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

THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF NYAMIRA COUNTY MUNICIPALITY, FUNDS AND HOSPITALS FOR THE FINANCIAL YEAR 2024/25 (1st JULY, 2024 TO 30th JUNE, 2025):

SECTOR	NO.	ENTITY
MUNICIPALITY	1	NYAMIRA MUNICIPALITY
HOSPITALS	4	ESANI LEVEL 4 HOSPITAL
		MANGA LEVEL 4 HOSPITAL
		MASABA LEVEL 4 SUB-COUNTY HOSPITAL
		NYAMIRA COUNTY REFERRAL HOSPITAL
FUNDS	4	NYAMIRA COUNTY EDUCATION SUPPORT FUND
		NYAMIRA COUNTY EMERGENCY FUND
		NYAMIRA COUNTY MORTGAGE & CAR LOAN (EXECUTIVE) FUND
		NYAMIRA COUNTY CLIMATE CHANGE FUND

26/03/24
APPROVED
RT. HON. SEN
AMASONI KINGI

MARCH, 2026

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ACRONYMS/ABBREVIATION

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

DEFINITION OF TERMS

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

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 Nyamira County Municipality and Hospitals for the Financial Year 2024/25. The entities considered include Nyamira Municipality; Esani Level 4 Hospital, Manga Level 4 Hospital, Masaba Level 4 Subcounty Hospital and Nyamira Referral Hospital.

The Governor of Nyamira 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 |
| 7. Mr. Erick Ososi | - Research Officer I |
| 8. Ms. Linet Aseka | - Research Officer III |
| 9. Mr. Martin Mulandi | - Research Officer III |
| 10. Mr. Peter Katana Kahindi | - Research Officer III |
| 11. Ms. Janice Lekuton | - Research Officer III |
| 12. Ms. Hamun Abdille | - Research Officer III |
| 13. Mr. David Munene | - Research Officer III |
| 14. Mr. Josphat Ng'enh | - Media Relations officer. |
| 15. Mr. Victor Kimani | - Audio officer |
| 16. Mr. Fredick Okola | - Serjeant-at-arms |

ESTABLISHMENT OF THE COMMITTEE

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

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

EXECUTIVE SUMMARY

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited Accounts of Nyamira, municipality and hospitals for the Financial year 2024/25 (1st July, 2024 to 30th June 2025) as the primary documents for the investigations. The Committee invited the Governor of Nyamira 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 five (5) entities in Nyamira County for the Financial Year 2024/25. The entities covered are: one (1) Municipality – Nyamira Municipality; and four (4) hospitals – Esani Level 4 Hospital, Manga Level 4 Hospital, Masaba Level 4 Subcounty Hospital and Nyamira Referral Hospital.

All the five entities received Qualified 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: 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 Nyamira Municipality for the Financial Year 2024/25, 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 Nyamira Hospitals for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

CHAPTER FOUR This chapter documents funds under the County Government of Nyamira which include Nyamira County Emergency Fund, Nyamira County Mortgage & Car Loan (executive) Fund, Nyamira County Climate Change Fund, Nyamira County Education Support Fund. Due to time constraints, the Committee did not manage to interrogate the reports but has recommended that appropriate remedial actions are taken to address the issues raised in the Auditor-General's report and report is submitted to the Senate within 30 days of 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 the 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. **Deficiencies in Financial Reporting and Standards Compliance** – The Committee observed that there were numerous inaccuracies and errors in the financial statements of municipality, raising concerns about the capacity of the officers responsible for their preparation. Furthermore, the municipality faced persistent challenges in adapting to the International Public Sector Accounting Standards (IPSAS) framework required for the preparation of their financial statements.
3. **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 municipality 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 municipality could not be reflected in the financial statements.
4. **Late Submission of Audit Documents**– The Committee noted that the Auditor-General encountered significant challenges due to the late submission of supporting documents by the 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.
5. **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 Boards shall thereafter provide a compliance report to the County Assembly and the Senate Committee on County Public Investments and Special Funds.

2. **Strengthening Financial Reporting Capacity-** The Governor ensures the Municipal Manager and the head of finance shall, in consultation with the County Treasury and the Public Sector Accounting Standards Board (PSASB), develop and implement a continuous capacity-building program for all finance officers on the application of International Public Sector Accounting Standards (IPSAS). This program shall commence within sixty (60) days of the adoption of this report and shall be repeated quarterly to ensure updated knowledge of revised standards. Further, the Municipal Manager shall ensure that all financial statements prepared from the financial year 2024/25 onwards fully comply with the most current IPSAS framework as issued by the PSASB. Any deviation shall be explicitly explained and justified in the notes to the financial statements.
3. **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.
4. **Timely Submission of Audit Documents** – The Governor ensures the Municipal Manager and the head of finance are 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.
5. **Adherence to Approved Budgets** – The Governor ensures the Municipal Manager should enforce 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 that 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 and the accounting officer should ensure 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 ensures 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 that 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. The Committee further wishes to express its appreciation to the able secretariat for their support and services in facilitating the Members and the Committee in its operations.

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

SIGNED: 

DATE: 23/03/2026

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

ADOPTION OF THE REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF NYAMIRA COUNTY MUNICIPALITY, FUNDS AND HOSPITALS FOR THE FINANCIAL YEAR 2024/25 (1st JULY, 2024 TO 30th JUNE, 2025):

SECTOR	NO.	ENTITY
MUNICIPALITY	1	NYAMIRA MUNICIPALITY
HOSPITALS	4	ESANI LEVEL 4 HOSPITAL
		MANGA LEVEL 4 HOSPITAL
		MASABA LEVEL 4 SUB-COUNTY HOSPITAL
		NYAMIRA COUNTY REFERRAL HOSPITAL
FUNDS	4	NYAMIRA COUNTY EDUCATION SUPPORT FUND
		NYAMIRA COUNTY EMERGENCY FUND
		NYAMIRA COUNTY MORTGAGE & CAR LOAN (EXECUTIVE) FUND
		NYAMIRA COUNTY CLIMATE CHANGE FUND

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: MUNICIPALITY

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MUNICIPALITY OF NYAMIRA FOR THE FINANCIAL YEAR 2024/25

The Governor of Nyamira County, Hon. Amos Nyaribo, appeared before the Committee on Monday, 2nd February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Municipality of Nyamira for financial year 2024/25. He was accompanied by –

1. Jones Omwenga - CEC Finance
2. Steven Oboso - CEC Lands
3. Erastus Orina - County Attorney

REPORT ON THE FINANCIAL STATEMENTS

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

1. Unsupported Training Expenses

The statement of financial performance reflects use of goods and services amount of Kshs. 11,352,976, which includes training expenses amount of Kshs. 3,755,500 as disclosed in Note 7 to the financial statements. However, the expenditure was not supported by payment vouchers and no evidence was provided to confirm that training needs assessments for each member of staff was conducted during the year.

In the circumstances, the propriety of training expense of Kshs. 3,755,500 included in training expenses could not be confirmed.

Management Response

The management concurs with the auditor's observation. However, the payment vouchers and ledger schedules are hereby provided.

Committee Observations

The Committee observed that whereas the payment vouchers and ledger schedules 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 Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)I of the Public Audit Act, Cap. 412B failure to which the Committee shall recommend for

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

2. Unsupported Staff Cost

The statement of financial performance reflects staff costs amount of Kshs. 46,361,133. However, the expenditure was not supported by approved payrolls, staff lists, salary approval schedules, EFT instructions, bank statements, statutory remittance schedules and compliance documents such as acknowledgment receipts and regulatory filings. Further, staff costs for the previous financial year (2023/2024) were Kshs. 9,788,374, representing an increase of Kshs. 36,572,759 (374%) in the current year. The significant increase in staff costs was not explained.

In addition, a review of Integrated Financial Management Information System (IFMIS) payment details revealed that staff costs were processed directly through the County Executive payroll and the following anomalies were noted:

- i) The amount of Kshs. 46,361,133 for permanent employees processed through the County Executive's payroll was also reported under Nyamira County Executive employee costs in the statement of financial performance. This resulted in an overstatement of expenses under the County Executive and double counting of the expenditure.
- ii) The payroll ledgers for permanent and pensionable employees covered only the period from November, 2024 to June, 2025. The ledgers for the preceding four months were not provided for audit review. During this period, the Municipality's staff costs were included in the Department of Lands, Housing, and Urban Development payroll.

Consequently, the accuracy and completeness of staff costs of Kshs.46,361,133 could not be confirmed.

Management Response

Management took note of the Auditors observation that staff cost was Kshs. 46,361,133 and has hereby forwarded for audit review the approved payrolls, staff list, salary approval schedules and bank statements. Further, the salary increase was caused by the assignment to Municipality of Nyamira who were previously working in various departments.

In addition, in the year under review, as per the IFMIS payment details, staff costs were processed directly through the County Executive payroll. However, the County is in the process of finalizing the independency of the Municipality.

During the period under review, the ledgers for the four months of staff costs that were paid under the other departments as evidenced in the payroll of the month of November, 2024.

The management wishes to clarify that Kshs. 3,013,312, 447 of the County Executive was reported net of Kshs. 46, 361, 133 included in the Kshs. 967,403,285 as transfers to other government entities. However, the payroll management is done through the county executive with approvals from the municipality since November 2024.

Committee Observations

The Committee observed that-

1. Whereas the payrolls and staff lists 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 Municipality's payroll is still managed by the County Executive

Committee Recommendations

The Committee recommends that-

- i. **within 90 days of the adoption of this report, the Governor ensures that the operational autonomy of Municipality of Nyamira is fully actualized in accordance with sections 169 – 181 of the Public Finance Management Act as read together with sections 12 (Structures and management of cities, municipalities), 20 (Governance and management functions of a board), 45 and 46 (financial autonomy) and provide evidence of the same to the Auditor-General for verification and monitoring. The Auditor-General should provide a status update in the subsequent audit cycle.**
- ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)I of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

3. Unconfirmed Statement of Cash Flows Balance

The statement of cash flows reflects cash and cash equivalents balance of Kshs. 32,469,316 as at 30 June, 2025. The statement reflects purchases of property, plant and equipment, and intangible assets amount of Kshs. 15,930,168. However, purchases were not supported by payment vouchers and procurement documents.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 32,469,316 could not be confirmed.

Management Response

Management concurs with the auditor's observation. The Kshs. 15,930,168 were payments on civil works which included street lights and road construction for Nyamira Public works gate -CDF offices to Nyamira referral county Hospital Gate Road. The documents are hereby provided for verification.

Committee Observations

The Committee observed that-

1. Whereas the 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.
2. Payments to M/s Al Habib Enterprise amounting to Kshs. 5,497,816.37 and M/s Bedesa Enterprises Limited amounting to Kshs. 4,999,727 could not be confirmed, as both related to the 2023/2024 financial year and were not included in the approved pending bills.

Committee Recommendations

The Committee recommends that-

- i. **the Accounting Officer should undertake a reconciliation of the cash vote and the expenditure vote and ensure that the adjustments are reflected as prior year adjustments in the financial statement of the subsequent financial year. The Auditor-General to provide a status update on the matter in the subsequent audit cycle; and**
- ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)I of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

4. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs. 182,389,160, which includes additions during the year of Kshs. 15,930,168. However, supporting documents for the additions under other assets-roads were not provided for audit review. Further, the property, plant, and equipment balance of Kshs. 182,389,160 was not supported by a fixed assets register.

In the circumstances, the accuracy and completeness of the Property, Plant and Equipment balance of Kshs.182,389,160 could not be confirmed.

Management Response

The management concurs with the auditor's observation and wishes to clarify that the civil works payments had not been updated in the fixed asset register but the updates have since been done.

Committee Observations

The Committee observed that management provided payment vouchers for verification and updated the fixed asset register.

Committee Recommendations

- i. within sixty (60) days of the adoption of this report, the Governor ensures the transfer of ownership documents of assets under the Executive to the Municipality is fast tracked;**
- ii. the Governor ensures that the management of the Municipality undertakes the valuation of all assets of the Municipality and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- iii. upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification**
- iv. the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB);**
- v. within 90 days of the adoption of this report, the Governor ensures that the operational autonomy of Municipality of Bomet is fully actualized in accordance with sections 169 – 181 of the Public Finance Management Act as read together with sections 12 (Structures and management of cities, municipalities), 20 (Governance and management functions of a board), 45 and 46 (financial autonomy) and provide evidence of the same to the Auditor-General for verification and monitoring. The Auditor-General should provide a status update in the subsequent audit cycle.**

5. Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs. 23,262,168. Review of the trade payable records revealed debts incurred of Kshs. 3,478,000 for the supply of fuel during the year under review. However, fuel records, including electronic fuel registers and fuel statements were not maintained to ensure accountability. The register maintained manually did not indicate payment dates.

Further, backdated Local Purchase Orders (LPOs) for the supply by Ms. Energy was issued in January, 2024 for fuel supplied between August and December, 2023 of Kshs. 1,478,000 and another LPO for the supply by Ms. Ventures issued in February, 2024 for fuel supplied between August and December 2023 of Kshs. 2,000,000.

In the circumstances, the accuracy and completeness of the Trade and Other Payables balance of Kshs. 23,262,168 could not be confirmed.

Management Response

The management wishes to clarify that the two suppliers Ms. Nyagi Energy and Ms. Mwageza Ventures were issued for the period 2023/2024 financial year however at the end of the FY they were not paid and hence became pending bills and that they were not for supply of fuel for the year under review 2024/25.

Committee Observations

The Committee observed that the outstanding payables related pending bills which were not paid for the financial year 2023/2024 and were not for supply of fuel in the year under review.

Committee Recommendations

The Committee recommend that-

- i). 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;**
- i). the Accounting Officer should comply 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;**
- ii). the Accounting Officer should strengthen internal audit controls and ensure proper record keeping;**
- iii). 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**
- iv). 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.**

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.181,901,798 and of Kshs.97,678,122 respectively, resulting to under-funding of Kshs.84,223,676 or 46% of the budget. Similarly, the Fund expended Kshs.73,644,277 against actual receipts of Kshs.97,678,122, resulting to under-absorption of Kshs.24,033,845 or 25% of the receipts.

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

Management Response

The management appreciates the Auditors observation and wishes to clarify that the under absorption was due to exchequer delays and late disbursements from the treasury.

Committee Observations

The Committee observed that management attributed the under absorption of the budget to exchequer delays.

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, failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply; and**
- ii). **the National treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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 Entity

Review of the records and operations of the Municipality of Nyamira revealed lack of operational autonomy despite being granted a Municipal Charter on 24 September, 2018

contrary to Section 9(1) of the Urban Areas and Cities Act, 2011, which requires a municipality to function with administrative and operational independence through its Board, Manager, and designated officers.

Lack of independence and autonomy was noted in the following areas:

- i. The Municipality's budget is prepared and controlled by the County Executive without approval by the Municipal Board.
- ii. Payroll for the Municipal staff is managed by the County Executive, creating a risk of duplication or inconsistent reporting.
- iii. The Municipality's bank accounts are controlled by the County Executive and the Executive made direct payments amounting to Kshs. 65,368,821 on behalf of the Municipality. Thus, the funds allocated as provided under Section 43(1)(a) of the Act were not transferred to the Municipality contrary to requirement of Section 12(1) of the Urban Areas and Cities Act, 2011. The Act provides that the Management of a city or municipality shall be vested in the County, as set out under Sections 13 and 14 of the Act, through a Manager appointed pursuant to Section 28 and such other staff or officers as the County Public Service Board may determine.

In the circumstances, Management was in breach of the law

Management Response

The management wishes to clarify that County budget includes the municipality budget once approved by the assembly is uploaded into central IFMIS system where payment is done. All payments process of Nyamira Municipality is approved by the Municipality Manager as the Accounting Officer.

In addition, the municipality payroll was aligned to the IFMIS system since November 2024 whereby the Manager approves the payroll before payment is done.

Committee Observations

The Committee observed that payments and payroll are approved by the Municipal Manager though controlled by the County Executive.

Committee Recommendations

The Committee recommends that –

- i. **the Governor ensures that the operational autonomy of Municipality of Nyamira is fully actualized in accordance with sections 169 – 181 of the Public Finance Management Act as read together with sections 12 (Structures and management of cities, municipalities), 20 (Governance**

- and management functions of a board), 45 and 46 (financial autonomy) and provide evidence of the same to the Auditor-General for verification and monitoring;
- ii. 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
 - iii. the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor to keep this matter in view and report in the subsequent audit cycle.

2. Irregular Engagement of Casual Workers

Review of human resource and payroll records revealed that Nyamira County Public Service Board (CPSB) employed forty (40) casual employees in the previous financial year and deployed them to Nyamira Municipality.

However, several irregularities were noted:

a) Engagement Beyond Legal Period

The casual workers were engaged for more than three (3) consecutive months, contrary to the provisions of Section 37 of the Employment Act, 2007, which requires that casual employees engaged continuously for more than three months, or performing work of a permanent nature, to be converted to contracts terms.

b) Lack of Need Assessment Report

The need assessment report from the Municipality was not provided to confirm the need for engaging the casual workers.

c) Missing Recruitment Documentation

The recruitment process lacked key supporting documentation including, recruitment approvals from the County Public Service Board, advertisements or calls for applications, interview records and selection criteria.

d) Absence of Performance Appraisals

No performance evaluations were conducted to assess the suitability and effectiveness of the casuals prior to the renewal of their contracts.

e) Financial Impact

The expenditure incurred of Kshs.2,346,840 on wages to the casual workers was not supported by evidence to indicate the Municipality required the services.

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

Management Response

The management appreciates the audit observation and wishes to state that appointment of the casuals followed due process. Also, all casual workers services were stopped in the month of January 2025.

Committee Observations

The Committee observed that Management stated that due process was followed and casuals were terminated.

Committee Recommendations

The Committee recommends that the Board of Directors and the Managing Director ensure that the Municipality 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.

3. Failure to Hold Meetings by the Board

Review of the governance function, board records and Note 9 to the statement of financial performance revealed that the board did not hold any sittings during the year under review. There was no expenditure incurred from the voted Board expenses. This is in contravention of Section 23(1) of the Urban areas and Cities Act, 2021 (as mentioned in 2019), which states that a board shall hold its sittings to transact the business of the Board once every three months.

Management Response

The management took note of auditors with the Auditors observation. However, the County Public Service is in the process to appoint new board members. There was a legal contest challenging the appointment of board members which led to the failure to hold meetings.

Committee Observations

The Committee observed that the Board was not in place due to legal issues challenging the appointment of the board members.

Committee Recommendations

The Committee recommends that the Governor, through the County Public Service Board, should fast-track the constitution of the Board to enhance governance. The Auditor-General should provide a status update 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. Payment of Salaries Outside the Government Prescribed Systems

Review of the personnel's records revealed that forty (40) casuals were continuously engaged from July 2024 to January 2025 for a period of seven (7) months. The casuals were paid wages totaling Kshs. 2,346,840 for the period. However, the payments were processed outside the Integrated Payroll and Personnel Database (IPPD) system and were not migrated to the Human Resource Information System (HRIS)–Kenya platform. Thus, the expenditure was not subjected to standard payroll controls and system validations.

In the circumstances, the regularity and authenticity of the payments could not be confirmed and internal controls and risk management systems are weak.

Management Response

Management appreciates the auditor's observation and wishes to clarify that the payments outside the IPPD were for casuals who didn't have personal numbers and were not included in the mainstream payroll. We also wish to inform you that casuals services were terminated in the month of November 2024.

Committee Observations

The Committee observed that the casuals were paid outside the IPPD system as they did not have personal numbers and were not included in the mainstream payroll.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

2. Unconfirmed Intangible Assets

The statement of financial position and Note 14 to the financial statements reflect intangible assets of Kshs. 4,905,000, being Wi-Fi and CCTV system. However, physical verification of the related assets revealed that the Wi-Fi and CCTV system was not operational and, therefore, did not provide the intended service. The assets may not have met the definition and recognition criteria of intangible assets and value for money may not have been obtained.

In the circumstance, the internal controls are ineffective and losses could be incurred due to poor monitoring of operations.

Management Response

Management wishes to clarify that the intangible assets were installed in our former rented premise however upon relocating we have not installed the assets in our new offices. The management will make a provision in the budget to cater for its installation.

Committee Observations

The Committee observed that Management did not install the intangible assets after relocation but will make a provision in the budget to cater for installation.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply 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.

3. Ineffective Internal Audit Function

Review of internal control, risk management and governance processes and systems revealed that the municipality had an internal audit department. However, an audit work plan and implementation of the same were not evident since there were no internal audit reports provided for audit review. Further establishment of audit committee and functioning of the same could not be confirmed which is contrary to Regulations 163(2) and 172(1) of the Public Finance Management (County government) Regulations, 2015. The Regulations requires development of internal audit work plan and define roles and responsibilities of audit committees respectively.

In the circumstances, effectiveness of internal controls and governance systems could not be determined.

Management Response

The management concurs with the Auditor's observations. We wish to clarify that there is an internal auditor seconded to Municipality of Nyamira and uses the Executive workplan. Further, audit of the funds is done and gives reasonable assurance through the audit committee which is domiciled in the executive.

Committee Observations

The Committee observed that the Municipality has an internal auditor seconded from the Executive but no internal audit reports have been provided.

Committee Recommendations

The Committee recommends that-

- i. the County Executive Committee Member (CECM) – Finance ensures that the Municipality puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012, among others to guide the internal operations of the Municipality; and**
- ii. the Municipality ensures compliance with Regulations 163(2) and 172(1) of the Public Finance Management (County government) Regulations, 2015, which requires the development of internal audit work plan, definition of roles and responsibilities of audit committee.**

4. Lack of Risk Management Policy

Review of records, processes, systems and functions of the Municipality revealed that the Management had not developed a risk management policy and did not carry out risk assessment during the year under review contrary to Regulation 158(1) (a-b) of the Public Finance Management (County Governments) Regulations, 2015. The Regulation states that ‘the Accounting Officer shall ensure that the County Government entity develops risk management strategies.

In the circumstances, the effectiveness of risk management system could not be confirmed and the Municipality was exposed to risks and disruption of its operations.

Management Response

The Management wishes to clarify that Nyamira County has a risk management policy which is also applicable to Municipality of Nyamira. However, management is in the process of developing its own Risk Management Policy.

Committee Observations

The Committee observed that the Municipality 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 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.

5. Lack of an Approved Strategic Plan

Review of Municipality records revealed that the Management had not established a strategic plan, contrary to Regulation 30(2) of the Public Finance Management (County Governments) Regulations, 2015 which, states that all budget proposals shall be supported by a strategic plan.

In the circumstances, Municipality's capacity to effectively manage and align its activities with its long-term goals and objectives could not be confirmed and therefore controls are weak.

Management Response

The management concurs with the auditor's observation on lack of approved strategic plan. The plan is currently on the final stages of approval.

Committee Observations

The Committee observed that the Municipality's strategic plan is on its final stages of approval.

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.

6. Lack of Effective Information Technology System

Review of Municipality's records revealed that the Management had not established an Information Communication Technology department, IT Strategy, IT steering Committee, IT policy, disaster management system, recovery policies, business continuity plan and IT continuity plan to ensure smooth running of its operations.

In the circumstances the Municipality is exposed to loss of vital information which could affect the smooth running of its operations. The internal control, risk management and governance processes and systems are weak.

Management Response

The Management wishes to clarify that the Nyamira Municipality is using County Executive ICT policy however it is committed to developing one of its own.

Committee Observations

The Committee observed that the Municipality is using the County ICT policy and is yet to develop its own 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 TWO: HOSPITALS

2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ESANI LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/25

The Governor of Nyamira County, Hon. Amos Nyaribo, appeared before the Committee on Monday, 23rd February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Esani Level 4 Hospital for financial year 2024/25. He was accompanied by –

1. Abel Omas - Medical Superintendent

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the financial statements of Esani Level 4 Hospital for the period under review on the following basis –

1. Unsupported Property, Plant and Equipment

The statement of financial position and Note 19 to the financial statements reflects property, plant and equipment balance of Kshs. 14,776,525. However, the balance was not supported by an updated asset register. The Management is required to maintain assets register for all the entity's assets. Further, the Hospital had not valued its assets to establish the fair values.

In addition, the ownership documents including title deed for the land on which the Hospital is built and motor vehicle log books were not provided for audit.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 14, 776,525 could not be confirmed.

Management responses

The management takes note of the auditors' observation that the hospital assets register was not fully updated at the time of the audit. This is because the Inter-Governmental Relations Technical Committee (IGTRC) had not completed the process of valuing and handing over of assets (land, buildings, plant and equipment) to the County Government of Nyamira.

However, in the meantime the hospital has developed an updated the assets register in the required format.

Additionally, the County Government of Nyamira has engaged a government valuer to value immovable assets including, land, building, plant, machinery equipment to help in updating the asset register. The valuer is currently on site.

Committee Observations

The Committee observed that-

1. the hospital had an incomplete asset register because the Inter-Governmental Relations Technical Committee (IGRTC) had not completed the process of valuing and handing over assets to the County Government of Nyamira.
2. the assets are still under the County government of Nyamira and not the hospital.

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 health, ensures the transfer of ownership documents of land and buildings to the hospital is fast tracked;
- ii. 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;
- iii. upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and
- iv. the Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

Emphasis of Matter

I. Budgetary Control and Performance

The hospital expended Kshs. 5,081,018 against actual receipts of Kshs. 6,506,288 resulting to under-expenditure of Kshs. 1,425,270 or 22% of the actual receipts.

The under-absorption affected implementation of the planned activities and programs and may have impacted negatively on serviceably.

Management Response

Management takes note of the auditor's observation on budget under-utilization expenditure of Kshs. 1,425,270 or 22% of the actual receipts. The management wishes to clarify that under-utilization resulted from suppliers that delayed towards closure of

the financial year thus could not be expended. This was carried forward to the following year 2025 -2026 as balance carried forward.

Committee Observations

The committee observed that the hospital had an under-expenditure of Kshs. 1,425,270 or 22% of the actual receipts resulting from suppliers that delayed towards closure of the financial year.

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.**

Other Matter

1. Unresolved Prior Year Matters

In the audit report of the previous year, several matters were raised under the Report on Financial Statements, Emphasis of Matter, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues contrary to Section 149(2), (1) of the Public Finance Management Act, 2012 which requires the Accounting Officers designated to try to resolve any issues resulting from an audit that remain outstanding.

Management Response

No structured action plan provided

Committee Observations

The Committee observed that the management did not resolve some of the issues raised by the auditor general in the previous financial year.

Committee Recommendations

The Committee recommends that-

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

1. Unlawful Transfer of Funds

The statement of financial performance reflects Kshs. 158,472 relating to transfers to other government entities, being transfers to Sub- County Ministry of Health (SCMOH) and County Health Management Team (CHMT) of Kshs. 31,693 and Kshs. 126,779 respectively as disclosed in Note 15 to the financial statements.

However, the transfers were in contravention of 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.

In the circumstances, Management was in breach of law.

Management Response

Management takes note of the auditor's observation that the hospital transferred monies to the sub county medical officer of health for primary health care support and county health management team for operations. However, management wish to clarify that this was in conformity with Part III, Section 6 of the Nyamira County facility improvement fund 2022 which provided that each facility submits 3% of the monies collected to County Health Management Team (CHMT) and 12% to the Sub- County Health Management Team (SCHMT) to fund primary health care services.

In 2023 the Facility Improvement Financing Act No. 14 of 2023 was enacted and section 7(f) provides that monies retained by health facilities shall be used to facilitate Primary health care and preventive services at the community level. Similarly, Section 10

establishes the County Health Management Team and Section 12 the Sub County Health Management Teams.

Despite the above the County Government in January 2025, stopped the transfer of funds to the teams.

Then in August 2025, the Nyamira County Health Facility Improvement Financing act 2025 was enacted, repealing the Nyamira County Facility Improvement Fund act 2022 and aligning our health financing framework to the Facility improvement financing act No 14 of 2023 and providing more guidelines on efficient management of the resources retained by health facilities.

Committee Observations

The Committee observed that-

1. management transferred Kshs. 31,693 to the Sub- County Ministry of Health (SCMOH) and Kshs. 126,779 to County Health Management Team (CHMT), from the facility improvement funds in line with the Nyamira County facility Improvement Fund Act 2022, which was repealed, and the Nyamira County Health facility Improvement Financing Act 2025 was enacted, that aligned to the Facility Improvement Financing Act No. 14 of 2023.
2. the county government stopped the transfer of funds to the teams in January 2025 thereby ensuring compliance to the FIF Act 2023.

Committee Recommendations

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

2. Noncompliance with the Statutory Requirements on Hospital Revenue Account

The statement of financial position reflects Cash and cash equivalents balance of Kshs. 1,425,270 held in Kenya Commercial Banks as disclosed in note 16 to the financial statements. Review of the bank accounts records revealed that the signatories to the accounts are the County Chief Officer of Health, the Chief Officer Finance and the Head of Accounting Services instead of the Medical Superintendent and the Hospital Administrator as required.

In the circumstances, Management was in breach of law.

Section 20 (1) and (2) of the Facilities Improvement Financing Act, 2023 which states that, there shall be opened and operated a bank account for every entity into which all monies received by and on behalf of the entities for the facility improvement financing

shall be paid into. (2) With respect to a hospital, the mandatory signatories to the bank accounts shall be the medical superintendent and the hospital administrator.

Management Response

The management takes note of auditor's observation on statutory signatory requirements on hospital revenue account, and wish to clarify that the hospital has two accounts that is revenue account and expenditure account. The signatories to the revenue account are the County Chief Officer of Health, the Chief Officer Finance and the Facility in-charge and signatories to the expenditure account is the Medical Superintendent and the Hospital Administrator. This is in conformity with the Nyamira County Health Facility Improvement Financing Act, 2025 No. 3 Section 31(i) a, b, c, which provides that the County Chief Officer of Health, the Chief Officer Finance and the Facility in-charge as signatories to the revenue account. This is as part of internal checks, risk management, effective governance and accountability measures to safeguard public funds.

Committee Observations

The Committee observed that the signatories to the expenditure account are the Medical Superintendent and the Hospital Administrator in conformity to the Nyamira County Health Facility Improvement Financing Act, 2025 No. 3 Section 31(i) a, b, c, and Section 20(2) of the Facilities Improvement Financing Act, 2023.

Committee Recommendations

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

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. Ineffective Universal Health Care (UHC) Services

Review of the records, operations and functions of the Hospital revealed inadequate personnel required to deliver the Universal Health Care (UHC). The UHC personnel requirements for the Hospital to function effectively are 16 Medical Officers, 2 Anesthesiologists, 2 General Surgeons, 2 Gynecologists, 2 Pediatricians, 2 Radiologists and 75 Registered Community Health Nurses. However, the Hospital operated with only 8 Registered Community Health Nurses and all other posts were vacant.

Further, for the Hospital to effectively deliver its services, the UHC stipulates that there be 2 Functional Theatres, 150 Beds, 5 Incubators, 5 Cots, 1 Resuscitation Theatre, 1

Resuscitative in Labor, 6 ICU Beds, 6 HDU Beds, 5 Renal Unit with Dialysis Machines, 5 Acres of Land and 1 Ambulances. However, the Hospital had only 30 Beds, 1 Incubator, 1 Resuscitative in Labor and 1 Ambulance. The details on land were not provided to establish the size of the land.

In the circumstances, the Hospital may not deliver the required services due to lack of capacity.

Management Response

The management takes note of the auditor's report that the number of staff are inadequate and wish to clarify that the County Government has been progressively increasing the number, quality and skills of health care workers since inception of devolution.

In the current financial year 2025-2026 the County Government will be employing one hundred and fifty (150) health care workers. Some will be deployed to Esani level 4 Hospital, therefore there is Commitment by the County Government of Nyamira to progressively build the capacity of the Hospital to provide UHC.

In addition, the County Government of Nyamira has released various healthcare workers for advanced training to further boost the number of specialists at Esani level 4 Hospital.

Further, the County Government has progressively invested in provision of specialized equipment for Esani level 4 Hospital. In the current financial year, the county Government of Nyamira is in the process of purchasing of extra medical equipment to progressively breach the gap on medical equipment.

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. in the current financial year 2025-2026 the County Government will be employing 150 health care workers, some of whom will be deployed to Esani level 4.
3. the County Government of Nyamira has released various healthcare workers for advanced training to further boost the number of specialists at Esani level 4 Hospital.

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.**

2.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MANGA LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/25

The Governor of Nyamira County, Hon. Amos Nyaribo, appeared before the Committee on Monday, 23rd February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Manga Level 4 Hospital for financial year 2024/25. He was accompanied by –

1. Dr. David Isaac Matimo - Medical Superintendent

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the financial statements of Manga Level 4 Hospital for the period under review on the following basis –

1. Lack of Depreciation Policy

The statement of financial performance reflects depreciation and amortization expenses amount of Kshs. 3,114,816. However, the amount was not supported by an approved policy on the depreciation of property, plant, and equipment and the amortization of intangible assets. Further, the depreciation rates applied in calculating the expense were not disclosed under the significant accounting policies section of the financial statements.

In addition, the hospital lacks an Asset Management Policy to guide in the determination of useful lives of assets or outline procedures for the disposal of assets upon expiry of their useful lives.

In the circumstances, the accuracy and completeness of the depreciation and amortization expense amount of Kshs. 3, 114,816 could not be confirmed.

Management Response

The management takes note of the auditor's observation that the hospital did not have an approved asset management policy at the time of the audit. However, the hospital management relied on the draft Nyamira County asset management policy to calculate depreciation and amortization expense. The draft County asset management policy provides for straight line method of depreciation of assets at the following rate: Land 0%, Buildings and Civil works at 4%, Motor vehicles 25%, Furniture, fittings and Office equipment at 12.5%, ICT equipment at 30%, and Plant and Medical equipment at 12.5%. The management has since developed the hospital asset management policy that is currently in use, depreciation and amortization rates will be reflected in the subsequent year.

Committee Observations

The Committee observed that-

1. the hospital did not have an approved asset management policy at the time of the audit and relied on the draft Nyamira County asset management policy to calculate depreciation and amortization expense.
2. the hospital did not have depreciation policy in place at the time of audit but committed to have one in the subsequent audit cycle.

Committee Recommendations

The Committee recommends that Governor, through the hospital board, should prepare a depreciation and amortization policy within 60 days of the adoption of this report and submit to the Auditor-General for verification, and the Auditor-General should provide a status update on the matter in the subsequent audit cycle.

2. Unsupported Property, Plant and Equipment Balance

The statement of financial position and Note 19 to the financial statements, reflects a balance of Kshs. 55,237,143 in respect of property, plant, and equipment. However, management did not maintain a detailed asset register showing the dates of acquisition, cost, supplier, location, unique identification numbers, disposals and other essential details necessary for asset control and maintenance. Further, there were no ownership documents for the assets, including land, buildings, motor vehicles, plant, medical equipment and other assets owned and operated by the Hospital.

In the circumstances, the accuracy, completeness, ownership and valuation of the property, plant, and equipment balance of Kshs. 55,237,143 could not be confirmed

Management Response

The management takes note of the auditors' observation that the hospital assets register was not fully updated at the time of the audit. This is because the Inter-governmental Relations Technical Committee (IGTRC) had not completed the process of valuing and handing over of assets (Land, Buildings, plants and equipment) to the County Government of Nyamira. This was done in August 2025.

The management of the hospital has updated the assets register in the format stated in the audit report. To this end, the County government of Nyamira has engaged a government valuer, to value immovable assets, including land, building, plant, machinery and equipment. The valuer is currently on site. The reports on valuation of the other hospital assets are expected to be submitted soon and the asset register will be updated accordingly.

In regards to the transfer of assets by the county government to the Hospital and to the extent of the existing laws, the hospital is an entity of county government of Nyamira and does not exist as an autonomous institution. Therefore, the hospital assets are held in trust by the County Government.

Committee Observations

The Committee observed that-

1. the hospital had an incomplete asset register because the Inter-Governmental Relations Technical Committee (IGRTC) had not completed the process of valuing and handing over assets to the County Government of Nyamira, which was done in August 2025.
2. the assets are still under the County government of Nyamira and not the hospital.

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

Emphasis of Matter

1. Budgetary Control and Performance

The Hospital expended Kshs. 92,511,336 against actual receipts of Kshs. 106,102,899 resulting to under-expenditure of Kshs. 13,591,563 or 13% of the actual receipts.

The under-absorption affected the planned activities and programs and may have impacted negatively on services delivery.

Management Response

The Management takes note of the auditors' observation and wish to clarify that the reported under-expenditure of Kshs. 13,591,563, was resulted from the non-reimbursement of Kshs. 9,433,676 from Social Health Authority (SHA) during the year under review. Where by the balance of Kshs. 4,217,130 was occasioned by delayed reimbursements from the Social Health Authority (SHA), which were received towards the close of the financial year 2024/25, thus could not be expended hence captured as a balance brought forward in financial year 2025/2026.

Committee Observations

The Committee observed that the under-expenditure of Kshs. 13,591,563 resulted from the non- reimbursement of Kshs. 9,433,676 and delayed reimbursement of Kshs. 4,217,130 from Social Health Authority (SHA) during the year under review.

Committee Recommendations

The Committee recommends that-

- i. management should strengthen follow-up and monitoring of reimbursements and receivables from SHA to ensure timely receipt of funds, enabling full utilization of budgeted allocations within the financial year;**
- ii. the Governor ensures the Accounting Officer makes timely submission of complete and accurate documents during audit processes, including evidence of resubmission and follow-up of rejected or partially approved SHA claims, in compliance with section 9(1)(e) of the Public Audit Act, Cap. 412B, failure to which the provisions of section 62(2) of the Public Audit Act, Cap. 412B shall apply;**
- iii. the Governor, through 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, and provide a status update on the matter in the subsequent audit cycle;**
- iv. the Governor, through 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**

- v. **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.**

Other Matter

1. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under report on Financial Statements, Report on Lawfulness and Effectiveness in the use of Public Resources and Report on effectiveness of Internal Controls, Risk management and Governance. However, However, the Management has not resolved the issues contrary to Section 149(2) (l) of the Public Finance Management Act, 2012 which requires the Accounting Officers designated to try to resolve any issues resulting from an audit that remain outstanding.

Management Response

No structured action plan provided

Committee Observations

The Committee observed that the management did not resolve some of the issues raised by the auditor general in the previous financial year.

Committee Recommendations

The Committee recommends that-

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

1. Unlawful Transfer of Funds

The statement of financial performance reflects general expenses amount of Kshs. 6,318,330, which includes primary health care support services of Kshs. 355,220 as disclosed in Note 15 to the financial statements. The primary health care support services amount of Kshs. 355,220 was transfer of funds to the County Health Management Team (CHMT), contrary to Section 5(1) of the Facilities Improvement Financing Act No.14 of 2023, which requires Level 1 to 5 health facilities to retain all monies raised or received.

Management Response

Management takes note of the auditor's observation that the hospital transferred monies to the sub county medical officer of health for primary health care support and county health management team for operations. However, management wish to clarify that this was in conformity with Part III, Section 6 of the Nyamira County facility improvement fund 2022 which provided that each facility submits 3% of the monies collected to County Health Management Team (CHMT) and 12% to the Sub- County Health Management Team (SCHMT) to fund primary health care services.

In 2023 the Facility Improvement Financing Act No. 14 of 2023 was enacted and section 7(f) provides that monies retained by health facilities shall be used to facilitate Primary health care and preventive services at the community level. Similarly, Section 10 establishes the County Health Management Team and Section 12 the Sub County Health Management Teams.

Despite the above the County Government in January 2025, stopped the transfer of funds to the teams.

Then in August 2025, the Nyamira County Health Facility Improvement Financing act 2025 was enacted, repealing the Nyamira County Facility Improvement Fund act 2022 and aligning our health financing framework to the Facility improvement financing act No 14 of 2023 and providing more guidelines on efficient management of the resources retained by health facilities.

Committee Observations

The Committee observed that-

1. management transferred Kshs. 355,220 to the County Health Management Team (CHMT), from the facility improvement funds sin line with the Nyamira County facility Improvement Fund Act 2022, which was repealed, and the Nyamira County Health facility Improvement Financing Act 2025 was enacted, that aligned to the Facility Improvement Financing Act No. 14 of 2023.
2. the county government stopped the transfer of funds to the teams in January 2025 thereby ensuring compliance to the FIF Act 2023.

Committee Recommendations

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

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 Information Technology Internal Control Environment

Review of the Information Technology Internal Controls revealed that Management had not developed an IT continuity and disaster recovery plan to prevent business disruption in case of a disaster. Further, an approved IT strategic committee to oversight and formulate policies was not constituted and as such, IT investments and functions may not be directed towards the achievement of the mandate of the Hospital.

In the circumstances, the reliability and effectiveness of the Hospital Information Technology internal controls could not be confirmed.

Management Response

Management takes note of the auditor's observation on weak information technology internal control environment; however, management wish to clarify that during the auditing exercise, management had relied on county government of Nyamira ICT policy. The hospital management has also established the ICT policy and ICT strategic committee which is in place. Regular audits and reviews will be conducted to ensure compliance and effectiveness of the new controls.

Committee Observations

The Committee observed that as at the time of audit, management had relied on county government of Nyamira ICT policy and has since established the ICT policy and ICT strategic committee is in place.

Committee Recommendations

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

2. Poor management of Pharmaceuticals

Physical verification of the hospital's storage facility revealed that the hospital did not have adequate storage space to maintain the quality of the drugs stored, contrary to section 2.4.2 of the Pharmacy and Poisons Board (PPB) Guidelines for good distribution practices for Health Products and Technologies in Kenya. The Guidelines states that

storage areas should have sufficient capacity to allow the orderly storage of the various categories of health products and technologies, namely usable products, products in quarantine, released, rejected, returned, or recalled products.

Management Response

The management takes note of the auditor's observation for the inadequate storage capacity for pharmaceutical commodities. However, they clarified that the same has been taken into account by creating a space within the hospital buildings for proper storage of pharmaceuticals and non-pharmaceutical commodities separately, further the hospital management has deliberated to come up with estimates of constructing a modern and spacious pharmaceutical store in the hospital and the process has already started.

Committee Observations

The Committee observed that the hospital management has come up with estimates of constructing a modern and spacious pharmaceutical store in the hospital in order to have adequate storage space to maintain the quality of the drugs stored.

Committee Recommendations

The Committee recommends that the Governor, through the CECM matters Health and CECM Planning, expedite the construction of the pharmaceutical store and implement periodic drug quality and expiry monitoring.

3. Ineffective Implementation of Universal Health Coverage

(i) Staffing

Review of hospital records and staff establishment revealed that the hospital did not meet the minimum staffing requirements under the KQMH Policy, 2018. The hospital had only 37 staff against a minimum requirement of 186, reflecting a deficit of 149 positions or 80% of the approved establishment.

(ii) Inadequate Infrastructure

The hospital also lacked essential infrastructure and equipment, including a dental unit, CT scan machine, mortuary/cold room and staff quarters for on-duty personnel.

(iii) Bed Capacity

The hospital has a total of 30 bed capacity against the required 150 due to inadequate infrastructure and stalled projects.

The deficiencies contravene First Schedule of the Health Act, 2018 and hinder realization of the right to the highest attainable standard of health as guaranteed under Article 43(1) of the Constitution of Kenya, 2010.

Management Response

The management takes note of the auditor's report that the number of staff is inadequate and wish to clarify that the County Government has been progressively increasing the number, quality and skills of health care workers since inception of devolution.

In the current financial year 2025-2026 the County Government will be employing one hundred and fifty (150) health care workers. Some will be deployed to Manga level 4 Hospital, therefore there is Commitment by the County Government of Nyamira to progressively build the capacity of the Hospital to provide UHC.

In addition, the County Government of Nyamira has released various healthcare workers for advanced training to further boost the number of specialists at Manga level 4 Hospital.

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. in the current financial year 2025-2026 the County Government will be employing 150 health care workers, some of whom will be deployed to Manga level 4.
3. the County Government of Nyamira has released various healthcare workers for advanced training to further boost the number of specialists at Manga level 4 Hospital.

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.**

2.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MASABA LEVEL 4 SUBCOUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/25

The Governor of Nyamira County, Hon. Amos Nyaribo, appeared before the Committee on Monday, 23rd February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Masaba Level 4 Sub-County Hospital for financial year 2024/25. He was accompanied by –

1. Dr. Samwel Ombati Atandi - Medical Superintendent

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the financial statements of Masaba Level 4 Sub-County Hospital for the period under review on the following basis –

1. Inaccuracies in the Financial Statements

The statement of financial position reflects inaccuracies noted below.

- i. The statement shows total current assets of Kshs. 80,750,649 while the re-casted total is Kshs. 80,761,217.
- ii. The statement reflects total assets of Kshs. 611,218,110 while the re-casted total is Kshs. 611,228,678.
- iii. The statement shows net assets of Kshs. 606,969.454 while re-casted total is Kshs. 606,90,022.
- iv. The statement shows comparative accumulated surplus debit balance of Kshs. 114,198,118 while the audited financial statements for 2023/2024 shows a balance of Kshs. 51,151,747
- v. The statement shows comparative net assets balance of Kshs. 567,435,382 while the audited financial statements for 2023/2024 shows a balance of Kshs. 583,603,677.

Further the statement of comparison of budget and actual amounts reflected budgeted and actual expenditure amounts of Kshs. 53,900,000 and Kshs. 51,997,815, respectively. However, the amounts ought not to be included in the statement which is prepared on cash basis while the depreciation is a provision.

In the circumstances, the accuracy of the financial statements could not be determined.

Management Response

The management takes note of the auditor's observation that there were arithmetic inaccuracies in the financial statement.

The hospital management committees to correct the inaccuracies in the current financial year financial statement under prior year adjustment.

Committee Observations

The Committee observed that there were several casting errors in the financial statements prepared by the hospital.

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 hospital's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the hospital.**

2. Inaccuracies in Contribution from County Government

The statement of financial performance and Note 6 to the financial statements reflects in-kind contribution from the County Government of Kshs. 5,030,154. However, management did not include salaries paid by the County Government on behalf of its employees. Further, the supporting records for the salaries paid in-kind including schedules and payrolls were not provided for audit verification.

In the circumstances, the accuracy and completeness of in-kind contribution amount of Kshs. 5,030,154 could not be confirmed.

Management Response

The management takes note of the auditor's observation that the financial statement did not reflect the in-kind contribution on salaries from the county Government.

The hospital management commits to correct the inaccuracies of the in-kind contribution the current financial year financial statement under prior year adjustment.

Committee Observations

The Committee observed that management did not include all salaries paid in-kind by the County Government in the financial statements and did not give supporting documentation to allow for proper audit verification.

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 hospital's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the hospital.**

Emphasis of Matter

1.- Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects actual expenditure of Kshs. 139,216,590 against actual receipts of Kshs. 174,973,470 resulting in an under-absorption of Kshs. 35,756,880 or 20% of the actual receipts.

The under-absorption affected the implementation of the planned activities and programs and may have negatively impacted on service delivery to the public.

Management Response

The management takes note of the Auditor's observation on budget under-utilization expenditure of Kshs. 35,756,880 or 20% of the actual receipts. The management wishes to clarify that this was attributed to late reimbursements of its claims by the Social

Health Authority (SHA), Kshs. 11,620,497 was received towards closure of the financial year thus could not be expended and was carried forward to financial year 2025-2026.

Secondly this was also contributed by outstanding receivables from SHA of Kshs. 59,053,249.

Committee Observations

The committee observed that-

1. The statement of comparison of budget and actual amounts reflects actual expenditure of Kshs. 139,216,590 against actual receipts of Kshs. 174,973,470 resulting in an under-absorption of Kshs. 35,756,880 or 20% of the actual receipts.
2. The under absorption was due to late reimbursement by SHA, who disbursed Kshs. 11,620,497 towards the closure of the financial year.
3. There is an outstanding receivable from SHA of Kshs. 59,053,249 owed to the hospital.

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 ensures the Accounting Officer does timely submission of complete and accurate documents during audit processes, including evidence of resubmission and follow-up of rejected or partially approved SHA claims, in compliance with section 9(1)(e) of the Public Audit Act, Cap. 412B, failure to which the provisions of section 62(2) of the Public Audit Act, Cap. 412B shall apply;**
- iii. **the Governor through 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;**
- iv. **the Governor, through 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
- v. 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 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. Presentation and Disclosure of Financial Statements

Review of annual report and financial statements revealed that Management was not compliant with Section 164(3) of the Public Finance Management Act, 2012 which requires the accounting officer to prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards board from time to time. The issue listed below were noted;

- i. The table of content indicates Chairman's statement is on page xii instead of page xi.
- ii. Environmental and Sustainability Reporting is indicated as being on page xxii instead of xxi.
- iii. Report of the Independent Auditor (Office of the Auditor General) is indicated as being on page xxix instead of xxix.
- iv. The Appendices are indicated as Note 19 instead of Note 29.

In the circumstances, the financial statements were not compliant with the format prescribed in the Annual Financial Reporting Template issued by the Public Sector Accounting Standards Board.

Management Response

The Hospital management takes note of the auditors observation that the financial statement was not prepared in compliant with Section 164(3) of the Public Finance management Act, 2012 and financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

The hospital management commits to prepare financial statement as per the required Accounting Standards in the current financial year financial statements under prior year adjustment.

Committee Observations

The Committee observed that the financial statements had typographical and formatting errors and were not prepared in the format prescribed by the Accounting Standards Board.

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.**

2. Non-Compliance with Requirements of Universal Health Coverage

Review of Hospital records and interview revealed that the Hospital had two (2) medical officers against the required six-teen (16), fifty (50) Kenya registered community health nurses against the required seventy-five (75), one (1) pediatrician against the required two (2), no gynecologist, radiologist and general surgeons against the required two (2) for each position. Further, the Hospital lacked advanced life support, surgical, renal dialysis, functional intensive care unit beds, high dependency unit beds and dialysis machines required for a level 4 Hospital.

In addition, the Hospital has a bed capacity of thirty-four (34) against the required one hundred and fifty (150). These deficiencies contravene the First Schedule of the Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

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

Management Response

The management acknowledges the observation by the auditors that at the time of the audit, the hospital had not met the human resource requirements as per the norms and standards guidelines by the Ministry of Health. This is due to budgetary constraints associated with high wage bill. Despite this the county Government of Nyamira has been progressively increasing the number, quality and skills of the health care workers since inception of devolution.

In the financial year 2025-2026 the county Government will be employing 150 health care workers. Masaba Sub County Hospital will receive 3 specialists (General surgeon, Obstetrician and Gynecologist and Orthopedic surgeon) in addition to 30 other Health workers. Therefore, there is commitment by the County Government of Nyamira to progressively build the capacity of the Hospital to provide UHC.

Further the County Government of Nyamira has progressively invested in provision of specialized equipment for the hospitals. In the current financial year, the County government is expected to advertise for purchase of extra medical equipment to progressively breach the gap on medical equipment.

In addition, the County Government of Nyamira has released various healthcare workers for advanced training to further boost the number of specialists at Masaba Subcounty Hospital.

The hospital bed capacity is currently at 173 beds from the previous 34 beds. This came after operationalizing of the new outpatient, in patient, Pediatric and maternity units with two surgical theatres.

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.**

3. Unremitted NITA Payments

The statement of financial performance and Note 10 to the financial statements reflect employee cost of Kshs. 4,442,600. During the year, the entity did not remit NITA levy totaling to Kshs. 15,950 contrary to National Industrial Training Act (NITA) section 5 (Cap 237) which requires employer to pay the training levy to the Commissioner-General annually at a monthly rate of Kshs. 50 per employee including casual employees.

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

Management Response

The management wishes to clarify that it did not have clear guidelines on remittance of NITA contributions for casual employees who don't pay PAYE. However, upon Nyamira County Referral Hospital getting guidance from KRA on the process to follow,

the Management of the Hospital has started the process of acquiring a KRA Pin Certificate and eventually apply to be a tax agent to enable the hospital remit the NITA contributions.

Management has also budgeted for the contributions and once the payment framework is finalized it will pay the NITA payments within financial year 2025/2026.

Committee Observations

The Committee observed that-

1. the hospital did not remit the NITA payments as there were no guidelines on how to remit for employees earning minimum wage, i.e. Kshs. 25,000.
2. Masaba hospital is in the process of registering as a tax agent by starting the process of acquiring a KRA Pin Certificate to be able to remit the NITA contributions.

Committee Recommendations

The Committee recommends that management should ensure compliance to the National Industrial Training Act (NITA) section 5 (Cap 237) which requires employer to pay the training levy to the Commissioner-General annually at a monthly rate of Kshs. 50 per employee including casual employees. Auditor-General to keep the matter in view in the subsequent audit cycle and report to the Committee.

4. Non-Remittance of Affordable Housing Levy

The statement of financial performance and Note 10 to the financial statements reflect employee cost of Kshs. 4,442,600. Review of records revealed that the facility did not remit the levy for its employees as per the requirements of Finance Act 2023 which requires all employees irrespective of their contract of service to pay the affordable housing levy to Kenya Revenue Authority through their employer. No explanation was provided for non-remittance.

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

Management Response

The management wishes to clarify that it did not have clear guidelines on remittance of Housing Levy Contributions for casual employees who don't pay PAYE. However, upon Nyamira County Referral Hospital getting guidance from KRA on the process to follow, the Management of the Hospital has started the process of acquiring a KRA Pin Certificate and eventually apply to be a tax agent to enable the hospital remit the Housing Levy contributions.

Management has also budgeted for the contributions and once the payment framework is finalized it will pay the NITA payments within financial year 2025/2026.

Committee Observations

The Committee observed that-

1. the hospital did not remit the Housing Levy contributions as there were no guidelines on how to remit for employees earning minimum wage i.e. Kshs. 25,000.
2. Masaba hospital is in the process of registering as a tax agent by starting the process of acquiring a KRA Pin Certificate to be able to remit the Housing Levy contributions.

Committee Recommendations

The Committee recommends that management should complete the tax agent registration with KRA and ensure timely remittance of all Affordable Housing levy Contributions, including for casual employees, with proper monitoring to prevent future non-compliance. Auditor-General to keep the matter in view in the subsequent audit cycle and report to the Committee.

5. Non-Compliance with Persons with Disability Act

Review of the muster roll and personnel records revealed that the hospital had 30 casual employees on contractual terms but none was a person with disability contrary to Section 21(1)(2) of Persons with Disability Act, 2025, which emphasizes on the need for every employer to reserve at least five per cent of employment opportunities for persons with disabilities.

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

Management Response

The management wished to clarify that Casual employees are recruited through the hospital management Board who advertise on a need basis. The advertisement encourages people with disability to apply. However, in financial year 2024/25, none of the disabled people applied. Management commits to continue encouraging people with disability to apply whenever the positions are declared.

Committee Observations

The Committee observed that the hospital had 30 casual employees on contractual terms but none was a person with disability.

Committee Recommendations

The Committee recommends that management should strengthen outreach and targeted recruitment to attract qualified persons with disability to progressively comply with Section 21(10)(2) of Persons with Disability Act 2025.

6. Non-Remittance of NSSF Employer Contribution

The statement of financial performance and Note 10 to the financial statements reflect employee cost amount of Kshs. 4,442,600. Review of payment records revealed that the Hospital did not remit employer contribution to NSSF totaling to Kshs. 251,400 contrary to Section 20(1) of the NSSF Act 2013.

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

Management Response

The management takes note of the auditor's observation of non-remittance of NSSF employer contribution. This was due to an error in the hospital payroll system, that failed to compute the employer contribution on NSSF. However, this has been corrected and the outstanding bills and associated penalties budgeted to be paid in the current financial year 2025/2026.

Committee Observations

The Committee observed that-

1. the hospital had failed to remit NSSF deductions which is a violation of Section 20(1) of the NSSF Act 2013 due to an error in the hospital payroll system.
2. The error was corrected and management committed to pay the outstanding bills and associated penalties by budgeting for them in the 2025/2026 financial year.

Committee Recommendations

The Committee recommends that the Governor, through the Hospital Board and the accounting officer, should ensure timely remittance of statutory deductions to the relevant institutions to avoid the accrual of interest and penalties that will further increase the hospital's liabilities. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle.

7. Failure to Comply with Work Injury Benefit Act (WIBA), 2007

Review of records and interview to the management revealed that the Hospital did not secure WIBA Insurance for the employees contrary to Section 7 of Work-Injury Benefit Act 2007 which provides that every employer shall obtain and maintain an insurance policy, with an insurer approved by the Minister in respect to any liability that the employer may incur under this Act to any of his employees.

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

Management Response

The management acknowledges that, at the time of the audit, the hospital did not have WIBA insurance for its employees due to its budgetary constraints. However, the procurement process for WIBA through an expression for interest for financial year

2026/2027 has so far commenced and is expected to be concluded soon. The same will be included in the hospital budget for the year 2026/2027.

Committee Observations

The Committee observed that management did not Secure WIBA Insurance for the employees contrary to Section 7(1) of Work Injury Benefit Act 2007 due to budgetary constraints.

Committee Recommendations

The Committee recommends that management should expedite the WIBA insurance procurement process and ensure it is budgeted and maintained annually, with monitoring to prevent future lapses in compliance. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle.

8. Non-Remittance of SHA

The statement of financial performance and Note 10 to the financial statements reflects employee cost amount of Kshs. 4,442,600. Review of payment details revealed that the hospital failed to remit NHIF/SHA for ten (10) months totaling to Kshs. 115,704. This is contrary to Section 48(1) of social Insurance Act 2023 which states that any person who fails without lawful reason to pay social health insurance fund within the period prescribed by the Act any contribution, he or she is liable as a contributing employer to pay under the Act commits an offence.

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

Management Response

The management wishes to clarify that upon transition from NHIF to SHA employers were supposed to be granted employer rights to be enable them process payments for their employees. The Hospital managed to be granted the employer rights in April 2025 and started remitting SHA contributions in May 2025.

Committee Observations

The Committee observed that-

1. the hospital failed to remit NHIF/SHA for ten (10) months totaling to Kshs. 115,704 contrary to Section 48(1) of social Insurance Act 2023.
2. the Hospital managed to be granted the employer rights in April 2025 and started remitting SHA contributions in May 2025

Committee Recommendations

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

9. Irregular Transfer of Facility Improvement Funds

The statement of financial performance reflects general expenses of Kshs. 20,381,902 which includes transfer of facility improvement funds to county government of Kshs. 2,125,885 as disclosed in Note 13 to the financial statements. The payment was made in contravention of 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.

Management was in breach of the law, and the facility may have been deprived of critical resources necessary for its operational and service delivery.

Management Response

Management takes note of the auditor's observation that the hospital transferred monies to the sub county medical officer of health for primary health care support and County health management team for operations. However, management wishes to clarify that this was in conformity with part III, Section 6 of the Nyamira County facility improvement fund 2022 which provided that each facility submits 3% of the monies collected to County Health Management Team (CHMT) and 12% to the Sub County Health Management Team (SCHMT) to fund primary health care services.

In 2023 the Facility Improvement Financing Act No. 14 of 2023 was enacted and Section 7(f) provides that monies retained by health facilities shall be used to facilitate Primary Health Care and preventative services at the community level. Similarly, Section 10 establishes the County Health Management Team and Section 12 the Subcounty Health Management Teams.

Despite the above the County Government in January 2025, stopped the transfer of funds to the teams.

The in August 2025, the Nyamira County Health facility Improvement Financing Act 2025 was enacted, repealing the Nyamira County facility Improvement Fund Act 2022 and aligning the health financing framework to the Facility Improvement Financing Act No. 14 of 2023 and providing more guidelines on efficient management of the resources retained by health facilities.

Committee Observations

The Committee observed that-

1. management transferred Kshs. 2,125,885 from the facility improvement funds to county government in line with the Nyamira County facility Improvement Fund Act 2022, which was repealed, and the Nyamira County Health facility Improvement Financing Act 2025 was enacted, that aligned to the Facility Improvement Financing Act No. 14 of 2023.

2. the county government stopped the transfer of funds to the teams in January 2025 thereby ensuring compliance to the FIF Act 2023.

Committee Recommendations

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

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. Incomplete Non-Current Assets Register

The statement of financial position and Note 20 to the financial statement reflects property, plant and equipment balance of Kshs. 530,467,461. However, management did not maintain an updated asset register in the prescribed format to support the balance in the financial statements. The asset register provided was incomplete and did not include details such as asset value, date of acquisition, acquisition cost, accumulated depreciation, current depreciation, net book value, tag number, supplier's name and the office responsible for each asset. In addition, physical verification of the assets revealed that they were not tagged to confirm the ownership by the Hospital.

In the circumstances, the effectiveness of controls over inventories could not be confirmed.

Management Response

The management takes note of the auditor's observation that the asset register was not fully updated at the time of the audit. This is because the Inter-Governmental Relations Technical Committee (IGRTC) had not completed the process of valuing and handing over assets (land, buildings, plant and equipment) to the County Government of Nyamira. However, this was done in August 2025.

In the meantime, the management of the hospital has updated its assets register in the required format.

Secondly, the county government of Nyamira has engaged a government valuer to value immovable assets including, building, plant, machinery and equipment.

In addition, all the assets in the Hospital have been tagged in the FY 2025-26.

Committee Observations

The Committee observed that the hospital had an incomplete asset register because the Inter-Governmental Relations Technical Committee (IGRTC) had not completed the process of valuing and handing over assets to the County Government of Nyamira, which was done in August 2025.

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 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**
- 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.**

2.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYAMIRA COUNTY REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/25

The Governor of Nyamira County, Hon. Amos Nyaribo, appeared before the Committee on Monday, 23rd February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Nyamira County Referral Hospital for financial year 2024/25. He was accompanied by –

1. Dr. Angellah Ogendi - Medical Superintendent

REPORT ON THE FINANCIAL STATEMENTS

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

1. Inaccuracies In-Kind Contributions from County Governments

The statement of financial performance reflects an amount of Kshs. 665,501,716 in respect to In-kind contributions from the county government which includes Kshs. 130,733,376, being medical supplies-drawings rights (KEMSA) as disclosed in Note 6 to the financial statements. However, delivery notes amounting to USD 709 equivalent to Kshs. 91,461 were reported in USD currency instead of Kenya shillings currency contrary to Regulations 8(1) of the Public Finance Management (County Government) Regulations, 2015.

In the circumstances the accuracy and completeness of in-kind contributions amount of Kshs. 665,501,716 could not be confirmed.

Management Response

The management takes note of the auditors' observation that some delivery notes amounting to USD 709 had not been converted into Kenya Shillings at the time of the audit. The management received drugs from donors through KEMSA invoiced in USD which was captured in financial statement in USD instead of KSH.

The error is highly regrated and the management has since amended the financial statement with the correct figures converted into Kenya Shillings.

Committee Observations

The Committee observed that the value of drugs received as in-kind contributions from donors through KEMSA was captured in financial statements in USD instead of Kshs. contrary to Regulations 8(1) of the Public Finance Management (County Government) Regulations, 2015.

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.**

2. Unsupported Property, Plant and Equipment

The statement of financial position and Note 19 to the financial statements reflect property, plant and equipment balance of Kshs. 549,660,738 as at 30 June, 2025. However, the Note 19 to the financial statements has inaccuracies and anomalies noted below.

- i) The recomputed net book value for the motor vehicles is negative Kshs. 125,000.
- ii) Note 19 reflects accumulated depreciation balance of Kshs. 65,093,210 while the correct re-casted balance is Kshs. 63,124,110.
- iii) The note reflects accumulated depreciation balance on furniture, fittings and office equipment of Kshs. 2,656,720 while the correct re-cast balance is Kshs. 683,021 as at 30 June, 2025.
- iv) The statement of financial position reflects net book value as at 30 June, 2025 of Kshs. 549,660,738 instead of the correct re-cast balance of Kshs. 490,076,058.

Further, the depreciation rates applied to the various classes of assets have not been disclosed and it was not possible to confirm accuracy of depreciation as calculated.

In addition, Management did not maintain an updated asset register detailing the dates of acquisition, cost, supplier, location, depreciation, unique identification number, disposal and other details to control its assets. The eight (8) hectares parcel of land and all Hospital's buildings were not included in the asset register.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 549,660,738 could not be confirmed.

Management Response

The management wishes to clarify on the auditor's observation on the inaccuracies on depreciation and netbook value of property plant and equipment at the time of the audit.

Further the hospital management has provided depreciation policy for the hospital showing depreciation rates applied in the financial statement.

In addition, the hospital management has updated the asset register detailing the dates of acquisition, cost, supplier, location, depreciation, unique identification number, disposal and other details to control its assets. Further the Intergovernmental Relations Technical Committee (IGRTC) had not transferred land and buildings to the County Government of Nyamira by 31st June 2025. However, the same has now been done.

However, management highly regrets the inaccuracies in the financial statement which has since been amended and will be confirmed in the restatement of balances in this financial year's statement.

Committee Observations

The Committee observed that-

1. there were recasting errors in the financial statements which did not give a true value of the property, plant and equipment of the hospital.
2. management did not have a depreciation policy but has since provided one showing the rates applied for depreciation.

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 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;**
- iii. **upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and**
- iv. **the Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A-on penalties for offences shall apply.**

3. Undisclosed Intangible Assets Balance

The statement of financial position reflects a Nil balance in respect of intangible assets. However, the Hospital owns a computer system that created and generated revenue reports among other functionalities. The value of the system was not disclosed in the financial statements. Further, the procurement documents for the systems were not provided for audit review. Management explained the computer systems was fully amortized but the Hospital was still drawing economic benefit from the system through creation and generation of revenue reports among other functionalities.

In the circumstances, the accuracy and completeness of the intangible assets Nil balance could not be confirmed.

Management Response

Nyamira County Referral Hospital uses a health Management information system (HMIS) supplied by the Ministry of Health under the Name Afya Ke. This system was provided to the hospital for free, through a formal request to the Principal Secretary State department for Medical Services. The management has updated the asset register with the system and contacted the Principal Secretary State department for Medical Service reference no NCG/HEALTH/SYSTEM/VOL.1(001) on valuation of the system for eventual disclosure in our financial statements.

Committee Observations

The Committee observed that management has not included the value of the intangible asset as it was a donation from the Ministry of Health who are yet to give the hospital the value of the asset for proper recording in the financial statements.

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 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**
- 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.**

4. Budgetary Control and Performance

The Hospital expended Kshs. 273,280,527 against receipts of Kshs. 304,072,735, resulting in an under-absorption of Kshs. 30,792,208 or 10% of actual receipts.

The under-absorption affected the implementation of planned activities and programs and may have negatively impacted on service delivery to the public.

Management response

The management clarifies that the reported under-expenditure resulted from delayed reimbursements from the Social Health Authority (SHA), which were received towards the close of the financial year, thus could not be expended hence captured as a balance brought forward in 2025-2026 financial year.

Committee Observations

The Committee observed that the reported under-expenditure of Kshs. 30,792,208 resulted from delayed reimbursements from the Social Health Authority (SHA), which were received towards the close of the financial year.

Committee Recommendations

The Committee recommends that-

- iii. **management should strengthen follow-up and monitoring of reimbursements and receivables from SHA to ensure timely receipt of funds, enabling full utilization of budgeted allocations within the financial year;**
- iv. **the Governor, through the Accounting Officer, ensures timely submission of complete and accurate documents during audit processes, including evidence of resubmission and follow-up of rejected or partially approved SHA claims, in compliance with section 9(1)(e) of the Public Audit Act, Cap. 412B, failure to which the provisions of section 62(2) of the Public Audit Act, Cap. 412B shall apply;**
- v. **the Governor, through 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, and provide a status update on the matter in the subsequent audit cycle;**
- vi. **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**
- vii. **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.

5. Nugatory Expenditure

The statement of financial performance reflects employee cost of Kshs. 523,556,494, which includes social contribution of Kshs. 1,212,136 as disclosed in Note 9 to the financial statements. Social contribution of Kshs. 1,212,136 includes NSSF penalty fee of Kshs. 1,000,000 charged for unremitted statutory deduction from 2012. The expenditure is a loss of public funds and had the hospital remitted all statutory deductions, the entity would have saved the Kshs. 1,000,000.

The hospital also paid Kshs. 28,176 to NSSF as penalty for unremitted NSSF deduction from September, 2023 to May, 2024. The unremitted amount was Kshs. 183,960. Further the pending bill of Kshs. 183,960 was not disclosed in the financial statement as payable.

In the circumstances, the expenditure was nugatory.

Management Response

The management wishes to clarify that the NSSF penalties were incurred between financial years 2014 to 2022, before the county enacted the Nyamira County Facility Improvement Fund act 2022 and later the facility improvement financing act 2023 and the Nyamira County facility improvement financing 2025 which allowed for retention and utilization of Hospital collections within the hospital. Upon enactment of the above legislations management has made efforts to pay off the statutory deductions.

In addition, Kshs. 183,960 was not disclosed in the financial statement as payable for year under review this was due to the management received NSSF reconciliation report in July 2024 after close of 2023/2024 financial the total amount (Kshs. 183,960 and Kshs. 28,176) of Kshs. 212,136 was paid on 16th July 2024 vide Cheque No: 002422.

Committee Observations

The Committee observed that management has made efforts to pay off statutory deductions following the enactment of the Facility Improvement Financing Act, 2023 and the Nyamira Facility Improvement Financing Act, 2025.

Committee Recommendations

The Committee recommends that management strengthen internal controls to ensure timely remittance and accurate disclosure of all statutory deductions, including NSSF, to prevent penalties and ensure financial statements reflect complete statements.

Other Matter

1. Prior Year Matters

In the audit report of the previous year, several matters 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 has not resolved all the issues or given evidence on the issues stated as resolved. The Management is in contravention of Section 149(2)(1) of the Public Finance Management Act, 2012 which requires the Accounting Officers designated to try to resolve any issues resulting from an audit that remain outstanding.

Management Response

Management acknowledges the Auditor's observation that certain prior year audit matters remain unresolved at the time of the audit.

Management wishes to clarify that it has not disregarded the prior audit findings. Although management has not formally received this committee's resolutions on prior audit matters, corrective action plans were developed for each issue raised in the received audit report. However, some matters require structured, phased interventions involving policy revision, system improvements, capacity building, and in certain cases, external approvals. These processes have taken longer than initially projected.

Management further clarifies that significant progress has been achieved in addressing the identified gaps, including:

- (i) Strengthening of internal controls in resource utilization as provided for in the enacted FIF Act.
- (ii) Review and update of financial and operational procedures.
- (iii) Review and update of the hospital asset register.
- (iv) Regular internal compliance monitoring and reporting to management.

Some actions are already fully implemented, while others are at advanced stages of completion but may not have been fully evidenced at the time of audit verification.

Challenges Encountered

Resource constraints mainly financial especially for recruitment of more personnel and procurement of more medical equipment.

Commitment to Resolution

Management remains fully committed to resolving all outstanding audit matters within clearly defined timelines. Management is monitoring progress through quarterly management review meetings and has integrated audit recommendations into performance management frameworks.

In conclusion, while some prior audit matters are still in the process of being fully closed, Management has taken deliberate and measurable steps toward resolution and remains committed to achieving full compliance in the shortest possible time.

Committee Observations

The Committee observed that the management did not resolve some of the issues raised by the auditor general in the previous financial year due to resource constraints but was committed to resolve the issues within clearly defined timelines.

Committee Recommendations

The Committee recommends that-

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

1. Non-Compliance Kenya Quality Model for Health

Review of Hospital records and interviews revealed that the Hospital had thirteen (13) medical officers against the required fifty (50), eight one (81) Kenya-Registered Community Health Nurses against the required two hundred and fifty (250), one (1) gynecologist against required four (4), Nil (0) radiologist against required four (4) and two (2) general surgeons against required four (4).

Further, the Hospital has Nil (0) advanced life support machines against the required six (6), four (4) functional intensive care unit beds against required six (6), and no high dependency unit beds against the required twelve (12) required for a level 4 Hospital.

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

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

Management Response

The management wishes to clarify that staffing needs for health facilities are now scientifically determined through use of a Work Load Indicator for Staffing needs (WISN). Nyamira County Referral did a WISN study in 2021, that is informing its staffing needs. However, due to high wage bill, budgetary constraints and legal requirements meeting the requirements as per KQMH/WISN has been difficult. The County Government has therefore been progressively increasing the number, quality and skills of health care workers since inception of devolution.

To this end, in July 2023 (2023/2024) the County Government of Nyamira employed 125 health care Workers. 40 of these health workers were deployed to Nyamira County Referral Hospital.

In the current financial year 2025-2026 the County Government will be employing one hundred and fifty (150) health care workers. Majority will be deployed to Nyamira County Referral Hospital, therefore there is Commitment by the County Government of Nyamira to progressively build the capacity of the Hospital to provide UHC.

In addition, the County Government of Nyamira has released various healthcare workers for advanced training to further boost the number of specialists at Nyamira County Referral Hospital.

Further, the County Government has progressively invested in provision of specialized equipment for the Nyamira County referral hospital. However, Nyamira county referral Hospital has four (5) Intensive care unit (ICU) beds and five (5) advanced life support machines installed next to each bed.

In the current financial year, the Government has advertised for the purchase of extra medical equipment to progressively breach the gap on medical equipment as noted by the Auditors as per the attached annexure.

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. in July 2023 the County Government of Nyamira employed 125 health care Workers. 40 of these health workers were deployed to Nyamira County Referral Hospital.

3. in the current financial year 2025-2026 the County Government will be employing 150 health care workers, some of whom will be deployed to Nyamira County Referral Hospital.
4. the County Government of Nyamira has released various healthcare workers for advanced training to further boost the number of specialists at to Nyamira County Referral Hospital.

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.**

2. Unremitted National Industrial Training Authority (NITA) Deductions

During the year under review, the Hospital did not collect and remit NITA levy totaling Kshs. 27,600 from the forty-six (46) casual employees. This is contrary to Industrial training Act section 5(Cap 237) which requires every employer to pay the training levy to the Commissioner-General not later than the fifth day of the month following the month in which the levy becomes due.

In the circumstances, Management is at risks of paying penalties and fines due to non-remittance of the levy.

Management Response

The management wish to clarify that non remittance was occasioned by lack of clear guidance on remittance for casual employees and we had sort guidance from KRA and

NITA on how to remit the contributions for casual workers vide letter ref: NCG/HEALTH/NCRH/VOL.3/ (65) dated 7th January 2025. Through their advice Nyamira County Referral Hospital acquired its own KRA Pin no P052444774M on 9th April 2025. Then through letter Ref: NYM/101A/VOL.VI (166) dated 30th/06/2025, management requested for appointment of the Hospital as a Tax agent, the same was granted and immediately management started remitting the deductions.

Committee Observations

The Committee observed that-

1. the hospital did not remit the NITA payments as there were no guidelines on how to remit for employees earning minimum wage i.e. Kshs. 25,000.
2. Nyamira hospital acquired its own KRA Pin no P052444774M on 9th April 2025 and was registered as a tax agent to be able to remit the NITA contributions.

Committee Recommendations

The Committee recommends that management should ensure compliance with the National Industrial Training Act (NITA) section 5 (Cap 237), which requires employer to pay the training levy to the Commissioner-General annually at a monthly rate of Kshs. 50 per employee, including casual employees. Auditor-General to keep the matter in view in the subsequent audit cycle and report to the Committee.

3. Non-Remittance of Affordable Housing Levy

Review of the financial records revealed that the facility did not remit housing levy for the period under review thereby violating the Affordable Housing Levy (AHL) Act, 2023, which directs all employees irrespective of their contract of service to pay the affordable housing levy to Kenya Revenue Authority through their employers. we

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

Management Response

The management wish to clarify that non remittance was occasioned by lack of clear guidance on remittance for casual employees and we had sort guidance from KRA through letter ref: NCG/HEALTH/NCRH/VOL.3/ (65) dated 7th January 2025. Through their advice Nyamira County Referral Hospital acquired its own KRA Pin no P052444774M on 9th April 2025. Then through letter Ref: NYM/101A/VOL.VI (166) dated 30th/06/2025, management requested for appointment of the Hospital as a Tax agent, the same was granted and immediately management started remitting the deductions.

Committee Observations

The Committee observed that-

1. the hospital did not remit the affordable housing levy contributions as there were no guidelines on how to remit for employees earning minimum wage i.e. Kshs. 25,000.
2. Nyamira hospital acquired its own KRA Pin no P052444774M on 9th April 2025 and was registered as a tax agent to be able to remit the Housing Levy contributions.

Committee Recommendations

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

4. Failure to Make and Remit Deductions

Review of the payroll records revealed that in the months of August, September and October 2024 the entity paid gross wages of Kshs. 272,020 to casual employees without making statutory deductions including PAYE, NHIF and NSSF for nine (9) casual employees.

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

Management Response

The management takes note of the Auditors observations that the hospital had not deducted PAYE, NSSF, and NHIF contributions for eligible staff at the time of the audit.

The Hospital management wish to clarify that this originated from payroll system error that left out deduction for the nine (9) employees. However, the hospital management has since written to the nine (9) employees informing them on the payroll error and their statutory deductions has been recovered from their pay this financial year 2025-2026.

Committee Observations

The Committee observed that the management failed to remit statutory deductions for 9 employees due to a payroll system error and has since informed the employees of the error and the amount recovered from their pay in financial year 2025/2026.

Committee Recommendations

Noting the mitigating measures the committee recommends that the matter be marked as resolved

5. Non-Compliance with Persons with Disability Act

Review of the muster roll revealed that the entity had 38 casual employees on contractual terms but none was a person with disability contrary to Section 21(1)(2) of Persons with Disability Act, 2025 which require every employer to reserve at least five

per cent direct employment opportunities for persons with disabilities to secure employment

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

Management Response

The management wishes to clarify that casual employees are recruited through hospital management boards who advertise on a need basis. The advertisement encourages persons with disability to apply for the positions. However, in financial year 2024/25 management did not receive applications from any person with disability. However, in 2025/2026 one person applied and he was recruited.

Committee Observations

The Committee observed that the hospital had 38 casual employees on contractual terms but none was a person with disability. In 2025/2026 one person applied and he was recruited by the hospital.

Committee Recommendations

The Committee recommends that management should strengthen outreach and targeted recruitment to attract qualified persons with disability to progressively comply with Section 21(10(2) of Persons with Disability Act 2025.

6. Failure to Comply with Work Injury Benefit Act, (WIBA) 2007 Criteria

During the year under review the facility did not secure WIBA Insurance for the employees contrary to Section 7 (1) of Work Injury Benefit Act, 2007 which provides that every employer shall obtain and maintain an insurance policy, with an insurer approved by the Minister in respect of any liability that the employer may incur under this Act to any of his employees.

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

Management Response

The management takes note of the Auditors observations that the Hospital did not have WIBA insurance for our employees at the time of the audit. This was due to budgetary constraints, making it difficult to allocate funds for WIBA insurance.

However, for the financial year 2026/2027, the hospital management board has included WIBA insurance in its budget.

Committee Observations

The Committee observed that management did not Secure WIBA Insurance for the employees contrary to Section 7(1) of Work Injury Benefit Act 2007 due to budgetary constraints.

Committee Recommendations

The Committee recommends that management should expedite the WIBA insurance procurement process and ensure it is budgeted and maintained annually, with monitoring to prevent future lapses in compliance. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle.

7. Irregular Transfer of Funds

The statement of financial performance and Note 13 to the financial statements reflect transfers to other county government entities amount of Kshs. 2,985,000. The transfers were made to Sub- County Ministry of Health (SC-MOH) and County Health Management Team (CHMT) for Kshs. 597,000 and Kshs. 2,388,000 respectively, in contravention of 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.

Management was in breach of the law, and the facility may have been deprived of critical resources necessary for its operational and service delivery.

Management Response

Management takes note of the auditor's observations on the transfers to SCHMT and CHMT.

However, the hospital management wishes to clarify that the transfers were done in conformity with the Nyamira County facility improvement Fund Act 2022; section 6 which provided for transfer of 12% of FIF fund to SCHMT and 3% to CHMT to fund primary health care activities.

Management also notes that in 2023 the national Facility improvement financing Act 2023, provided for FIF funds to fund primary health services in addition to providing for roles of County health management teams and sub county health management teams. Further the act provided for retention of resources in the collecting facilities.

In conformity to the new law, in January 2025, the county government stopped transfer of resources from the collecting facilities as per attached correspondence.

In August 2025, the Nyamira county facility improvement financing 2025, was enacted to align the county health financing legal framework with the National law and repealing the Nyamira facility improvement fund act 2022.

Committee Observations

The Committee observed that-

1. management transferred Kshs. 597,000 to the Sub- County Ministry of Health (SCMOH) and Kshs. 2,388,000 to County Health Management Team (CHMT), from the facility improvement funds in line with the Nyamira County facility Improvement Fund Act 2022, which was repealed, and the Nyamira County Health facility Improvement Financing Act 2025 was enacted, that aligned to the Facility Improvement Financing Act No. 14 of 2023.
2. the county government stopped the transfer of funds to the teams in January 2025 thereby ensuring compliance to the FIF Act 2023.

Committee Recommendations

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

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 Effective Assets Management and Controls System

Review of the Hospital fixed asset register revealed the following anomalies;

- i. The asset register maintained was not updated and detailed supporting schedules and analysis for each asset category was not provided for audit review.
- ii. The size of land and the value for the parcels of land owned by the Hospital were not provided.
- iii. Key assets information including accumulated depreciation, net book values were not included in the asset register.
- iv. Management did not provide title deeds for the parcel of land owned by the Hospital. It was therefore not possible to confirm the ownership status and security of the Hospital's land.
- v. The Management did not provide evidence of valuation of the major assets since the year 2014.
- vi. The Management did not provide records for assets count and verification carried at regular intervals to confirm existence and condition of the recorded assets.
- vii. Most of the assets were not tagged and asset movement registers were not properly maintained.

- viii. There were some unserviceable assets which were bonded but there was no evidence of disposal of any assets in the last three years to save on storage costs, space and obtain better salvage value.
- ix. The assets that were recently acquired were also not entered in the fixed assets register.

In the circumstances, the effectiveness of controls over the assets could not be confirmed.

Management Response

The management takes note of the auditors' observation that the hospital's asset register was not fully updated at the time of the audit.

The management has updated the asset register detailing the dates of acquisition, cost, supplier, location, depreciation, unique identification number, disposal and other details to control its assets. Further the Intergovernmental Relations Technical Committee (IGRTC) had not transferred land and buildings to the County Government of Nyamira by 31st June 2025. However, the same has now been done.

The County Government of Nyamira has since completed the valuation of land, while the valuation of buildings, plant, and machinery is still in progress.

Committee Observations

The Committee observed that management provided an updated asset register after the transfer of land and buildings by the IGRTC but has not provided the valuation of buildings, plant and machinery as the process is ongoing.

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; and**
- 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.

2. Ineffective Internal Audit and Audit Committee

Review of internal controls, risks management and governance structures revealed that the entity has established internal audit and audit committee. However, during the year under review no internal audit report was presented for review indicating that internal audit unit may not have conducted reviews of operations as expected.

Further, the audit committee had not met to assess and review the adequacy and effectiveness of internal controls.

In addition, the finance officer, a member of management directly involved with financial operations, is a member of audit committee and thus, there is conflicts of interests and the independence of oversight mechanisms.

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

Management Response

The management acknowledges the auditor's observation. While the hospital had established an Internal Audit Unit and an Audit Committee, no internal audit report was presented, and the committee did not meet during the period under review.

However, the Hospital management wish to clarify that the hospital has since strengthened its internal audit function and reactivated the Audit Committee. Regular audit activities and committee meetings have been scheduled for the 2025/2026 financial year to ensure effective oversight and compliance

Committee Observations

The Committee observed that the hospital has since strengthened its internal audit function and reactivated the Audit Committee.

Committee Recommendations

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

CHAPTER THREE: FUNDS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYAMIRA FUNDS FOR THE FINANCIAL YEAR 2024/25

In accordance with Article 229(4) of the Constitution as read together with section 7(1) of the Public Audit Act, Cap. 412B, during the period under review, the Auditor-General audited the financial statements of various funds in Nyamira County. Consequently, and in accordance with Article 229(7) of the Constitution as read together with section 32(1) of the Act submitted the following reports to the Senate-

1. Nyamira County Emergency Fund
2. Nyamira County Mortgage & Car Loan (executive) Fund
3. Nyamira County Climate Change Fund
4. Nyamira County Education Support Fund

Committee Observations

The Committee takes note of the queries raised by the Auditor-General in these reports.

Committee Recommendation

The Committee recommends that-

- i. the Governor through the respective accounting officers ensures that appropriate remedial actions are taken to address the issues raised in the Auditor-General's report on the financial statements for the Nyamira funds for the Financial Year 2024/2025 and submit a report to the Senate within 30 days of the adoption of this report and a copy to the Auditor-General; and
- ii. the Auditor-General to keep the matter in view in the subsequent audit cycle.

Date: 26/3/2026
Tabled by - Sen Cherancey
Committee - CFI & SIF
Clerk - Belinda

ANNEXTURES

Minutes

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



13TH PARLIAMENT 5TH SESSION

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

PRESENT

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

ABSENT WITH APOLOGY

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

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

A. OFFICE OF THE AUDITOR GENERAL

Mr. Mark Gachanja	Liasion
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B. ETHICS AND ANTI CORRUPTION COMMISSION

Mr. Patrick Kinoti	-Liaison Officer
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MIN. NO. SEN/CPICSF/377/2026

PRAYER

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

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

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

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

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

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

1. Embu Report

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

2. Kirinyaga Report

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

3. Lamu

Sector	No	Entity
Water company	1	Lamu water and sewerage company limited.
Municipality	1	Lamu municipality
Hospitals	3	Lamu county referral hospital
		Faza sub-county hospital
		Mpeketoni sub-county hospital
Funds	4	Lamu county bursary and scholarship fund

		Lamu county climate change fund
		Lamu county emergency fund
		Lamu county executive staff housing fund.

4. Mandera Report

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

5. Mombasa Report

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

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

6. Murang'a Report

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

7. Nyamira Report

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

8. Tana River Report

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

9. Tharaka Nithi Report

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

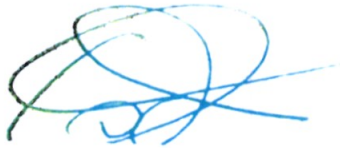
4. Iten County Referral Hospital
5. Tambach Sub-County Hospital
6. Elgeyo Marakwet County Assembly Catering Services Revolving Fund
7. Elgeyo Marakwet Alcoholic Drinks and Control Fund-Executive
8. Elgeyo Marakwet Car and Mortgage Revolving Fund-Executive
9. Elgeyo Marakwet County Climate Change Fund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

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

There was no any other business.

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

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



SIGNED: **DATE: 24/3/2026**

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