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THE SENATE

CLERK AT THE TABLE THIRTEENTH PARLIAMENT – FIFTH SESSION

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

SECTOR	NO.	ENTITY
WATER COMPANY	1	BOMET WATER AND SANITATION COMPANY LIMITED (BOMWASCO)
MUNICIPALITY	1	BOMET MUNICIPALITY
HOSPITALS	5	CHEPTALAL LEVEL 3B HOSPITAL
		KAPKOROS LEVEL 3A HOSPITAL
		LONGISA LEVEL 4 HOSPITAL
		NDANAI LEVEL 4 HOSPITAL
		SIGOR LEVEL 4 SUB-COUNTY HOSPITAL
FUNDS	4	BOMET COUNTY EDUCATION REVOLVING FUND
		BOMET COUNTY BURSARY FUND
		BOMET COUNTY CLIMATE CHANGE FUND
		BOMET COUNTY EXECUTIVE CAR AND MORTGAGE SCHEME FUND

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

30/03/26

MARCH, 2026

TABLE OF CONTENTS

ACRONYMS/ABBREVIATION5

DEFINITION OF TERMS6

PREFACE7

COMMITTEE MEMBERSHIP8

ESTABLISHMENT OF THE COMMITTEE9

EXECUTIVE SUMMARY10

REPORT STRUCTURE11

GENERAL OBSERVATIONS FOR THE WATER COMPANY12

GENERAL RECOMMENDATIONS FOR THE WATER COMPANY14

GENERAL OBSERVATIONS FOR THE MUNICIPALITY14

GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY16

GENERAL OBSERVATIONS FOR HOSPITALS17

GENERAL RECOMMENDATIONS FOR HOSPITALS19

ACKNOWLEDGEMENTS22

CHAPTER ONE: WATER COMPANY22

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/202522

CHAPTER TWO: MUNICIPALITY61

2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MUNICIPALITY OF BOMET FOR THE FINANCIAL YEAR 2024/202561

CHAPTER THREE: HOSPITALS76

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR CHEPTALAL LEVEL 3B HOSPITAL FOR THE FINANCIAL YEAR 2024/202576

3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KAPKOROS LEVEL 3A HOSPITAL FOR THE FINANCIAL YEAR 2024/202597

3.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NDANAI LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025107

3.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR LONGISA LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025121

3.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR SIGOR SUB-COUNTY LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025134

CHAPTER FOUR: FUNDS161

4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET COUNTY EDUCATION REVOLVING FUND FOR THE FINANCIAL YEAR 2024/2025161

4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2024/2025168

4.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET COUNTY CLIMATE CHANGE FUND FOR THE FINANCIAL YEAR 2024/2025174

4.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET COUNTY
EXECUTIVE CAR AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEAR
2024/2025.....186

ACRONYMS/ABBREVIATION

BOMWASCO	Bomet Water and Sanitation Company
CECM	County Executive Committee Member
FIF	Facilities Improvement Financing Act
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
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
TNT	The National Treasury
UHC	Universal Health Coverage
WASREB	Water Services Regulatory Board
WRA	Water Resources Authority
WSP	Water Service Provider

DEFINITION OF TERMS

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

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 the county funds, within six months after the end of each financial year.

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Bomet County Water Company, Municipality and Hospitals for the Financial Year 2024/2025. The entities considered include Bomet Water and Sanitation Company (BOMWASCO); Bomet Municipality; Cheptalal Level 3B Hospital, Kapkoros Level 3A Hospital, Longisa Level 4 Hospital, Ndanai Level 4 Hospital and Sigor Level 4 Subcounty Hospital.

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

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 |
| 1. Mr. Erick Ososi | - Research Officer I |
| 2. Ms. Linet Aseka | - Research Officer III |
| 3. Ms. Raisa Mwithi | - Research Officer III |
| 4. Mr. Martin Mulandi | - Research Officer III |
| 5. Mr. Peter Katana Kahindi | - Research Officer III |
| 6. Ms. Janice Lekuton | - Research Officer III |
| 7. Ms. Hamun Abdille | - Research Officer III |
| 8. Mr. David Munene | - Research Officer III |
| 9. Mr. Josphat Ng'eno | - Media Relations officer. |
| 10. Mr. Victor Kimani | - Audio officer |
| 11. Mr. Patrick Ngenoh | - Procurement officer |
| 12. 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 Bomet water company, municipality and hospitals for the Financial year 2024/2025 (1st July, 2024 to 30th June 2025) as the primary documents for the investigations. The Committee invited the Governor of Bomet as the Chief Executive Officer pursuant to Article 179(4) as witnesses to respond to the audit queries raised in the reports under consideration.

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

This report presents the findings and recommendations of the Select Committee on County Public Investments and Special Funds following its consideration of the Auditor-General's reports on seven (7) entities in Bomet County for the Financial Year 2024/2025. The entities covered are: one (1) water company- Bomet Water and Sanitation Company (BOMWASCO); one (1) Municipality – Bomet Municipality; and five (5) hospitals – Cheptalal Level 3B Hospital, Kapkoros Level 3A Hospital, Longisa Level 4 Hospital, Ndanai Level 4 Hospital and Sigor Level 4 Subcounty Hospital.

Six entities received Qualified Opinion, while Ndanai Level 4 Hospital received an Adverse opinion from the Auditor-General, indicating the existence of significant audit issues that require urgent management attention and corrective action.

The key issues identified across the entities include: inaccuracies in the financial statements; inaccuracies in property plant and equipment; unsupported documentation; going concern uncertainties arising from accumulated losses and negative working capital; irregular engagement of casual employees; non-remittance of statutory deductions; unresolved prior year audit matters; budgetary control issues; over-reliance on County Government transfers; non-compliance with procurement regulations; failure to retain Facilities Improvement Funds (FIF) at the hospitals; Non-compliance with the Kenya Quality Model for Health Policy Guidelines and weaknesses in internal controls and governance.

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

REPORT STRUCTURE

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

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

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

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for Bomet Hospitals for the Financial Year 2024/2025, along with the Committee's observations and recommendations for each audit query.

CHAPTER FOUR is a record of the observations and recommendations of the committee on Funds that were audited during the financial year 2024/2025 in Bomet County.

GENERAL OBSERVATIONS FOR THE WATER COMPANY

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

1. **Non-Revenue Water (NRW)** – The Committee observed that the Water Company recorded NRW levels of 63%, 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.
2. **Deficiencies in Financial Reporting** – The Committee noted widespread inaccuracies and errors in the preparation and presentation of financial statements. Furthermore, both Accounting Officers and Managing Directors exhibited challenges in complying with Section 62 of the Public Audit Act, Cap. 412B, by failing to submit supporting documents to auditors on time. This impedes the accountability and audit process, while the persistent delays in finalizing complete financial statements point to a lack of requisite competencies and experience within the entities.
3. **Material Uncertainty Regarding Going Concern** – The committee noted that the water company reported negative working capital during the review period, rendering it unable to meet short-term financial obligations as they fall due. Its continued operation is heavily reliant on financial support from County Executive or development partners, raising material doubts about their long-term financial sustainability.
4. **Weak Budgetary Control and Performance** – The Committee observed that the water company had widespread weaknesses in budget execution. The Water company frequently failed to adhere to approved budget ceilings, resulting in either over-utilization or under-utilization of appropriated funds.
5. **Incomplete Transfer of Assets and Liabilities** – The Committee observed that the water company had not fully completed the transfer of assets and liabilities from the defunct local authorities and Regional Water Works Development Agencies, as required by the Water Act, Cap.372. This omission prevents it from presenting a true and fair view of their financial position in their books of account.
6. **Lack of an Updated Fixed Asset Register** – The Committee observed that the water company failed to maintain and update their fixed asset registers, contrary to National Treasury Circular No. 5/2020. This omission exposes company assets to significant risks, including loss, waste, and misuse. The Committee further noted that the National Treasury issued a circular no. 5/2020 of 25th February 2020 on the preparation of asset registers for entities in County Governments.

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 Water Companies: -

1. **Mitigation of Non-Revenue Water** - The Governor ensures the Board of Directors and Accounting Officers 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. **Enhancement of Record Keeping and Audit Compliance** - The Governor ensures the Board and Accounting Officers maintain proper record keeping and provide all requisite supporting documents to the Auditor-General in accordance with Section 9(1)(e) of the Public Audit Act, Cap. 412B, within the stipulated audit timelines. Adherence to the provisions of the Accountants Act, Cap. 531, is mandatory. Failure to comply with these requirements shall necessitate the invocation of Section 62 of the Public Audit Act by the Committee.
3. **Strengthening Financial Sustainability and Asset Management** - The Board, Accounting Officers and the County Government should review and regularizing existing assets, finalizing service provider agreements from the defunct local authorities, and maintaining updated asset registers that accurately reflect the current financial position. Companies must determine and ascertain their commercial viability as required by the PSASB. Any financial support received from the County Executive should be clearly classified in the books of account as either a conditional grant or a donation, and should not be treated as a direct transfer. Furthermore, County Governor, through the County Executive Committee member responsible for water, is urged to monitor the financial operations of water companies pursuant to Section 184 of the Public Finance Management Act, Cap. 412A.
4. **Prudent Budgetary Planning and Control** – The Governor ensures the Board and accounting officers prepare realistic budgets and revenue projections to prevent issues of revenue shortfalls, that negatively impact service delivery. In the budget preparation process, the Board should consider previous budgetary allocations and ensure that any proposed increases are reasonable and justified. The Board must also seek the necessary statutory approvals by forwarding budget estimates to the County Executive Committee member for water, who

shall subsequently submit them to the County Treasury as required by law. Additionally, water companies are encouraged to automate their billing systems to enhance revenue collection efficiency.

5. **Expediting Transfer of Assets and Liabilities** - The Governor should engage the Inter-Governmental Relations Technical Committee (IGRTC) and the relevant Regional Water Works Development Agencies to fast-track on the transfer of the assets and liabilities so that they reflect a true position of the companies in their books of account.
6. **Maintenance of Updated Fixed Asset Registers** – The Governor through the Board of Directors and the managing director ensures the water company maintains updated fixed asset registers in compliance with section 136 (1) of the Public Finance Management (County Government) Regulations, 2015 and in the format prescribed by the National Treasury and submit the same to the Auditor-General within 60 days from the adoption of this report.

GENERAL OBSERVATIONS FOR THE MUNICIPALITY

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

1. **Lack of Operational Autonomy of Municipality** – The Committee observed that the municipality lacked operational independence from the County Executive in areas of management, function and finances. This contravened sections 12 on Management independence, 20 on functional independence, 45 and 46 on financial independence of the Urban Areas and Cities Act, 2011 CAP. 275, which collectively guarantee municipalities the autonomy necessary for effective governance.
2. **Asset Management-** The Committee observed that the assets belonging to municipality were still being held and managed by the county executive. Consequently, this made the municipalities not to maintain and update the asset registers which was contrary to section 104(1)(h) of the Public Finance Management Act, 2012 . Thus, the true financial position of the municipalities could not be reflected in the financial statements.
3. **Late Submission of Audit Documents**– The Committee noted that the Auditor-General encountered significant challenges due to the late submission of supporting documents by municipality during the audit process. This delay hinders the accountability and audit process and contravenes Section 62 of the Public Audit Act, Cap. 412B, which mandates timely provision of documentation.
4. **Weak Budgetary Control and Performance** – The Committee observed that municipality had weaknesses in executing their approved budgets and did not adhere to the approved budget ceilings set for programs. The municipality either over-utilized or under-utilized the appropriated funds.

GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY

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

1. **Enforcement of Municipal Autonomy** - The Governor ensures the County Executive Committee member responsible for lands, housing, and urban development should, within sixty (60) days of the adoption of this report, take immediate steps to operationalize Sections 12, 20, 45, and 46 of the Urban Areas and Cities Act, 2011, by formally delegating management, functional, and financial powers to the Municipal Boards and Managers. The Municipal Board

shall thereafter provide a compliance report to the County Assembly and the Senate Committee on County Public Investments and Special Funds.

2. **Transfer of Assets and Maintenance of Asset Registers** -The Governor ensures the County Executive Committee member responsible for finance and economic planning shall, within sixty (60) days of the adoption of this report, execute a formal instrument transferring custody and management of all assets belonging to the municipality. Upon transfer, the Municipal Manager shall immediately cause the preparation and regular updating of a comprehensive fixed asset register in compliance with Section 104(1)(h) of the Public Finance Management Act, 2012, and National Treasury guidelines. A copy of the transferred asset register shall be submitted to the Auditor-General within thirty (30) days of completion.
3. **Timely Submission of Audit Documents** - The Governor through the Municipal Manager and the head of finance, is hereby directed to ensure that all supporting documents requested by the Auditor-General are submitted within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B. The Municipal Board shall institute an internal tracking mechanism to monitor compliance, and any officer found to have caused undue delay shall be subject to disciplinary action.
4. **Adherence to Approved Budgets** - The Governor ensures the Municipal Manager enforces strict adherence to approved budget ceilings for all programs and should ensure that any reallocation of funds between programs receives prior written approval from the Municipal Board and, where required, the County Treasury. A quarterly budget performance report shall be prepared and submitted to the Municipal Board for review.

GENERAL OBSERVATIONS FOR HOSPITALS

The Committee observed that-

- 1. Non-Compliance with Kenya Quality Model for Health Policy Guidelines -**
The Committee observed that the hospitals did not fully comply with the Universal Healthcare standards as they were inadequately staffed and were not equipped with all the medical equipment for the hospitals to be fully operational.
- 2. Failure to Retain Facilities Improvement Funds (FIF) at the Hospitals -** The Committee observed that the hospitals transferred funds to the County Revenue Fund which was in contravention to Section 5(1) of the FIF Act, 2023, which requires health facilities to retain all monies they generate.
- 3. Non-Remittance of Statutory Deductions –** The Committee observed that the hospitals failed to remit NITA, SHA, Affordable Housing Levy, NSSF, PAYE, WIBA payments which contravenes the National Industrial Training Act, Section 48(1) of the Social insurance Act 2023, Section 20(1) of the NSSF Act 2023 and Section 7 of the Work injury Benefits Act 2007 respectively.
- 4. Inaccuracies of the Financial Statements -** The Committee observed that there were inaccuracies and errors in regards to 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. This impedes the accountability and audit process. The persistent delays in preparing complete financial statements indicate a lack of requisite competencies and experience within hospital finance departments.
- 5. Non-Compliance with Ethnic Inclusivity Requirements -** The Committee observed that some hospitals are non-compliant with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N, which requires that all public offices seek to represent the diversity of the people of Kenya in staff employment and that no public institution shall have more than one-third of its establishment from the same ethnic community. Additionally, Section 65(1)(e) of the County Government Act, Cap. 265, requires that at least 30% of vacant posts at the entry level be filled by candidates who are not from the dominant ethnic community in the county. The Committee noted with concern that some hospitals, such as Migori County Level 4 Hospital, had 92% of their staff originating from the same ethnic community.
- 6. Weak Budgetary Control and Performance–** The Committee observed that a number of hospitals exhibit weaknesses in budget execution and fail to adhere to approved budget ceilings for programs. Hospitals were observed to either over-utilize or under-utilize appropriated funds. In some instances, funds were reallocated to items that were not budgeted for without prior approval by the

Board of Directors. Additionally, hospitals experience high revenue shortfalls attributable to unrealistic budgeting and poor revenue forecasting.

7. **Incomplete Transfer of Assets and Deficient Asset Registers:** The Committee observed that most hospitals have not fully taken custody of assets from the County Executive and consequently do not maintain updated fixed asset registers as required by Section 149(2)(o) of the Public Finance Management Act, 2012, Cap. 412A. As a result, these hospitals are unable to reflect their correct financial position in their books of account, exposing assets to risk of loss, misuse, or misappropriation.

GENERAL RECOMMENDATIONS FOR HOSPITALS

The Committee recommends that-

1. **Compliance with Kenya Quality Model for Health Policy Guidelines -** The Governor should ensure the Accounting Officer submit 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 encourage the ongoing training and prioritize new recruitments to fill gaps in medical personnel, ensuring specialized services can be offered in-house.
2. **Retention of Facilities Improvement Funds (FIF) at the Hospitals –** The Governor should ensure that the Chief Accounting Officer and the Hospital Administrator ensure compliance to the FIF Act, 2023, and retain all monies within the facilities.
3. **Remittance of Statutory Deductions –** The Governor should ensure that the accounting officer ensures compliance with the National Industrial Training Act, Section 48(1) of the Social Insurance Act 2023, Section 20(1) of the NSSF Act 2023 and Section 7 of the Work Injury Benefits Act 2007, and remit the statutory deductions to avoid penalties.
4. **Capacity Building on Financial Reporting Standards -** The Governor, through the Board of Directors, in consultation with the Public Sector Accounting Standards Board (PSASB), should facilitate continuous capacity building on financial reporting standards for finance officers and management in hospitals to improve the quality of reporting and enhance compliance. The Board should ensure that accountants possess the requisite competency and experience in financial management as required by the Accountants Act. Furthermore, the Accounting Officer should ensure compliance with the financial reporting template prescribed by the National Treasury. These measures will strengthen the maintenance of books of accounts, improve the preparation of financial

statements, and ensure timely submission of statements and documents to the Auditor-General.

5. **Compliance with Ethnic Inclusivity Requirements** - The Board and County Government should make deliberate and progressive efforts to comply with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N, and Section 65(1)(e) of the County Governments Act, Cap. 265, regarding diversity, the realization of the one-third rule in public sector recruitment, and ethnic inclusivity. To this end, the Board and County Governments should develop and adopt a formal diversity policy aimed at achieving full compliance with the law. Compliance status shall be reviewed in the subsequent audit period.
6. **Preparation of Realistic Budgets and Revenue Projections** - The Governor ensures the Board and Accounting Officers prepare 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. Additionally, the Board should seek the necessary approvals by forwarding budget estimates to the County Executive Committee member for health, who shall then submit them to the County Treasury as required by law. Further, hospitals should automate their billing systems to enhance revenue collection and financial control.
7. **Transfer of Assets and Maintenance of Fixed Asset Registers** - The Governor should ensure that all assets are formally transferred to hospitals to enable them to reflect their true financial position in their books of account. The Board of Directors and the Managing Director should ensure that hospitals maintain updated fixed asset registers pursuant to Section 136(1) of the Public Finance Management (County Government) Regulations, 2015, in the format prescribed by the National Treasury, and submit the same to the Auditor-General within sixty (60) days of the adoption of this report.

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.

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

SIGNED: 




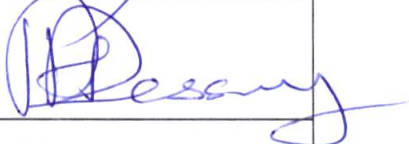

DATE: 24/3/2026

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 BOMET FOR THE FINANCIAL YEAR 2024/2025**

SECTOR	NO.	ENTITY
WATER COMPANY	1	BOMET WATER AND SANITATION COMPANY LIMITED (BOMWASCO)
MUNICIPALITY	1	BOMET MUNICIPALITY
HOSPITALS	5	CHEPTALAL LEVEL 3B HOSPITAL
		KAPKOROS LEVEL 3A HOSPITAL
		LONGISA LEVEL 4 HOSPITAL
		NDANAI LEVEL 4 HOSPITAL
		SIGOR LEVEL 4 SUB-COUNTY HOSPITAL
FUNDS	4	BOMET COUNTY EDUCATION REVOLVING FUND
		BOMET COUNTY BURSARY FUND
		BOMET COUNTY CLIMATE CHANGE FUND
		BOMET COUNTY EXECUTIVE CAR AND MORTGAGE SCHEME 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 BOMET WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025

The Governor of Bomet County, Hon. Prof. Hillary Barchok, EGH, appeared before the Committee on Thursday, 29th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Bomet Water and Sanitation Company (BOMWASCO) Limited for the Financial Year 2024/2025. The following officers accompanied the Governor—

1. Solomon Kimeto - Chief Officer Water
2. CS Kiprotich Towet - Ag. Managing Director BOMWASCO
3. Benard Ronoh - Chief Finance Manager BOMWASCO

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Bomet Water and Sanitation Company (BOMWASCO) Limited for the financial year on the following basis—

1. Unsupported Grants from County Government of Bomet

The statement of profit or loss and other comprehensive income reflects grants income amounting to Kshs. 86,804,712 as further disclosed in Note 7 to the financial statements. The grants income includes subsidies in kind totaling Kshs. 37,508,782 in respect of electricity bills directly paid by the County Government of Bomet on behalf of the Company. However, the supporting payment vouchers, electricity bills, request letters to and the corresponding approvals from the County Treasury in support of the payments were not provided for review.

Further, the amount includes cash transfers from the County Government totaling Kshs. 41,000,000. However, the Authority to Incur Expenditure and memorandum of understanding between the County Government and the Water Company in support of the transfers were not provided for audit review.

In the circumstances, the accuracy and completeness of the grant incomes amounting to Kshs. 86,804,712 could not be confirmed.

Management Response

Management acknowledges the audit observation regarding the unsupported grant income totaling Kshs. 86,804,712 as reflected in the statement of profit or loss and other comprehensive income and disclosed under Note 7 to the financial statements.

Subsidies in Kind (Electricity Bills) Kshs. 37,508,782.

The amount relates to payments made directly by the County Government of Bomet to Kenya Power on behalf of the Company to settle outstanding electricity bills. These payments were part of the county's continued support to ensure uninterrupted water supply to the residents. However, due to administrative and communication gaps between the County Treasury and the Company during the financial year, the supporting documents (payment vouchers, electricity bills, request letters, and approval correspondences) were not availed at the time of audit review. Management is currently engaging the County Treasury to obtain and avail the relevant documentation to support these transactions for verification in subsequent audits.

Committee Observations

The Committee observed that-

1. the supporting payment vouchers, electricity bills, request letters to and the corresponding approvals from the County Treasury in support of the payments amounting to Kshs. 86,804,712 were not provided for review.
2. the supporting documents for Subsidies in Kind (Electricity Bills) amounting to Kshs. 37,508,782, i.e. payment vouchers, electricity bills, request letters and approvals correspondences were not provided for audit review.

Committee Recommendations

The Committee recommends that-

- i. **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; and**
 - ii. **The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**
2. **Unsupported Maintenance Expenses**

The statement of profit and loss and other comprehensive reflects maintenance expenses amounting to Kshs. 6,748,025. The amount includes expenditure incurred on maintenance of infrastructural network, motor vehicles and motor cycles and repairs on plant and equipment amounting to Kshs. 5,131,477, Kshs. 581,290 and Kshs. 563,478 respectively, all totaling Kshs. 6,276,245 as disclosed in Note 11 to the financial statements. However, the expenditure was not supported with pre and post inspection reports to show requests for repairs, the repairs recommended and the nature and extent of repairs carried out.

Further, included in the maintenance expenditure of infrastructural network is Kshs. 1,936,253 incurred on construction of an elevated steel tank which is a capital expenditure and which should have been capitalized under acquisition of property, plant and equipment. The Company also engaged casual workers to carry out works related to infrastructural network. However, the muster rolls containing details of the worker's identification numbers, job descriptions and the locations where the works were carried out and signed off as proof of work done were not provided for audit.

In the circumstances, the accuracy and completeness of maintenance expenses amounting to Kshs. 6,748,025 could not be confirmed.

Management Response

Management acknowledges the audit observation regarding unsupported maintenance expenses amounting to Kshs. 6,748,025 as reflected in Note 11 to the financial statements. The expenditures mainly relate to maintenance of the infrastructural network, motor vehicles, motor cycles, and repairs of plant and equipment.

Due to high frequencies of maintenance work particularly on infrastructural networks, it might not be practically possible to have pre and post inspection reports for every leakage and burst but instead we maintained incidence occurrence books for bursts and leakages.

The management however maintained inspection reports for maintenance works such as motor vehicles, motor cycles, and repairs of plant and equipment.

Included in the maintenance expenditure of infrastructural network is an amount of Kshs. 1,936,253 in respect of Kapkwen pipeline extension. It is worth noting that not every component under this contract was capital works but some of the components were expenses including labor, pipes and fittings relating to pipeline extension. Part of the capital items was captured under additions to PPEs of Kshs. 721,700 for the construction of water kiosk, meters as well as electric Pumpset as per the IPC raised.

Kapkwen pipeline extension works were subcontracted wholly hence casual wages were being serviced by the contractor.

Committee Observations

The Committee observed that-

1. Maintenance expenditure amounting to Kshs. 6,748,025 was not supported with pre and post inspection reports to show requests for repairs, the repairs recommended and the nature and extent of repairs carried out.
2. The muster rolls containing details of the worker's identification numbers, job descriptions and the locations where the works were carried out and signed off as proof of work done were not provided for audit
3. The management-maintained incidence occurrence books for bursts and leakages and inspection reports for maintenance works such as motor vehicles, motor cycles, and repairs of plant and equipment

Committee Recommendations

The Committee recommends that-

- i. **The Governor, through 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;**
 - ii. **The Governor, through the Accounting Officer should ensure compliance with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**
 - iii. **The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**
3. **Inaccuracies in Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment totaling Kshs. 64,938,407 as disclosed in Note 13 to the financial statements. However, review of records revealed that the Company received assorted assets as donations from the County Government of Bomet and the Lake Victoria South Water Works Development Agency (LVSWWDA) which include motor vehicles, motorcycles, hydraulic structures, plant equipment, pipelines, furniture and fittings, buildings, and laboratory equipment. However, these assets were not disclosed in the financial statements under property, plant and equipment. Physical verification of the assets revealed that some of the donated assets including water meters and laboratory equipment were still idle and had not been put to use and remained idle in the store.

Further, the property, plant and equipment balance include amounts of Kshs. 951,440 and Kshs. 3,837,453 in respect of land and buildings where the Company offices are located respectively. However, Management did not provide the schedules or valuation reports indicating how the reported values were arrived at and the respective ownership or transfer documents were not provided for audit.

In addition, review of the assets register revealed that it was not prepared in the format prescribed with minimum requirements of identification or serial number, acquisition date, description of asset, location, responsible officer, class, cost of acquisition, accumulated depreciation, net book value and identification codes with which assets were tagged. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstance, the accuracy and completeness of property, plant and equipment balance of Kshs. 64,938,407 could not be confirmed.

Management Response

Management acknowledges the audit observation regarding the omission of donated assets from the property, plant, and equipment register. The delay in recognition arose from ongoing verification and valuation processes to ensure accuracy before capitalization. Management has now initiated a comprehensive reconciliation of all donated assets, including those received from the County Government of Bomet and LVSWWDA, and these will be appropriately recorded and disclosed in the subsequent financial statements. These assets were however disclosed as notes to the financial statements.

Regarding the assets identified as idle, including water meters and laboratory equipment, management is developing an implementation plan to ensure their prompt

deployment to enhance operational efficiency. Measures have also been put in place to strengthen asset tracking and timely updating of the fixed asset register going forward.

An amount of Kshs. 951,440 and Kshs. 3,837,453 in respect of land and buildings respectively were not related to where the Company's offices are as indicated in auditor observations. Kshs. 951,440 relates to 2 parcels of lands (Kericho/Kipsonoi/1604-0.14 hectares and Kericho/Kimulot/2465-0.02 hectares) acquired for construction of storage tank. Titles and valuation reports for these parcels are available for audit verification. Kshs. 3,837,453 relates to construction of Company board room.

Management acknowledges the observation regarding the incomplete format of the assets register. The gaps arose due to delays in updating asset information and transitioning to the standardized register format. Steps have now been initiated to restructure the fixed assets register to include all mandatory fields, namely serial numbers, acquisition dates, asset descriptions, locations, responsible officers, asset classifications, costs, accumulated depreciation, net book values and identification codes.

Committee Observations

The Committee observed that-

1. Assorted assets as donations from the County Government of Bomet and the Lake Victoria South Water Works Development Agency (LVSWWDA) were not disclosed in the financial statements under property, plant and equipment.
2. Physical verification of the assets revealed that some of the donated assets including water meters and laboratory equipment were still idle and had not been put to use and remained idle in the store.
3. The delay arose from ongoing verification and valuation processes to ensure accuracy before capitalization.

Committee Recommendations

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters water, engages with the Lake Victoria South Water Works Development Agency and IGRTC to ensure the transfer of ownership documents of the donated items is fast tracked;**
- ii. **the Governor to make budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;**
- iii. **the Governor ensures the management of the water company ensures that the valuation of all assets of the water company is fast-tracked and submit**

the valuation report to the Auditor- General for verification during the subsequent audit cycle;

- iv. 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**
- v. the Accounting Officer ensures that the water company maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

4. Inaccuracy of Inventories

The statement of financial position reflects Nil balance in respect of inventories. However, review of records and physical verification on stores records revealed that the Company had various stock of items including chemicals and stationery. However, these inventories were not valued nor disclosed in the financial statements. The value of produced and unsold water was also not disclosed.

Further, the Company did not have policy guidelines for accounting of water inventory and the volume of water in their treatment plants or the volume of water in the system input and the records indicating the produced and unsold water volumes and corresponding value as at the end of the financial year were not provided for audit.

In the circumstances, the accuracy and completeness of the inventories with a Nil balance could not be confirmed.

Management Response

Management acknowledges the auditors' observation regarding the non-recognition and non-disclosure of inventories in the statement of financial position. This was due to nil balances of stocks at the close of the year as supported by stock take sheet reports.

With respect to produced and unsold water, management notes that the Company has historically not recognized water as inventory due to the absence of a documented accounting policy, challenges in reliably measuring volumes at various stages of production and distribution, and limitations in system-generated data for determining unsold water at year end. Consequently, records supporting volumes of water produced, water in treatment plants, system input, and unsold water, as well as their corresponding values, were not available for audit.

Committee Observations

The Committee observed that the Company has not recognized water as an inventory due to the absence of a documented accounting policy, challenges in measuring the volume of water and limitations in the system generated data.

Committee Recommendations

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 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;**
- iv. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**
- 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; and**

- vi. **the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

5. Long Outstanding Trade Receivables

The statement of financial position reflects trade and other receivables totaling Kshs. 273,688,221 as further disclosed in Note 16 to the financial statements. The amount includes trade and other receivables totaling Kshs. 257,619,525 or 94% in respect of customers' debts which had remained uncollected for a period of over 120 days, some dating back to 2015/2016 financial year. The amount also includes debt amounting to Kshs. 16,575,925 due from the County Government of Kericho in respect of bulk water sales which had been long outstanding. However, no provision for bad and doubtful debts had been made or reflected in the statement of profit or loss and other comprehensive income and the Management had not put in any measures to ensure that all the receivables are collected in good time.

In the circumstances, the accuracy, completeness, existence and recoverability of trade and other receivables balance of Kshs. 273,688,221 could not be confirmed.

Management Response

Management acknowledges the audit observation regarding the long outstanding trade receivables amounting to Kshs. 257,619,525 as at 30 June 2025.

Background and Causes

The bulk of the outstanding receivables relate to long-term debts from institutional and government customers, including the County Government of Kericho, whose payment processes have historically experienced delays due to budgetary constraints and lengthy internal approval procedures. In addition, some debts date back several financial years (2015/2016 and prior), when credit management and customer follow-up systems were not fully automated or effectively enforced.

Actions Taken to Date

- **Reconciliation and Verification:** The Finance team together with the commercial Department has initiated a comprehensive debtor reconciliation exercise to confirm the accuracy and validity of all outstanding balances,
- **Engagement with Debtors:** Formal demand letters and follow-ups have been issued to major debtors, including the County Government of Kericho, with whom meetings have been held to agree on a repayment plan.

- **Strengthening of Credit Control:** Commercial management policy has been developed to ensure timely invoicing, credit limit enforcement, and prompt follow-up of overdue accounts.
- **Automation:** The company has upgraded its billing and receivables management systems to improve accuracy and tracking of collections.

Management is committed to improving debt collection efficiency and ensuring compliance with Regulation 63(1)(a) of the Public Finance Management (County Governments) Regulations, 2015. The above measures will help enhance liquidity, improve working capital management, and safeguard the company's financial sustainability.

Committee Observations

The Committee observed that-

1. Trade and other receivables totaling Kshs. 257,619,525 or 94% in respect of customers' debts had remained uncollected for a period of over 120 days.
2. Debt amounting to Kshs. 16,575,925 due from the County Government of Kericho in respect of bulk water sales had been long outstanding.
3. Management outlined actions taken to reduce the debts and committed to improving debt collection efficiency and ensuring compliance with Regulation 63(1)(a) of the Public Finance Management (County Governments) Regulations, 2015

Committee Recommendations

The Committee recommends that-

- i. the Governor through the Accounting Officer should ensure that BOMWASCO undertakes debtor's circularization to confirm the authenticity of the receivables and provide a status update on the same to the Senate within sixty (60) days of the adoption of this report;**
- ii. the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' ageing schedule to the Auditor-General for verification;**
- iii. the Accounting Officer should, within 60 days of the adoption of this report, submit 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;**
- iv. 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

- v. the Accounting Officer to undertake a detailed analysis of its long outstanding trade receivables and with the Board's approval, write off the irrecoverable debts in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015 and the Auditor-General to provide a status update on the same during the subsequent audit cycle.

6. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents totaling Kshs. 1,996,901 as further disclosed in note 17 to the financial statements. However, bank reconciliation statements for the eleven (11) bank accounts were not provided for audit.

Further, note 17 to the financial statements reflects negative balance of Kshs. 1,111 in respect of deposits account. However, note 18 to the financial statements on trade and other payables reflects retention monies totaling Kshs. 1,678,922 resulting to an unexplained variance of Kshs. 1,680,033.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 1,996,901 could not be confirmed.

Management Response

Management acknowledges the observation. Bank reconciliations are available for audit verifications.

Retention of Kshs. 1,678,922 which appears under trade payables relates to contracts works for the pipe line expansion to Kapkwen market and Ndanai market PSF. At the time of the audit, the contracts were still under defect liability period. We have however settled the retention after completion of liability period in December 2025.

The bank balance for these two projects was 1020243145501 and 1020243145501 which had a closing bank balance of Kshs. 800,848 and Kshs. 947,279 respectively and not negative Kshs.1,111 as observed by the auditor.

Committee Observations

The Committee observed that-

1. Management availed the bank reconciliations for audit verification

2. Retention of Kshs. 1,678,922 which appears under trade payables relates to contracts works for the pipe line expansion to Kapkwen market and Ndanai market PSF.

Committee Recommendations

The Committee recommends that-

- i. **The Governor, through 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; and**
- ii. **The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

7. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables totaling Kshs. 273,863,030 as disclosed in Note 18 to the financial statements. The amount includes payables to Water Resources Authority (WRA) amounting to Kshs. 8,931,603. However, creditor circularization revealed that the Company owed WRA an amount of Kshs. 12,052,648 resulting in an unexplained variance of Kshs. 3,121,045. Similarly, the Company owed Kericho Water and Sanitation Company Kshs. 25,073,379 in respect of deed of transfer dated 11 September, 2018 as a result of share of liabilities from the defunct Chemosit Water Company Limited. However, the amount was not disclosed in the financial statements.

Further, amount was not supported by a schedule of suppliers, invoices, delivery notes, local service or local purchase order numbers, interim or completion certificates for the works and services done, counter receipt vouchers, counter requisition and issue vouchers.

In addition, the amount includes payables totaling Kshs. 258,455,669 or ninety-four percent (94%) of the total payables which had been outstanding for more than one year but were not paid as first charge in the year under review. This was contrary to

Regulation 41 (2) of the Public Finance Management (County Governments) Regulations which states that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations.

In the circumstance, the accuracy and completeness of the trade and other payables totaling Kshs. 273,863,030 could not be confirmed.

Management Response

Variance in Payables Balance to Water Resources Authority (WRA)

We acknowledge the variance noted between the amount disclosed in the financial statements (Kshs. 8,931,603) and the balance confirmed by the Water Resources Authority (Kshs. 12,052,648), resulting in a difference of Kshs. 3,121,045. The discrepancy arose due to delays in submission of some of the invoices by WRA which were included in the creditor confirmation from WRA.

Management has since initiated a reconciliation exercise with WRA, and the difference has been verified and will be subsequently adjusted in the accounting records for the next financial year. Procedures have also been strengthened to ensure timely dispatch and posting of supplier invoices and regular reconciliation of supplier accounts prior to year-end close.

Omission of Payable to Kericho Water and Sanitation Company Amounting to Kshs. 25,073,379

We acknowledge the omission of the liability relating to Kericho Water and Sanitation Company arising from the deed of transfer of 11 September 2018 associated with the share of liabilities from the defunct Chemosit Water Company Limited.

The omission was due to ongoing negotiations between Kericho Bomet County on recognition of legacy liabilities inherited through the deed of transfer, as documentation relating to the transitional obligations had not been fully incorporated into our current liabilities schedule. Management currently reviewing the deed of transfer. We have also instituted measures to ensure all legacy and transitional obligations are reviewed annually and fully incorporated into our financial reporting process.

The Company acknowledges the observation regarding outstanding payables amounting to Kshs. 258,455,669, representing 94% of total payables, which had remained unpaid for over one year and were therefore not settled as a first charge during the year under review.

We recognize that this situation is not in full compliance with Regulation 41(2) of the Public Finance Management (County Governments) Regulations, which requires that

debt service payments be treated as a first charge on the Consolidated Fund to avoid default on obligations.

The delay in settlement was primarily attributed to cash flow constraints arising from low revenue collection efficiency caused by prolonged power disconnection and competing priority expenditures during the year. Nevertheless, the Company is developing a structured arrears clearance strategy to ensure compliance going forward. This includes verifying all long-outstanding payables, prioritizing settlement of eligible obligations, and strengthening cash flow planning to prevent recurrence.

Committee Observations

The Committee observed that-

1. The discrepancy in variance in payables balance to Water Resources Authority (WRA) arose due to delays in submission of some of the invoices by WRA which were included in the creditor confirmation from WRA.
2. Omission of Payable to Kericho Water and Sanitation Company Amounting to Kshs. 25,073,379 was due to ongoing negotiations between Kericho-Bomet County on recognition of legacy liabilities inherited through the deed of transfer.
3. The delay in settlement of payables was primarily attributed to cash flow constraints arising from low revenue collection efficiency caused by prolonged power disconnection and competing priority expenditures during the year.

Committee Recommendations

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle;**
- ii. **Management ensures compliance with Regulation 41(2) of the Public Finance Management (County Governments) Regulations, which requires that debt service payments be treated as a first charge on the Consolidated Fund to avoid default on obligations;**
- iii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance; and**

- iv. **The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

8. Unsupported Deferred Incomes

The statement of financial position reflects deferred income totaling Kshs. 22,438,105 as disclosed in Note 24 to the financial statements. Review of records revealed that the amount related to unutilized capital grant received from the Water Sector Trust Fund (WSTF) between the financial years 2015/2016 and 2019/2020 for construction of pipeline extension to Chebunyo market and toilets within pro poor areas. However, the projects remained incomplete for over ten (10) years despite the funds having been received by the Company. Reasons for the delayed completion of the intended projects or the status report were not provided for audit.

Further, deferred income is typically recognized as a short-term liability, implying that the related services or deliverables should be executed within a relatively short timeframe. The prolonged delay in completion of the projects therefore raises concerns about project implementation and the effectiveness of funds management.

In the circumstances, the accuracy and completeness of deferred income balance of Kshs. 22,438,105 could not be confirmed.

Management Response

The Company acknowledges the audit finding regarding the capital grant received from the Water Sector Trust Fund (WSTF) between the financial years 2015/2016 and 2019/2020 for the construction of the pipeline extension to Chebunyo market and toilets within pro-poor areas. The projects were completed but technical issues relating to decline in water volume affected operationalization of the project which necessitated change of strategy by reviving old water station to supply intended project area of Chebunyo through additional funding by County water department. The project is currently operational and will be commission and assets capitalized accordingly as per the existing policies and depreciated in the current FY 2025/2026.

Committee Observations

The Committee observed that-

1. construction of pipeline extension to Chebunyo market and toilets was completed but technical issues relating to decline in water volume affected

operationalization of the project, which necessitated change of strategy by reviving old water station to supply intended project area of Chebunyo through additional funding by County water department.

2. the project is currently operational and will be commission and assets capitalized accordingly as per the existing policies and depreciated in the current FY 2025/2026

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures the management of the water company undertakes the valuation of Chepunyo pipeline project is fast-tracked and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- ii. **upon completion of the 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**
- iii. **the Accounting Officer ensures that the water company maintains an up-to-date asset register by including the Chebunyo pipeline project 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.**

9. Unaccounted for Customer Deposits

The statement of financial position reflects refundable customer deposits totaling Kshs. 3,574,989 as disclosed in Note 25 to the financial statements. However, the certificate of bank balance for the deposits bank account and Note 17 to the financial statements reflect negative bank balance of Kshs. 1,111 resulting in an unexplained variance of Kshs. 3,576,100. This is indicative of utilization of customer deposits. Further, the related ageing movement schedule or analysis indicating how long the deposits had been held was also not provided or disclosed in the financial statements.

In the circumstance, the accuracy and completeness of refundable customer' deposits balance of Kshs. 3,574,989 could not be confirmed.

Management Response

The variance noted between the refundable customer deposits balance (Kshs. 3,574,989) and the bank balance (negative Kshs. 1,111) arose due to the temporary utilization of customer deposit funds to meet urgent operational obligations. The Board

had authorized the temporary use of customer deposit funds to support operational cash flow needs as per resolution dated (21st May 2020 and 17th December 2020 and 14th May 2025).

List of 370 new customers connection has also been provided for audit verification indicating essential customer details including consumer category and schedule of payment and amount paid by the customers.

The ageing analysis of deposits was not disclosed in the financial statements as the deposits were considered long-term and non-current in nature. However, management will review the reporting requirements and ensure that the ageing movement schedule is properly presented in future financial statements.

Committee Observations

The Committee observed that-

1. The variance noted between the refundable customer deposits balance of Kshs. 3,574,989 and the bank balance of negative Kshs. 1,111 arose due to the temporary utilization of customer deposit funds to meet urgent operational obligations, which was approved by the Board.
2. The ageing analysis indicating how long the deposits had been held was not provided or disclosed in the financial statements.

Committee Recommendations

The Committee recommends that-

- i. **the Board of Directors should put in place a Customer Deposits Management Policy to guide how the water company can access, utilize and refund the money within specified timelines. Further, the Accounting Officer should ensure that there is full disclosure to the water company's customers on the utilization of the deposits;**
- ii. **the Accounting Officer should ensure that all customer deposits are deposited in a fixed/call account whose access to the management is limited and where the accrued interests can be used to offset the bank charges. Management to submit evidence of the same to the Auditor-General within 60 days of the adoption of this report for verification; and**
- iii. **The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall**

recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounting to Kshs. 305,418,641 and Kshs. 160,846,638 respectively resulting to an under-funding of Kshs. 144,572,003 or forty-seven percent (47%) of the budget. Further, the statement reflects final expenditure budget and actual on comparable basis amounting to Kshs. 305,394,190 and Kshs. 165,333,376 respectively resulting to under-expenditure of Kshs. 140,060,814 or forty-six percent (46%) of the budget.

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

Management Response

The variance between the budgeted and actual figures was largely attributable power disconnection by KPLC hence water production was not consistent.

Management prioritized essential services within the available funds to minimize the impact on the public. Continuous engagement with KPLC and improved cash flow planning have been initiated to mitigate similar occurrences in subsequent periods.

Committee Observations

The Committee observed that-

1. The final revenue budget was Kshs. 305,418,641, whereas the actual on comparable basis was Kshs. 160,846,638 resulting to an under-funding of Kshs. 144,572,003 or forty-seven percent (47%) of the budget.
2. The final expenditure budget was Kshs. 305,394,190 whereas the water company expended Kshs. 165,333,376 resulting to under-expenditure of Kshs. 140,060,814 or forty-six percent (46%) of the budget.
3. Management attributed the budgetary shortfall to power disconnection by KPLC making it difficult to be consistent in water production.

Committee Recommendations

The Committee recommends that-

- i). **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures;**
- ii). **the Board of Directors should institute proper and realistic budget planning as well as measures to improve revenue. The Office of the Auditor-General to confirm the effectiveness of the mitigating measures put in place by the water company and report in the subsequent audit cycle; and**
- iii). **the Board of Directors put in place measures to enhance own source revenue such as review of tariffs, automation to address revenue leakages and connection of more customers to meet revenue targets and mitigate the revenue shortfalls**

2. Long Outstanding Payable

The statement of financial position reflects trade and other payables balances totaling Kshs. 258,455,669 or ninety-four percent (94%) of the total payables which had been outstanding for more than one year but were not paid as first charge in the year under review. This was contrary to Regulation 41 (2) of the Public Finance Management (County Governments) Regulations which states that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations.

Failure to pay debts when due may attract litigations interest charges and penalties which will affect the operations of the company.

Management Response

Management acknowledges the auditor's observation regarding trade and other payables amounting to Kshs. 258,455,669, representing 94% of total payables that had been outstanding for more than one year and were not settled as a first charge during the year under review, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations.

The delay in settling these obligations was mainly attributable to liquidity constraints arising from low revenue collections during the financial year, competing priority expenditures, and cash flow pressures which limited the Company's ability to fully honor its obligations as and when they fell due. Management notes that this situation was not deliberate but was influenced by factors beyond its immediate control.

Management remains committed to complying with the Public Finance Management legal framework and will continue to take all reasonable measures to ensure that debt obligations are settled promptly to safeguard the Company's operations and financial sustainability

Committee Observations

The Committee observed that-

1. The water company had payables totaling Kshs. 258,455,669 which had been outstanding for more than one year but were not paid as first charge in the year under review contrary to Regulation 41 (2) of the Public Finance Management (County Governments) Regulations.
2. Management attributed failure to comply with the Regulation to liquidity constraints arising from low revenue collections during the financial year, competing priority expenditures, and cash flow pressures which limited the Company's ability to fully honor its obligations as and when they fell due.

Committee Recommendations

The Committee recommends that-

- i. **the County Executive Committee Member in charge of water should continuously monitor the financial performance of the water company in line with section 184 of the Public Finance Management Act, 2012 and report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance;**
- ii. **within 60 days of the adoption of this report, the Governor of Bomet County should engage the relevant entities and agree on a repayment plan and file a report on the same with the Office of the Auditor-General for verification. Office of the Auditor-General to provide a status update on the matter in the subsequent audit cycle; and**
- iii. **the Accounting Officer should ensure total compliance with the Company's Accounting and Finance Procedures and Policies Manual, 2015.**

3. Decline in Revenue and Failure in Service Continuity Planning

Review of the revenue reports for the three (3) financial years from 2022/2023 to 2024/2025 revealed that the performance of the Company in revenue collections had been significantly declining over the years from Kshs. 98,357,451 in 2022/2023 to Kshs. 74,041,926 during the year under review. This was mainly contributed by substantial decline in production of water primarily due to prolonged suspension of operations spanning one hundred and forty-one (141) days, almost five months during the year under review as a result of disconnection of electricity supply by Kenya Power. Management explained that the disconnection was occasioned by the company's failure to settle outstanding electricity bills. This effectively halted water production during this period, as there were no alternative energy sources or backup systems in place to sustain the operations.

Further, there was no business continuity plan to anticipate or manage such disruptions and the absence reflects a serious oversight in operational preparedness, risk mitigation, and service delivery assurance, leaving the company vulnerable to foreseeable interruptions and unable to sustain essential services during emergencies.

In the circumstances, the Company was not in a position to provide clean and safe water services to the public as stipulated by article 43(1) (d) of the Constitution of Kenya, 2010.

Management Response

Management acknowledges the noted decline in revenue collections from Kshs. 98,357,451 in FY 2023/2024 to Kshs. 74,041,926 in FY 2024/2025. The reduction was largely attributed to the prolonged suspension of operations following electricity disconnection by Kenya Power due to accumulated unpaid bills. The company recognizes that this significantly impacted water production and, consequently, revenue performance.

The Company has commenced the development of a comprehensive Business Continuity and Disaster Recovery Plan.

The plan will identify critical operations, potential risks, and mitigation strategies to ensure service continuity during unforeseen disruptions.

Staff will undergo training on risk management and emergency response to strengthen institutional preparedness.

Committee Observations

The Committee observed that-

1. the decline in revenue collection from Kshs. 98,357,451 in FY 2023/2024 to Kshs. 74,041,926 in FY 2024/2025 was due to prolonged suspension of activities following electricity disconnection by KPLC due to accumulated unpaid bills.
2. Management has explored other options to ensure that there is little to no disruption of operations by commissioning of feasibility studies for hybrid energy systems, negotiating a structured payment plan with KPLC to clear the outstanding arrears and exploring alternative energy solutions, including solar power and standby generators,

Committee Recommendations

The Committee recommends that the governor ensures that-

- i. the Accounting Officer, within sixty (60) days of the adoption of this report, prepares and submits to the Senate and the Auditor-General a

comprehensive financial recovery plan with clearly defined milestones, timelines, and responsible officers;

- ii. **the County Executive Committee Member in charge of water continuously monitor 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. **the water company strengthens the internal audit unit in compliance with Section 155(5) of the Public Finance Management Act, Cap. 412A, with a qualified internal auditor in post, to provide ongoing assurance over financial reporting.**

4. Material Uncertainty to Going Concern

The statement of financial position reflects current assets totaling Kshs. 275,655,122 against current liabilities totaling Kshs. 299,876,124 resulting to negative working capital of Kshs. 24,221,002. Further, the statement of profit or loss and other comprehensive income reflects a loss before taxation of Kshs. 1,956,505 compared to a loss of Kshs. 49,322,112 reported in the previous financial year. Review of the previous financial statements revealed that the Company had been making losses for three (3) consecutive years since the financial year 2022/2023. This unfavorable performance and weak financial position denote the existence of material uncertainty on its ability to meet its financial obligations and sustainability of services. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Management to reverse the undesirable precarious situation have not been disclosed in the financial statements.

In the circumstances, the going concern of the Company in absence of continued support from the County Government and donors is in doubt.

Management Response

The statement of profit or loss and other comprehensive income reflects a loss before taxation of Kshs. 1,956,505 for the year ended 30th June 2025, compared to a loss of Kshs. 49,322,112 reported in the previous financial year. A review of the previous financial statements indicates that the Company has incurred losses for three (3) consecutive financial years since the year 2022/2023.

These recurring losses have adversely affected the Company's working capital position and may cast significant doubt on the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon management's plans to return to profitability and to secure adequate financing to meet its obligations as they fall due.

Management has developed and is implementing measures to address this situation, which include:

- Cost rationalization and efficiency improvement initiatives
- Exploring new revenue streams and expanding existing market segments
- Negotiations with financiers and shareholders for additional capital injection or restructuring of existing facilities
- Close monitoring of cash flows to ensure continued operational sustainability

Based on the above plans, the directors and management are of the opinion that the going concern assumption remains appropriate. However, the existence of the above conditions indicates the presence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Accordingly, the financial statements have been prepared on a going concern basis and do not include any adjustments that might result from the outcome of this uncertainty.

Committee Observations

The Committee observed that the Water Company has assets totaling Kshs. 275,655,122 against current liabilities totaling Kshs. 299,876,124 resulting to negative working capital of Kshs. 24,221,002.

Committee Recommendations

The Committee recommends that-

- i. the Governor of Bomet County should take keen interest in the management and operations of the water company in line with Article 179 (4) of the Constitution;**
- ii. the Accounting Officer should prepare and submit quarterly reports in regard to the financial and non-financial status of the water company in line with section 166 of the Public Finance Management Act, 2012;**
- iii. the County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act, 2012 and regularly report to the Governor through the County Executive Committee in line with Article 179 (6) of the Constitution;**
- iv. the County Executive Committee Member of water should formulate a County Water and Sewerage Services Strategy in line with regulation 5 of the Water Services Regulations 2021 which shall include enhancing the profitability of the company;**

- v. the County Treasury should undertake annual reporting on County Corporation including an assessment of the commercial viability of the company in line with the standards set by the Water Services Regulatory Board under section 77(2) of the Water Act, 2016; and
- vi. the Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability. Additionally, the management reviews and regularizes the company's existing assets and have updated assets register that reflect the current financial position. Further, management to determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).

Other Matters

1. Unresolved Prior Year Audit Matters

In the audit reports of the previous years, fifteen (15) issues were raised under the Report on the Financial Statements, Emphasis of Matter, Other Matter and Report on Lawfulness and Effectiveness in the Use of Public Resources as shown below: However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

Management Response

Number	Issue	Responses
1	Unsupported Maintenance Expenses	Closed June 2025
2	Inaccuracies in Property, Plant and Equipment	Ongoing due to inherited assets from LVSWWDA and CGOB
3	Long Outstanding Trade and Receivables	Ongoing
4	Inaccuracies in Trade and Other Payables	Closed June 2025
5	Unsupported Refundable Customers Deposits	Closed June 2025
6	Material Uncertainty Related to Going Concern	Ongoing
7	Budgetary Control and Performance	Ongoing
8	Unresolved Prior Year Audit Matters	Ongoing

9	Non-Revenue Water	Ongoing
10	Unauthorized Expenditure on Staff Costs	Closed June 2025
11	Non-Compliance with law on Staff Ethnic Diversity	Ongoing
12	Non-Remittance of Statutory Deductions	Ongoing
13	Unmetered Connections	Ongoing
14	Inadequate Audit Committee Meetings	Closed 2025-2026
15	Non-Payment of Audit Fees	Ongoing

Committee Observations

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

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**
- ii. The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

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. Non-Revenue Water

Review of water sales records revealed that the Company produced 1,296,892 cubic meters (M³) of water, out of which only 477,615 (M³) were billed to customers at Kshs. 64,300,158 resulting in unbilled or Non-Revenue Water (NRW) totaling 819,277 M³ or approximately 63% of the volume produced. This level of NRW was above the allowable limit of 25% provided under the Water Services Regulatory Board (WASREB) Guidelines leading to possible loss of revenue amounting to Kshs. 61,445,775 based on average sale rate of Kshs.75 per cubic meter billed by the Company in the year under review.

The continued Non-Revenue Water may negatively impact on the company's profitability and long-term sustainability.

Management Response

The high non-revenue water reported is attributed to both technical and commercial losses. Technical losses include visible and non-visible leaks and bursts due to aging infrastructure which were inherited from the Agency. Whereas commercial losses are due to illegal consumptions, flat rated consumers and malfunctioning meters.

To address the above challenges;

- The Company initiated replacement of old and dilapidated uPVC pipelines with high density polyethylene pipes (HDPE) of which 45km pipeline have been replaced by the Department of water under CGOB.
- Timely responses to reported burst and leakages to curb water losses as provided for under the current service charter.
- Public sensitization of importance on reporting bursts or leakages through provision of customer care number/hotline numbers to manage reported cases.
- Rooting out illegal connections and strengthening internal controls.
- Setting up of Non-Revenue Water Unit in the technical department whose responsibility is to address the physical and commercial water losses
- Increase the metering ratio to 100% in Itare and Bomet Schemes currently ongoing funded by City Taps Sas-5500 meters.
- Replacement of all faulty water meters so as to reduce the amount of water billed under estimation
- Curb illegal connections by legalizing the connection i.e., formal registration of the willing customers and taking legal action on repeat perpetrators

The County Government of Bomet on behalf of Water Company has entered an MOU with State Ministry of Water to address issue of Non-Revenue Water as part of revenue enhancement measures. This will ensure 100% metering.

Committee Observations

The Committee observed that the Non-Revenue Water was at 63% which was way above the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB) guidelines.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should put in place comprehensive measures to mitigate on the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;**
- ii. given the impact of Non-Revenue Water on the water company's cashflows, the Accounting Officer should ensure that a provision for Non-Revenue Water is included in the financial statements. Further, explanatory notes should be provided to detail the contributions of both commercial and physical loss factors to the overall Non-Revenue Water; and**
- iii. the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put place to reduce cases of theft and illegal connections.**

2. Unmetered Connections

Review of billing records revealed that the Company had twelve thousand, three hundred and sixty (12,360) active connections, out of which six thousand three hundred and fifty-seven (6,357) customers or approximately 51% had connections without meters and were billed on average consumption of water which led to realization of income amounting to Kshs. 32,278,869. However, no report on the status or justification of these unmetered connections was submitted to the Water Services Regulatory Board (WASREB). This was contrary Water Service Regulations developed by Water Services Regulatory Board (WASREB) which require consumers with un-metered supply of water from the water service provider, to pay the water bills charged by the water service

provider in accordance to tariffs approved by the Regulator and the water service provider to ensure that all connections are metered within one year with a progress report submitted to the Regulator.

In the circumstances, billing of customers without meters could result to possible loss of water hence high percentage of Non-Revenue Water.

Management Response

Management acknowledges the observation regarding the existence of unmetered connections. The Company had a total of 12,360 active connections as at the time of review, out of which 6,357 (approximately 51%) were unmetered and billed based on average consumption, resulting in revenue amounting to Kshs. 32,278,869.

The high number of unmetered connections is primarily attributed to the following factors:

- Delayed meter procurement and replacement: The Company experienced challenges in the timely acquisition and installation of meters due to budgetary constraints and supply chain delays.
- Vandalism and meter malfunction: Some meters were either vandalized or became defective, leading to temporary reliance on average billing to avoid service disruption to customers.
- New connections pending meter installation: A number of newly connected customers were awaiting meter installation following approval of new metering projects.

Management remains committed to achieving full metering compliance within the stipulated timelines and reducing Non-Revenue Water through improved metering accuracy and accountability.

Committee Observations

The Committee observed that-

1. The Company is in clear breach of 14.3(a) of the WASREB license which mandates that all connections be metered. During that audit period 51% of the connections remained unmetered and that indicates a material failure to adhere to a core regulatory requirement.
2. the Company attributed the unmetered connections to delayed meter procurement and replacement, vandalism and meter malfunction and new connections pending meter installation.

3. Management has provided a plan and reported progress on addressing the issue of unmetered connections however, the issue is not fully addressed.

Committee Recommendations

The Committee recommends that Management should ensure all connections are metered to avoid revenue loss through flat rate charges and comply with WASREB License. The Auditor-General to review the implementation of the measures put in place to mitigate the unmetered connections and provide a status update on the matter in the subsequent audit cycle.

3. Outstanding Salary Payments and Unremitted Payroll Deductions

The statement of financial position reflects trade and other payables totaling Kshs. 273,863,030 as disclosed in Note 18 to the financial statements. The amount includes outstanding staff salaries and salary deductions totaling Kshs. 200,570,401. However, review of records revealed that the salaries to the employees had not been paid since December, 2023 and payroll deductions made up of outstanding LAPTRUST, National Social Security Fund contributions, gratuity and National Industrial Training Authority contributions had not been remitted to the respective institutions dating back to October, 2018. This was contrary to Section 19(4) of the Employment Act, Cap 226, which states that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) of the Act shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

In the circumstances, the prolonged non-payment of salaries exposes the Company's employees to pecuniary embarrassment who might also fail to get accrued benefits from the affected institutions which may hinder their performance in service delivery.

Management Response

Management acknowledges the audit observation regarding the outstanding salary payments and unremitted statutory and other payroll deductions amounting to Kshs. 200,570,401 as at the reporting date.

The delays in payment of staff salaries and remittance of statutory deductions were primarily due to cash flow constraints resulting from reduced revenue inflows and delayed disbursements from key funding sources. This situation adversely affected the Company's ability to meet its recurrent financial obligations on a timely basis.

Management recognizes the importance of employee welfare and statutory compliance and assures that deliberate efforts are being made to resolve all outstanding obligations. Regular monitoring mechanisms have also been instituted to prevent recurrence of similar issues in future financial periods.

Committee Observations

The Committee observed that-

1. the salaries to the employees had not been paid since December, 2023.
2. payroll deductions made up of outstanding LAPTRUST, National Social Security Fund contributions, gratuity and National Industrial Training Authority contributions had not been remitted to the respective institutions dating back to October, 2018 contrary to Section 19(4) of the Employment Act, Cap 226.
3. Management attributed the delays in payment of staff salaries and remittance of statutory deductions were primarily due to cash flow constraints resulting from reduced revenue inflows and delayed disbursements from key funding sources.

Committee Recommendations

The Committee recommends that-

- i. **The Governor, the CECM for matters water and the accounting officer continue engaging County Department of Water and development partners to secure additional funding and ensure timely release of budgetary allocations to clear outstanding staff salaries and statutory obligations;**
- ii. **The Governor, through the CECM on matters water develop a payment plan to progressively settle the outstanding salary arrears and remit all unremitted statutory deductions to LAPTRUST, NITA and NSSF; and**
- iii. **Management to ensure full compliance with the Employment Act, Cap. 226 to avoid penalties that will add financial burden to the water company.**

4. Excessive Wage Bill

The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs. 83,922,142 as further disclosed in Note 8 to the financial statements. The amount is fifty-two percent (52%) of the Company's total operational costs amounting to Kshs. 162,803,143. The staff costs exceeded the forty percent (40%) limit prescribed under the WASREB sector benchmark and guidelines. Management explained that the high wage had been caused by recruitment of excess Company employees. However, no efforts appear to have been made to check the wage bill.

In the circumstances, the Company may not operate at optimum staffing level hence affecting service delivery, and possibility of unsustainable wage bill.

Management Response

Management acknowledges the observation regarding the high staff costs, which accounted for 52% of the total operational expenditure, exceeding the WASREB benchmark of 40%. The variance was primarily due to uniqueness of our operations since the company manages and operates 14 water schemes spread across the county. These schemes dictate the minimum staffing level to enhance operational efficiency, improve service delivery, and address understaffing in key functional areas during the year.

Committee Observations

The Committee observed that the staff costs accounted for 52% of the total operational expenditure, which exceeded the WASREB benchmark of 40%.

Committee Recommendations

The Committee recommends that 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.

5. Poor Implementation of Kapkwen Pipeline Extension Project

Review of records revealed that a local firm was awarded the contract for pipeline extension at Kapkwen at a contract sum of Kshs. 10,938,950. The project was jointly funded by the Company and the Water Services Trust Fund (WSTF) and the scope of works included construction of a water kiosk, installation of one hundred and sixty-one (161) meters and pipeline extension. The contractor had been paid an amount of Kshs. 6,865,478 or sixty-three (63%) of the contract sum as at 30 June, 2025.

Physical verification conducted in October 2025 revealed that the pipeline works had been completed. However, the water kiosk and yard taps installed were not operational as there was no water supply. Management explained that this was due to unavailability of water treatment chemicals required for purification before distribution.

In the circumstances, the value for money on the amount of Kshs. 10,938,950 in respect of the pipeline extension project could not be confirmed.

Management Response

Management acknowledges the audit observation regarding the implementation of the Kapkwen Pipeline Extension Project.

The project was executed under a co-funding arrangement between the Company and the Water Services Trust Fund (WSTF), with the objective of enhancing water access to

the Kapkwen community. As at 30 June 2025, 63% of the contract sum amounting to Kshs. 6,865,478 had been paid to the contractor, corresponding to works completed and certified by the project engineer.

Regarding the non-operational status of the water kiosk and yard taps, Management clarifies that the construction and installation works were completed as per the contract specifications. However, operationalization was delayed due to a temporary shortage of water treatment chemicals, which are essential for ensuring compliance with water quality standards prior to supply. Procurement of the necessary treatment chemicals is currently in progress, and normal operations are expected to commence once adequate stocks are received.

Management remains committed to ensuring full functionality of the Kapkwen water supply system and improving the accounting treatment of capital projects in line with applicable financial reporting standards.

Committee Observations

The Committee observed that-

1. The Kapkwen Pipeline Extension Project was executed under a co-funding arrangement between the Company and the Water Services Trust Fund (WSTF), with the objective of enhancing water access to the Kapkwen community.
2. operationalization was delayed due to a temporary shortage of water treatment chemicals, which are essential for ensuring compliance with water quality standards prior to supply.

Committee Recommendations

The Committee recommends that-

- i. **The Governor should fast-track the procurement and supply of the necessary water treatment chemicals for the Kapkwen Pipeline Extension Project to commence; and**
- ii. **The Governor, through the Board, should strengthen project supervision and establish regular joint progress reviews for donor-funded projects.**

6. Non-payment of Audit Fees

The statement of profit or loss and other comprehensive income reflects general and operating expenses amounting to Kshs. 63,439,836. The amount includes audit fees amounting to Kshs. 348,000 as disclosed in Note 9 to the financial statements. However, review of records revealed that the Company had not paid audit fees totaling Kshs. 2,784,000 which had accrued since 2018. This was contrary to Section 41 of the Public Audit Act, 2015 which requires the audited entity to pay audit fees at the rates prescribed

by the Auditor-General. The unpaid audit fees has also not been disclosed in the financial statements.

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

Management Response

Management acknowledges the audit observation. The audit fees of Kshs. 348,000 disclosed in Note 9 represent the current year's provision based on the approved audit fee rates. However, due to financial constraints and delays in release of funds, the Company was unable to remit the outstanding audit fees to the Office of the Auditor General (OAG) as at 30 June 2025.

Management has since engaged the OAG to reconcile the outstanding balance of Kshs. 2,784,000 and agreed on a payment plan. The Company commits to settle part of the arrears in the 2025/2026 financial year and ensure full compliance with Section 41 of the Public Audit Act, 2015 going forward.

Committee Observations

The Committee observed that-

1. the Company had not paid audit fees totaling. Kshs. 2,784,000 which had accrued since 2018, contrary to Section 41 of the Public Audit Act, 2015.
2. Management attributed the non-payment to financial constraints and delays in release of funds.

Committee Recommendations

The Committee recommends that within sixty (60) days of the adoption of this report, the Accounting Officer engages the OAG to formulate a repayment plan for the outstanding audit fees 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.

7. Non-Compliance with the Public Procurement Capacity Building Levy Order, 2023

Review of the record revealed that the Company entered into contracts but no documentary evidence has been provided to confirm that the Entity complied with paragraph 3(1) of the Public Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between supplier and 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 2024 requires

procurement entities to remit the levy to the authority through the e-citizen payment platform by 20th day of the subsequent month and also file monthly returns.

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

Management Response

Management notes the observation. The Company entered into procurement contracts during the period under review; however, documentary evidence to confirm compliance with paragraph 3(1) of the Public Capacity Building Levy Order, 2023 was not readily available at the time of audit.

Management clarifies that the non-availability of documentation arose due to delays in the operationalization of the levy remittance process following the issuance of the Order and subsequent PPRA Circular No. 01/2024 dated 30 August 2024. The Company had not fully integrated the levy payment and monthly reporting requirements into its procurement and finance processes during the initial implementation period.

Committee Observations

The Committee observed that management was in the process of registering with Public Procurement Regulatory Authority (PPRA) to enable them to be submit the procurement levy of 0.03% at the point of payment.

Committee Recommendations

The Committee recommends that Management should comply with the Public Procurement Capacity Building Levy Order, 2023, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

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. Use of Outdated Billing Tariff

Review of records revealed that a new water tariff structure was approved by the Water Services Regulatory Board (WASREB) and gazetted on 4 October, 2024 under Gazette Notice Number 12826. However, the Company continued to bill the consumers based on an outdated tariff which had expired in the financial year 2019/2020. It was noted that water sales of 318,071 cubic meters for the year were charged at the rate of Kshs.75 instead of Kshs.130 per cubic meter contrary to Gazette Notice No. 12826 that approved the new water tariffs rates. This resulted in lost sales amounting to Kshs. 17,493,905.

No explanation or documentation was provided to justify the continued use of the obsolete rates, and there was no evidence that efforts were made to transition to the new approved billing tariff structure.

In the circumstances, Management was in breach of the Law and the effectiveness of billing systems could not be confirmed.

Management Response

Management acknowledges the audit observation. The delay in implementing the new tariff was due to approval process by the regulator. The Company has since obtained and implemented the approved tariff with effects from November 2024.

Committee Observations

The Committee observed that the water company had obtained and implemented a new tariff as of November 2024.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should undertake tariff adjustments as required by Water Services Regulatory Board (WASREB) Tariff Guideline, 2023;**
- ii. the Accounting Officer formally submit all proposed tariffs to WASREB for approval, accompanied by comprehensive justification and supporting documentation, in accordance with the application requirements stipulated in the Tariff Guideline, 2023, to facilitate timely review and authorization prior to implementation.; and**
- iii. in line with the WASREB Tariff Guideline, 2023, WASREB should ensure total compliance with guideline 4.0 on the Tariff Adjustment Process which provides that the process shall take a maximum of six months from the receipt of a complete application.**

2. Weakness in Revenue Collection System

During the year under review, the Company used an Enterprise Resource Planning (ERP) system to manage the billing, invoicing and revenue collections. However, the billing module was not fully integrated with the payment module resulting in inaccurate postings and potential data loss during system downtimes. Further, review of the system revealed that both the billing and the financial reporting modules generated different data for the same reporting period, raising concerns about data integrity and the completeness of revenue reporting.

In addition, manual invoicing was still used for other operating revenue streams such as water bowser services, exhauster charges, penalties, sewer dumping fees, and connection fees and payments for these services were not linked to system-generated invoices, an approach that was prone to errors, omissions or fraud.

In the circumstances, the effectiveness of the revenue collection system in ensuring complete and accurate financial reporting could not be confirmed.

Management Response

Management acknowledges the auditors' observations regarding weaknesses in the revenue collection system. During the year under review, the ERP system in use had limitations arising from partial integration between the billing and payment modules, which resulted in posting inaccuracies and inconsistencies between billing and financial reporting data. Management further notes that system downtimes and the continued use of manual invoicing for certain revenue streams increased the risk of errors, omissions, and potential data integrity issues.

To address these matters, Management has initiated a phased corrective action plan. This includes full integration of the billing, payment, and financial reporting modules to ensure real-time posting, data consistency, and completeness of revenue information. System controls are being enhanced to mitigate data loss during downtimes, including improved backup and recovery procedures. In addition, all manual revenue streams—such as water bowser services, exhauster charges, penalties, sewer dumping fees, and connection fees—are being migrated to system-generated invoicing and automated payment matching within the ERP.

Management is also strengthening reconciliation procedures between billing records and financial reports and has instituted periodic system audits and user training to improve compliance and data accuracy. These measures are expected to significantly enhance the effectiveness of the revenue collection system and ensure complete, accurate, and reliable financial reporting going forward.

Committee Observations

The Committee observed that-

1. the ERP system in use had limitations arising from partial integration between the billing and payment modules, which resulted in posting inaccuracies and inconsistencies between billing and financial reporting data.
2. management has initiated a phased corrective action plan to mitigate the errors and omissions on the reporting data.

Committee Recommendations

Noting the mitigating actions the Committee recommends that the matter be marked as resolved.

3. Weak Information and Communication Technology Controls

Review of records provided revealed that the Company entered into a consulting agreement with a local vendor for the development, installation, testing, training, commissioning and support services of an Enterprise Resource Planning System (ERP) on 27 May, 2021 at a contract sum of Kshs. 25,989,410. This transitioned the Company from the use of manual accounting systems with the main objective of bringing in efficiency in operations within the Company. The contract was to be implemented for a period of eighteen (18) months with an initial expected completion date of 30 November, 2022. However, review of the system in October, 2025, more than two years after expiry of the signed contract revealed that Management had been barred from accessing the system by the developer for not meeting their contractual obligation. The discontinuation of services exposed the Company's information to risks of inaccuracy, inefficiencies, manipulations and possible loss as well as disruption of operations. Further, the System's developers who were not employees of the company retained unhindered access rights and still executed the functional roles of the different departments on behalf of the Company staff.

In the circumstances, in the absence of the ERP, the Company stands a risk of loss of data and business disruptions.

Management Response

Management acknowledges the auditors' observation on the weaknesses in Information and Communication Technology (ICT) controls relating to the implementation and management of the Enterprise Resource Planning (ERP) system.

The delay in full implementation and continued reliance on the system developer arose from contractual disputes regarding outstanding obligations and system deliverables, which led to restricted access to the ERP system by Management. This situation was compounded by the absence of a clear exit and knowledge-transfer clause at the initial contracting stage, resulting in the developer retaining administrative access rights beyond the contract period.

Committee Observations

The Committee observed that management had restricted access to the ERP system due to outstanding obligations and absence of a clear exit and knowledge transfer clause in the contracting stage.

Committee Recommendations

The Committee recommends that-

- i. **management to engage the system developer to resolve the outstanding contractual issues and restore full access while safeguarding the Company's data and operations;**
- ii. **on acquiring full access to the system, management should invoke all unauthorized access rights and ensure that system roles and permissions are assigned strictly to company staff in line with segregation of duties; and**
- iii. **the company staff to be trained to fully operate and manage the ERP system internally to reduce over-reliance on external vendors.**

4. Lack of Risk Management Policy Framework

Review of the internal controls of the Company revealed that Management had not developed risk management policy and there were no fraud prevention mechanisms put in place. Further, operational and disaster recovery plans were also not provided. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the existence of an effective mechanism to safeguard against risks could not be confirmed.

Management Response

Management notes the auditor's observation regarding the lack of a Risk Management Policy Framework and fraud prevention mechanisms. Management would like to clarify that the Company has an established Risk Management Policy and Fraud Prevention and Detection controls, which have been formally approved and are operational.

The existing framework includes risk identification, assessment, mitigation, and monitoring processes, as well as internal controls designed to prevent and detect fraud. These policies are implemented through defined procedures, management oversight, segregation of duties, and periodic reviews.

However, Management acknowledges that documentation and communication of these policies may not have been sufficiently demonstrated during the audit review. Management will enhance documentation, improve visibility of the framework, and ensure that all relevant policies and procedures are formally consolidated and readily available for future audits.

Committee Observations

The Committee observed that the Company has an established Risk Management Policy and Fraud Prevention and Detection controls, which have been formally approved and are operational.

Committee Recommendations

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

CHAPTER TWO: MUNICIPALITY

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

The Governor of Bomet County, Hon. Prof. Hillary Barchok, EGH, appeared before the Committee on Thursday, 29th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Municipality of Bomet for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|------------------|---|
| 1. Rosa Bett | - CECM Finance |
| 2. Joseph Kirui | - CECM Land, Housing and Urban Planning |
| 3. Haron Kirui | - Chief Officer Urban Planning |
| 4. Richard Kirui | - Deputy Municipal Manager |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Municipality of Bomet for the financial year on the following basis—

1. Unsupported Cash and Cash Equivalents

The statement of financial position as disclosed in Note 19 to the financial statements reflects cash and cash equivalents totaling Kshs. 12,458. However, the bank reconciliation statements, cash books and bank confirmation certificates for two (2) special purpose accounts in respect of Urban Development Grant (UDG) and Urban Institutional Grant (UIG) held in Central Bank of Kenya, and three (3) bank accounts maintained at Diamond Trust Bank were not provided for audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents totaling Kshs. 12,458 could not be confirmed.

Management Response

The management has noted and provided certificated of bank balances, cash books, bank statements and bank reconciliations for verification.

Committee Observations

The Committee observed that-

1. the bank reconciliation statements, cash books and bank certificates for two accounts in respect of Urban Development Grant and Urban Institutional Grant and three bank accounts held in diamond Trust Bank were not submitted for audit review.

2. whereas the bank reconciliation statements, cash books and bank certificates were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

2. Inaccuracy of Capital Fund and Development Grants

The statement of financial position reflects Nil capital fund and development grants fund totaling Kshs. 84,923,401 reflected in the statement of changes in net assets resulting in unexplained variance of Kshs. 84,923,401.

Further, the statement of changes in net assets reflects opening capital fund and development grants balance of Kshs. 58,208,269 as at 01 July, 2024. However, the opening balance of Kshs. 58,208,269 differs with the previous year audited negative balance of Kshs. 35,342,201 resulting to an unexplained variance of Kshs. 93,550,470.

In the circumstance the accuracy and completeness of the Nil capital fund and development grants could not be confirmed.

Management Response

The inaccuracy highlighted has been noted and has been corrected accordingly as per the amended financial statement and journal vouchers passed and provided for audit verification.

Committee Observations

The Committee observed that there was misstatement of opening balances in the financial statements that resulted into variances, failure to reconcile prior year audited figures with current year records and errors in posting capital fund and development grant transactions

Committee Recommendations

The Committee recommends that-

- i. **The Governor, through the Accounting Officer, should undertake a reconciliation that pertains to payments for outstanding works for which**

no certificate had been issued. The Auditor-General to provide a status update in the subsequent audit cycle;

- ii. The Governor, through the Accounting Officer should ensure compliance with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply;
- iii. The Governor, through the Accounting Officer, should strengthen internal audit controls and ensure proper record keeping;
- iv. The Governor, through the Accounting Officer, should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements; and
- v. The Governor, through the Accounting Officer, to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, Cap. 534.

3. Inaccuracy of Reserves

The statement of financial position reflects reserves totaling Kshs. 32,309,300. However, the amount differs with the Nil reserves reflected in the statement of changes in net assets resulting in unexplained variance of Kshs. 32,309,300. Revaluation report in support of the reserves was also not provided.

In the circumstances, the accuracy and completeness of the reserves totaling Kshs. 32,309,300 could not be confirmed.

Management Response

The highlighted amount has been noted and the variance has been corrected accordingly as per the amended financial statement and journal vouchers passed and attached.

The amount stated is for the current financial year and will be captured in the current financial year.

Committee Observations

The Committee observed that the statement of financial position reflects reserves totaling Kshs. 32,309,300 which differs with the Nil reserves reflected in the statement of changes in net assets resulting in a variance of Kshs. 23,309,300.

Committee Recommendations

The Committee recommends that-

- i. The Governor, through the Accounting Officer, should undertake a reconciliation that pertains to payments for outstanding works for which no certificate had been issued. The Auditor-General to provide a status update in the subsequent audit cycle;**
- ii. The Governor, through the Accounting Officer should ensure compliance with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply;**
- iii. The Governor, through the Accounting Officer, should strengthen internal audit controls and ensure proper record keeping;**
- iv. The Governor, through the Accounting Officer, should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements; and**
- v. The Governor, through the Accounting Officer, to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, Cap. 534.**

4. Inaccuracy of Accumulated Surplus

The statement of financial position reflects accumulated surplus totaling Kshs. 52,614,101. However, the amount differs with the Nil accumulated surplus reflected in the statement of changes in net assets resulting in unexplained variance of Kshs. 52,614,101.

In the circumstance, the accuracy and completeness of the accumulated surplus totaling of Kshs. 52,614,101 could not be confirmed.

Management Response

The anomaly highlighted has been noted and the variance has been corrected accordingly as per the amended financial statements and journal vouchers.

Committee Observations

The Committee observed that there was an error of omission in the statement of changes in assets of accumulated surplus of Kshs. 52,614,101 in the statement of financial position resulting in a variance of the same amount.

Committee Recommendations

The Committee recommends that-

- i. The Governor, through the Accounting Officer, should undertake a reconciliation that pertains to payments for outstanding works for which no certificate had been issued. The Auditor-General to provide a status update in the subsequent audit cycle;**
- ii. The Governor, through the Accounting Officer should ensure compliance with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply;**
- iii. The Governor, through the Accounting Officer, should strengthen internal audit controls and ensure proper record keeping;**
- iv. The Governor, through the Accounting Officer, should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements; and**
- v. The Governor, through the Accounting Officer, to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, Cap. 534.**

5. Inaccuracies in Comparative Figures

The statement of financial position reflects comparative balances in respect of property plant and equipment and accumulated surplus of Kshs. 58,196,011 and Kshs. 58,208.269 respectively both of which vary with the corresponding balances of Kshs. 50,890,300 and Kshs. 92,250,702 respectively reflected in the audited financial statements for 2023/2024 financial year. In the circumstances, the accuracy of the comparative balances reported in the statement of financial position could not be confirmed.

Management Response

The anomaly highlighted has been noted and the variance has been corrected accordingly as per the amended financial statement.

Committee Observations

The Committee observed that the balances in the comparative figures of property, plant and equipment and accumulated surplus differ from the audited financial statements resulting into variances.

Committee Recommendations

The Committee recommends that-

- i. The Governor, through the Accounting Officer, should undertake a reconciliation that pertains to payments for outstanding works for which no certificate had been issued. The Auditor-General to provide a status update in the subsequent audit cycle;**
- ii. The Governor, through the Accounting Officer should ensure compliance with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply;**
- iii. The Governor, through the Accounting Officer, should strengthen internal audit controls and ensure proper record keeping;**
- iv. The Governor, through the Accounting Officer, should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements; and**
- v. The Governor, through the Accounting Officer, to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, Cap. 534.**

6. Inaccuracy of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 24 to the financial statements reflects property, plant and equipment totaling Kshs. 55,597,243. However, the amount does not include roads, Bomet fire station, market stalls, solid waste handling equipment, cabro works, sewer line extension and storm water drainage all valued at Kshs. 365,982,856 recorded in the assets register.

Further, the ownership documents for the assets were not provided for audit review. The assets were also not tagged as property of the municipality to prevent theft of the assets.

In the circumstances, accuracy, valuation and ownership of property, plant and equipment totaling Kshs. 55,597,243 could not be confirmed.

Management Response

The Municipality has not defined the policy of valuation/depreciation and disposal nor the assets have been subjected to any form of valuation and therefor the figures may not give a fair realistic figure. This is because the assets of the municipality were still being disclosed in the county executives report on cash basis since most assets had not yet been formally handed over by the county executive to the Municipality.

Committee Observations

The Committee observed that-

1. The assets have not been subjected to valuation as the municipality does not have a defined policy on valuation or depreciation and disposal for the assets.
2. The Municipality assets are still being disclosed in the county executive reports on cash basis as ownership is with the Executive.

Committee Recommendations

The Committee recommends that-

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

7. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 27 to the financial statements reflects trade payables totaling Kshs. 2,995,600. However, the detailed schedule indicating particulars of the creditors, invoice numbers, delivery notes, local service or local purchase order numbers, interim or completion certificates for the works and services done, counter receipt vouchers, counter requisition, issue vouchers and amount due were not provided for audit.

In the circumstances, the accuracy and completeness of the trade payables of Kshs. 2,995,600 could not be confirmed.

Management Response

The payment was made by county treasury on behalf of the Municipality and not transfers to the Municipality. The payables were all processed by the department of land and urban planning on behalf of the municipality. Management attached the payment vouchers and all the supporting documents for verification.

Committee Observations

The Committee observed that-

1. payables amounting to Kshs. 2,995,600 were all processed by the department of land and urban planning on behalf of the municipality.
2. Whereas the payment vouchers and all supporting documents were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

8. Undisclosed In-Kind Contributions from the County Government

The statement of financial performance reflects Nil transfers from the County Government. Review of records revealed that during the year under review, all the expenses of the Municipality were paid by the County Government of Bomet on behalf of the Municipality.

Further the Municipality had thirty-two (32) staff members who were paid salaries and emoluments amounting to Kshs. 26,648,400 through the County Government's payroll.

However, these expenses were not disclosed in the financial statements nor recognized as in-kind contributions in the statement of financial performance.

In addition, the Municipality is a distinct legal entity of the County which was supported to carry out its operations separately. The amount should have been transferred to the Municipality and accounted for separately as required by Paragraph 9 of IPSAS 1 which states that each component entity with a distinct and separate legal identity should prepare its own financial statements in the circumstances, the accuracy and completeness of the Nil amounts in respect of transfers from the county government, staff costs and use of goods and services could not be confirmed.

Management Response

The payments were made by county executive on behalf of the municipality and no transfers made to the municipality. All the expenses captured and reported by the executive.

Management attached the confirmation letter of inter entity transfers from the head of accounts confirming the payments on behalf of the Municipality.

Committee Observations

The Committee observed that the County Executive paid expenses, including salaries for 32 staff amounting to Kshs. 26,648,400 on behalf of the Municipality and these were not recognized in the financial statements as in-kind contributions by the Municipality.

Committee Recommendations

The Committee recommends that-

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

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. Lack of Independence of the Municipality

The municipality was granted Municipal Charter on 26 May, 2018 which was supposed to grant operational independence from the County Government of Bomet. However, review of the operations of the Municipality revealed lack of autonomy as the Municipality's budget were prepared and controlled by the County Executive and there was no budget approval by the Municipality Board. During the year under review, all the payments were made on behalf of the Municipality by the County Treasury.

Further, the County Government continued to perform functions which had been transferred to the Municipality as provided for under Paragraph 2.3.2 of the Bomet Municipal Charter. This was contrary to Section 12(1) of the Urban Areas and Cities Act, 2011, which states that the management of the Municipality shall be vested in the County Government and administered on its behalf by a Board, a manager and staff constituted and appointed in accordance with the Act.

In the circumstances, Management was in breach of law.

Management Response

The County Government of Bomet has continuously made progress to ensure that Bomet Municipality is independent. Functions have been transferred to Bomet Municipality vide Kenya gazette notice No. 1280 of 2024. The Bomet county public service board has seconded key staff to perform the transferred functions effective 1st July 2024. The county government has set up administrative offices for the municipality. Enhancement of the municipal budget has also been carried through the county Fiscal strategy paper (CFSP) for the financial year 2025/2026, this increased the budget ceiling for Bomet Municipality.

Further the county Government has made a request to the national treasury to create a new independent vote for Bomet municipality. This will enable the municipality to carry out its financial transactions independently.

Committee Observations

The Committee observed that the query remains unresolved as the County Government of Bomet has yet to fully operationalize the autonomy of the Municipality of Bomet

Committee Recommendations

The Committee recommends that-

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

2. Lack of an Approved Staff Establishment.

Review of the employee records revealed that the Municipality had thirty-two (32) employees who were deployed from the County Executive without specific terms of engagement and conditions of service. This was contrary to Section 8.1.1 of the Bomet Municipal Charter 2023, which mandates the Board of the Municipality, subject to the approval by the County Public Service Board, to employ such officers and employees as deems necessary to execute the powers and duties provided by the Charter or any other law.

Further, the Municipality did not have an approved staff establishment. This was contrary to Policy B.2(1) of the Human Resource Policies and procedures Manual for the Public Service 2016 which requires every public entity to prepare Human Resource Plans based on comprehensive job analysis to support achievement of goals and objectives in their Strategic Plans. It was therefore not possible to determine whether the Municipality operated with an optimal number of staff.

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

Management Response

Bomet Municipality has staff establishment approved by the Bomet county assembly.

Bomet county public service board deployed staff to Bomet municipality. The deployed/seconded from the executive are civil engineer, environmental officers, accountant, physical planner, engineers, lawyers, auditors, procurement officer among others. They retained their terms and conditions of service as per the engagement by the County Public Service Board. Evidence of the county assembly minutes approving the Bomet municipal staff establishment was attached by management.

Committee Observations

The Committee observed that-

1. Bomet Municipality has a staff establishment approved by the Bomet County Assembly.
2. Staff were seconded from the county executive to the municipality and retained their terms of contract.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

3. Failure to review the Municipality's Integrated Development Plan

The Municipal Board had not designed a Performance Management Plan to evaluate performance of the Municipality and review its Integrated Development Plan. This was contrary to Section 42 of the Urban Areas and Cities Act, 2011 which states that a City

or Municipal Board shall review its intergraded development plan annually to assess its performance in accordance with performance management tools set by it and may amend the plan where it considers it necessary.

Further, the Board did not conduct any citizen forum during the year under review to invite petitions and representations from the residents with regard to the administration and management of the affairs within the Municipality. This was contrary to Section 22(2) of the Urban Areas and Cities Act, 2011 which states that a board shall invite petitions and representations from Citizen For a with regard to the administration and management of the affairs within an Urban Area or City under its jurisdiction.

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

Management Response

Bomet Municipality reviews its Integrated Development Plan (IDEP) annually during the financial year under review. Bomet Municipality holds citizen fora for at least once in every quarter.

Committee Observations

The Committee observed that the municipality reviews its Integrated Development Plan (IDEP) annually and holds citizen fora for at least once in every quarter.

Committee Recommendations

The Committee recommends that-

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

4. Lack of Policies and By-laws

During the year under review, the Municipal Board operated without by laws passed by the Board of the Municipality. This was contrary to Paragraph 4. of Bomet Municipal Charter which requires the Board to exercise it legislative authority by passing Municipality By-laws.

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

Management Response

Bomet Municipality is fairly a new entity and the management acknowledges the auditor observation and going forward they committed to hasted the development and

approval of the necessary by law. However, management brought to the attention of the committee that they have not been operating without any bylaws and policies but the municipality is guided by the policies established by the county government of Bomet.

Committee Observations

The Committee observed that the municipality has been guided by the policies established by the county government and committed to hasten the development of their own bylaws.

Committee Recommendations

The Committee recommends that the Governor, through the Municipal Board, fast tracks the development and enactment of the policies and bylaws for the municipality. The Auditor-General to keep the matter in view and report to the Committee within 30 days after the adoption of this report.

5. Unconfirmed Meetings of the Municipality Board

The Municipal Board is composed of nine (9) members. However, Management did not provide recruitment documents for six (6) Board members to confirm that the members were recruited through a competitive process. Further, management did not provide work plans and minutes as proof that the Board met and executed its mandate. This was contrary to Section 23(1) of the Urban Areas and Cities Act, 2011 which requires the Board to meet at least once in every three months.

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

Management Response

Bomet municipal board was constituted as per the provision of Urban Areas and Cities Act 2021 (Amended 2019).

Bomet municipal board usually holds at least one meeting per every quarter as required by Urban Areas and Cities Act. The board was recruited through a competitive process through the advert and gazetted accordingly. Management has provided work plans and minutes as proof that the Board met, newspaper advertisement, vetting and approval by the Bomet County Assembly.

Committee Observations

The Committee observed that whereas the minutes, newspaper advertisement, vetting and approval by the Bomet county assembly for recruitment of the board were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

1. Lack of Internal Audit Review and Audit Committee

The Municipality does not have an internal audit function. This was contrary to Regulation 153(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires Internal Auditor to review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities, and review the effectiveness of the financial and non-financial performance management systems of the entities.

Further, the Board had not constituted an audit committee since its establishment. 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, internal control mechanisms that could have an impact on achievement of the strategic objectives of the Municipality may be undetected and hence not rectified in good time.

Management Response

The operation of Bomet municipality has always been audited by the county executive Internal Audit and deliberated by the county executive audit committee. The municipality has an internal Audit function currently being staffed to effectively perform its functions. Board is in progress of constituting an audit committee once the new members join the board in order to perform their mandate role effectively and efficiently.

Committee Observations

The Committee observed that-

- i. the board is in the process of constituting an audit committee to perform their mandate.

- ii. Operations of the municipality have always been audited by the county executive internal audit.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) – Finance ensures that the Municipality puts in place all internal control systems such as the Internal Audit Function as provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of the Municipality. Further, the County Executive Committee Member (CECM) – Finance to submit evidence of the same to the Auditor General for verification.

2. Lack of Risk Management Strategies

The Municipality did not have a risk management policy or strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks. This was contrary to Regulation 158 of the Public Finance Management (County Government Regulations) 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism.

Further management had not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure and a risk register which is a central repository of identified risks and their associated management actions had not been developed.

Management Response

Bomet municipality had not developed its own risk management policy at the time of audit, however being a semiautonomous entity, the management is using the county risk management policy.

Committee Observations

The Committee observed that the Municipality did not have a risk management policy in place and was using the county executive's risk management policy.

Committee Recommendations

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

CHAPTER THREE: HOSPITALS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR CHEPTALAL LEVEL 3B HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Bomet County, Hon. Prof. Hillary Barchok, EGH, appeared before the Committee on Thursday, 29th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Cheptalal Level 3B Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Felix Langat - CECM Health
2. Dr. Stephen Omondi - Medical Superintendent, Cheptalal Hospital

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Cheptalal Level 3B Hospital for the financial year on the following basis—

1. Unsupported In-Kind Contributions from the County Government

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects in-kind contributions from the County Government amounting to Kshs 91,977,195. The contribution relates to expenses paid directly by the County Government of Bomet. However, copies of the payment vouchers, request letters, the approvals from the County Treasury and delivery notes indicating specific commodities supplied in support of the in-kind contribution from the County Government were not provided for audit review.

In the circumstances, the accuracy and completeness of in-kind contributions from the County Government amounting to Kshs.91,977,195 could not be confirmed.

Management Response

Management noted that during the audit exercise they did not fully avail the information. They submitted that they had to request them from the relevant county departments.

Committee Observations

The Committee observed that copies of the payment vouchers, request letters, the approvals from the County Treasury and delivery notes indicating specific commodities supplied in support of the in-kind contribution amounting to Kshs 91,977,195 from the County Government were not provided for audit review.

Committee Recommendations

The Committee recommends that the governor ensures that-

- i. the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and**
- ii. Management establishes and implements a formal mechanism for recording and evidencing all future in-kind contributions from the County Government, ensuring that all relevant supporting documents are obtained at the point of transaction and maintained in a structured manner for audit and accountability purposes.**

2. Unsupported Accumulated Deficit

The statement of financial position reflects accumulated deficit totaling Kshs. 1,388,289 The amount is net of restatement balances totaling Kshs. 408,966 as reflected in the statement of changes in net assets. However, journal entries in support of the restatements were not provided for audit review.

In the circumstances, the accuracy and completeness of accumulated deficit totaling Kshs. 1,388,289 could not be confirmed.

Management Response

Management attached journal entries that encompasses the restated figure of Kshs. 408,966 as shown in the statement of changes in Net assets. They submitted that an error arose where a surplus of Kshs. 408,966 for the year ended 30th June, 2023 was not factored in when arriving at accumulated deficit for the previous financial year ended 30th June, 2024.

Committee Observations

The Committee observed that-

1. journal entries in support of the restatement of Kshs. 408,966 were not provided for audit review.
2. an error arose where a surplus of Kshs. 408,966 for the year ended 30th June, 2023 was not factored in when arriving at accumulated deficit for the previous financial year ended 30th June, 2024

Committee Recommendations

The Committee recommends that-

- i. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with**

- section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and
- ii. the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, 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.

3. Unsupported Capital Fund

The statement of financial position reflects capital fund totaling Kshs. 67,768,500. The amount is net of restatement balances totaling Kshs. 2,869,620 as reflected in the statement of changes in net assets. However, journal entries in support of the restatements were not provided for audit review.

In the circumstances, the accuracy and completeness of capital fund totaling Kshs. 67,766,500 could not be confirmed.

Management Response

Management attached a journal voucher detailing the restated figure of Kshs. 2,460,654.

Committee Observations

The Committee observed that journal entries in support of the restatement of Kshs. 67,768,500 were not provided for audit review.

Committee Recommendations

The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

4. Inaccuracies in the Statement of Cash Flows

The statement of cash flows and as disclosed in Note 23 to the financial statements reflects net cash flows from operating activities amounting Kshs. 23,049. The amount comprises of working capital adjustment amounting to Kshs. 2,102,902 in respect of decrease in receivables as reflected in Note 23 to the financial statements. However, the

decrease in receivables differs with the recomputed amount of Kshs. 4,559,380 resulting in unexplained variance of Kshs. 2,456,478.

Further, the statement reflects net increase in cash and cash equivalents by Kshs. 18,873. However, the amount differs with the recomputed increase in cash and cash equivalents of Kshs. 23,049 resulting in unexplained variance of Kshs. 4,176. Similarly, the statement reflects cash and cash equivalents as at 30 June 2025 totaling Kshs. 23,049 which differs with the recomputed amount of Kshs. 27,225 resulting in an unreconciled variance of Kshs. 4,176. However, the recomputed amount of Kshs. 27,225 also differs with cash and cash equivalents balance of Kshs. 23,049 reported in the statement of financial position.

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

Management Response

Management submitted that the anomaly arose when reporting a decrease in receivables of Kshs. 2,102,902 as in Note 23, however they included non-exchange transactions of previous year of Kshs. 6,443,750 which is contrary to recognition of revenue under non exchange transaction, which calls for full control over it as you report, as guided by IPSAS significant accounting policies.

Committee Observations

The Committee Observed that-

1. the anomaly arose when reporting a decrease in receivables of Kshs. 2,102,902 as in Note 23.
2. Management included non-exchange transactions of previous year of Kshs. 6,443,750 which is contrary to recognition of revenue under non exchange transaction

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures that the Accounting Officer to 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 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;**
- iv. **the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**
- 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; and**
- vi. **the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

5. Unsupported Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 17 to the financial statements reflects receivables from exchange transactions totaling Kshs. 4,575,390. However, the detailed schedule indicating particulars of the patients, services rendered and amount owed by each patient was not provided for audit review.

Further, the amount includes medical services receivables - Social Health Authority (SHA) totaling Kshs. 1,436,240. However, records on SHA billings, the amount claimed, amount paid, outstanding balances and monthly reconciliations were not provided for audit review.

In addition, the amount includes receivables totaling Kshs. 3,007,500 due from the defunct National Health Insurance Fund (NHIF). The amount had remained unpaid for over one year. However, no provision has been made for bad and doubtful debts and evidence of efforts made by Management to recover the balances was not provided for audit review.

In the circumstances, the accuracy, completeness and recoverability of receivables balance of Kshs.4,575,390 could not be confirmed.

Management Response

Management submitted that with the rollout of the HMIS- **tiberbu hmis**, it will be easy to provide detailed schedules indicating particulars of patients, services rendered and amount owed by each patient. Furthermore, the HMIS will simplify the issues of reconciliations against what is provided in the SHA platform.

They have followed up with SHA regarding the amount due from the defunct NHIF and though not yet received, they have always been positive that they will honor the debts.

Committee Observations

The Committee observed that-

1. receivables totaling Kshs. 3,007,500 due from the defunct National Health Insurance Fund (NHIF) were due to the water company.
2. records on SHA billings, the amount claimed, amount paid, outstanding balances and monthly reconciliations were not provided for audit review thus receivables totaling Kshs. 1,436,240 could not be determined.
3. no provision has been made for bad and doubtful debts and evidence of efforts made by Management to recover the balances was not provided

Committee Recommendations

The Committee recommends that-

- i. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle;**
- ii. **the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and**

- iii. **the Accounting Officer to undertake a detailed analysis of its long outstanding trade receivables and with the Board's approval, write off the irrecoverable debts in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015 and the Auditor-General to provide a status update on the same during the subsequent audit cycle.**

6. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment totaling Kshs. 63,671,934. The amount is net of depreciation charge for the year amounting to Kshs. 3,760,617 as disclosed in Note 20 to the financial statements. However, the depreciation policy and rates have not been disclosed in the financial statements. The valuation and ownership documents for the property, plant and equipment including land valued at Kshs. 6,883,333 and buildings and civil works valued at Kshs. 43,448,696 were also not provided for audit review.

Further, an updated asset register indicating asset identification or serial numbers, acquisition date, description of asset, location, class and cost of acquisition of all the movable and non-movable assets was also not provided for audit. Management explained that the records of assets were maintained at the County Government Headquarters but no evidence was provided for audit verification.

In the circumstances, the accuracy, valuation and ownership of the Hospitals property, plant and equipment totaling Kshs. 63,671,934 could not be confirmed.

Management Response

The depreciation rates were based on the PS treasury circular no. 3 of 2025 on the adoption and rollout of the accrual system of accounting. Though the hospital has no depreciation policy, it relies on IPSAS 45 on property plant and equipment. It applies straight line method of depreciation.

Most of the hospital buildings were constructed between 1989- 1990 at a figure Kshs. 8,300,000 at the time exchange rates to USD was about Kshs. 23 and at June 2025 the average exchange rate was Kshs 129. Hence cost of Kshs. 46,552,174 at 30th June, 2023. The same buildings are estimated to last 30 years of service, hence the depreciated costs of Kshs. 1,551,739 per year and net value of Kshs. 43,448,696 at 30th June 2025.

There is a useful old engine Perkins diesel generator which management estimated to have been acquired at around 1990. They estimate that they may require about Kshs. 180,000 to dispose or acquire it now with an estimated life of 8 years hence a depreciation charge of Kshs. 22,500 per year and net value of Kshs. 135,000 as at 30th June, 2025.

On the issue of land, they found out the new land of 2.16 acres was acquired with Kshs. 2,950,000 at 2012 and the same can be disposed off at a cost of Kshs. 4,425,000. Another land of 1.2 acres with buildings can fetch Kshs. 2,458,333.

Medical and other equipments is believed to have a useful life of 8years.

Currently they have factored in funds for the update of the asset register, reevaluation and verification of assets.

Committee Observations

The Committee observed that-

1. the valuation and ownership documents for the property, plant and equipment including land valued at Kshs. 6,883,333 and buildings and civil works valued at Kshs. 43,448,696 were also not provided for audit review.
2. the hospital does not have a depreciation policy.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- ii. **upon completion of the 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;**
- iii. **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; and**
- iv. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

7. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables totaling Kshs. 3,146,441. The amount includes trade and employee payables totaling Kshs. 2,763,529

and Kshs. 382,912 respectively as disclosed in Note 22 to the financial statements. However, schedules and ledgers indicating creditors' particulars, goods or services rendered and amounts payable to each creditor were not provided for audit review. The employee dues amounting to Kshs. 382,912 were also not supported by extracts of payrolls or records on how the claims were determined.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs. 3,146,441 could not be confirmed.

Management Response

The management attached the analyses of trade payables.

Committee Observations

The Committee observed that schedules and ledgers indicating creditors' particulars, goods or services rendered and amounts payable to each creditor were not provided for audit review.

Committee Recommendations

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle;**
- ii. **Management ensures compliance with Regulation 41(2) of the Public Finance Management (County Governments) Regulations, which requires that debt service payments be treated as a first charge on the Consolidated Fund to avoid default on obligations;**
- iii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance; and**
- iv. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

8. Irregular Engagement and Payment of Casual Employees

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects employee costs amounting to Kshs. 85,924,448. The amount includes Kshs. 2,172,001 in respect of casual wages. However, approved staff establishment showing deficiency of staff to be filled by the casuals, formal requests done by the Departmental Heads on the need for engaging casuals, and the Hospital Management Board's approval were not provided for audit review. This implies that Management irregularly engaged and paid the casual employees during the year.

Further, the casual employees were engaged for a period of twelve (12) months consecutively without review of their terms contrary to Section 37(1)(b) of the Employment Act, 2007 which provides that where a casual employee performs work for more than three (3) months, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

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

Management Response

The engagement of casual employees was necessitated by staff shortages to ensure continuity of essential services.

To address this, the Hospital Management Board has:

- i. Liaised with the county public service board to develop a policy to guide engagement and payment of casual employees.
- ii. Ensured all future casual engagements are supported by needs assessments and formal approvals.

They submitted that they are committed to full compliance with relevant laws and HR policies.

Committee Observations

The Committee observed that-

1. approved staff establishment showing deficiency of staff to be filled by the casuals, formal requests done by the Departmental Heads on the need for engaging casuals, and the Hospital Management Board's approval were not provided for audit review.
2. the casual employees were engaged for a period of 12 months consecutively without review of their terms contrary to Section 37(1)(b) of the Employment Act, 2007.

Committee Recommendations

The Committee recommends that-

- i. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and
- ii. the hospital management complies with the provisions of section 37(1) of Employment Act, Cap.226 failure to which section 87 of the Employment Act on penalties for offences shall apply.

Emphasis of Matter

1. Lack of and Approved Annual Budget

The Hospital operated without an approved budget in the year under review This was contrary to Section 18(a) of the Facilities Improvement Financing Act, 2023 which requires the Health Facility Management Committee to consider and submit for approval to the chief officer the annual facility work plan and budget. Management explained that the budgetary requirements of the Hospital were incorporated in the County Government's budget and therefore the Hospital operated on monthly Authority to Incur Expenditures (AIEs) that were issued by the Health Department of the County. However, the annual approved budget as included in the County Government's annual budget for the financial year 2024/2025 was not provided for audit review.

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

Management Response

Management attached an approved annual budget and the minutes of the Hospital Management Board for review.

Committee Observations

The Committee observed that-

1. the hospital operated without an approved budget in the year under review, contrary to contrary to Section 18(a) of the Facilities Improvement Financing Act, 2023.
2. the budgetary requirements of the Hospital were incorporated in the County Government's budget and therefore the Hospital operated on monthly Authority to Incur Expenditures (AIEs) that were issued by the Health Department of the County.

Committee Recommendations

The Committee recommends that-

- i. **the Accounting Officer should ensure 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 Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

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. Irregular Transfer of Facility Improvement Fun-Grants and Subsidies

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects grants and subsidies of Kshs. 252,000 to Kitale Dispensary. This is facility improvement fund transferred to another institution contrary to Section 5 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. The income and other receivables retained by the public health facilities shall be considered as a supplement to the budgets and resources appropriated to the public health facilities by the respective County Government.

Management Response

Kitale dispensary is a relatively new facility run by the County Government of Bomet. It has not been on-boarded on IFMIS platform which necessitated the channeling of their grants from the County Treasury in form of AIE through Cheptalal Hospital.

Committee Observations

The Committee observed that the hospital transferred grants and subsidies of Kshs. 252,000 to Kitale Dispensary contrary to Section 5 of the Facilities Improvement Financing Act, 2023.

Committee Recommendations

The Committee recommends that the hospital should ensure strict compliance to Section 5(1) of the Facilities Improvement Financing Act, 2023 and retain all monies raised or received by or on behalf of all facility.

2. Service Delivery Gaps

The annual report and financial statements indicate that the Hospital is a Level 3B Hospital. However, the Hospital's practicing license issued by the Kenya Medical Practitioners and Dentists Council (KMPDC) classifies it as a Level 3A facility. The discrepancy in classification was not explained.

Further, the Hospital had twenty-four (24) medical staff against the minimum requirement of one hundred and one (101) for level 3B hospitals as prescribed by the Kenya Quality Model for Health Policy Guidelines on personnel requirements resulting in unexplained variance of seventy-seven (77) staff.

In addition, the Hospital did not have functional departments including surgical unit, pediatric unit, radiology unit, renal dialysis, high dependency unit, tuberculosis management, mortuary and autopsy services, advanced life support and laboratory services of Laboratory class D. Verification of services offered and equipment available revealed that the facility did not meet key requirements as prescribed by the guidelines as shown below.

Criteria	Minimum Required	In Place	Shortfall Variance
Land or office space of approximately 2,500 square meters	5 Acres	3 Acres	2 Acres
Beds in male ward, female ward, pediatric ward, antenatal ward and postnatal ward	150	15	135
Resuscitative bed	3	0	3
New born unit incubator	5	0	5
New born baby cots	5	0	5
Dialysis machines	5	0	5
Magnetic Resonance Imaging (MRI) machine	1	0	1
Computer Technology (CT) scan machine	1	0	1
Mammography machine	1	0	1
Dental X-ray machine	1	0	1
Defibrillators (for Accident and Emergency, theatre and ICU)	3	0	3
High Dependence Unit (HDU)	1	0	1
Waiting Rooms	8	1	7
Consultation rooms	8	2	6
Registration rooms	8	1	7

Injection room	1	0	1
Functional operating theaters for maternity and general wards	2	1	1
Plaster room	1	0	1
Medical engineering unit	1	0	1
Mortuary/cold room (mandatory)	1	0	1
Cloak rooms	4	1	3
Protected Incinerator	1	0	1

The deficiencies observed contravene the First Schedule of Health Act, 2017 and implies that accessing 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.

In the circumstances, the ability of the Hospital to deliver on its mandate is doubtful.

Management Response

Management notes the observations regarding the service delivery gaps and discrepancies in the Hospital's classification and resources. They note that the Hospital is currently licensed as a Level 3A facility by the Kenya Medical Practitioners and Dentists Council (KMPDC) and recognize the variance between the current licensing status and its operational Level 4 functions.

Actions Taken:

1. **Staffing:** The Hospital has developed and a comprehensive needs assessment to be submitted to the County Health Department aimed at filling the current staffing gaps. Priority has been given to critical clinical specialties including internal medicine, general surgery, gynecology and obstetrics, and pediatrics to meet the minimum requirements for a Level 4 facility.
2. **Medical Equipment and Infrastructure:** Management has liaised with the County Executive Committee for Health to procure essential medical equipment, and other critical devices as outlined in the Kenya Quality Model for Health Guidelines.
3. **Infrastructure Compliance:** The Hospital has put in plans for improvements to consultation rooms, waiting areas, registration spaces, operating theaters, plaster rooms, cloakrooms, and other facility structures to ensure compliance with prescribed standards

Committee Observations

The Committee observed that-

1. the Hospital's staff complement did not meet the requirements of the Kenya Quality Model for Health.
2. the Hospital is currently licensed as a Level 3A facility by the Kenya Medical Practitioners and Dentists Council (KMPDC).
3. the County Government of Bomet has released various healthcare workers for advanced training to further boost the number of specialists and liaised with the County Executive Committee for Health to procure essential medical equipment.

Committee Recommendations

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;**
- 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.**

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. Weak Internal Controls in Stores and Inventory Management

Review of the stores records and physical verification conducted in July 2025 revealed that the Hospital lacked an inventory management policy or standardized system to govern the receipt, issuance, replenishment, inspection, tracking of expiry, and disposal of pharmaceutical and non-pharmaceutical supplies resulting in lack of clear trail to confirm the utilization of the supplies by patients. The facility was also understaffed

and lacked dedicated stores personnel, only one pharmacist was available to handle commodities' receipts and issuance, leading to a lack of segregation of duties.

Further, review of the Hospital's stores and stock cards revealed that there was lack of quarterly stock take reports as the management did not conduct stock take during the financial year under review.

In addition, the main store was overcrowded, with stock items, including drugs, haphazardly stacked. Making access and inventory control difficult and increases the risk of damage or misplacement.

In the circumstances, effectiveness of internal controls implemented in the stores department to safeguard against possible losses could not be confirmed.

Management Response

The hospital has implemented full use of the government HMIS platform, **tiberbu**. This **HMIS** which will curb the inefficiencies in the stock control, issuance, receipts and general store management.

Both general and dispensing stores are covered by CCTV cameras. The hospital has installed 16 cameras stationed in critical areas and plans are on to increase the number to 48.

Committee Observations

The Committee observed that-

1. review of the Hospital's stores and stock cards revealed that there was lack of quarterly stock take reports as the management did not conduct stock take during the financial year under review.
2. the main store was overcrowded, with stock items, including drugs, haphazardly stacked.
3. the hospital has installed 16 cameras stationed in critical areas and plans are on to increase the number to 48.
4. the hospital has implemented full use of the government HMIS platform, **tiberbu** to curb the inefficiencies in the stock control, issuance, receipts and general store management.

Committee Recommendations

The Committee recommends that-

- i. **the Governor, through the Accounting Officer, should ensure compliance to Regulation 104(1) of the Public Finance Management (County Government) Regulations which states that the accounting officer of a procuring entity to set up an inventory management system which shall**

be managed by the head of the procurement function, for the purpose of control and managing its inventory, stores; and

- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

2. Lack of Standard Operating Procedures and Policies

During the audit, Management did not provide approved standard operating procedures which play an important role in guiding operations of the facility. Further, Management had not developed key policies and manuals or guidelines such as Human Resource Policy and Procedures Manual, Finance and Accounting Manual, Assets Management Policy, Communication Policy and Disaster Recovery and Business Continuity Policy to assist in guiding the administrative functions.

In the circumstance, it was not possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

Management Response

The hospital together with the county government department of health is working on various policies and standard operating procedures. They believe that in due course the process will be concluded and implemented.

Committee Observations

The Committee observed that Management had not developed key policies and manuals or guidelines such as Human Resource Policy and Procedures Manual, Finance and Accounting Manual, Assets Management Policy, Communication Policy and Disaster Recovery and Business Continuity Policy to assist in guiding the administrative functions.

Committee Recommendations

The Committee recommends that the Board of Directors ensures that the Hospital puts in place all internal control systems such as a Standard Operating Procedures and Policies as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the management to submit evidence of the same to the Auditor-General for verification.

3. Weak Internal Controls in Revenue Receipting System

Review of the Hospital's revenue management processes and systems revealed that Management did not maintain comprehensive and reliable revenue records. Reliance was made on bank statements derived from M-Pesa Paybill transactions as the primary source document for revenue recognition. Manual entries were recorded from patients' phone payment messages without any verification to confirm whether the amounts paid were actually credited to the hospital's bank account.

Further, Management maintained its revenue records in manual form and there was no evidence of any plan to transition from the current manual revenue recording process to an automated revenue management system. A walkthrough of the hospital's billing process revealed that patients were billed manually using undefined and inconsistent criteria thus lacking a standardized billing framework, making it impossible to generate reliable billing and revenue reports.

In addition, there was no evidence of daily reconciliations of revenue collected manually verses mobile payment transactions used in banking and Management did not conduct daily or periodic reconciliations of mobile revenue collections.

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

Management Response

Management onboarded the rollout of the **tiberbu HMIS** by the government which took off, they believe will resolve all of the reported weaknesses.

Committee Observations

The Committee observed that-

1. Management did not maintain comprehensive and reliable revenue records and relied on bank statements derived from M-Pesa Paybill transactions as the primary source document for revenue recognition.
2. Management onboarded the use of tiberbu HMIS to resolve the issue on weakness of internal control.

Committee Recommendations

The Committee recommends that the Auditor-general follow up on the effectiveness of the tiberbu HMIS in ensuring the effectiveness in internal controls and report to the Committee within 30 days after the adoption of this report.

4. Lack of Internal Audit Review and Audit Committee

During the year under review, there was no internal audit review of the Hospital's activities. This was contrary to Regulation 153(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires internal auditors to review and evaluate budgetary performance, financial management, transparency and

accountability mechanisms and processes in County Government entities and review the effectiveness of the financial and non-financial performance management systems of the entities.

Further, the Hospital did not have an audit committee as required by Regulation 155(5) of the Public Finance Management (County Governments) Regulations, 2015.

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

Management Response

The county department of internal audit audits the facility once every year. However, they did not receive their findings. They will liaise with the internal audit office to ensure the reviews are available in the subsequent audits.

The Hospital Board of Management has a finance and Audit committee. It is Chaired by Robert Maritim.

Committee Observations

The Committee observed that the county department of internal audit audits the facility once every year and that the hospital did not have an audit committee.

Committee Recommendations

The Committee recommends that the hospital management ensures compliance with Regulations 153(1) and 155(5) of the Public Finance Management (County Governments) Regulations, 2015 and have an audit committee in place to guide in the internal operations of the hospital.

5. Unconfirmed Appointment and Meetings of the Hospital Management Committee

The Hospital's Management Committee is composed of twelve (12) members against the maximum number of nine (9) members as stipulated in Section 17(1) of the Facilities Improvement Financing Act, 2023 resulting in overrepresentation of the Committee three (3) members. The Gazette Notice appointing the members was also not provided for audit review. This was contrary to Section 1.1 (11) of Mwongozo Code of Governance which states that each Board member shall be formally appointed to the Board through a Gazette Notice and there after an appointment letter.

Further, work plans and minutes of Committee meetings as proof that the Committee met and executed its mandate during the year under review were not provided for audit.

In the circumstances, effectiveness of the governance controls put in place could not be confirmed.

Management Response

The current hospital board was appointed in accordance with Bomet County Hospital Boards and Facility Management Committees policy 2018, whose composition of the hospital management board is 12. Through the office of the CECM health, they will ensure they conform with FIF act 2023 once the term of the current board lapses.

They committed to full compliance and hereby provide evidence of appointments and quarterly meetings.

Committee Observations

The Committee observed that-

1. the Hospital's Management Committee is composed of 12 members against the maximum number of 9 members as stipulated in Section 17(1) of the Facilities Improvement Financing Act, 2023.
2. the Gazette Notice appointing the members of the committee was not provided for audit review.

Committee Recommendations

The Committee recommends that the hospital management ensures compliance to Section 17(1) of the Facilities Improvement Financing Act, 2023 and reduce the number to 9. The Auditor-General to keep the matter in view and report to the Committee in the next audit cycle.

6. Use of Manual Accounting Records

Review of records revealed that financial records including payroll, cash book and ledgers were maintained in manual form without backups, thereby exposing the Hospital's financial information to risks of inaccuracy, inefficiencies, manipulations and possible loss. The management, did not provide any justification as to why the financial transactions were not maintained in the system.

In the circumstances, the effectiveness of internal controls over recording of transactions in manual records could not be confirmed.

Management Response

The hospital is leveraging on the rollout of the government lead HMIS – **tiberbu hmis** that has automated all hospital procedures.

Committee Observations

The Committee observed that that financial records including payroll, cash book and ledgers were maintained in manual form without backups and that management has since switched to using the tiberbu HMIS and automated financial record keeping.

Committee Recommendations

The Committee recommends that the Auditor-general follow up on the effectiveness of the tiberbu HMIS in ensuring the effectiveness in internal controls and report to the Committee within 30 days after the adoption of this report.

7. Lack of Risk Management Strategies

Review of the internal controls of the Hospital revealed that Management had not developed risk management policy and there were no fraud prevention mechanisms put in place. Further, operational and disaster recovery plans were also not provided. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the existence of an effective mechanism to safeguard against risks could not be confirmed.

Management Response

A draft policy on risk management and disaster recovery plan is available but it is yet to undergo full policy formulation process.

Committee Observations

The Committee observed that the hospital has a draft risk management and disaster recovery plan that is yet to undergo full policy formulation process.

Committee Recommendations

The Committee recommends that the Board of Directors ensures that the Hospital puts in place all internal control systems such as a Risk Management and Disaster recovery plan as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the management to submit evidence of the same to the Auditor-General for verification.

3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KAPKOROS LEVEL 3A HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Bomet County, Hon. Prof. Hillary Barchok, EGH, appeared before the Committee on Thursday, 29th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Kapkoros Level 3A Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|-----------------------|--------------------------|
| 1. DR. Joseph Sitonik | - CECM Health |
| 2. Dr. Kaptich Siele | - Medical Superintendent |
| 3. Benard Kipkemboi | - HAO Kapkoros Hospital |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Kapkoros Level 3A Hospital for the financial year on the following basis—

1. Inaccuracy of general Expenses

General expenses totaling Kshs. 8,715,137 were misstated by Kshs. 47,000.

Management Response

The error has since been corrected through journal entry and will further be corrected through restatement in subsequent year.

Committee Observations

The Committee observed that there was misstatement of the general expenses balance of Kshs. 8,715,137 by Kshs. 47,000.

Committee Recommendations

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 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;
- iv. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;
- 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; and
- vi. the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.

2. Unsupported Cash and Cash Equivalentents

Variance of bank balances of Kshs. 972,623 between financial statements balance and bank statement was not explained. Further, bank reconciliations, cashbooks and certificates of bank balances were not provided.

Management Response

Cashbook and Bank reconciliation have now been availed.

Management commutated to correct the error through restatement in subsequent year.

Committee Observations

The Committee observed that-

1. whereas the cashbook and banc reconciliation were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.
2. the error in the financial statement was not amended.

Committee Recommendations

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; and**
- ii. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

3. Unconfirmed Receivables from Exchange Transactions

The variance of receivables totaling Kshs. 930,750 between financial statements balance and ledger has not been explained.

Management Response

The amount accrued during the year under review.

Committee Observations

The Committee observed that management did not explain why the accrued amount was not posted in the ledger.

Committee Recommendations

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 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;**
- iv. **the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**
- 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; and**
- vi. **the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

4. Unconfirmed Property, Plant and Equipment

The Hospital assets have not been valued in the financial statements.

Management Response

Management has acknowledged the anomaly but did not explain measures put in place to correct the anomaly.

Committee Observations

The Committee observed that the assets of the hospital had not undergone valuation process.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;
- ii. upon completion of the 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;
- iii. 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; and
- iv. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

5. Inaccuracy of Accumulated Surplus

Accumulated surplus was misstated by Kshs. 622,025.

Management Response

The management has noted the error which has since been corrected through an attached journal. Management committed to further correct the error through restatement in subsequent year.

Committee Observations

The Committee observed that there was a misstatement of a balance of Kshs. 622,025 in the financial statements.

Committee Recommendations

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 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;
- iv. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;
- 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; and
- vi. the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.

6. Inaccuracy of Capital Fund

The capital fund balance was misstated by Kshs. 622,025.

Management Response

The figure was erroneously stated and was corrected through a journal entry that was attached.

Committee Observations

The Committee observed that there was a misstatement of a balance of Kshs. 622,025 in the financial statements.

Committee Recommendations

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 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;**
- iv. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**
- 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; and

- vi. the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

Emphasis of Matter

1. Budgetary Control and Performance

There was underfunding of Kshs. 3,895,840 and under absorption of Kshs. 509,946.

Management Response

Management did not give a response to the audit issue raised.

Committee Observations

The Committee observed that the query remained unresolved as there was an underfunding of Kshs. 3,895,840 and under absorption of Kshs. 509,946 of the budget and management did not give an explanation.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should ensure 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 Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

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. Irregular Engagement of Casual Workers

Casual workers had been engaged for more than three (3) consecutive months

Management Response

Casual workers are engaged on need basis on three months contract.

Committee Observations

The Committee observed that the hospital engaged casual workers for more than 3 months contrary to section 37 of the Employment Act, 2007.

Committee Recommendations

The Committee recommends that the hospital management complies with the provisions of section 37(1) of Employment Act, Cap.226 failure to which section 87 of the Employment Act on penalties for offences shall apply.

2. Irregular Transfers of Facility Improvement Funds (FIF)

FIF totaling Kshs. 896,340 was irregularly transferred to dispensaries and Health Management Team (HMT).

Management Response

Management did not give a response on the issue but attached the returns from the dispensaries.

Committee Observations

The Committee observed that Kshs. 896,340 was transferred from the hospital to dispensaries and Health management Teams contrary to Section 5(1) of the Facility Improvement Act No. 14 of 2023.

Committee Recommendations

The Committee recommends that the hospital management ensures strict compliance to Section 5(1) of the Facility Improvement Act No. 14 of 2023 which requires level 1 to 5 facilities to retain all the monies raised. The Auditor-General to keep the matter in view and report to the Committee in the next audit cycle.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

1. Lack of a Risk Management Policy

The hospital operated without a risk management policy or strategy in place.

Management Response

Management acknowledges that a formal risk management policy has not been developed.

Committee Observations

The Committee observed that the hospital did not have a risk management policy in place.

Committee Recommendations

The Committee recommends that the Board of Directors ensures that the Hospital puts in place all internal control systems such as a Risk Management and Disaster recovery plan as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the management to submit evidence of the same to the Auditor-General for verification.

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

The Governor of Bomet County, Hon. Prof. Hillary Barchok, EGH, appeared before the Committee on Thursday, 29th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Ndanai Level 4 Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. DR. Joseph Sitonik - CECM Health
2. Dr. Mutai Titus - Medical Superintendent

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **Adverse Opinion** on the financial statements of the Ndanai Level 4 Hospital for the financial year on the following basis—

1. Inaccuracy of General Expenses

General expenses amounting to Kshs. 6,062,040 was misstated by Kshs. 28,644

Management Response

The Variance of Kshs. 28,644 relates to bank charges which were erroneously omitted. Error to be corrected through restatement in subsequent year.

Committee Observations

The Committee observed that there was an error of omission in the financial statements of Kshs. 28,644.

Committee Recommendations

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 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;
- iv. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;
- 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; and
- vi. the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.

2. Inaccuracy of Cash and Cash Equivalent

Bank balance of Kshs. 383,469 was not supported by cashbook and monthly bank reconciliation statements. Comparative figure of Kshs.166,495 also differs with the prior year balance of Kshs.166,506 resulting in variance of Kshs.11.

Management Response

Cashbook and Bank reconciliation has now been availed.

Committee Observations

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

Committee Recommendations

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

3. Inaccuracy of Receivables from Exchange Transactions

Receivables comparative figure of Kshs.7,684,050 differs with the prior year audited Nil balance resulting in variance a Kshs.7,684,050.

Management Response

The balance of Kshs. 7,584,050 was erroneously stated. But a journal entry has been passed to correct it.

Committee Observations

The Committee observed that general ledger in support of the restatement of the balance was not provided.

Committee Recommendations

The Committee recommends that—

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

to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and

- v. the 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.

4. Inaccuracy of Receivables from Non-Exchange Transactions

Ageing analysis in support of receivables totaling Kshs. 10,000,000 was not provided.

Management Response

The ageing analysis is part of the note and is hereby attached.

Committee Observations

The Committee observed that the ageing analysis reflecting individual receivables age was not provided.

Committee Recommendations

The Committee recommends that-

- i. 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;
- ii. 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; and
- iii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for

their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

5. Inaccuracy of Inventories

The inventories comparative figure of Kshs. 697,875 differs with the prior year Nil balance resulting in a variance of Kshs.697,875.

Further, stock cards for issuing drugs did not indicate batch numbers and expiry dates of drugs.

Management Response

Management submitted that Kshs. 697,875 was erroneously stated but a journal has been passed to correct it. Management attached the stock taking report for audit verification.

Committee Observations

The Committee observed that the management indicated the expiry dates in the stock taking reports, however, the general ledger in support of the restatement was provided

Committee Recommendations

The Committee recommends that—

- i. 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;**
- ii. 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;**
- 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 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;

- v. 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; and
- vi. the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.

6. Inaccuracy of the Property, Plant and Equipment

The Nil property, plant and equipment comparative figure differs with the comparative figure of Kshs.153,442,540 as disclosed in Note 31.

Further, valuation reports and ownership documents not provided.

Management Response

Assets register and ownership documents for motor vehicles have been attached.

Journal entry has been passed to correct the overstated amount.

Committee Observations

The Committee observed that management submitted the asset register, however the general ledger supporting the restatement was not provided.

Committee Recommendations

The Committee recommends that-

- i. 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;
- ii. 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; and

- iii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

7. Inaccuracy of Trade and Other Payables

Trade and other payables comparative figure differ with the prior year audited Nil balance.

Further, invoices, certificates of work done and inspection committees certificates not provided.

Management Response

Management attached the invoices, LPOs and deliveries. The amount reported related to prior year erroneously included and they have passed journals to correct it.

Committee Observations

The Committee observed that the general ledger supporting the restatement was not provided.

Committee Recommendations

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; and
- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with

section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

8. Inaccuracy of Accumulated Surplus

Accumulated comparative figure differs Kshs.248,892 opening balance resulting in variance of Kshs. 233,625.

Management Response

The management submitted that the figure was erroneously stated and that it had been corrected through a journal entry.

Committee Observations

The Committee observed that the general ledger in support of the restatement of the balance was not provided.

Committee Recommendations

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; and**
- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

9. Inaccuracy of Capital Fund

Capital fund comparative figure differs with the Nil opening balance resulting in variance of Kshs. 3,651,613.

Further, documentary evidence in support of the grants of Kshs.195,810,658 not provided.

Management Response

The management submitted that the figure was erroneously stated and that it had been corrected through a journal entry.

Committee Observations

The Committee observed that-

1. the general ledger in support of the restatement of the balance was not provided.
2. documentary evidence in support of grants amounting to Kshs.195,810,658 have not been supported.

Committee Recommendations

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; and
- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

10. Inaccuracies in the Statement of Cash Flows

Income of Kshs. 36,218,125 reflected in statement of cash flows differs with Kshs. 36,179,549 reflected in the statement of comparison of budget resulting in variance of Kshs.38,576.

Grants and subsidies amounting to Kshs. 8,849,544 also differs with Kshs. 10,323,944 reflected in the statement of comparison of budget resulting in variance of Kshs. 6,090,684.

Further, net cash flows from operating activities of Kshs. 44,277,640 is misstated by Kshs. 42,667,155.

Management Response

Management submitted that the figure was erroneously stated and had been corrected through a journal.

Committee Observations

The Committee observed that the general ledger in support of the restatement of the balance was not provided.

Committee Recommendations

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; and
- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

11. Inaccuracies in Statement of Comparison of Budget and Actual Amounts

Final budget of Kshs.85,000,000 is misstated by Kshs.1,334,000. The actual receipts of Kshs.45,985,731 is also misstated by Kshs.1,334,000.

Further, total expenditure of Kshs.44,306,840 is misstated by Kshs.28,644.

Management Response

The figure of Kshs. 1,334,000 was erroneously stated and had been corrected through a journal entry.

Committee Observations

The Committee observed that the general ledger in support of the restatement of the balance was not provided.

Committee Recommendations

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; and

- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

12. Unsupported Grants and Subsidies

Transfers to Dispensaries, Sub County Hospital and Health Departments amounting to Kshs. 10,323,944 was not supported by expenditure returns.

Management Response

The other transfers to county headquarters and sub county relate to 25% of the revenue in respect to FIF policy

Committee Observations

The Committee observed that there was an irregular transfer of funds from the FIF contrary to Section 5 of the FIF Act.

Committee Recommendations

The Committee recommends that-

- i. the hospital management ensures strict compliance to Section 5(1) of the Facility Improvement Act No. 14 of 2023 which requires level 1 to 5 facilities to retain all the monies raised. The Auditor-General to keep the matter in view and report to the Committee in the next audit cycle;
- ii. 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; and
- iii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with

section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Emphasis of Matter

1. Budgetary Control and Performance

The budget was underfunded by Kshs. 39,014,269 and under absorbed by Kshs. 1,678,891

Management Response

The deviation was caused by failure to receive disbursements from SHA.

Committee Observations

The Committee observed that there was an underfunding of Kshs. 39,014,269 and an under absorption of Kshs. 1,678,891 of the budget due to non-disbursement of funds from SHA.

Committee Recommendations

The Committee recommends that-

- i. management should strengthen follow-up and monitoring of reimbursements and receivables form SHA to ensure timely receipt of funds, enabling full utilization of budgeted allocations within the financial year;
- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle;
- iii. the Accounting Officer should ensure 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 Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and

- iv. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.

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. Deficiencies in Implementation of Universal Health Coverage (UHC)

The Hospital did not meet the minimum staffing levels.

Management Response

The hospital has made a request for extra resources from the County Executive.

Committee Observations

The Committee observed that the Hospital's staff complement did not meet the requirements of the Kenya Quality Model for Health.

Committee Recommendations

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.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

1. Lack of a Risk Management Policy

The hospital operated without a risk management policy or strategy.

Management Response

The hospital is a semi-autonomous and still developing its own policies. It utilizes risk management from the County Government of Bomet.

Committee Observations

The Committee observed that the hospital uses the County policy and is in the process of developing its own Risk Management Policy.

Committee Recommendations

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

3.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR LONGISA LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Bomet County, Hon. Prof. Hillary Barchok, EGH, appeared before the Committee on Thursday, 29th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Longisa Level 4 Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. DR. Joseph Sitonik - CECM Health
2. Esau Langat - Medical Superintendent

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Longisa Level 4 Hospital for the financial year on the following basis—

1. **Unsupported In-Kind Contribution from the County Government**

In-kind contributions from the County Government of Bomet totaling Kshs. 73,778,731 was not supported.

Management Response

Management attached an extract of the staff working under Longisa County Referral Hospital and the request letters and corresponding approvals from the county treasury for the specific commodities supplied by the county.

Committee Observations

The Committee observed that whereas the payroll extracts and payment vouchers in support of medical supplies received were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

2. **Inaccuracies in the Statement of Cashflows**

The statement of cashflows reflects decrease in inventories amounting to Kshs. 14,537,161 which differs with the re-computed amount of Kshs. 13,701,887 resulting to a variance of Kshs. 835,274.

The statement also reflects closing cash and cash equivalents balance of Kshs. 260,612 which differs with the re-computed amount of Kshs. 297,845.

Management Response

The anomalies in net cash flows from operating activities and cash and cash equivalents will be corrected by amending the financial statement for the year 2025/2026 under prior year adjustments.

Committee Observations

The Committee observed that the query remains unresolved as management failed to reconcile the cash flow statement with the statement of financial position but committed to amend the financial statements in the financial year 2025/2026.

Committee Recommendations

The Committee recommends that-

- i. The Governor, through the Accounting Officer, should undertake a reconciliation that pertains to payments for outstanding works for which no certificate had been issued. The Auditor-General to provide a status update in the subsequent audit cycle;**
- ii. The Governor, through the Accounting Officer should ensure compliance with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply;**
- iii. The Governor, through the Accounting Officer, should strengthen internal audit controls and ensure proper record keeping;**
- iv. The Governor, through the Accounting Officer, should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements; and**
- v. The Governor, through the Accounting Officer, to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms**

and conditions of appointment or employment and as required by the Accountants Act, Cap. 534.

3. Unsupported Receivables from Exchange Transactions

Receivables from exchange transactions amounting to Kshs. 52,102,329 was not supported by detailed schedule indicating particulars of the patients and services rendered, records of SHIF billings and measures put in place to recover the receivables due from the defunct NHIF.

Management Response

A schedule indicating particulars of the patients, services rendered and amount owed has been provided.

The monthly SHIF billings, the amount claimed, amount paid, outstanding balances and monthly reconciliations are provided. The correspondences made to NHIF to recover the receivables has been provided .

Committee Observations

The Committee observed that-

1. whereas the billing schedules and correspondences to NHIF were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.
2. Management did not provide any evidence of recovery efforts from the defunct NHIF.

Committee Recommendations

The Committee recommends that-

- i. **the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount from NHIF 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;**
- ii. **the Accounting Officer to undertake a detailed analysis of its long outstanding trade receivables and with the Board's approval, write off the irrecoverable debts in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015 and the Auditor-General to provide a status update on the same during the subsequent audit cycle; and**

- iii. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

4. Undisclosed Property, Plant and Equipment

The statement of financial position reports Nil property, plant and equipment, despite the Hospital owning and using various assets including land, buildings, civil works, motor vehicles, furniture, computers, and medical equipment of unknown value.

Further, the ownership documents for the land on which the Hospital has been built, were not provided for audit.

Management Response

The Hospital maintains an inventory of its movable assets in the facility while the county government maintains the register for all the assets which include non-movable assets which were acquired by the county government. The non- movable assets including buildings and other devolved equipment are in the final stages of handing over and will be updated in the asset register in the current financial year.

A list of movable assets and equipment has been availed for audit verification.

Committee Observations

The Committee observed that-

1. The hospital maintains an inventory of movable assets while the county government maintains a register of non-movable assets acquired by the county government.
2. The handing over of the assets is in the final stages and will be updated in the financial year 2025/2026

Committee Recommendations

The Committee recommends that-

- i. **the Governor of Bomet County ensures that the transfer of assets to the Longisa Level 4 Hospital is fast tracked so that they reflect a true position of the hospital in their book of accounts;**
- ii. **the Governor to make budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;**

- iii. the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;
- iv. 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;
- v. 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; and
- vi. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Other Matter

1. Unresolved Prior Year Matters

The previous year's audit report raised nineteen (19) issues, which Management neither resolved nor provided explanations on the failure to implement the recommendations.

Management Response

Most of the prior year audit matters will be resolved in the year 2025/2026.

Committee Observations

The Committee observed that the query remained unresolved as management had not made efforts to resolve issues raised by the Auditor-General in the previous financial year.

Committee Recommendations

The Committee recommends that-

- i. The Governor ensures that the Accounting Officer resolves any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may

recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and

- ii. **The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

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. Lack of an Approved Annual Budget

The Hospital operated without an approved budget in the year under review. The annual approved budget as included in the County Government's annual budget for the financial year 2024/2025 was not provided for audit review.

Management Response

The Hospital Management Committee approved and submitted the approved annual and quarterly budgets.

Committee Observations

The Committee observed that management provided the Hospital's approved budget in line with Section 18(a) of the Facilities Improvement Financing Act, 2023.

Committee Recommendations

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

2. Irregular Engagement and Payment of Casual Employees

The casual employees were engaged for a period of twelve (12) months consecutively and paid wages amounting to Kshs. 5,395,000 without review of their terms.

The approved staff establishment showing deficiency of staff to be filled, formal requests by the departmental heads and the Hospital Management Committee's approval were not provided for audit review.

Management Response

Formal requests were done by the Departmental Heads on the need for engaging casuals as per the approved staff establishment and the Hospital Management Board approved

the requests as per the attached Board minutes. The casual employees were engaged for a period of three months as per the attached samples of appointment letters.

Committee Observations

The Committee observed that-

1. Management has provided sample letters indicating that the casual workers were engaged for a period of three months.
2. the approved staff establishment to indicate staffing deficiencies, the departmental requests or approvals from the Hospital Management Committee were not provided for audit review.

Committee Recommendations

The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3. Failure to Dispose Unserviceable Assets

Unserviceable assets remained undisposed, unutilized, and continued to deteriorate, contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015, which requires timely disposal through a disposal committee.

Management Response

The biomedical department forwarded a list of unserviceable assets as per a memo dated 23rd June 2025 and has been captured in the current year disposal plan. The Hospital's management has established a disposal committee and the process is currently ongoing.

Committee Observations

The Committee observed that the query remained unresolved as management did not provide evidence of actual disposal of the assets.

Committee Recommendations

The Committee observed that-

- i. **the Governor ensures that the management of the hospital conducts the valuation of all assets of the water company is fast-tracked and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;**

- ii. 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;
- iii. the Governor ensures that the accounting officer prepares and submits a comprehensive annual disposal plan for all unserviceable, obsolete and surplus assets to the Auditor-General within sixty days of the adoption of this report; and
- iv. the Accounting Officer ensures that the water company maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

4. Expired Medical Drugs

The Medical Superintendent had not established a disposal committee to verify fifteen thousand, eight hundred and nineteen (15,819) units of expired drugs of undetermined value which had not been disposed of together with some units which were still stored with the unexpired drugs in the stores.

Management Response

The pharmacy department forwarded a list of expired pharmaceutical and non-pharmaceutical consumables as per a memo dated 05/6/2025. The disposal process of the drugs was initiated through establishment of the disposal committee and the disposal committee proposed that the facility should seek for approval from the Pharmacy and Poisons Board (PPB) for the disposal of expired commodities through a request whose approval has not been received.

Committee Observations

The Committee observed that approval for disposal of expired commodities from the Pharmacy and Poisons Board was yet to be received by the hospital.

Committee Recommendations

The Committee recommends that-

- i. Within 60 days of the adoption of this report, the Governor to follow up on the correspondences between the hospital and the Pharmacy and Poisons Board (PPB) to fast-track the disposal of expired commodities; and

- ii. **the Governor, through the Accounting Officer, should ensure compliance to Regulation 104(1) of the Public Finance Management (County Government) Regulations which states that the accounting officer of a procuring entity to set up an inventory management system which shall be managed by the head of the procurement function, for the purpose of control and managing its inventory, stores to prevent expired commodities from mixing with expired drugs in the stores.**

5. Service Delivery Gaps

The Hospital did not comply with the Kenya Quality Model for Health Policy Guidelines, as key medical equipment was inadequate or non-operational, critical facilities were below required standards, and there was a shortage of eighty-seven (87) essential medical personnel.

Management Response

The new CT scan machine under National Equipment Service Program (NESP) has been delivered and installed. The Mother and Child wing has been constructed and currently being equipped with provision for HDU.

The Management had forwarded its employee establishment needs to the county for consideration and advert was placed but the recruitment was stopped by the court order.

Committee Observations

The Committee observed that-

1. the Hospital's staff complement did not meet the requirements of the Kenya Quality Model for Health.
2. the County Government of Bomet has released various healthcare workers for advanced training to further boost the number of specialists and liaised with the County Executive Committee for Health to procure essential medical equipment.

Committee Recommendations

The Committee recommends that—

- i. **within sixty (60) days from the adoption of this report, the Governor and the Accounting Officer submit 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. **the Governor should encourage the ongoing training and prioritize new recruitments to fill gaps in medical personnel, ensuring specialized services can be offered in-house.**

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. Weak Internal Controls in Stores and inventory Management

The Hospital lacked an inventory management policy and had not implemented the ERP inventory module, resulting in incomplete and unreliable records; additionally, store ledgers were not maintained, and the main store was overcrowded with poorly organized stock, increasing the risk of damage or loss.

Management Response

The Hospital's stores are equipped with stores ledgers that are used to control movement of stock.

The Hospital had also noted the limited storage space in the facility which had led to overcrowding of the items in stores and made efforts by installing cabinets in the stores.

The Inventory Management System used in the Hospital allows the user department to make requisitions to the stores through generation of S11 therefore provides a link between the stores and pharmacy.

Committee Observations

The Committee observed that-

1. the main store was overcrowded, with stock items, including drugs, haphazardly stacked.
2. There is no evidence that management had implemented the Inventory Management module of the ERP nor acquired a Hospital Management System (HMS) that integrates stores, pharmacy, and other critical departments

Committee Recommendations

The Committee recommends that the Governor, through the Accounting Officer, should ensure compliance to Regulation 104(1) of the Public Finance Management (County Government) Regulations which states that the accounting officer of a procuring entity to set up an inventory management system which shall be managed by the head of the procurement function, for the purpose of control and managing its inventory, stores.

2. Weakness in Emergency Protocols and Health Records Management

A legal suit (Case No. E002 of 2025) was filed against the Hospital, its Medical Superintendent, and the County Government of Bomet following the death of a three-

year-old child due to delays in the referral process and lack of an ambulance. An investigation revealed system downtime, missing patient documentation, communication failures, and absence of a medical officer at the time, with medical instructions given by phone to the nurse on duty.

Management Response

All patients including emergency cases are registered in the HMIS system on arrival at the facility. Management annexed the HMIS notes to show registration was done and treatment given to the mentioned child.

The county has an emergency referral protocol which guides the process of referral for all the county facilities. In the reported case, the medical officer was handling another emergency in the maternity section of the hospital.

The Bomet County Emergency Referrals and Ambulance Policy and the Standard Operating Procedure for referral includes phone correspondence with the receiving facility.

Committee Observations

The Committee observed that management did not provide reasons for the delays or failure to provide an ambulance for the reported case.

Committee Recommendations

The Committee recommends that management to strengthen patient referral procedures, ensure reliable system uptime, maintain complete patient documentation, and guarantee the availability of medical officers during operational hours.

3. Lack of Standard Operating Procedures and Policies

The Management did not provide approved standard operating procedures which play an important role in guiding operations and acting as a reference guide.

Management had not developed key policies and manuals or guidelines to assist in guiding the administrative functions.

Management Response

The Hospital has adopted the county standard operating manuals as they await the approval of their own standard operating manuals.

Committee Observations

The Committee observed that Management has submitted evidence of Standard Operating Procedures. However, the document has not been formally approved.

Committee Recommendations

The Committee recommends that the Board of Directors ensures that the Hospital puts in place all internal control systems such as a Standard Operating Procedures and Policies as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the management to submit evidence of the same to the Auditor-General for verification.

4. Weak Internal Controls in Revenue Receipting System

The Hospital's receipting system was not fully integrated with M-Pesa, relying on manual processes that created disconnect between payments and system records, increased the risk of errors, and hindered reconciliation, which was further constrained by the lack of consolidated invoice reports.

Management Response

The Hospital Management Information System which is currently used was procured by the county government in 2021 and does not have all the modules to enable integration. The process to procure a new system which will enable integration and invoice tracking has since been initiated.

Committee Observations

The Committee observed that the Hospital Management Information System does not have all the modules for integration and management is in the process of procuring a new system that will enable integration and invoice tracking.

Committee Recommendations

The Committee recommends that the Auditor-General follows up on the effectiveness of the HMIS in ensuring the effectiveness in internal controls and report to the Committee within 30 days after the adoption of this report.

5. Lack of Internal Audit Function and Audit Committee

During the year under review, the Hospital lacked an internal audit function, did not conduct risk assessments, and had no audit committee, contrary to the Public Finance Management Act and Regulations, with no evidence that audit reports were reviewed or discussed.

Management Response

The Hospital has internal audit committee appointed by the hospital medical superintendent. Also, the hospital has not been declared as an entity so they were still being audited by the county internal audit team.

Committee Observations

The Committee observed that the operationalization of the hospital was being audited by the county internal audit team.

Committee Recommendations

The Committee recommends that the hospital management ensures compliance with Regulations 153(1) and 155(5) of the Public Finance Management (County Governments) Regulations, 2015 and have an audit committee in place to guide in the internal operations of the hospital.

6. Lack of Risk Management Strategies

The Hospital's Management had not put in place risk management policy to guide the management on risk assessment and formulation of risk mitigation strategies.

Management Response

The Hospital has developed a draft of its own risk management policy framework

Committee Observations

The Committee observed that the Risk Management Policy is in drafting and awaiting approval by the county assembly of Bomet.

Committee Recommendations

The Committee recommends that the Board of Directors ensures that the Hospital puts in place all internal control systems such as a Risk Management and Disaster recovery plan as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the management to submit evidence of the same to the Auditor-General for verification.

3.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR SIGOR SUB-COUNTY LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Bomet County, Hon. Prof. Hillary Barchok, EGH, appeared before the Committee on Thursday, 29th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Sigor Sub-County Level 4 Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officer—

1. Dr. Kennedy Kiprono - Medical Superintendent

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Sigor Sub-County Level 4 Hospital for the financial year on the following basis—

1. Unsupported In-Kind Contribution from the County Government

The statement of financial performance reflects in-kind contribution from the County Executive amounting to Kshs. 82, 305,130. The amount relates to expenses paid directly by the County Executive- Bomet on behalf of the Hospital. However, copies of the payment vouchers, request letters, the corresponding approvals from the County Treasury, certificates of completion and delivery notes indicating specific services or commodities supplied from the County Government were not provided for audit review.

In the circumstances, the accuracy and completeness of in-kind contributions from the County Government of Kshs. 82,305,130 could not be confirmed.

Management Response

Management confirms that the in-kind contributions were fully supported and attached as is the payroll extract providing schedules in support of salaries and wages amounting to Kshs. 69,126,108. However, payment vouchers for salaries and wages and utility bills of Kshs. 174,684 were consolidated and retained at the County Treasury, and could not be accessed at the time of audit but has been availed for audit verification. Furthermore, management attached bill of quantities of LAN Cabling amounting to Kshs. 1,654,998 and a sample of medical supplies from KEMSA.

Committee Observations

The Committee observed that-

1. copies of the payment vouchers, request letters, the corresponding approvals from the County Treasury, certificates of completion and delivery notes indicating specific services or commodities supplied, amounting to Kshs. 82, 305,130, from the County Government were not provided for audit review.\

2. payment vouchers for salaries and wages and utility bills of Kshs. 174,684 were consolidated and retained at the County Treasury.
3. management attached bill of quantities of LAN Cabling amounting to Kshs. 1,654,998 and a sample of medical supplies from KEMSA.

Committee Recommendations

The Committee recommends that the governor ensures that-

- i. the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and
- ii. Management establishes and implements a formal mechanism for recording and evidencing all future in-kind contributions from the County Government, ensuring that all relevant supporting documents are obtained at the point of transaction and maintained in a structured manner for audit and accountability purposes.

2. Unsupported Revenue from Rendering of Services-Medical Services Income

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects rendering of services - medical service income amounting to Kshs. 13,544,443. However, the supporting schedule indicating particulars of the patients, services rendered and amount invoiced to each patient was not provided for audit review. The income was also not disclosed as per the approved revenue streams.

In the circumstances, the accuracy and completeness of rendering of services-medical services income amounting to Kshs. 13, 544,443 could not be confirmed.

Management Response

The hospital management notes the observation made and this was due to limited integration of the hospital management system to the new changes brought by the roll out of FIF that monitors particulars of patients, service rendered and the amount invoiced to each patient.

With the implementation of TAIFACARE that began in December 2025, the facility is now able to account revenues collected from the services rendered.

Committee Observations

The Committee observed that-

1. the supporting schedule indicating particulars of the patients, services rendered and amount invoiced to each patient relating to medical service income amounting to Kshs. 13,544,443 was not provided for audit review.
2. Management attributed the non-provision of documents to limited integration of the hospital management system to the new changes brought by the roll out of FIF.

Committee Recommendations

The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3. Inaccuracy of General Expenses

The statement of financial performance reflects general expenses amounting to Kshs. 4, 848,764. However, the amount differs with general expenses totaling Kshs. 3,019,082 reflected in Note 13 to the financial statements resulting in unexplained variance of Kshs. 1,829,682.

In the circumstances, the accuracy and completeness of general expenses amounting to Kshs. 4,848,764 could not be confirmed.

Management Response

Management has reviewed the statement of financial performance in respect to general expenses amounting to Kshs. 3,019,082. The amount reported agrees with the figure disclosed in Note 13 to the financial statements. However, the initially submitted supporting schedules reflected an excess of Kshs. 1,829,682, which resulted in the variance noted and the journal entries have been passed to correct the anomaly.

Committee Observations

The Committee observed that the initially submitted supporting schedules reflected an excess of Kshs. 1,829,682, which resulted in the variance noted.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures that the Accounting Officer to 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 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;
- iv. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;
- 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; and
- vi. the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.

4. Unsupported Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 16 to the financial statements reflects receivables from exchange transactions totaling Kshs. 6,345,207. However, detailed schedule indicating particulars of the patients, services rendered and amount owed by each patient in support of the receivables was not provided for audit review.

Further, the amount includes medical services receivables from Social Health Authority totaling Kshs. 3,484,289. However, records on the SHIF billings, the amount claimed, amount paid, outstanding balances and monthly reconciliations were not provided for audit review.

In addition, the amount includes medical services receivables from the defunct National Health Insurance Fund (NHIF) totaling Kshs. 2, 860,918 that had remained unpaid for over one year. However, no provision was made for bad and doubtful debts. Management has not made any effort to recover these receivables.

In the circumstances, the accuracy and completeness of receivables from exchange transactions totaling Kshs. 6,345,207 could not be confirmed.

Management Response

The facility currently maintains manual records for all services provided. Detailed information, including patient particulars, services rendered, and billing records, is recorded in the manual registers.

Furthermore, it is noted that the facility has made efforts through email communication to recover accumulated claims from SHA.

With the implementation of TAIFACARE that began in December 2025, the facility is now able to account revenues collected from the services rendered.

Committee Observations

The Committee observed that-

1. receivables totaling Kshs. 2,860,918 due from the defunct National Health Insurance Fund (NHIF) were due to the water company.
2. records on SHA billings, the amount claimed, amount paid, outstanding balances and monthly reconciliations were not provided for audit review thus receivables totaling Kshs. 3,484,289 could not be determined.
3. no provision has been made for bad and doubtful debts and evidence of efforts made by Management to recover the balances was not provided.

Committee Recommendations

The Committee recommends that-

- i. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their**

investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle;

- ii. the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and**
- iii. the Accounting Officer to undertake a detailed analysis of its long outstanding trade receivables and with the Board's approval, write off the irrecoverable debts in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015 and the Auditor-General to provide a status update on the same during the subsequent audit cycle.**

5. Inaccuracy of Property, Plant and Equipment

The statement of financial position reflects Nil property, plant and equipment. Review of the Hospital's records and physical verification revealed that various assets including land, buildings, civil works, motor vehicles, furniture, computers and specialized and non-specialized medical equipment of unknown values were being used by the Hospital. However, these assets were not disclosed in the financial statements.

Further, the ownership documents for the land on which the Hospital has been built and log book for the Hospital's motor vehicle were not provided for audit review. Management explained that the records of assets are maintained at the County Government Headquarters but no evidence was provided for audit verification.

In the circumstances, the accuracy, completeness and ownership of the Hospitals property, plant and equipment could not be confirmed.

Management Response

Management acknowledges the observation regarding the non-disclosure of property, plant, and equipment in the financial statements for the year under review.

The omission arose due to challenges in conducting accurate valuations of the facility's properties, compounded by the fact that ownership of some properties has not yet been formally transferred to the County Government of Bomet, which delayed the valuation process.

Management is committed to ensuring that all properties, plant, and equipment are properly valued, recorded, and disclosed in the financial statements once ownership and valuation matters are fully resolved.

Committee Observations

The Committee observed that-

1. The statement of financial position reflects Nil property, plant and equipment.
2. the ownership documents for the land on which the Hospital has been built and log book for the Hospital's motor vehicle were not provided for audit review.
3. The omission arose due to challenges in conducting accurate valuations of the facility's properties, compounded by the fact that ownership of some properties has not yet been formally transferred to the County Government of Bomet.

Committee Recommendations

The Committee recommends that-

- i. **the Governor of Bomet County ensure that the assets are transferred to the Sigor Level 4 Hospital so that they reflect a true position of the hospital in their book of accounts;**
- ii. **the Governor to make budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;**
- iii. **the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- iv. **upon completion of the 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;**
- v. **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; and**
- vi. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

6. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 18 to the financial statements reflects trade and other payables totaling Kshs. 5,174,494. However, schedule and ledgers indicating creditors' particulars, goods or services rendered and amounts payable to each creditor in support of each payable were not provided for audit

review. The employee dues amounting to Kshs. 579, 820 was also not supported by extracts of payrolls or records on how the claims were determined.

In the circumstance, the accuracy and completeness of trade and other payables totaling Kshs. 5,174,494 could not be confirmed.

Management Response

Management has availed the schedules.

Committee Observations

The Committee observed that-

1. schedule and ledgers indicating creditors' particulars, goods or services rendered and amounts payable to each creditor in support of payables amounting to Kshs. 5,174,494 were not provided for audit review.
2. employee dues amounting to Kshs. 579, 820 were not supported by extracts of payrolls or records on how the claims were determined.

Committee Recommendations

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle;**
- ii. **Management ensures compliance with Regulation 41(2) of the Public Finance Management (County Governments) Regulations, which requires that debt service payments be treated as a first charge on the Consolidated Fund to avoid default on obligations;**
- iii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance; and**
- iv. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

7. Inaccuracy of Accumulated Surplus

The statement of financial position reflects accumulated surplus totaling Kshs. 1,777,539. The amount includes opening accumulated surplus totaling Kshs. 3,096,467 as disclosed in the statement of changes in net assets. However, the opening balance differs with the prior year audited accumulated surplus totaling Kshs. 3,348,463 resulting in unexplained variance of Kshs. 251,996.

Further, the amount differs with the recomputed accumulated surplus totaling Kshs. 5,126,003 resulting in unexplained variance of Kshs. 3,348,463.

In the circumstances, the accuracy and completeness of accumulated surplus totaling Kshs. 1,777,539 could not be confirmed.

Management Response

The variance noted on accumulated surplus arose from adjustments relating to prior period corrections that were not adequately disclosed in the financial statements. The opening accumulated surplus of Kshs. 3,096,467 reflected in the Statement of Changes in Net Assets differed from the prior year audited balance of Kshs. 3,348,463 due to unposted prior year adjustments amounting to Kshs. 251,996. The journal entries have been availed for audit verification to correct the anomaly.

Management has since reviewed the prior year working papers and identified the source of the variances. Necessary corrections and full disclosures will be effected in the subsequent financial statements to ensure that accumulated surplus balances are accurate, complete and consistent with audited figures.

Committee Observations

The Committee observed that the opening accumulated surplus of Kshs. 3,096,467 reflected in the Statement of Changes in Net Assets differed from the prior year audited balance of Kshs. 3,348,463 due to unposted prior year adjustments amounting to Kshs. 251,996.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer to 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 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;**
- iv. **the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**
- 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; and**
- vi. **the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

8. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects employee costs amounting to Kshs. 4,440,806. However, the amount differs with the actual employee costs amounting to Kshs. 4,162,230 reflected in the statement of comparison of budget and actual amounts.

Further, the statement reflects cash and cash equivalents at 30 June, 2025 totaling Kshs. 633,351. However, the amount differs with the cash equivalents totaling Kshs.1,727,351 reflected in the statement of financial position resulting in unexplained variance of Kshs. 1,094,000.

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

Management Response

The management noted the observation and the variance arose due to error in extraction and consolidation of cash book balances.

The actual cash and cash equivalent is Kshs. 1,727,351 as reflected in the statement of financial position. Furthermore, the actual employee costs amount to Kshs. 4,162,230 and the amount of Kshs. 4,440,806 reflected in the cash flow was erroneously posted. Necessary corrections and full disclosures will be effected in the subsequent financial statements.

Committee Observations

The Committee observed that-

1. The actual cash and cash equivalent is Kshs. 1,727,351 and not Kshs. 633,351 as stated in the financial statements which resulted in a variance of Kshs. 1,094,000.
2. there was a casting error on employee cost of Kshs. 4,162,230 which was erroneously posted as Kshs. 4,440,806.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures that the Accounting Officer to 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 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;**
- iv. **the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;

- 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; and**
- vi. the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

9. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects rendering of services - medical service income performance differences amounting to Kshs. 6,044,232. However, the amount differs with the recomputed performance difference of Kshs. 3,568,443 resulting in unexplained variance of Kshs. 2,475,789. Similarly, the statement reflects total receipts performance difference amounting to Kshs. 3,519,768. However, the performance difference differs with the recomputed performance difference of Kshs. 5,995,557 resulting in unexplained variance of Kshs. 2,475,789

Further, the statement reflects repairs and maintenance performance difference amounting to Kshs. 1,156,630. However, the amount differs with the recomputed performance difference amounting to Kshs.1,330,780 resulting in unexplained variance of Kshs. 174,150.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

The reported deficit variance of Kshs. 6,044,232 was due to an arithmetic error. The accurate performance variance is the difference between the final budget of Kshs. 9,976,000 and the actual expenditure of Kshs. 13,544,443, resulting in a variance of Kshs. 3,568,443.

Additionally, the approved budget for repairs and maintenance was Kshs. 2,400,000, against which actual expenditure of Kshs. 1,069,220 was incurred, yielding a variance of Kshs. 1,330,780.

These figures have been reconciled through relevant journal entries and will be factored in the subsequent financial year under prior year adjustments.

Committee Observations

The Committee observed that there was an arithmetic error in computing figures in the statement of comparison of budget and actual amounts resulting in a deficit balance of Kshs. 6,044,232.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer to 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 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;**
- iv. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;

- 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; and**
- vi. **the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

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. Irregular Engagement and Payment of Casual Employees

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects employee costs amounting to Kshs. 73,566,914. Review of records revealed that the expenditure includes payment of casuals' wages amounting to Kshs. 4,162,230. However, the approved staff establishment showing deficiency of staff to be filled by the casuals, formal requests done by the Departmental Heads on the need for engaging casuals and the Hospital Management Board's approval were not provided for audit. This implies that Management irregularly engaged and paid the casual employees during the period under review.

Further, the casual employees were engaged for a period of twelve (12) months consecutively without review of their terms. This was contrary to Section 37(1)(b) of the Employment Act, 2007 which provides that where a casual employee performs work for more than three (3) months, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly. This exposes the County to possible litigation for unlawful terms of employment.

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

Management Response

Management followed laid procedures to recruit staff on casual basis. However, documentation to support the procedures were not provided at the time of audit.

Management attached request to engage casual employees and approval by the board of management.

Consequently, delayed disbursement of funds by the exchequer at the National Treasury and Social Health Authority (SHA) leads to delayed disbursement of funds to counties and to hospitals. Due to this, payment of casual wages is always in arrears of between 3-6 months and thus complicates implementation of three-month engagement and disengagement of casuals. This challenge will be addressed by timely processing of claims by SHA and full implementation of Facility Improvement Fund (FIF) act.

Going forward, the management will develop a comprehensive recruitment policy on engagement, disengagement and remuneration of casuals.

Committee Observations

The Committee observed that-

1. approved staff establishment showing deficiency of staff to be filled by the casuals, formal requests done by the Departmental Heads on the need for engaging casuals, and the Hospital Management Board's approval were not provided for audit review.
2. the casual employees were engaged for a period of 12 months consecutively without review of their terms contrary to Section 37(1)(b) of the Employment Act, 2007.
3. management attributed delayed payments to casuals to the continuous delay in disbursement of funds from the National Treasury and Social Health Authority to counties and to hospitals.

Committee Recommendations

The Committee recommends that-

- i. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and**
 - ii. **the hospital management complies with the provisions of section 37(1) of Employment Act, Cap.226 failure to which section 87 of the Employment Act on penalties for offences shall apply.**
2. **Irregular Transfer of Facility Improvement Funds to Other Government Entities**

The statement of financial performance reflects transfers to other Government entities amounting to Kshs. 3,855,304. The amount includes transfers to Bomet County Department of Health totaling Kshs. 2,637,304 as disclosed in Note 14 to the financial statements. However, the amount transferred to the Health Department was not reflected in the financial statements of the County Executive resulting in unreconciled variance of Kshs. 2,637,304. The acknowledgement for the receipts of funds and the expenditure returns confirming utilization were also not provided for audit.

Further, the amount includes transfers to satellite dispensaries totaling Kshs. 1,218,000. However, the transfers were not supported by expenditure returns and acknowledgement of receipts from the satellite dispensaries.

In the circumstances, the accuracy and completeness of transfers to other government entities amounting to Kshs. 3,855,304 could not be confirmed.

Management Response

Some supporting schedules for transfers to other government entities were not availed at the time of the audit. However, the facility has since taken steps to obtain the necessary documentation:

- Expenditure returns for funds amounting to Kshs. 1,218,000 transferred to satellite dispensaries have been availed. However, expenditure returns from Kamusanga dispensary are missing. The dispensary failed to submit the returns since he absconded duty.
- Regarding transfers to the Bomet County Executive through the Department of Health, management was unable to access acknowledgements of receipt of the funds. Nevertheless, the transfers were made in compliance with the circular dated 20th January 2025 which directed all facilities to remit 22% of the FIF received to the Department of Health.

Committee Observations

The Committee observed that-

1. There were transfers to Bomet County Department of Health totaling Kshs. 2,637,304 from the facility improvement fund. This amount was not recognized in the books of the County Executive resulting to a variance of the same.
2. There were transfers to satellite dispensaries totaling Kshs. 1,218,000.
3. Supporting schedules for transfers to other government entities were not availed at the time of the audit.

Committee Recommendations

The Committee recommends that-

- i. the hospital should ensure strict compliance to Section 5(1) of the Facilities Improvement Financing Act, 2023 and retain all monies raised or received by or on behalf of all facility; and
- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3. Service Delivery Gaps

Review of the records and interviews on verification of services offered, equipment used and medical specialists revealed inconsistencies in the facility's classification status. Although the Hospital is reported and operates as a Level 4 facility, its practicing license issued by the Kenya Medical Practitioners and Dentists Council (KMPDC) classifies it as a Level 3A facility therefore raising concerns regarding compliance with the Health Act, 2017 and the Kenya Quality Model for Health Policy Guidelines.

Further, the Hospital had only thirty-two (32) medical staff against the minimum requirement of one hundred and one (101) for Level 4 hospitals as prescribed by the Kenya Quality Model for Health Policy Guidelines on personnel requirements resulting in unexplained variance of sixty-nine (69) staff.

In addition, the Hospital did not have functional departments including surgical unit, pediatric unit, radiology unit, renal dialysis, high dependency unit, tuberculosis management, mortuary and autopsy services, advanced life support and laboratory services of Lab class D. Verification of services offered and equipment available revealed that the facility did not meet key requirements as prescribed by the guidelines as shown below.

Criteria	Minimum Required	In Place	Shortfall Variance
Beds in male ward, female ward, pediatric ward, antenatal ward and postnatal ward	150	36	114
Resuscitative bed	3	0	3
New born unit incubator	5	0	5
New born baby cots	5	0	5
Dialysis machines	5	0	5
Magnetic Resonance Imaging (MRI) machine	1	0	1
Computer Technology (CT) scan machine	1	0	1
Mammography machine	1	0	1
Dental X-ray machine	1	0	1

Defibrillators (for Accident and Emergency, theatre and ICU)	3	0	3
High Dependence Unit (HDU)	1	0	1
Waiting Rooms	8	1	7
Consultation rooms	8	0	8
Registration rooms	8	0	8
Functional operating theaters for maternity and general wards	2	0	2
Plaster room	1	0	1
Medical engineering unit	1	0	1
Mortuary/cold room (mandatory)	1	0	1
Cloak rooms	4	1	3
Protected Incinerator	1	0	1

The deficiencies observed contravene the First Schedule of Health Act, 2017 and implies that accessing 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.

In the circumstances, the ability of the Hospital to deliver on its mandate is doubtful.

Management Response

The Hospital operates as Level 3A as per the gazette notice 756 dated 4th February 2020 and under license no. 6911768 and registration no. GK-010977.

The County Government of Bomet experiences a crosscutting shortage of human resources for health resulting in unprecedented multitasking of the available staff. However, the hospital through the health management board has engaged on a casual basis a few technical and support staff like nurses, laboratory technologist, pharmaceutical technologists and cleaners among others.

Committee Observations

The Committee observed that-

1. the Hospital's staff complement did not meet the requirements of the Kenya Quality Model for Health.
2. the Hospital is currently licensed as a Level 3A facility by the Kenya Medical Practitioners and Dentists Council (KMPDC).

3. the County Government of Bomet has released various healthcare workers for advanced training to further boost the number of specialists and liaised with the County Executive Committee for Health to procure essential medical equipment.
4. the hospital through the health management board has engaged on a casual basis a few technical and support staff like nurses, laboratory technologist, pharmaceutical technologists and cleaners among others.

Committee Recommendations

The Committee recommends that—

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

4. Lack of an Approved Annual Budget

The statement of comparison of budget and actual amounts reflects total budgeted and actual revenue amounting to Kshs. 25,800,000 and Kshs. 22,280,232 respectively. Further the statement reflects total budgeted and actual expenditure of Kshs. 25,800,000 and Kshs. 18,971,560 respectively. Review of records revealed that the Hospital operated without an approved budget in the year under review. This was contrary to Section 18(a) of the Facilities Improvement Financing Act, 2023 which requires the Health Facility Management Committee to consider and submit for approval to the chief officer the annual facility work plan and budget.

Management explained that the budgetary requirements of the Hospital were incorporated in the County Government's budget and therefore the Hospital operated on monthly Authority to Incur Expenditures (AIEs) that were issued by the Health

Department of the County. However, the annual approved budget as included in the County Government's annual budget for the financial year 2024/2025 was not provided for audit review.

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

Management Response

The hospital management committee has regularized the revenue received and expenses incurred.

Committee Observations

The Committee observed that-

1. the hospital operated without an approved budget in the year under review, contrary to contrary to Section 18(a) of the Facilities Improvement Financing Act, 2023.
2. the budgetary requirements of the Hospital were incorporated in the County Government's budget and therefore the Hospital operated on monthly Authority to Incur Expenditures (AIEs) that were issued by the Health Department of the County.

Committee Recommendations

The Committee recommends that-

- i. **the Accounting Officer should ensure 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 Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

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. Weak Internal Controls in Stores and Inventory Management

Review of the stores records and physical verification conducted in July 2025 revealed that the Hospital lacked an inventory management policy or standardized system to govern the receipt, issuance, replenishment, inspection, tracking of expiry, and disposal of pharmaceutical and non-pharmaceutical supplies resulting in lack of clear trail to confirm the utilization of the supplies by patients. Further, the facility was understaffed and lacked dedicated stores personnel and only one pharmacist was available to handle commodities' receipts and issuance, leading to a lack of segregation of duties.

Further, review of the Hospital's stores and stock cards revealed that there was lack of quarterly stock take reports as the management did not conduct stock take during the financial year and the internal control system was inadequate, with no CCTV cameras for security.

In addition, the main store was overcrowded, with stock items, including drugs, haphazardly stacked. Making access and inventory control was difficult and increases the risk of damage or misplacement.

In the circumstances, effectiveness of internal controls implemented in the stores department to safeguard against possible losses could not be confirmed.

Management Response

The facility has procured and installed internet connectivity to facilitate implementation of HMIS. A hospital management information system in the form of TAIFACARE is already operational. Going forward, the management will make an access to online internet banking for easy daily bank reconciliation.

Construction of a bigger, more spacious commodity store is ongoing. Upon completion, the overcrowding of stocks will be resolved.

Committee Observations

The Committee observed that-

1. review of the Hospital's stores and stock cards revealed that there was lack of quarterly stock take reports as the management did not conduct stock take during the financial year under review.
2. the main store was overcrowded, with stock items, including drugs, haphazardly stacked.
3. the hospital has implemented full use of the government HMIS platform, TAIFACARE to curb the inefficiencies in the stock control, issuance, receipts and general store management.

Committee Recommendations

The Committee recommends that-

- i. the Governor, through the Accounting Officer, should ensure compliance to Regulation 104(1) of the Public Finance Management (County Government) Regulations which states that the accounting officer of a procuring entity to set up an inventory management system which shall be managed by the head of the procurement function, for the purpose of control and managing its inventory, stores; and**
- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

2. Lack of Standard Operating Procedures and Policies

The Hospital did not provide approved standard operating procedures which play an important role in guiding operations of the facility. Further, Management had not developed key policies and manuals or guidelines such as Human Resource Policy and Procedures Manual, Finance and Accounting Manual, Assets Management Policy, Communication Policy and Disaster Recovery and Business Continuity Policy to assist in guiding the administrative functions.

In the circumstance, it was not possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

Management Response

Hospital operations are governed by Standard Operating Procedures (SOPs) and key policy documents. The need to have more comprehensive, formally approved policies and manuals to strengthen governance and operational efficiency is fully recognized.

To address this gap, the facility has initiated the process of developing and updating key documents, including the Human Resource Policy and Procedures Manual, Finance and Accounting Manual, Assets Management Policy, Communication Policy, and the Disaster Recovery and Business Continuity Policy. Drafts of some of these documents are already under review and will be submitted for approval by the relevant authorities.

Once approved, these policies and manuals will ensure that internal controls are consistently applied and that financial and operational processes function as intended. Management remains committed to enhancing internal control systems and ensuring full compliance going forward.

Committee Observations

The Committee observed that Management had not developed key policies and manuals or guidelines such as Human Resource Policy and Procedures Manual, Finance and Accounting Manual, Assets Management Policy, Communication Policy and Disaster Recovery and Business Continuity Policy to assist in guiding the administrative functions.

Committee Recommendations

The Committee recommends that the Board of Directors ensures that the Hospital puts in place all internal control systems such as a Standard Operating Procedures and Policies as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the management to submit evidence of the same to the Auditor-General for verification.

3. Weak Internal Controls in Revenue Receipting System

Review of the Hospital's revenue management processes and systems revealed that Management did not maintain comprehensive and reliable revenue records. Reliance was made on bank statements derived from M-Pesa Paybill transactions as the primary source document for revenue recognition. Manual entries were recorded from patients' phone payment messages without any verification to confirm whether the amounts paid were actually credited to the hospital's bank account.

Further, the Management maintained its revenue records in manual form and there was no evidence of any plan to transition from the current manual revenue recording process to an automated revenue management system. A walkthrough of the hospital's billing process revealed that patients were billed manually using undefined and inconsistent criteria thus lacking a standardized billing framework, making it impossible to generate reliable billing and revenue reports.

In addition, there was no evidence of daily reconciliations of revenue collected manually verses mobile payment transactions used in banking and Management did not conduct daily or periodic reconciliations of mobile revenue collections.

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

Management Response

The facility has procured and installed internet connectivity to facilitate implementation of HMIS.

The installation of TAIFACARE, a hospital management information system, has also helped to streamline billing procedures.

Committee Observations

The Committee observed that-

1. Management did not maintain comprehensive and reliable revenue records and relied on bank statements derived from M-Pesa Paybill transactions as the primary source document for revenue recognition.
2. Management onboarded the use of HMIS to resolve the issue on weakness of internal control.

Committee Recommendations

The Committee recommends that the Auditor-general follow up on the effectiveness of the HMIS in ensuring the effectiveness in internal controls and report to the Committee within 30 days after the adoption of this report.

4. Lack of Internal Audit Function and Audit Committee

During the year under review, the Hospital did not have an internal audit function for oversight of the operations of the Management and no risk assessment was performed. This was contrary to Section 155 of the Public Finance Management Act, 2012 which state that a County Government entity shall ensure that the arrangements for conducting internal audits in respect of the entity are in accordance with international best practices for internal auditing and that a County government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations.

Further, the hospital did not have an audit committee as required by Regulation 155(5) of the Public Finance Management (County Governments) Regulations, 2015. In addition, there was no evidence or proof that audit reports of both internal and external auditors had been discussed by the audit committee.

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

Management Response

An internal audit was done during the financial year under review. However, the audit report has not been made available to the hospital management.

Further, the facility has internal audit committee whose role is to check on quality improvement, inspection prevention controls and maternal child perinatal deaths.

Committee Observations

The Committee observed that the facility has an internal audit committee, however, the audit report for the financial year under review has not been made available to the hospital management.

Committee Recommendations

The Committee recommends that the hospital management ensures compliance with Regulations 153(1) and 155(5) of the Public Finance Management (County Governments) Regulations, 2015 and have an audit committee in place to guide in the internal operations of the hospital.

5. Unconfirmed Appointment and Meetings of the Hospital Management Committee

The Hospital's Management Committee is composed of ten (10) members. However, documents supporting appointment of Committee members including the Gazette Notice formally appointing the members were not provided for audit review. This was contrary to Section 1.1 (11) of Mwongozo Code of Governance which states that each Board member shall be formally appointed to the Board through a Gazette Notice and there after an appointment letter.

Further, work plans and minutes of Committee meetings as proof that the Committee met and executed its mandate during the year under review were not provided for audit. This was contrary to section 5.3 of the Hospital Management Board and Health Facility Management Committee Policy 2018 that requires the Board to meet at least four (4) times every year.

In the circumstances, effectiveness of the governance controls put in place could not be confirmed.

Management Response

The members of the Hospital Management Board were formally appointed by the CEC Member for Health and Medical Services, with representation drawn from every ward within the Sub-County.

In addition, the Board regularly holds official meetings in line with its mandate.

Committee Observations

The Committee observed that-

1. the Hospital's Management Committee is composed of 10 members against the maximum number of 9 members as stipulated in Section 17(1) of the Facilities Improvement Financing Act, 2023.
2. the Gazette Notice appointing the members of the committee was not provided for audit review.

Committee Recommendations

The Committee recommends that the hospital management ensures compliance to Section 17(1) of the Facilities Improvement Financing Act, 2023 and reduce the number to 9. The Auditor-General to keep the matter in view and report to the Committee in the next audit cycle.

6. Use of Manual Accounting Records

Review of records revealed the management maintained its financial records including payroll, cash book and ledgers in manual form which do not have the necessary backups, thereby exposing the Hospital's financial information to risks of inaccuracy, inefficiencies, manipulations and possible loss. The management, did not provide any justification as to why the financial transactions were not maintained in the system.

In the circumstances, the effectiveness of internal controls over recording of transactions in manual records could not be confirmed.

Management Response

The facility has historically relied on manual record-keeping due to system limitations and insufficient ICT infrastructure.

It is important to note that manual records were maintained with available internal checks, including supervisory reviews and reconciliations, to minimize risks of inaccuracy, inefficiencies, or manipulation. However, management recognizes that manual systems do not provide optimal control assurance.

To address the issue, management has initiated steps towards automation, including: A cashless payment mode has been implemented through paybill.

- Appropriate ICT tools and backup solutions have been procured.
- Training of staff on digital financial record management.

Management remains committed to fully transitioning to a hospital management system that will improve on financial recording, services and internal effectiveness

Committee Observations

The Committee observed that that financial records including payroll, cash book and ledgers were maintained in manual form without backups and that management has since switched to using the HMIS and automated financial record keeping.

Committee Recommendations

The Committee recommends that the Auditor-general follow up on the effectiveness of the HMIS in ensuring the effectiveness in internal controls and report to the Committee within 30 days after the adoption of this report.

7. Lack of Risk Management Strategies

Review of the internal controls of the Hospital revealed that Management had not developed risk management policy and there were no fraud prevention mechanisms put in place. Further, operational and disaster recovery plans were also not provided. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the existence of an effective mechanism to safeguard against risks could not be confirmed.

Management Response

Risk Management Policy drafting is in progress and is awaiting for approval by the county assembly of Bomet.

Committee Observations

The Committee observed that the Risk Management Policy is in drafting and awaiting approval by the county assembly of Bomet.

Committee Recommendations

The Committee recommends that the Board of Directors ensures that the Hospital puts in place all internal control systems such as a Risk Management and Disaster recovery plan as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the management to submit evidence of the same to the Auditor-General for verification.

CHAPTER FOUR: FUNDS

4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET COUNTY EDUCATION REVOLVING 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 Bomet County Education Revolving Fund for the financial year on the following basis—

1. Unsupported Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 5 to the financial statements reflects cash and cash equivalents totaling Kshs. 4,357,439. However, cashbooks, certificates of bank balance, bank reconciliation statements, and board of survey reports in support of the amount were not provided for audit review. In the circumstances, the accuracy and completeness of the cash and cash equivalents totaling Kshs. 4,357,439 could not be confirmed.

Management Response

The Higher Education Loans Board is currently managing all the monies and the Fund gets reports only. However, we have noted this anomaly and going forward, the balance will be recognized in the financial statements as a trade receivable through the advice of the auditors.

Committee Observations

The Committee observed that the fund management did not provide supporting documentations for cash and cash equivalents as Higher Education Loans Board manages all the monies and sends the reports to the Funds.

Committee Recommendations

The Committee recommends that the Governor through the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

2. Unsupported Long-Term Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 6 to the financial statements reflects long term receivables from exchange transactions totaling Kshs. 35,790,360. The amount relates to student loans disbursed to two-thousand-eight hundred and thirty-

six (2,836) beneficiaries. However, the list of beneficiaries and aging analysis was not provided for audit review. The current portion of long-term receivables from exchange transactions was also not disclosed in the financial statements. Further, no provision for bad and doubtful debts on receivables was provided for in the financial statements. This is contrary to Policy 4 (c) of the summary of significant accounting policies of the financial statements.

In the circumstances, the accuracy and completeness of long-term receivables from exchange transactions totaling Kshs. 35,790,360 could not be confirmed.

Management Response

A list of beneficiaries has been attached detailing amounts disbursed and repayments received. The list has been submitted for audit review.

The management would also like to clarify that all the loans have been outstanding for more than three years and therefore there is no current portion of the receivables. In addition, an ageing analysis could not be done as all the loans are over three years.

The management acknowledges that Provision for bad debts was not do under review. The same will be done in the subsequent financial years.

Committee Observations

The Committee observed that the fund had outstanding receivables for more than three years, did not have an ageing analysis and did not make provision for bad debts in their financial statements.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' ageing schedule to the Auditor-General for review and verification and update the Committee in the subsequent audit cycle;**
- ii. the Governor ensures that the Accounting Officer, within 60 days of the adoption of this report, submit 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; and**
- iii. the Governor ensures that the Accounting Officer, within 60 days of the adoption of this report, submit 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.

3. Inaccuracy of Revolving Fund

The statement of financial position reflects revolving fund totaling Kshs. 39,685,500. The amount includes opening balance of Kshs. 38,996,098 as reflected in the statement of changes in net assets. However, the opening balance differs with the prior year audited balance of Kshs. 40,054,140 resulting in unexplained variance of Kshs. 1,058,042. Further, the amount includes funds received during the year totaling Kshs. 689,402 relating to proceeds from loan principal repayment disclosed in the statement of cash flows. However, the amount ought to have been disclosed as a reduction of receivables.

In the circumstances, the accuracy and completeness of long-term receivables from exchange transactions totaling Kshs. 39,685,500 could not be confirmed.

Management Response

The management has noted the error. The error will be corrected through restatement in the 2025/2026 financial statements.

Committee Observations

The Committee observed that there were posting errors in the financial statement whereby the amount of Kshs. 39,685,500 was inaccurately disclosed. Management committed to correct the errors in the subsequent audit cycle.

Committee Recommendations

The Committee recommends that-

- i. The Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, 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;**
- ii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iii. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;

- iv. 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; and
- v. the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the fund.

4. Inaccuracy of Reserves

The statement of financial position and as disclosed in the statement of changes in net assets reflects Nil reserves. However, the amount does not include prior year audited opening balance of Kshs. 3,205,738 reflected in the statement of financial position. In the circumstances, the accuracy and completeness Nil reserves could not be confirmed.

Management Response

The management has noted the error. The error will be corrected through restatement in the 2025/2026 financial statements. Management committed to correct the errors in the subsequent audit cycle.

Committee Observations

The Committee observed that there was an omission in the adjustment of prior year balance of Kshs. 3,205,738 in the financial statement resulting in a Nil balance. Management committed to correct the errors in the subsequent audit cycle.

Committee Recommendations

The Committee recommends that-

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

- ii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;
- iii. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;
- iv. 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; and
- v. the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the fund.

5. Inaccuracy of Accumulated Surplus

The statement of financial position and as disclosed in the statement of changes in net assets reflects accumulated surplus totaling Kshs. 462,299. However, the amount does not include prior year audited surplus of Kshs. 196,098 reflected in the statement of financial performance resulting in unexplained variance of Kshs. 196,098. In the circumstances, the accuracy and completeness of accumulated surplus totaling Kshs. 462,299 could not be confirmed.

Management Response

The management has noted the error. The error will be corrected through restatement in the 2025/2026 financial statements.

Committee Observations

The Committee observed that there was an omission of prior year audited surplus of Kshs 196,098 in the financial statements. Management committed to correct the errors in the subsequent audit cycle.

Committee Recommendations

The Committee recommends that-

- i. **The Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, 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;**
- ii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iii. **the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**
- iv. **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; and**
- v. **the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the fund.**

Other Matter

1. Unresolved Prior Year Audit Matters

In the audit report of the previous year, seven (7) issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

Management Response

The issues as per the audit observation have been noted and they have been addressed subsequently in the responses to the senate committee on County Public Investments and Special Funds on 20th November 2025 and we are awaiting for their final report.

Committee Observations

The Committee observed that the fund management had addressed some of the issues raised and submitted to the senate committee and is waiting for the final report.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**
- ii. The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

2. Failure to Prepare a Budget

The fund operated without an approved Budget in the year under review contrary to Regulation 4(2) C of the Fund's regulations.

Management Response

The Fund has not had a budgetary allocation for the last four financial years.

Committee Observations

The Committee observed that the fund had not received budgetary allocation for the last four financial years.

Committee Recommendations

The Committee recommends that the Governor dissolves the fund in accordance to the procedures under law. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET COUNTY BURSARY 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 Bomet County Bursary Fund for the financial year on the following basis—

1. Inaccuracy of Transfers from the County Government

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects transfers from the County Government amounting to Kshs. 65,000,000. However, the amount does not include an additional revenue amounting to Kshs. 65,000,000 which was budgeted for but not received as reflected in the statement of comparison of budget and actual amounts. In the circumstance, the accuracy and completeness of transfers from the County Government amounting to Kshs. 65,000,000 could not be confirmed.

Management Response

The Balance of Kshs. 65,000,000 could not be accrued as the budget is cash based and lapses on 30th June every year.

Committee Observations

The Committee observed that the additional allocation of revenue from the county government to the fund of Kshs. 65,000,000 was not reflected in the financial statements as the financial year had lapsed before the disbursement.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the County Treasury puts in place timely disbursement mechanisms to ensure that all approved budgetary allocations are released before the end of the financial year; and**
- ii. within sixty (60) day of the adoption of this report, the Governor to establish a monitoring framework to track budgeted versus actual transfers on a periodic basis and address delays promptly. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.**

2. Inaccuracy of Non-Exchange Receivables

The statement of financial position and as disclosed in Note 10 to the financial statements reflects Nil for non-exchange receivables. However, the component does not include transfers from the County Government amounting to Kshs. 65,000,000 which was budgeted for but not received from the County Government as reflected in the

statement of comparison of budget and actual amounts. In the circumstance, the accuracy and completeness of Nil for non-exchange receivables could not be confirmed.

Management Response

The balance was not accrued because the possibility of receiving the balance was remote after closure of the financial year.

Committee Observations

The Committee observed that the additional allocation of revenue from the county government to the fund of Kshs. 65,000,000 was not reflected in the financial statements as the financial year had lapsed before the disbursement.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the County Treasury puts in place timely disbursement mechanisms to ensure that all approved budgetary allocations are released before the end of the financial year; and**
- ii. within sixty (60) day of the adoption of this report, the Governor to establish a monitoring framework to track budgeted versus actual transfers on a periodic basis and address delays promptly. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.**

3. Inaccuracy of Net Cash flows from Operating Activities

The statement of financial position reflects accumulated surplus totaling Kshs. 4,789,720. The amount is net of prior year adjustment amounting to Kshs.2, 123,424. However, the adjustment was not supported by journal entries as required by Regulation 103 of the Public Finance Management (County Governments) Regulations, 2015 which states that Journal entries prepared for all adjustments shall be authorized by the accounting officer or an officer designated by him or her before posting them in a financial record. In the circumstance, the accuracy and completeness of accumulated surplus totaling Kshs. 4,789,720 could not be confirmed.

Management Response

The anomaly in the statement financial position under accumulated surplus has been noted by the management. Journal entry has been passed to correct the error and journal voucher has been provided for audit review.

Committee Observations

The Committee observed that the prior year adjustment amounting to Kshs. 2,123,424, which was not supported by authorized journal entries as required under Regulation 103 of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that-

- i. The Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, 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;**
- ii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iii. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**
- iv. 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; and**
- v. the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the fund.**

4. Inaccuracy of Net Cash Flows from Operating Activities

The statement of cash flows reflects net cash flows from operating activities amounting to Kshs. 2,665,495. The amount is net of increase in payables totaling Kshs. 2,123,424 as disclosed in Note 12 to the financial statements. However, the statement of financial position does not reflect any payables resulting in unexplained variance of Kshs.

2,124,224. In the circumstance, the accuracy and completeness of net cash flows from operating activities amounting to Kshs. 2,665,495 could not be confirmed.

Management Response

We agree there was an error in the balance. This will be corrected through restatement in 2025/2026 financial statement.

Committee Observations

The Committee observed that there were errors in posting the cash flows from operating activities resulting in unexplained variances. Management committed to correct the errors in the subsequent financial year.

Committee Recommendations

The Committee recommends that-

- i. The Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, 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;**
- ii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iii. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**
- iv. 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; and**

- v. **the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the fund.**

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final receipts budget and actual amount on comparable basis of Kshs. 130,000,000 and Kshs. 65,000,000 respectively, resulting to an under-funding of Kshs. 65,000,000 or fifty percent (50%) of the budget. Similarly, the Fund spent Kshs. 60,210,281 against actual receipts amounting to Kshs. 65,000,000 resulting to an under-expenditure of Kshs. 4,789,719. The underfunding and underutilization of fund's may have negatively impacted on service delivery to the public. My opinion is not modified in respect of this matter.

Management Response

The under-expenditure of Kshs. 4,789,719 was bank balances at the close of the financial year. Since the funds were received towards the close of the financial year.

Committee Observations

The Committee observed that the under-expenditure of Kshs. 4,789,719 was due to non-disbursement of funds from the County Treasury.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures that the County Treasury puts in place timely disbursement mechanisms to ensure that all approved budgetary allocations are released before the end of the financial year; and**
- ii. **within sixty (60) day of the adoption of this report, the Governor to establish a monitoring framework to track budgeted versus actual transfers on a periodic basis and address delays promptly. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.**

Other Matter

1. Unresolved Prior Year Matters

In the audit report of the previous year, six (6) issues were raised under the Report on Financial Statements, Emphasis of matter, and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

Management Response

The outstanding issues from the previous year were submitted to Senate by offering comprehensive responses to the Senate Committee on County Public Investments and Special Funds on 20th November 2025 and we are awaiting for their final report.

Committee Observations

The Committee observed that management addressed the previous audit issues through a correspondence to the Senate and are waiting for the final report.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**
- ii. The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

4.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET 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 Bomet County Climate Change Fund for the financial year on the following basis—

1. Unreconciled Public Contributions and Donations

The statement of financial performance and as disclosed in Note 1 to the financial statements reflects public contributions and donations amounting to Kshs. 76,063,344 in respect of donations from development partners. However, review of the financial statements for the donor's project management unit revealed Nil donations resulting in unreconciled variance of Kshs. 76,063,344. In the circumstances, the accuracy and completeness of the public contributions and donations amounting to Kshs. 76,063,344 could not be confirmed.

Management Response

The Management noted the anomaly after the final report had been submitted to the Auditor general and certificate had been issued in October 2025. However, after confirmation following a circular from the Principal Secretary (National Treasury) a reconciliation has been done and shall be restated in the Financial statements for financial year 2025/2026 under the comparative period.

Committee Observations

The Committee observed that the fund management did not recognize donations amounting to Kshs. 76,063,344 in the financial statements resulting in a variance of the same amount.

Committee Recommendations

The Committee recommends that-

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

- ii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;
- iii. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;
- iv. 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; and
- v. the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the fund.

2. Unsupported Trade Payables

The statement of financial position reflects trade payables totaling Kshs. 39,289,128 as further disclosed in Note 5 to the financial statements. However, schedule indicating particulars of the creditors, invoice numbers, delivery notes and local service or local purchase order numbers, interim or completion certificates for the works done and services rendered, counter receipts vouchers, and amount due were not provided for audit. In the circumstances, the accuracy and completeness of the trade payables totaling Kshs. 39,289,128 could not be confirmed.

Management Response

Trade payables are supported by schedules and payment vouchers which have been provided for audit review and copies attached.

Committee Observations

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

Committee Recommendations

The Committee recommends that the Governor ensures that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3. Inaccuracy of Total Development Expenses Adjustments

The statement of comparison of budget and actual amounts reflects a total budget of Kshs. 152,126,688. However, out of the total budget, only Kshs. 22,000,000 or 14% was allocated to development expenditure. This is contrary to Section 107(2) (a) of the Public Finance Management Act, 2012 which requires that over the medium term, a minimum of thirty (30) percent of the county government's budget shall be allocated to the development expenditure. In the circumstances, the Management was in breach of the law.

Management Response

The management noted the anomaly. It was due to an error during the migration of the data from the manual system to the digital system. The error has since been corrected and the trade payables have been properly supported and the documents are available for audit verification.

Committee Observations

The Committee observed that only Kshs. 22,000,000 or 14% was allocated to development expenditure contrary to Section 107(2) (a) of the Public Finance Management Act, 2012 which sets the allocation at 30% of the budget. Management attributed the error to the manual to digital migration.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**
- ii. 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; and

- iii. the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the fund.**

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounting to Kshs. 613,709,900 and Kshs. 232,063,344 respectively resulting to an under-funding of Kshs. 381,646,556 or sixty-two percent (62%) of the budget.

Further, the statement reflects final expenditure budget and actual on comparable basis amounting to Kshs. 613,709,900 and Kshs. 290,367,241 respectively resulting to under-expenditure of Kshs. 323,342,659 or fifty-three percent (53%) of the budget.

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

Management Response

The underfunding was as a result of late passage of county additional allocation Act which resulted in the late disbursement of funds from donors. The late disbursements of funds received towards the end of the financial year eventually resulted in underutilization and indeed impacted negatively on service delivery and programmed activities in the year under review.

Committee Observations

The Committee observed that the underfunding was as a result of late passage of county additional allocation Act which resulted in the late disbursement of funds from donors.

Committee Recommendations

The Committee recommends that-

- i. The Governor through the County Treasury should enhance timely budget execution and coordination to ensure that funds, including donor allocations, are disbursed within the financial year to facilitate full implementation of planned activities;**
- ii. The Accounting Officer should strengthen absorption capacity and implementation planning, including fast-tracking procurement and project execution processes to minimize under-utilization of funds; and**

- iii. **The Auditor-General to keep the matter in view and report on the matter in the subsequent audit cycle.**

2. Undisbursed Grants from Financing Locally-Led Climate Change (FLLoCA) Program

The statement of financial performance reflects transfers from County Revenue Fund Amounting to Kshs. 156,000,000 as further disclosed in Note 2 to the financial statements. Review of records revealed that grants from International Development Association - World Bank and KFW Development Bank amounting to Kshs. 128,367,967 and Kshs. 70,351,919 respectively, all totaling Kshs. 198,719,886 were not disbursed from Financing Locally-Led Climate Change (FLLoCA) Program. This was due to non-compliance with the grant agreement and failure to provide supporting documents. Therefore, the programmed activities of the Fund could not be implemented as planned during the year.

In the circumstance, the Fund's objectives may not be achieved.

Management Response

The delayed disbursement of grants was as result of assessment carried out by the National Treasury Implementation Unit (NTPIU) on specific conditions forming the scoring criteria and upon submission of all the requisite documents through an appeal, the County Government of Bomet qualified to get the whole amount of Kshs. 198,719,886.

Committee Observations

The Committee observed that grants totaling Kshs. 198,719,886 under the Financing Locally-Led Climate Change (FLLoCA) Program were not disbursed during the financial year due to non-compliance with grant conditions and failure to provide required documentation. As a result, planned activities were not implemented, adversely affecting the achievement of the Fund's objectives.

Committee Recommendations

The Committee recommends that-

- i. **The Governor, through the accounting Officer should ensure strict compliance with all grant conditions and requirements, including timely submission of requisite documentation, to avoid delays or loss of funding opportunities; and**
- ii. **Within 60 days of the adoption of this report the Governor should establish a compliance monitoring framework to track fulfillment of donor conditions and scoring criteria under programmes such as FLLoCA and submit a copy to the Auditor-General for verification and a copy to the Senate.**

Other Matter

1. Unresolved Prior Year Matters

In the audit reports of the previous year, twelve (12) issues were raised under the Report on Financial Statements, Emphasis of Matter, Other Matter, and Report on Lawfulness and Effectiveness in the Use of Public Resources. However, Management has not resolved the issues or given any explanation for failure to resolve them.

Management Response

The prior year issues raised by the auditor General have been resolved in the audit under review.

Committee Observations

The Committee observed that management had resolved the issued raised by the Auditor-General in the previous Audit period.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**
- ii. The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

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. Irregular Construction and Equipping of Fishponds

Review of records revealed that an expenditure amounting to Kshs. 15,483,890 was incurred on construction and equipping of twenty-one (21) fishponds for various sustainable land management special groups. However, the criteria used in identification of the beneficiaries, the legal framework upon which the programme was premised and the process of vetting and identification of beneficiary groups were not provided for audit.

Further, physical inspection conducted in September, 2025 and interviews with the local residents revealed that the ponds were constructed on privately owned parcels of land which were donated by locals. This poses significant risks to the sustainability, ownership and long-term access to the fishponds.

In addition, the land ownership documents or lease agreements for the donated land were also not provided for review. The absence of formal agreements or arrangements with the landowners further jeopardizes the continued use and benefit of the fishponds by the intended communities.

Management Response

The criteria for selection was done through identification and assessments by the Ward Climate Change Planning Committees in every ward through the Climate Change Unit (CCU) guidelines.

Fish ponds were indeed implemented in Private lands identified by beneficiary groups free of charge and secured with signed affidavits between County government and Land owners.

Committee Observations

The Committee observed that Kshs. 15,483,890 was spent on the construction and equipping of twenty-one (21) fishponds on private land, whereby the owners signed affidavits with the County Government, but the criteria used for identifying the beneficiaries was not provided.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Climate Change Unit (CCU) formally document and gazette the selection criteria used by Ward Climate Change Planning Committees within 60 days of the adoption of this report;**
- ii. within sixty (60) days of the adoption of this report, the Governor should develop a clear policy framework that governs "Public-Private Partnerships" at the community level. This policy should specify the conditions under which public money can be spent on private property and ensure there is a "claw-back" clause should the beneficiary group or land owner breach the agreement;**
- iii. to protect public funds, these signed affidavits be upgraded to formal Memorandums of Understanding (MoUs) or Lease Agreements that are registered to prevent land owners from reclaiming the land or the infrastructure (the ponds and equipment) once the project becomes profitable;**

2. Failure to Operationalize Climate Change Fund

During the year under review, the County Executive incurred transferred Kshs. 232,063,344 for climate change projects, programs and activities as provided for in the Climate Finance Framework. However, the Fund had been operating without approved regulations for since June, 2021. This was contrary to section 48(1) of the Bomet County Climate Change Act, 2021 which states that the Executive Committee Member in charge of Finance shall, in consultation with the County Executive Committee, develop Regulations for administration and management of the Fund.

Further, the Fund was administered by the Chief Officer Water, Sanitation, Environment, Natural Resources and Climate Change instead of a designated Fund Administrator. This was contrary to Section 46 (2) of the Bomet County Climate Change Act, 2021 which states that the Fund shall be managed by the Fund Administrator appointed by the Executive Committee Member for the time being in charge of the Treasury in consultation with the Executive Committee Member.

Management Response

The Bomet County Climate Change fund draft policy was approved on 25th June 2025 and has since been forwarded to the assembly for adoption.

Committee Observations

The Committee observed that the management forwarded a draft Bomet County Climate Change Fund to the County Assembly and is waiting for the adoption.

Committee Recommendations

The Committee recommends that-

- i. The County Assembly should expedite the review and approval of the Bomet County Climate Change Fund Regulations to ensure the Fund operates within a proper legal and institutional framework;**
- ii. The Executive Committee Member in charge of Finance should ensure full operationalization of the Fund in accordance with the Bomet County Climate Change Act, 2021 immediately upon approval of the regulation; and**
- iii. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle.**

3. Delayed Transfer of Grant Funds from the County Revenue Fund to Special Purpose Account

Review of the disbursement records for the Financing Locally-Led Climate Action (FLLOCA) Program grants and bank statements revealed that the Fund received donor

grants totaling Kshs. 76,063,344. However, the funds were transferred from the County Revenue Fund account to the Special Purpose Account after a period of between eighty-eight (88) and ninety-seven (97) days.

This was contrary to Paragraph 53 of Program's Financial Management Manual, 2021 and the National Treasury and Economic Planning Circular Referenced No.: FLLOCA/CWR/2023/01(02) and dated March 29, 2024 which require the grants to be transferred to the Fund's Special Purpose Account within fifteen (15) days upon receipt of the funds in the County Revenue Fund (CRF) account.

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

Management Response

It is true that there was delay in Transfer of Grant Funds from the County Revenue Fund due to delay in passage of budget for FY2024/2025 by the County Assembly and hence they could not draw the funds from CRF until gazettelement of budget.

They hope that in the current financial year, the appropriation act will be passed early enough to allow for transfer of funds within the timelines. The appropriation act has been availed for audit verification.

Committee Observations

The Committee observed that Kshs. 76,063,344 in FLLOCA Program grants was transferred from the County Revenue Fund to the Special Purpose Account after 88–97 days, exceeding the 15-day limit required by the Program's Financial Management Manual and National Treasury Circular. The delay, attributed to late passage of the FY 2024/2025 budget, contravened financial management rules and affected timely implementation of climate action programs.

Committee Recommendations

The Committee recommends that-

- i. The Governor through the County Treasury should enhance timely budget execution and coordination to ensure that funds, including donor allocations, are disbursed within the financial year to facilitate full implementation of planned activities;**
- ii. The Accounting Officer should strengthen absorption capacity and implementation planning, including fast-tracking procurement and project execution processes to minimize under-utilization of funds; and**
- iii. The Auditor-General to keep the matter in view and report on the matter in the subsequent audit cycle.**

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. Irregular Climate Change Committee Meetings

Review of records revealed that the County Climate Change Committee held two (2) meeting in the year under review. This was contrary to Section 12 (1) of the Bomet County Climate, Act 2021 which state that the steering committee shall meet at least once every quarter in each financial year.

Further, the County Climate Change Planning Committee did not hold any meeting in the year under review. This was contrary to Section 21 (1) of the Bomet County Climate Act, 2021 which requires the Planning Committee meet at least once every quarter in each financial year.

In addition, the Ward Planning Committee did not hold any meeting in the year under review. This was contrary to Section 30 (1) of the Bomet County Climate, Act 2021 which requires the Planning Committee meet at least once every quarter in each financial year.

Management Response

The County Climate Change Planning committee indeed held two critical instead of four, due to late disbursements in the year under review. However, Ward Planning Committee held several meetings for prioritization and implementation of projects in the year under review. Going forward, we shall ensure we adhere to section 21 (1) in the prior year of 2025/2026 for all the committees.

Committee Observations

The Committee observed that the County Climate Change Planning committee held only two meetings during the year under review due to budgetary constraints.

Committee Recommendations

The Committee recommends that-

- i. The Governor through the County Treasury should enhance timely budget execution and coordination to ensure that funds, including donor allocations, are disbursed within the financial year to facilitate full implementation of planned activities; and**

- ii. **the County ensures all Climate Change Committees hold meetings at least once every quarter as required by the Bomet County Climate Act, 2021, to strengthen planning, coordination, and implementation of climate projects.**

2. Lack of Fixed Assets Register

The statement of financial position reflects property, plant and equipment totalling Kshs. 153,103,512 as further disclosed in Note 6 to the financial statements. However, asset register was not maintained in the format prescribed with minimum requirements of identification or serial number, acquisition date, description of asset, location, class, cost of acquisition, accumulated depreciation, net book value and identification codes with which assets were tagged. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

Management Response

The management has now adopted a new and detailed asset register which is now being updated to reflect all the details as recommended. The Fixed Asset Register will be used and maintained in the correct format upon its completeness in the current financial year.

Committee Observations

The Committee observed that the County did not maintain a fixed asset register in the prescribed format, contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which may compromise proper tracking and accountability of assets.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures that the fund 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. Lack of Risk Management Policy

Review of the internal controls of the County Executive and the County Fund revealed that Management had not developed risk management policy and there were no fraud prevention mechanisms put in place. Further, operational and disaster recovery plans were also not provided. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that requires the Accounting Officer to develop risk management strategies, which include fraud prevention

mechanism and a system of risk management and internal control that builds robust business operations.

Management Response

They noted that the department had not developed its own policy at the time of audit. However, we have since adopted the risk management policy for Bomet County Executive and a copy has been availed for audit verification.

Committee Observations

The Committee observed that the fund had an operational Risk Management Policy.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

4.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET COUNTY EXECUTIVE CAR AND MORTGAGE SCHEME 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 Bomet County Climate Change Fund for the financial year on the following basis—

1. Inaccuracy of Fund Administration Costs

The statement of financial performance reflects Fund administration costs amounting to Kshs. 996,800. The amount includes other fringe benefit tax totaling Kshs. 508,500 as disclosed in Note 7 to the financial statements. However, the Other fringe benefit tax is not expenditure in nature but tax levied on loan beneficiaries. Further, the Fund administration costs do not include bank charges totaling Kshs. 7,365 which has been disclosed as Finance cost.

Management Response

On the part of the fund the fringe benefit tax is an expense since it is an allowable deduction for tax purposes. The bank charges totaling Kshs. 7,365, which was erroneously misclassified as finance costs has been noted and the necessary journal entries have been passed to correct the anomaly.

Committee Observations

The Committee observed that the bank charges of Kshs. 7,365 were erroneously classified as finance costs.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**
- ii. 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; and

- iii. the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the fund.**

2. Inaccuracy of Current Portion of Short-Term Receivables from Exchange Transactions

The statement of financial position reflects current portion of short-term transactions totaling Kshs. 45,584,182. However, the amount differs with the total current receivables amounting to Kshs. 35,852,556 as disclosed in Note 14 to the financial statements resulting to unexplained variance of Kshs. 9,731,626.

Management Response

The variance noted of Kshs. 9,731,626 was explained in the notes under Note 14. Out of Kshs. 7,140,140 (Other Exchange Debtors Pending Remittance) and Kshs. 533,342 (Interest Receivable) from FY 2022/23, Kshs. 981,552 and Kshs. 110,034 were received respectively hence the balance of Kshs. 6,158,588 and Kshs. 423,308 formed part of accrued receivable respectively in the FY 2023/24. Also, Kshs. 3,150,000 (Other Exchange Debtors - Internal Borrowing) was not received during the FY under review hence formed part of accrued receivable. Therefore, the total accrued receivable is Kshs. 9,731,626 (i.e Kshs. 423,308 + 6,158,588 + 3,150,000).

Committee Observations

The Committee observed that there was a variance of Kshs. 9,731,626 between the current portion of short-term receivables in the statement of financial position and the total disclosed in Note 14. The variance mainly relates to accrued receivables carried over from prior periods and internal borrowing, as explained by management.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**

- ii. **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; and**
- iii. **the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the fund.**

3. Inaccuracy of Trade and other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions totaling Kshs. 1,342,885. However, the amount differs with trade and other payables from exchange transactions amounting to Kshs. 508,500 reflected in Note 20 to the financial statements resulting to unexplained variance of Kshs. 834,385. In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions totaling Kshs. 1,342,885 could not be confirmed.

Management Response

The amount of Kshs. 1,342,885 reflected as trade and other exchange transactions in the Statement of Financial Position consisted of fringe tax benefit due to KRA amounting to Kshs. 508,500 (FY 2023/24) and accrued amount of Kshs. 834,385 from the FY 2022/2023, which had not been paid. The amount was captured to conform to the accrual basis of reporting.

Committee Observations

The Committee observed that there was a variance of Kshs. 834,385 between trade and other payables in the statement of financial position and the amount disclosed in Note 20. The difference relates to accrued payables from the previous financial year, which were not separately disclosed

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;**

- ii. **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; and**
- iii. **the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the fund.**

4. Inaccuracy of Net Cash Flows from Operating Activities

The statement of cash flows reflects net cash flows from operating activities amounting to Kshs. 1,612,767. The amount includes working capital adjustment of Kshs. 146,123 in respect of increase in payables as disclosed in Note 24 to the financial statements. However, the increase in payables differs with the recomputed increase in payables amounting to Kshs. 508,500 resulting to unexplained variance of Kshs. 362,377. Further, the statement reflects net cash flows used in investing activities amounting to Kshs. 17,964,317. However, the amount differs with the recomputed increase in receivables in Note 14 to the financial statements amounting to Kshs. 9,287,313 resulting in unexplained variance of 8,677,004.

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

Management Response

The management acknowledges the variances noted in the statement of cash flow from operating activities and the increase in payables noted in Note 24 to the Financial Statements. The management will review and ensure to correct these classifications accordingly in future financial statement to ensure compliance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS).

Committee Observations

The Committee observed that the variances in the net cash flows from operating and investing activities of Kshs. 362,377 related to differences in payables, and Kshs. 8,677,004 related to differences in receivables. These variances indicate inaccuracies in the cash flow statement, although management has adjusted the accounts through journal entries.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures 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;
- ii. 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; and
- iii. the Accounting Officer ensures that prior year adjustments are carried out in the fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the fund.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final total income budget and actual on comparable basis amounting to Kshs 3,000,000 and Kshs. 2,763,055 respectively resulting to underfunding of Kshs. 236,945 or 7% of budget. Further, the statement reflects total expenditure actual on comparable basis amounting to Kshs. 1,008,165 which differs with the recomputed total expenditure performance resulting to under expenditure of Kshs. 1,995,835 or 67%. In addition, the statement reflects total expenditure difference of Kshs. 1,995,835 resulting to unexplained variance of Kshs. 1,992,000.

Management Response

The disbursements to the fund is subject to the county revenue realization. This underfunding resulted from the revenue shortfall in the county executive in the year under review. We hope that the management will be able to receive all revenue projections in order to meets its intended obligations.

Further, the anomaly in recomputed sums has been taken note of and necessary journal entry has been passed.

Committee Observations

The Committee observed that an underfunding of Kshs. 236,945 (7%) of the income budget and under-expenditure of Kshs. 1,995,835 (67%) against the approved budget.

The unexplained variance of Kshs. 1,992,000 indicates weaknesses in budgetary control and monitoring.

Committee Recommendations

The Committee recommends that-

- i. 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, ensures timely disbursement of funds from the County treasury, and reconciles all budgeted and actual amounts to prevent significant variances in future financial periods;**
- ii. the Fund manager should institute proper and realistic budget planning. The Office of the Auditor-General to confirm the effectiveness of the mitigating measures put in place by the Fund and report in the subsequent audit cycle.**

Other Matter

1. Unresolved Prior Year Matters

In the audit reports of the previous year, nine (9) issues were raised under the Report on Financial Statements, and Report on Lawfulness and Effectiveness in use of Public Resources. Management indicate that the issues have been resolved. However, no documentary evidence in support of the issues resolved were provided.

Management Response

The Fund appeared before Bomet County Assembly Committee on Public Accounts and Investments on 5th and 6th May, 2025 where the issues raised were addressed.

Committee Observations

The Committee observed that the fund had not addressed some of the issues raised by the Auditor-General in the previous financial year.

Committee Recommendations

The Committee recommends that-

- iii. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**

- iv. **The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

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 Recover Loans Advanced

The statement of financial position reflects current portion of short-term receivables from exchange transactions totaling Kshs. 45,584,182. The amount includes current portion of Kshs. 15,739,542 as disclosed in Note 14 to the Financial Statements which have not been recovered. This was contrary to Regulation 25(2) of Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2023 which states that a loan advanced under these Regulations shall be repaid on a monthly installment plus interest within a maximum period determined by the Committee prescribed by applicable Salaries and Remunerations Commission. Further, no provision has been made for bad and doubtful debts contrary to accounting policy of recognizing trade and other receivables at fair value less allowance for any uncollectable amounts.

Management Response

The actual amount yet to be remitted by the County Exchequer on beneficiaries is Kshs. 9,731,626 and not Kshs. 15,739,542 as indicated as per explanation of footer notes in Note 14 on the pending accrued receivable. On the legibility of provision for bad and doubtful debts, the Office of Auditor General in their opinion for Draft Reports Ending June 30, 2023, did not see any need of having that provision. The Regulations clearly protects the Fund from any loss of funds due to non-repayment of loans thus does not require provision for doubtful debts.

Committee Observations

The Committee observed that that loans amounting to Kshs. 9,731,626 had not been recovered as required, contrary to regulation 25(2) of Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2023. Further, no provision was made for bad and doubtful debts, which may affect the accuracy of receivables reported.

Committee Recommendations

The Committee recommends that the Governor through-

- i. **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

- ii. the Accounting Officer to undertake a detailed analysis of its long outstanding trade receivables and with the Board's approval, write off the irrecoverable debts in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015 and the Auditor-General to provide a status update on the same during the subsequent audit cycle.

2. Irregular Borrowing

The statement of financial position reflects long term receivables from exchange transactions totaling Kshs. 68,618,844. The amount includes other exchange debtors - Internal Borrowing amounting to Kshs. 400,000 as disclosed in Note 14 to the Financial statements in respect to internal borrowing by the County Executive. This was contrary to Regulation 4 of Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2023 which states that the object and purpose of the Fund is to enable Car Loan and Mortgage to be advanced to members.

Management Response

A total of Kshs. 1,900,000 borrowing was advanced to the Executive to sort out emergencies owing to delays in release of exchequer funds. By the close of the Financial year, Kshs. 1,500,000 of the borrowed funds had been refunded leaving a balance of Kshs. 400,000 to be refunded. However, the borrowing Department has been reminded and has made commitment to clear the pending debt before end of December 2025. Measures will be put in place to ensure such transfers are only made in compliance with Section 154(1)(a) of the Public Finance Management Act, 2012.

Committee Observations

The Committee observed that the fund advanced Kshs. 1,900,00 to the Executive who refunded the money leaving a balance of Kshs. 400,000, contrary to the car loan and mortgage scheme regulations.

Committee Recommendations

The Committee recommends that the County Executive ceases any unauthorized borrowing from the Fund and ensures that all disbursements strictly comply with the established regulation 4 of Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2023. Further, the outstanding amount should be recovered promptly within 90 days of the adoption of this report and a copy to that effect be submitted to the Senate and Auditor-General for verification.

3. Fringe Benefit Tax – KRA

The statement of financial position reflects trade and other payables from exchange transactions amounting to Kshs. 1,342,885. A review of records revealed that the amount relates to fringe benefit tax which has not been remitted to Kenya Revenue

Authority (KRA) as disclosed in Note 20 to the financial statements. This was contrary to Section 12B of the Income Tax Act Cap 470 Laws of Kenya.

Management Response

As noted, the Fund did not remit the fringe benefit tax amounting to Kshs. 1,342,885 by the close of the period under review. However, the Fund had processed Kshs. 1,342,885 covering the FYs 2022/2023 and 2023/2024 but was not remitted due to challenges related to generation of e-slip by KRA. However, the management will strive clear outstanding debt before close of the current FY and ensure timely remittance of the fringe benefit tax in future.

Committee Observations

The Committee observed that fringe benefit tax amounting to Kshs. 1,342,885 was not remitted to the Kenya Revenue Authority (KRA), contrary to Section 12B of the Income Tax Act, which may expose the Fund to penalties and interest.

Committee Recommendations

The Committee recommends that that management ensures immediate remittance of the outstanding fringe benefit tax and puts in place measures to guarantee timely compliance with tax obligations to avoid penalties in future.

ANNEXTURES

Minutes of the 52nd Sitting held on Monday 23rd March, 2026



13TH PARLIAMENT 5TH SESSION

MINUTES OF THE FIFTY SECOND SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON MONDAY, 23RD MARCH 2026 IN COMMITTEE ROOM 10, BUNGE TOWER AT 4.00 P.M.

PRESENT

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

ABSENT WITH APOLOGY

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

SECRETARIAT

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

A. OFFICE OF THE AUDITOR GENERAL

Mr. Mark Gachanja Liasion

B. ETHICS AND ANTI CORRUPTION COMMISSION

Mr. Patrick Kinoti -Liaison Officer

MIN. NO. SEN/CPICSF/382/2026 PRAYER

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

MIN. NO. SEN/CPICSF/383/2026 ADOPTION OF THE AGENDA

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

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

MIN. NO. SEN/CPICSF/384/2026 CONSIDERATION AND ADOPTION OF REPORTS

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

1. **Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kisumu County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- a. Kisumu Water and Sanitation Company (KIWASCO)
- b. City Of Kisumu
- c. Ahero County Hospital
- d. Chulaimbo County Hospital
- e. Kisumu County Hospital
- f. Kombewa County Referral Hospital
- g. Lumumba Sub County Hospital
- h. Migosi Sub County Hospital
- i. Muhoroni County Hospital
- j. Nyakach County Hospital
- k. Kisumu County Mortgage & Car Loan (Executive) Fund
- l. Kisumu County Mortgage & Car Loan Assembly Fund
- m. Kisumu Lakefront Development Corporation
- n. Kisumu County Emergency Fund
- o. Kisumu County Bursary Fund
- p. Kisumu County Climate Change Fund
- q. Kisumu County Covid-19 Emergency Response Fund Account
- r. Kisumu County Education Fund
- s. Kisumu County Women, Youth and People with Disabilities Fund

2. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kwale County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Kwale Water and Sewerage Company Limited
- b. Diani Municipality
- c. Lungalunga Municipality
- d. Kwale Municipality
- e. Kinango Municipality
- f. Kwale Sub-County Hospital
- g. Msambweni County Referral Hospital
- h. Lungalunga Sub-County Level 4 Hospital
- i. Kinango Level 5 Hospital
- j. Kwale County Bursary and Scholarship Fund
- k. Kwale County Emergency Fund
- l. Kwale County Youth, Women and Person with Disabilities Revolving Fund
- m. Kwale County Trade Revolving Fund
- n. Kwale County Climate Change Fund

3. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in West Pokot County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Kapenguria Water Company Limited
- b. Kapenguria Municipality
- c. Kapenguria Referral Hospital
- d. Chepareria Sub-County Level 4 Hospital
- e. Kacheliba Sub-County Level 4 Hospital
- f. Sigor Sub-County Level 4 Hospital
- g. West Pokot County Cooperative Development Fund

4. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nandi County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Kapsabet Nandi Water and Sanitation Company (KANAWASCO)
- b. Kapsabet Municipality
- c. Kapsabet County Referral Hospital
- d. Nandi County Alcoholic Drinks Fund
- e. Nandi County Climate Change Fund
- f. Nandi County Executive Education Fund

- g. Nandi County Emergency Fund
- h. Nandi County Facilities Improvement Fund

5. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Bomet County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Bomet Water and Sanitation Company Limited (BOMWASCO)
- b. Bomet Municipality
- c. Cheptalal Level 3b Hospital
- d. Kapkoros Level 3a Hospital
- e. Longisa Level 4 Hospital
- f. Ndanai Level 4 Hospital
- g. Sigor Level 4 Sub-County Hospital
- h. Bomet County Education Revolving Fund
- i. Bomet County Bursary Fund
- j. Bomet County Climate Change Fund
- k. Bomet County Executive Car and Mortgage Scheme Fund

6. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kirinyaga County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Kirinyaga County Water and Sanitation Plc(KICOWASCO)
- b. Rukanga Makutano Water and Sanitation Plc. (RUMAWASCO)
- c. Kerugoya -Kutus Municipal
- d. Sagana Sub - County Level 4 Hospital
- e. Kianyaga Sub County Level 4 Hospital
- f. Kimbimbi Sub County Level 4 Hospital
- g. Kirinyaga County Executive Emergency Fund
- h. County Government of Kirinyaga Executive Mortgage Fund
- i. Kirinyaga Executive Car Loan & Mortgage Fund
- j. Kirinyaga County Alcoholic Drinks Control Fund
- k. Kirinyaga County Climate Change Fund
- l. Kirinyaga County Executive Bursary Fund

7. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nyeri County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Mathira Water and Sanitation Company Limited
- b. Narumoru Water and Sanitation Company Limited
- c. Nyeri Water and Sanitation Company Limited

- d. Othaya-Mukurweini Water and Sanitation Company
- e. Tetu Water and Sanitation Company Limited
- f. Nyeri Municipality
- g. Karatina Subcounty Level 4 Hospital
- h. Mt Kenya Subcounty Referral Hospital
- i. Mukureini Sub County Hospital
- j. Nyeri County Referral Hospital
- k. Othaya Sub County Hospital
- l. Nyeri County Climate Change Fund
- m. Nyeri County Elimu Fund
- n. Nyeri County Enterprise Fund
- o. Nyeri County Health Services Fund

8. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Taita-Taveta County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Tavevo Water and Sewerage Company Limited
- b. Special Municipality of Mwatate
- c. Taveta Municipality
- d. Voi Municipality
- e. Moi (Voi) County Referral Hospital
- f. Wesu Sub-County Hospital
- g. Taveta Sub-County Hospital
- h. Mwatate Sub-County Hospital
- i. Taita Taveta County Education Fund Board
- j. Taita Taveta County Car Loan and Mortgage Fund
- k. Taita Taveta County Facilities Improvement Fund
- l. Taita Taveta County Climate Change Fund
- m. Taita Taveta Investment and Development Corporation

9. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nyandarua County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Nyandarua Water and Sanitation Company Limited
- b. Olkalou Water and Sanitation Company Limited
- c. Mairo-Inya Municipality
- d. Engineer Municipality
- e. Olkalou Municipality
- f. Engineer County Hospital
- g. Jm Kariuki Memorial County Referral Hospital

- h. Nyandarua County Bursary Fund
- i. Nyandarua County Climate Change Fund
- j. Nyandarua County Executive (State and Public) Car Loan and Mortgage Scheme Fund
- k. Nyandarua County Emergency Fund

10. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Samburu County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Samburu Water and Sanitation Company Limited (SAWASCO)
- b. Maralal Municipality
- c. Samburu County Teaching and Referral Hospital
- d. Baragoi Sub-County Hospital
- e. Samburu County Executive Staff Mortgage Fund
- f. Samburu County Bursaries Fund
- g. Samburu County Climate Change Fund
- h. Samburu County Conservancies Fund
- i. Samburu County Persons Living with Disability Fund
- j. Samburu County Youth and Women Enterprise Development Fund

11. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Samburu County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- 1. Garissa Water and Sewerage Company Limited.
- 2. Garissa Municipality
- 3. Dadaab Municipality
- 4. Masalani Municipality
- 5. Garissa County Level 5 Teaching and Referral Hospital
- 6. Ijara Sub-County Hospital
- 7. Modogashe Sub-County Hospital
- 8. Dadaab Sub-County Hospital
- 9. Garissa County Emergency Fund
- 10. Garissa County Revolving Fund
- 11. Garissa Climate Change Fund
- 12. Garissa County Scholarship Fund

12. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Elgeyo Marakwet County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- 1. Iten Tambach Water and Sewerage Company Limited.
- 2. Cherang'any Marakwet Water and Sanitation Company Limited
- 3. Iten Tambach Unicity

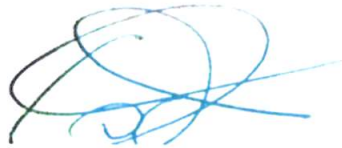
4. Iten County Referral Hospital
5. Tambach Sub-County Hospital
6. Elgeyo Marakwet County Assembly Catering Services Revolving Fund
7. Elgeyo Marakwet Alcoholic Drinks and Control Fund-Executive
8. Elgeyo Marakwet Car and Mortgage Revolving Fund-Executive
9. Elgeyo Marakwet County Climate Change Fund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