.

Committee Recommendation

The Committee recommends that the management of the hospital ensure that no employees earn less than a third of their basic salary in accordance to of Section 19(3) of the Employment Act, 2007.

16. Non – Compliance with the Public Procurement Capacity Building Levy Order

Management did not provide evidence to confirm that the Marimanti Level 4 Hospital Management complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

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

Management Response

The Management confirms that, all payments during the year under review were done through the Integrated Financial Management System (IFMIS) hoisted by the National Treasury and responsible for configuration on applicable tax and levies deductions. The system was configured to effect the deduction for capacity building levy with effect from January 2025 and the amount was duly deducted and remitted to Public Procurement Authority henceforth without delay.

Committee Observation

The Committee noted that Marimanti Level 4 Hospital did not deduct or remit the capacity building levy at the rate of 0.03% for every procurement done during the year. However, the hospital remitted the capacity building levy after the audit.

Committee Recommendation

The Committee recommends that the board of the hospital continuously collect the levy at the rate of 0.03% of the contract sum from suppliers on all procurement contracts as prescribed in the Public Procurement Regulatory Authority Circular No. 01/2024 Ref: PPRA/6/5 VOL. II (224).

17. Lack of Risk Management Policy, Information Communication Technology Policy and Disaster Recovery Plan

Review of records revealed that the Hospital did not have in place, a risk management policy and did not perform formal risk assessments on all key financial risk areas such as revenue, expenditure and fraud review. Further, the Hospital did not have a disaster recovery plan and information communication technology policy in place to guide continuity of services in case of disruptions. In the circumstances, existence of risk management strategies, internal controls in fraud prevention and services continuity could not be confirmed.

Management Response

The management confirms having developed a risk management policy and disaster recovery plan for the assessment, identification and mitigation of risks and disasters and hereby submitted for audit review. Annex VIII Management further acknowledges the audit observation and confirms that the County Government of Tharaka Nithi has an approved and comprehensive ICT Policy (can be downloaded here (<https://tharakanithi.go.ke/download/county-ict-policy>), which provides guidelines for business continuity and disaster recovery, in line with best practices and Government of Kenya ICT Authority standards. Marimanti Level IV Hospital operates under this county-wide ICT policy framework.

Committee Observation

The Committee observed that the matter was satisfactorily addressed.

Committee Recommendation

The Committee recommends that the matter be marked resolved.

18. Lack of Health Facility Management Committee

Review of the documents for the hospital revealed that the facility does not have an operational Health Facility Management Committee, contrary to Section 17(1) of the Facilities Improvement Financing Act, 2023 which requires the county executive committee member to appoint not less than seven and not more than nine members to form the Health Facility Management Committee. In the absence of the Committee, there will be no oversight on the affairs of the Hospital and this may negatively affect delivery of services.

Management response

The management acknowledges of having not formally appointed the Health Facility Management Committee during the year under review. The committee has now been established and issued with appointment letter and hereby submitted for audit review.

Committee Observation

The Committee observed that the matter was satisfactorily addressed.

Committee Recommendation

The Committee recommends that the matter be marked resolved.

19. Lack of Procurement Unit

Review of procurement documents revealed that the hospital does not have an independent procurement unit but all procurement of goods works and services are done centrally at the county headquarters contrary to Section 13(a) of the Facilities Improvement Financing Act, 2023 which states that each Sub-County Health Management Team shall, in relation to facility improvement financing shall support health facility management teams in preparing annual and quarterly operational plans, including their respective budgets and procurement plans. This may result to delays in supply of goods works and services and therefore sustainability of daily operations and promotion of improved and accessibility to health services to the public.

Management Response

The management confirms that the Hospital does not have an independent procurement Unit but relies on the County department of Health Procurement unit for procurement of goods and services. However, with the enactment of the TharakaNithi Health Facilities Financing Act, 2025 the Hospital will have an independent procurement unit.

Committee Observation

The Committee observed that the hospital did not have an independent procurement unit.

Committee Recommendation

The Committee recommends that the management of the hospital establish an independent procurement unit in accordance to Section 13(a) of the Facilities Improvement Financing Act, 2023, and submit a status report to the Senate and a copy to the Auditor General within 60 days of adoption of this report. The Auditor General to keep this in view in the subsequent audit cycle.

20. Operating without an Approved Staff Establishment

An audit of the personnel records and the payroll showed that Marimanti Hospital had a total one hundred sixty-two (162) members of staff. However, the Hospital did not have a staff establishment approved by the Board. This is contrary to Section 26 of the Public Service Commission Act, 2017 which states that, for the purpose of this Part, "establishment of offices in the public service" means the determination and creation of the number and kinds of offices in the public service. The Management therefore engaged staff without proper mechanisms of identifying existence of vacancies during the year under review. In the circumstances, it was not possible to ascertain how the staff were held accountable for their jobs and whether there were over and under establishment during the year under review.

Management Response

The management wishes to state that the Facility does not have its independent Human Resource and Public Service Board. Recruitment of staff is done by the County Public Service Board while deployment is done by the County Department of Medical Services, Public Health and Sanitation in consultation with the Department of Human Resource. Management and Development at the County Headquarters.

Committee Observation

The Committee observed that the matter was satisfactorily addressed.

Committee Recommendation

The Committee recommends that the matter be marked resolved.

21. Expiry of Medical Supplies

The statement of financial position reflects Nil balance in respect to inventory. Review of the store records on pharmaceuticals and non-pharmaceuticals revealed that 1,985 units of various drugs of undetermined value had expired as in appendix 1 contrary to the requirement of Section 15 (a) of the Facilities Improvement Financing Act, 2023. Expiry of drugs and non-pharmaceuticals may imply weakness in internal control system over procurement of pharmaceutical and non-pharmaceuticals and could lead to financial losses due to expiry of drugs.

Management Response

The management acknowledges having challenges in storage of commodities due to limited space. The challenge has however been sorted and the expired drugs isolated and kept separately.

Committee Observation

The Committee observed that the hospital had 1,985 units of various drugs that had expired.

Committee Recommendation

The Committee recommends that the hospital ensure that it does not stock expired drugs in accordance with Section 15 (a) of the Facilities Improvement Financing Act, 2023. The Auditor General to keep this matter in view in the subsequent audit cycle.

CHAPTER FOUR: FUNDS

4.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THARAKA NITHI COUNTY BURSARY DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2024/2025.

The Committee received written management responses to the following queries raised in the report of Tharaka Nithi County Climate Change Fund for the Financial Year 2024/2025 –

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Tharaka Nithi County Bursary Development Fund for the period under review on the following basis-

1. Underfunding of County Bursary Fund

As previously reported, the County Government failed to allocate funds to the County Bursary Development Fund during the year under review. The students' bursaries disbursed were in respect of the allocation made in the previous year. Audit verification confirmed that the County Assembly appropriated Ksh. 5,230,391,193 from ordinary revenue and transfers from the National Government. In accordance with the relevant County Bursary Fund legislation, 1.5% of this funding, equivalent to Ksh. 78,455,868, ought to have been allocated to the Fund. However, no allocation was made in the year under review.

In the circumstances, the County Government was in breach of the law and the objective of ensuring sustainable and equitable financing of students' bursaries was not achieved.

Management Response

The Management acknowledges the under-funding of the Bursary Fund during the year under review. This was as result of withdrawal of funding initially appropriated for Bursary Fund by the County executive was following directive by the office of the Controller of Budget prohibiting the County Government from undertaking National Government functions as outlined in the Constitutional of Kenya, 2010 Fourth Schedule without intergovernmental agreement.

Committee Observation

The Committee observed that the County Executive of Tharaka Nithi withdrew funding that was meant for the Bursary fund following a directive by the the office of the Controller of Budget

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Ksh. 64,200,253 and Ksh. 34,200,253 respectively resulting to an under-funding of Ksh. 30,000,000 or 47% of the budget. Similarly, the Fund spent Ksh. 33,729,720 against actual receipts of Ksh. 34,200,253 resulting to an under-utilization of Ksh. 470,553 or 1% of the actual receipts.

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

Management Response

The Management acknowledges the under-performance of the Bursary Fund during the year under review. This was as result of withdrawal of funding initially appropriated for Bursary Fund by the County executive was following directive by the office of the Controller of Budget prohibiting the County Government from undertaking National Government function as outlined in the Constitutional of Kenya, 2010 Fourth Schedule without an intergovernmental agreement.

It is on this basis that, the County Government re-allocated budgetary provision during the FY 2024/2025 until the County complies with directive by Controller of Budget.

Committee Observation

The Committee observed that there was an under-funding of Ksh. 30,000,000 or 47% of the budget and to an under-utilization of Ksh. 470,553 or 1% of the actual receipts.

Committee Recommendation

The Committee recommends that –

- i. the Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply; and**
- ii. the National treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate.**

Other Matter

Prior Year Audit Matters

Review of the progress on follow up on prior year auditor's recommendations reveal that, an issue on underfunding of the Bursary Fund was raised under Lawfulness and Effectiveness in Use of Public Resources but remained unresolved contrary to Section 149(2)(1) of the Public Finance Management Act, 2012 which require Accounting

Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding. However, the matter has recurred and has been reiterated as a substantial matter in the report under review.

Management Response

The Management acknowledges the under- budgeting of the Bursary Fund during the year under review. This was as result of withdrawal of funding initially appropriated for Bursary Fund by the County executive was following directive by the office of the Controller of Budget prohibiting the County Government from undertaking National Government function as outlined in the Constitutional of Kenya, 2010 Fourth Schedule without an intergovernmental agreement.

Committee Observation

The Committee observed that the query remains unresolved as the management of the fund 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 ensures that the Accounting Officer resolves any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
- 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. Irregularities in Award of Bursaries

The Statement of Financial Performance reflects Students' Bursary amounting to Ksh. 32,673,289 as disclosed in Note 11 of the financial statements. However, audit review revealed that an amount of Ksh. 2,261,500 was awarded by the County Bursary Board to students in twenty-five (25) tertiary institutions within the county, contrary to Section 16. (b) of Tharaka Nithi County Bursary Fund Act, 2014 which states that ward bursary

committee recommends to the board the grant and award of bursaries to eligible students.

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

Management Response

The Management confirms having awarded bursary to students pursuing various technical courses with Vocational Training Centres within the County amounting to Ksh. 2,261,500 during the year under review.

The beneficiaries were part of applications received by the Ward Bursaries Committee and recommended for award to the Bursary Board.

Committee Observation

The Committee observed that the fund was in contravention to Section 16 (b) of Tharaka Nithi County Bursary Fund Act, 2014.

Committee Recommendation

The Committee recommends that the Governor ensure that the management of the fund adheres to Section 16(b) of Tharaka Nithi County Bursary Fund Act, 2014.

2. Irregular Appointment and Composition of County Bursary Board

Review of the County Bursary Board documentation revealed that seven (7) members were appointed as members of the Board. However, two (2) of these members were appointed as required by Section 8 (1) of Tharaka Nithi County Bursary Fund Act, 2014 by the County Executive Committee Member in charge of Finance and Economic Planning through a letter dated 4th May, 2023, Reference No. TNCG /FIN/ BUR/ EDU/ VOL1/1, instead of the Governor who is the Appointing Authority. Further, the total Board membership was seven (7), which exceeded the stipulated five (5) members provided for in the County legislation.

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

Management Response

The Management has taken note of Audit findings of the two (2) members appointed by the County Executive Committee Member in charge of Finance and Economic Planning. The two (2) members are the County Executive Committee Member in charge of Education and Vocational Training and the Director in Charge of ECDE who were co-opted in the Bursary Board.

The Bursary Board had five (5) members appointed in accordance to the legislation and the two (2) coopted members appointed by the CECM Finance and Economic Planning were to offer technical guidance to the board members in executing their mandates.

Committee Observation

The Committee observed that the fund had 2 members were appointed by the County Executive Committee Member in charge of Finance and Economic Planning. Further, the Committee observed that the total Board membership was seven (7), which exceeded the stipulated five (5) members provided for in the County legislation.

Committee Recommendation

The Committee recommends that the Governor ensure that the management of the fund adheres to Section 8 (1) of Tharaka Nithi County Bursary Fund Act, 2014.

3. Failure to Develop Regulations for the Fund

As previously reported, the Board did not developed Regulations in respect to the fund. This is contrary to section 10 of Tharaka Nithi County Bursaries Fund Act, 2014 on functions of the Board.

In the circumstance, the management was in breach of the law.

Management Response

The Management provides that we appreciate the audit findings and wish to respond that in Section 24 of the Tharaka Nithi County Bursaries Fund Act, 2014 which states “The Board May make regulations for the smooth running of the Fund and such regulations shall be approved by the County Assembly before implementation” under this section, the word”may” implicates that the regulations are not mandatory but the Board may come up with other guidelines to promote the functions of the Fund and to set the criteria and conditions to govern the granting of bursaries.

Committee Observation

The Committee observed that the Board of the Fund failed to develop regulations for the fund contrary to Section 10 of Tharaka Nithi County Bursaries Fund Act, 2014.

Committee Recommendation

The Committee recommends that the Governor ensure that the Board of the Fund ensures strict compliance with the provisions of section 10 of the Tharaka Nithi County Bursaries Fund Act, 2014, with regard to the development of Regulations for the Fund.

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

The Committee received written management responses to the following queries raised in the report of Tharaka Nithi County Climate Change Fund for the Financial Year 2024/2025 -

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Tharaka Nithi County Climate Change Fund for the period under review on the following basis-

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Ksh. 325,850,000 and Ksh. 161,071,772 respectively resulting to an under-funding of Ksh. 164,778,228 or 51% of the budget.

Similarly, the Fund spent Ksh. 161,069,637 against actual receipts of Ksh. 161,071,772 resulting to an under-utilization of Ksh. 2,135.

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

Management Response

The management acknowledges budget under performance during the year under review. This was occasioned by non-disbursement of conditional allocation donor funds amounting to Ksh. 128,246,228 by the National Treasury. The reason for non-disbursement of funds was not communicated to the County by the National Treasury.

Committee Observation

The Committee observed that there was an under-funding of Ksh. 164,778,228 or 51% of the budget.

Committee Recommendation

The Committee recommends that –

- i. the Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures failure to which**

provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply; and

- ii. the National treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate.**

Other Matter

Prior Year Audit Matters

Review of the progress on follow up on prior year auditor's recommendation reveal that, an issue on failure to establish a Board to administer the Fund was raised under Report on Effectiveness of Internal Control. Risk Management and Governance which remained unresolved contrary to Section 149 (2) (1) of the Public Finance Management Act, 2012 which requires Accounting Officer designated for County Government entities to try to resolve any issue resulting from an audit that remain outstanding.

However, the issue recurred during the year under review and was reiterated as a substantive paragraph.

Management Response

The Management acknowledges the matter as raised in the audit finding but wish to clarify that, the Fund has established Board. This board has been holding meetings and involved in various activities as per the attachments.

Committee Observation

The Committee observed that the query remains unresolved as the management of the fund 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)(1) 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, 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 –

Failure by Climate Change Fund to Transfer Funds to Finance Projects at Ward Level

The statement of financial performance for the year under review show that the project total expenditure amounted to Ksh. 87,918,927 and a further amount of Ksh. 88,045,262 for civil works as disclosed in Note 12 – property, plant and equipment all totaling to Ksh. 175,964,189. The Wards were therefore entitled to get 131,973,142 or 75% of the funds.

However, Management of the project did not send any money to the wards to finance projects initiated from the Ward level which was contrary to Part 1. (c) of the Second schedule on sharing of funds of Tharaka Nithi County Climate Change Fund Act, 2019 which states that seventy five percent of the available funds shall be allocated to projects received by the Ward Planning Committee and approved by the County Planning Committee.

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

Management Response

The climate funds available for utilization comprised that FLLoCA allocation and county counter part funding. The FLLoCA funds management at the County level carried out based on the program Grants manuals which provides that for accounting purposes, counties must, operate within IFMIS and the Standard Chart of Accounts.

This requirement therefore prohibits spending outside IFMIS hence all expenditure is restricted to Central Bank Special Purpose Account. The donor conditions supersedes the county legislation, consequently, the requirement to disburse funds to the Wards as per the County Act could not be implemented given the program implementation guidelines.

Committee Observation

The Committee observed that did not send any money to the wards to finance projects initiated from the Ward level.

Committee Recommendation

The Committee recommends that the Governor ensure that the management of the fund adheres to Part 1. (c) of the Second Schedule of funds of Tharaka Nithi County Climate Change Fund Act, 2019.

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. Operating Without a Board

As previously reported, Board minutes, attendance registers, notices of board meetings, schedule of allowances paid to Board members were not provided for audit. The functions of the Board as outlined in Section 6 of the Tharaka Nithi County Climate Change Fund Act 2019, which include to prepare the County Climate Finance Budget, oversee the execution of the County Climate Finance Budget and to approve the Ward and County disbursement proposals by the Fund Administrator, were therefore not performed.

In the circumstances, the Fund lacked proper oversight.

Management Response

The Management confirms that in accordance to the Tharaka Nithi Climate Change Act. 2019, the Fund Management Board was appointed in June 2021 with the nomination of the relevant representatives as per the Act.

The Board shall be administered by a Board of Directors which shall consist of—

a) One-person shall be appointed by the Governor from each constituency within the county and approved by the County Assembly, one of them shall be the

Chairperson.;

b)the Chief Officer in charge of Finance who shall be the fund administrator

c)the Chief Officer in charge of matters relating to climate change shall be the secretary.

d)the County Director of the National Drought Management Authority in the County.

e) one person representing Public Benefit Organizations operating in the County dealing with climate change issues.

f) One representative of the special groups (PLWD) woman or Youth).

g) A representative from NEMA

The Board is therefore properly constituted and undertaking its mandates as per the provision of the Tharaka Nithi County Climate Change Act, 2019 and has engaged in various activities and meetings as per the attachments.

Committee Observation

The Committee observed that whereas board minutes, attendance registers, notices of board meetings, schedule of allowances paid to Board members were submitted to 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 ensures 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, Cap.412B.

Lack of Ward Planning Committees

The statement of financial position reflects property, plant and equipment balance of Ksh. 86,387,330 and as disclosed in Note 12 of the financial statements which further includes an amount of Ksh. 88,045,262 in respect of additions to civil works. However, there is no evidence that there were Ward Planning Committees in the various wards within Tharaka Nithi County to initiate the civil works projects. Further, there is no proof that there were community consultation forums to deliberate on the climate agenda at different locations in the ward.

In addition, there is no evidence that there were reports submitted to the County Planning committee with views from the ward members as required by law.

In the circumstance, project conceptualization may not have been effective.

Management Response

The Management confirms that, the County did establish the Ward Planning Committees during the inception period and which were critical in identification of the project been implemented by the Fund. During the year under review, the Fund was implementing projects that had been previously approved by the Ward Planning Committees. The reports were submitted for audit review.

Committee Observation

The Committee observed that whereas the supporting documentation was submitted to 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 ensures 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, Cap.412B.

4.3 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THARAKA NITHI COUNTY EMERGENCY FUND FOR THE FINANCIAL YEAR 2024/2025.

The Committee received written management responses to the following queries raised in the report of Tharaka Nithi County Climate Change Fund for the Financial Year 2024/2025 –

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Tharaka Nithi County Emergency Fund for the period under review on the following basis-

Emphasis of Matter

Inadequate Budget Allocation for Emergency Fund

The statement of financial position reflects cash and cash equivalents balance of Ksh. 836,536 as disclosed in Note 8 to the financial statements which was the balance in the Emergency Fund Account. Review of budget records reveals that the County had a total approved budget of Ksh. 6,466,615,529 but allocated only Ksh. 10,000,000 in respect to Emergency Fund representing 0.15% of the budget against the required 0.5%. However, the amount allocated was not disbursed to the Fund. Further, the County Assembly ought to have appropriated an amount of Ksh. 32,333,078 towards Emergency Fund in compliance with Section 3 of Tharaka-Nithi County Emergency Fund Act, 2016. However, no amount was disbursed by the County Government to the Emergency Fund during the year under review.

In the circumstances, it was not possible to confirm the preparedness of the Fund Management in case of an emergency.

Management Response

Tharaka Nithi County Emergency Fund established in accordance to Public Finance Management Act, 2012, Section 110 and Tharaka Nithi County Emergency Fund Act, 2016 to provide for resources to handle emergencies within the County.

The Fund Management is cognizant of the requirement to allocate 0.5% of the total revenue to the Fund to defray expenditure from an emergency occurrence. The amount is held pending a probable occurrence.

During the year under review the County had allocated an amount of Ksh. 10,000,000. However, the expenditure was incurred during the last week of June 2025 and hence there was no sufficient time to seek County Assembly approval for the expenditure incurred and authorization for reimbursement of the funds

The County has made budgetary allocation during the current financial year to reimburse the Emergency Fund with an equivalent of amount utilized during the previous year.

Committee Observation

The Committee observed that the fund did not receive the Ksh 10,000,000 that was allocated to it during the year under review and the amount appropriated ought to be Ksh. 32,333,07 in accordance to Section 3 of Tharaka-Nithi County Emergency Fund Act, 2016.

Committee recommendation

The Committee recommends that the Governor ensures that Tharaka-Nithi County Emergency Fund is adequately funded in accordance to to Section 3 of Tharaka-Nithi County Emergency Fund Act, 2016.

4.4 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THARAKA NITHI COUNTY EXECUTIVE STAFF MORTGAGE AND LOAN SCHEME FUND FOR THE FINANCIAL YEAR 2024/2025.

The Committee received written management responses to the following queries raised in the report of Tharaka Nithi County Climate Change Fund for the Financial Year 2024/2025 –

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Tharaka Nithi County Executive Staff Mortgage and Loan Scheme Fund for the period under review on the following basis-

Budgetary Control and Performance.

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Ksh. 27,295,557 and Ksh. 24,007,895 respectively resulting to over-funding of Ksh. 3,287,662 or 12% of the budget.

Similarly, the Fund spent Ksh. 7,165,104 against actual receipts of Ksh. 24,007,895 resulting to an under-utilization of Ksh. 16,842,791 or 70% of the actual receipts.

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

Management Response

The Management acknowledges under funding of the Mortgage Fund with an amount of Ksh. 3,287,662 for the year ended 30 th June 2025

The underfunding relates to loan recoveries from staff salaries for the month of May and June 2025 which was received in the month of July 2025 and September 2025 respectively.

The reported under-utilization of the funds was occasioned in consideration that, the funds were insufficient to roll out the credits to all County employees and priority was accorded to County Executive Committee Members (CECMS) and Chief Officers.

However, the contract of service of the Chief Officers was due for expiry in September 2025 and hence there was need to delay disbursement of mortgages and loans until after extension of the contracts.

The Fund has since invited Chief Officers and Members of the County Public Service Board to submit their application for mortgage or car loan with facility expected to be dispensed from February 2026.

Committee Observation

The Committee observed that there was an over-funding of Ksh. 3,287,662 or 12% of the budget and under-utilization of Ksh. 16,842,791 or 70% of the actual receipts.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. the National Treasury ensures timely disbursement of funds to counties.**

4.5 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THARAKA NITHI COUNTY YOUTH EMPOWERMENT FUND FOR THE FINANCIAL YEAR 2024/2025.

The Committee received written management responses to the following queries raised in the report of Tharaka Nithi County Climate Change Fund for the Financial Year 2024/2025 –

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Tharaka Nithi County Youth Empowerment Fund for the period under review on the following basis-

Other Matter

Prior Year Audit Matters

Review of the progress on follow-up on prior year auditor's recommendations reveal that, 2 (Two) issues were raised under Report on Lawfulness and Effectiveness in Use of Public Resources.

Committee Observation

The Committee observed that the query remains unresolved as the management of the fund 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 ensures that the Accounting Officer resolves any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
- 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.**

1. Lack of Annual Work Plan

The Fund did not have an annual work plan.

Management Response

The Management acknowledges the Fund had not prepared Annual Work Plan during the year under review. Previous audits, monitoring and evaluation reports revealed that the programme did not achieve intended results from the previous exercise and therefore there is need to re-evaluate and come up with more accountable approach.

Some of the groups either mismanaged the equipment provided while other lacked the requisite capital to sustain the business.

Therefore, the County executive is currently undertaking a prefeasibility study to identify the gaps and more effective and efficient strategies of allocating public funds to in support of youth enterprise.

The County in corroboration with a local commercial bank came up with youth training support programme (Tujiaajili) where the bank and the county contribute equal amount towards training of youth to develop business and technical skills in Vocational Technical Centres before engaging in capital intensive ventures.

With this youth training programme still ongoing, the County has suspended the previous plans and focus on capacity building.

Committee Observation

The Committee observed that the fund did not have a work plan.

Committee Recommendation

The Committee recommends that the Governor ensure that the management of the fund continuously prepares an annual plan in every financial year. The Auditor General to keep this matter in view in the subsequent audit cycle.

2. Lack of Needs Assessment Programmes

Review of records revealed that needs assessment program to determine needs, concerns and priorities of the youths was not carried out.

However, the matters have remained unresolved contrary to Section 149(2)(1) of the Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

Management Response

The Management acknowledges the Fund had not prepared Need Assessment Programme during the year under review.

The County executive is currently undertaking a prefeasibility study to identify the gaps and more effective and efficient strategies of allocating public funds to in support of youth enterprise and making the Fund more effective.

Committee Observation

The Committee observed that the fund did not undertake a needs assessment programme.

Committee Recommendation

The Committee recommends that the Governor ensure that the management of the fund undertake a needs assessment within 60 days of the adoption of this report and submit a status report to the Senate and a copy to the Auditor General. The Auditor General to keep this matter in view in the subsequent audit cycle.

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. Failure to Operationalize the Youth Empowerment Fund

The statement of comparison of budget and actual amounts for the year ended 30 June, 2025, reflects zero budgetary allocation to the Fund by the County Executive, thereby rendering it non-operational. Consequently, the Fund was unable to achieve its intended purpose as outlined in Section 7 of the Youth Empowerment Fund Act, 2020.

The Act envisages the Fund as a vehicle for empowering the youth through access to capital and financial facilities, promoting socio-economic development, facilitating linkages with larger enterprises and development partners, supporting marketing of youth enterprises, providing entrepreneurship training, rehabilitating those affected by drug and substance abuse, and establishing talent development facilities.

The failure to allocate resources undermines the realization of these objectives and denies the youth access to critical opportunities and services

Management Response

The Management acknowledges the Fund has not operated during the year under review. This was informed from previous audits, monitoring and evaluation reports that the programme did not achieve intended results from the previous exercise and therefore there is need to re-evaluate and come up with more accountable approach. Some of the groups either mismanaged the equipment provided while other lacked the requisite capital to sustain the business.

The County is currently in corroboration with local commercial bank come up with youth training support programme (Tujiaajili) where the bank and the county contribute equal amount towards training of youth to develop business and technical skills before engaging in capital intensive venture. The County has therefore suspended the previous plans and focus on youth training.

Committee Observation

The Committee observed that the fund was not operationalized by the county executive.

Committee Recommendation

The Committee recommends that the Governor adheres to Section 7 of the Youth Empowerment Fund Act, 2020 by operationalizing the Youth Empowerment Fund.

2. Non-Compliance with the Composition of the Youth Empowerment Committee

Review of the Youth Empowerment Committee composition revealed that it is not properly constituted as required under Section 11 of the Tharaka Nithi County Youth Empowerment Act, 2020. Specifically, the Committee includes the County Executive Committee Member (CEC) for Youth, who is not provided for as a member under the Act. In addition, the Committee lacks youth representatives from each Sub-County as well as a youth representative of persons with disability. This composition falls short of the legal requirements and undermines the principle of inclusivity and representation envisaged in the Act.

In the circumstance, the non-compliance with the Act leads to poor governance, lack of inclusivity, and weakness in youth representation.

Management Response

The Management takes note of the findings on none – compliance with composition of the Youth Empowerment Committee. The Fund is in process of amended the Act to change the mode of operation and new committee will be formed once the Fund is operationalized under new legal framework.

Committee Observation

The Committee observed that the fund is not properly constituted as required by Section 11 of the Tharaka Nithi County Youth Empowerment Act, 2020.

Committee Recommendation

The Committee recommends that the Governor ensures that the management of the fund adhere to Section 11 of the Tharaka Nithi County Youth Empowerment Act, 2020.

Date - 26/2/2024
labeled by Sen. Cheranjer
Committee - CPI & SIF
Client - Behndahi

ANNEXTURES

Minutes

PAPERS LAID	
DATE	26/3/2026
TABLED BY	Sen. Cheraky
COMMITTEE	CPI & S.F
CLERK AT THE TABLE	Behindab



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 |
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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
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B. ETHICS AND ANTI CORRUPTION COMMISION

Mr. Patrick Kinoti	-Liaison Officer
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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
		Ishara 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

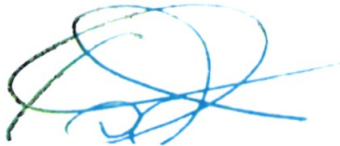
4. Iten County Referral Hospital
5. Tambach Sub-County Hospital
6. Elgeyo Marakwet County Assembly Catering Services Revolving Fund
7. Elgeyo Marakwet Alcoholic Drinks and Control Fund-Executive
8. Elgeyo Marakwet Car and Mortgage Revolving Fund-Executive
9. Elgeyo Marakwet County Climate Change Fund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