



**Rt. Hon. Speaker**  
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 J. M. Nyegenye, C.B.S.,  
 Clerk of the Senate/Secretary, PSC  
 Date: 3/3/26

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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 TAITA TAVETA COUNTY WATER COMPANY, MUNICIPALITIES, HOSPITALS, FUNDS AND CORPORATION FOR THE FINANCIAL YEAR 2024/25 (1<sup>st</sup> JULY, 2024 TO 30<sup>th</sup> JUNE, 2025):

SECTOR	NO.	ENTITY
WATER COMPANIES	1	TAVEVO WATER AND SEWERAGE COMPANY LIMITED
MUNICIPALITIES	3	SPECIAL MUNICIPALITY OF MWATATE
		TAVETA MUNICIPALITY
		VOI MUNICIPALITY
HOSPITALS	4	MOI (VOI) COUNTY REFERRAL HOSPITAL
		WESU SUB-COUNTY HOSPITAL
		TAVETA SUB-COUNTY HOSPITAL
		MWATATE SUB-COUNTY HOSPITAL
FUNDS	4	TAITA TAVETA COUNTY EDUCATION FUND BOARD
		TAITA TAVETA COUNTY CAR LOAN AND MORTGAGE FUND
		TAITA TAVETA COUNTY FACILITIES IMPROVEMENT FUND
		TAITA TAVETA COUNTY CLIMATE CHANGE FUND
CORPORATIONS	1	TAITA TAVETA INVESTMENT AND DEVELOPMENT CORPORATION

30/3/26

MARCH 2026

APPROVED  
 RT. HON. SEN. J. M. NYEGENYE



Kenya Revenue Authority  
Taxes Department  
Nairobi  
Date: 2025/01/25  
Time: 10:00 AM

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## **ACRONYMS/ABBREVIATION**

<b>BQ</b>	Bill of Quantities
<b>CECM</b>	County Executive Committee Member
<b>CPAIC</b>	County Public Accounts and Investments Committee
<b>CPISFC</b>	County Public Investments and Special Fund Committee
<b>CPSB</b>	County Public Service Board
<b>CRF</b>	County Revenue Fund
<b>ERP</b>	Enterprise Resource Planning
<b>FLLOCCA</b>	Financing for Locally-Led Climate Change Action
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>ICT</b>	Information and Communication Technology
<b>MOH</b>	Ministry of Health
<b>NESP</b>	National Equipment Service Program
<b>NRW</b>	Non-Revenue Water
<b>PPE</b>	Property Plant and Equipment
<b>PSASB</b>	Public Sector Accounting Standards Board
<b>SO</b>	Standing Orders
<b>UHC</b>	Universal Health Coverage
<b>WASREB</b>	Water Services Regulatory Board

## 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 Taita Taveta County water company, Municipalities and County Corporation for the Financial Year 2024/2025. The entities considered include Tavevo Water and Sewerage Company Limited, Special Municipality of Mwatate, Taveta Municipality, Voi Municipality and Taita Taveta Investment and Development Corporation. The Committee also received written management responses for Taita Taveta County Education Fund Board, Taita Taveta County Car Loan and Mortgage Fund, Taita Taveta County Facilities Improvement Fund, Taita Taveta County Climate Change Fund.

The Governor of Taita Taveta 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.   | - <b>Chairperson</b>      |
| 2. Sen. Eddy Gicheru Oketch, MP.          | - <b>Vice-Chairperson</b> |
| 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 19<sup>th</sup> 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 12<sup>th</sup> 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.

## **REPORT STRUCTURE**

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

**CHAPTER ONE** is a record of the audit queries raised in the report of the Auditor-General for Tavevo Water and Sewerage Company Limited for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

**CHAPTER TWO** is a record of the audit queries raised in the report of the Auditor-General for the Special Municipality of Mwatate, Taveta Municipality and Voi Municipality for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

**CHAPTER THREE** is a record of the audit queries raised in the report of the Auditor-General for Moi (Voi) County Referral Hospital, Wesu Sub-County Hospital, Taveta Sub-County Hospital and Mwatate Sub-County Hospital for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

**CHAPTER FOUR** is a record of the audit queries raised in the report of the Auditor-General for Taita Taveta County Education Fund Board, Taita Taveta County Car Loan and Mortgage Fund, Taita Taveta County Facilities Improvement Fund and Taita Taveta County Climate Change Fund for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

**CHAPTER FIVE** is a record of the audit queries raised in the report of the Auditor-General for Taita Taveta Investment and Development Corporation for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

## GENERAL OBSERVATIONS FOR THE WATER COMPANY

- 1. Material Uncertainty Related to Going Concern-** The Committee observed that the water company reported a negative working capital position of Kshs. 532,774,853. This condition raises significant doubt about the company's ability to continue operating as a going concern, as its survival is heavily dependent on continued financial support from the County Government of Taita Taveta and its creditors. The presence of material uncertainty relating to going concern further indicates that the company is technically insolvent and may be unable to meet its short-term obligations as they fall due. Moreover, the company did not disclose any measures undertaken to mitigate this adverse financial position.
- 2. Non-Revenue Water (NRW)** – The Committee observed that the Water Company recorded very high levels of Non-Revenue Water (NRW) of 50%, significantly exceeding the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB). The elevated NRW levels were attributed to structural deficiencies in the water infrastructure leading to physical losses, as well as commercial losses arising from inaccurate meter reading and billing, and the prevalence of illegal connections.
- 3. Bookkeeping, Preparation & Accuracy of the Financial Statements** - The Committee observed inaccuracies and errors in the preparation and presentation of the Company's financial statements. These included an inaccurate and long-outstanding Trade and Other Payables balance, an inaccurate Inventory balance, among other misstatements. Such errors indicate weaknesses in financial reporting processes and raise concerns regarding the reliability of the Company's financial records.
- 4. High Electricity Costs** – The Committee observed that electricity costs constituted a significant proportion of the Water Company's overall operating expenses. The high energy expenditure may have contributed to elevated consumer tariff levels due to increased operational costs.

## GENERAL RECOMMENDATIONS FOR THE WATER COMPANY

- 1. Financial Oversight and Liability Management** - The Governor should ensure that the County Executive Committee Member responsible for water monitors the financial performance of the Company and submits regular quarterly reports to the CECM for Finance on its financial and non-financial status in accordance with the Public Finance Management Act, Cap. 412A.
- 2. Financial Recovery** – The Governor ensures that within 60 days of the adoption of this report the Accounting Officer responsible for the water company puts in

place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability.

3. **Reduction of Non-Revenue Water (NRW)** - The Governor should ensure that the Board and Accounting Officer implement measures to reduce NRW by addressing both physical and commercial losses. Management should report the proportion of physical and commercial losses in their financial statements.
4. **Record-Keeping, Financial Reporting, and Internal Controls** - The Governor should ensure that the Accounting Officer enforces proper record-keeping and timely submission of all supporting documents to the Auditor-General, as required under section 62 of the Public Audit Act and the Accountants Act. Continuous capacity building should be provided to finance officers to improve competency in financial management. Compliance with the National Treasury financial reporting template must be ensured. The Board should strengthen internal controls to improve the accuracy and reliability of financial statements.

## GENERAL OBSERVATIONS FOR MUNICIPALITIES

1. **Lack of Operational Autonomy** – The Committee observed that the municipalities lacked independence in management, functions, and finances. Decisions on staffing, operations, and finances were largely controlled by the County Executive, contravening sections 12 (management), 20 (functional), 45 and 46 (financial) of the Urban Areas and Cities Act, 2011. This limited municipalities' ability to make timely operational decisions.
2. **Inaccurate Financial Statements** – The Committee observed recurring errors in financial statements across the municipalities, including unsupported prior year adjustments, misstatements of receivables, payables, and opening balances. These inaccuracies indicated weak bookkeeping, limited capacity of finance officers, and challenges in applying IPSAS for proper financial reporting.
3. **Weak Budgetary Control and Performance** – The Committee observed that municipalities either under-utilized or over-utilized appropriated funds. Budget execution was inconsistent with approved ceilings, and revenue targets were often under-realized due to delayed or inadequate disbursement of funds from the National Treasury, negatively affecting service delivery.
4. **Delayed Submission of Audit Documents** – The Committee observed that municipalities frequently submitted supporting documents for audits late, impeding the audit process and accountability. This contravened Section 62 of the Public Audit Act, Cap. 412B, and reduced the reliability of financial reporting.

## GENERAL RECOMMENDATIONS FOR MUNICIPALITIES

1. **Operational Autonomy and Adequate Funding** - The Governor ensures that the operation of municipalities is undertaken according to the functions delegated as gazetted by the County Government. Further, the Governor should ensure that municipalities are adequately funded in accordance with section 172 of the Public Finance Management Act, 2012, to enhance their operational independence and enable effective service delivery. The Governor should further ensure that all municipalities in the county are operationalized to undertake their delegated functions in line with law by the commencement of the Financial Year 2026/2027.
2. **Accurate Financial Reporting and Capacity Building** - The Governor ensures the Accounting Officers makes accurate preparation of financial statements, provide timely supporting documents to auditors, and strengthen capacity in IPSAS compliance.

Continuous training should be provided to finance officers to improve competence, and internal controls should be enhanced to ensure reliable reporting.

3. **Budgetary Control and Timely Disbursement** - The Governor ensures Accounting Officers s enforce strict budgetary control measures, ensuring that appropriated funds are used within approved ceilings and that under- or over-expenditure is avoided. The National Treasury should ensure timely disbursement of funds in accordance with the Senate-approved cash flow schedule.
4. **Record Keeping and Timely Submission of Audit Documents** - The Governor ensures the Accounting Officers maintains proper records and submit all supporting documents to the Auditor-General promptly, as required under Section 62 of the Public Audit Act and the Accountants Act, to facilitate accountability and improve the audit process.

## 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. **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 Medical Superintendents 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.
3. **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.
4. **Weak Budgetary Control and Performance**— The Committee observed that hospitals exhibit weaknesses in budget execution and did not 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 management board. Additionally, hospitals experience high revenue shortfalls attributable to unrealistic budgeting and poor revenue forecasting.

## GENERAL RECOMMENDATIONS FOR HOSPITALS

The Committee recommends that-

1. **Compliance with Kenya Quality Model for Health Policy Guidelines** - The Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. Further ensures

the hospital develops and implements a comprehensive plan with appropriate budgetary provision to acquire the necessary equipment and encourage the ongoing training and prioritize new recruitments to fill gaps in medical personnel, ensuring specialized services can be offered in-house.

2. **Capacity Building on Financial Reporting Standards** - The Governor ensures the hospital management team, in consultation with the Public Sector Accounting Standards Board (PSASB), facilitates continuous capacity building on financial reporting standards for finance officers and management in hospitals to improve the quality of reporting and enhance compliance. The hospital management team 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.
3. **Compliance with Ethnic Inclusivity Requirements** - The hospital management team 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.
4. **Preparation of Realistic Budgets and Revenue Projections** - The Governor ensures the hospital management team and Accounting Officers prepare realistic budgets and revenue projections to avert revenue shortfalls that negatively impact hospitals' service delivery. Additionally, the hospital management team 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.

## GENERAL OBSERVATION FOR FUNDS

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

## GENERAL RECOMMENDATIONS FOR FUNDS

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

## ACKNOWLEDGEMENTS

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

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

SIGNED:  .....


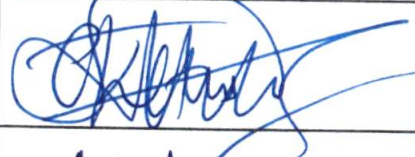
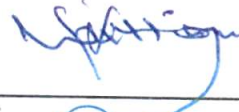
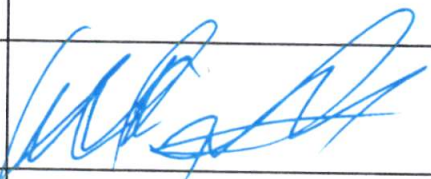
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**HON. SEN. GODFREY ATIENO OSOTSI, CBS, MP  
CHAIRPERSON**

**ADOPTION OF THE REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF TAITA TAVETA COUNTY WATER COMPANY, MUNICIPALITIES, HOSPITALS, FUNDS AND CORPORATION FOR THE FINANCIAL YEAR 2024/25 (1<sup>st</sup> JULY, 2024 TO 30<sup>th</sup> JUNE, 2025)**

<b>SECTOR</b>	<b>NO.</b>	<b>ENTITY</b>
<b>WATER COMPANIES</b>	<b>1</b>	<b>TAVEVO WATER AND SEWERAGE COMPANY LIMITED</b>
<b>MUNICIPALITIES</b>	<b>3</b>	<b>SPECIAL MUNICIPALITY OF MWATATE</b>
		<b>TAVETA MUNICIPALITY</b>
		<b>VOI MUNICIPALITY</b>
<b>HOSPITALS</b>	<b>4</b>	<b>MOI (VOI) COUNTY REFERRAL HOSPITAL</b>
		<b>WESU SUB-COUNTY HOSPITAL</b>
		<b>TAVETA SUB-COUNTY HOSPITAL</b>
		<b>MWATATE SUB-COUNTY HOSPITAL</b>
<b>FUNDS</b>	<b>4</b>	<b>TAITA TAVETA COUNTY EDUCATION FUND BOARD</b>
		<b>TAITA TAVETA COUNTY CAR LOAN AND MORTGAGE FUND</b>
		<b>TAITA TAVETA COUNTY FACILITIES IMPROVEMENT FUND</b>
		<b>TAITA TAVETA COUNTY CLIMATE CHANGE FUND</b>
<b>CORPORATIONS</b>	<b>1</b>	<b>TAITA TAVETA INVESTMENT AND DEVELOPMENT CORPORATION</b>

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

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

## CHAPTER ONE: WATER COMPANY

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

The Governor of Taita Taveta County, Hon. (Dr.) Andrew Mwadime, EGH, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements of Tavevo Water and Sewerage Company Limited for financial year 2024/2025. He was accompanied by –

- i). Mr. Elijah Mwazo - CECM Finance
- ii). Mr. Grantone Mwandawiro - CECM Water
- iii). Mr. Benson M. Mbaya - Managing Director, Tavevo

### REPORT ON THE FINANCIAL STATEMENTS

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

#### 1. Understatement of Electricity Expenses

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects general and operations expenses of Kshs.466,941,359 which includes Kshs. 75,857,869 in respect of electricity expenses. However, review of the electricity payables ledger revealed additions for the year totaling to Kshs.10,007,551 omitted from the ledger provided for audit in support of the expenditure resulting in understatement of expenses by a similar amount.

In the circumstances, the accuracy and completeness of the electricity expenditure of Kshs. 75,857,869 could not be confirmed.

#### Management Response

Management indicated that during the year under review the company procured a new E.R.P system where electricity cost was captured under two different ledger accounts. Management has since merged the two accounts into one and now the correct ledger balance is also reflected in the accounts payable.

### **Committee Observation**

The Committee observed that the matter arose following the implementation of a new ERP system, during which electricity costs were captured under two separate ledger accounts. Although the management has since merged the two accounts, the query remains unresolved, as there was no indication of how the anomaly would be corrected in the financial statements.

### **Committee Recommendations**

**The Committee recommends that the Governor ensures that the Accounting Officer responsible for the water company undertakes the necessary amendments in the financial statements of the subsequent financial year, as prior-year adjustments, to reflect the true position of the electricity cost. Further, the Auditor-General verifies the adjustment and provides a status update on the matter in the subsequent audit cycle.**

#### **2. Inaccurate Bulk Water Fees**

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects general and operations expenses of Kshs.466,941,359 which includes Kshs.151,587,028 in respect of bulk water fees. However, the report on non-revenue water provided indicated that the entity acquired 4,001,861 cubic meters of water in the year. Given the rate of Kshs.34 per cubic meter, the entity total cost was Kshs.136,063,274 while the amount recorded in the ledger was Kshs.151,587,028 resulting in an unexplained variance of Kshs.15,523,754 or Kshs.456,581 cubic meters of water.

In the circumstances, the accuracy and completeness of the bulk water fees of Kshs.151,587,028 could not be confirmed.

### **Management Response**

Management indicated that they captured invoices as billed by the vendor (Coast water works development agency) in the financial reports as Kshs. 151,587,028. Whereas concerns over billing amounting to Kshs. 15,523,754 have been raised, management is yet to receive credit notes to affect any adjustments.

### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). the variance between the cost of bulk water billed by the Coast Water Works Development Agency and the corresponding amounts recorded in the water company's ledger had remained unreconciled; and
- ii). despite the water company raising concerns regarding the variance with the Coast Water Works Development Agency, no response had been received from the Agency to address or clarify the discrepancy.

### **Committee Recommendation**

**The Committee recommends that –**

- i). **within sixty (60) days of the adoption of this Report, the Governor, through the County Executive Committee Member responsible for water, engages the Coast Water Works Development Agency and ensure that the variance of Kshs.15,523,754 between the cost of water billed by the Agency and the water company's ledger records is reconciled;**
- ii). **the Accounting Officer responsible for the Coast Water Works Development Agency ensures full cooperation with the County Government of Taita Taveta during the reconciliation process including responding to any requests from the County Government; and**
- iii). **the Governor ensures that the Accounting Officer responsible for the water company takes appropriate action to adjust the financial statements in the subsequent financial year so that the bulk water cost is accurately reflected. Further, the Auditor-General keeps the matter in view and provide a status update in the subsequent audit cycle.**

### **3. Inaccurate Inventory Balance - Procurement**

The statement of financial position and Note 17 to the financial statements reflects inventory balance of Kshs.158,476,725. However, the balance differs with the ledger amount of Kshs.60,446,088 resulting in an unexplained variance of Kshs.98,030,637. Further, the reported balance differed with the stock report balance of Kshs.75,142,268 resulting in a variance Kshs.83,334,457 which was not explained or reconciled.

In addition, the inventories balance included cold water meters and other misclassified assets valued at Kshs.36,033,330 resulting in overstatement of inventories balance by a similar amount.

In the circumstances, the accuracy, completeness and valuation of the inventory balance of Kshs.158,476,725 could not be confirmed.

## **Management Response**

The management noted the audit observation and indicated that the schedules of inventory and the financial statements are correct. Management further indicated that bearing the new system in mind, reconciliation of the inventory was being undertaken alongside the physical stock to ensure they are accurate.

## **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). although management asserted that the inventory balance reported in the financial statements was accurate, no evidence was provided to support this claim. Further, management indicated that a reconciliation exercise was still ongoing, which contradicts the assertion that the financial statements were accurate;
- ii). the misclassification of cold water meters and other assets demonstrate non-compliance with standard accounting principles. This further reflects weaknesses in internal controls during the preparation of the financial statements; and
- iii). Management of the water company did not conduct a reconciliation between the inventory balance reported in the financial statements, the ledger balance, and the stock-take report.

## **Committee Recommendation**

The Committee recommends that –

- i). **within sixty (60) days of the adoption of this report, the Governor ensures that the Accounting Officer responsible for the water company undertakes a reconciliation of the variance between the inventory balance reported in the financial statements, the ledger balance, and the stock-take report;**
- ii). **the Governor ensures that the Accounting Officer responsible for the water company undertakes the necessary amendments in the financial statements of the subsequent financial year, recorded as prior-year adjustments, to reflect the true and accurate position of the inventory balance. Further, the Auditor-General to monitor the matter and provide a status update to the Senate in the subsequent audit cycle; and**
- iii). **the Governor ensure the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap. 412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act,**

**Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties and offences shall apply.**

#### **4. Inaccurate and Long Outstanding Trade and Other Payables Balance**

The statement of financial position and Note 27 to the financial statements reflect trade and other payables balance of Kshs. 1,041,721,551. Included in the balance is Kshs.732,567,352 owed to Coast Water Works Development Agency. Review of the status of bulk water bills from the Agency of 15 July, 2025 referenced No. CWWDA/COMM.CIRRESS/377/VOL.II/29 indicated that the entity had outstanding bills totaling Kshs.678,525,954 which differs with the reported balance resulting in an unexplained variance of Kshs.54,041,398. Additionally, aging analysis revealed that payables of Kshs.760,456,732 or 73% of the total payables had been outstanding for more than two (2) years.

In the circumstances, the accuracy, completeness and ability to settle the trade and other payables balance Kshs.1,041,721,551 could not be confirmed

#### **Management Response**

Management noted the auditor's observation and stated that they would engage Coast Water Works Development Agency and that the required adjustment journals would be presented to the Finance committee of the Board and full board of directors for deliberation and further approval. The Full Board was slated for February 2026. Management will also engage the Coast water works on a payment plan of the outstanding arrears.

#### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). management of the water company did not demonstrate any efforts to engage the Coast Water Works Development Agency in reconciling the variance between the bills reported by the company and those reported by the Agency;
- ii). the existence of the variance indicates weaknesses in financial reporting, reconciliation processes, and the overall accuracy of accounts payable records; and
- iii). the water company did not have a repayment plan outlining how it intended to settle the outstanding payables owed to the Coast Water Works Development Agency, despite the balances remaining unpaid for more than two years.

#### **Committee Recommendation**

**The Committee recommends that –**

- i). **the Governor should ensure that, within sixty (60) days of the adoption of this report, the Accounting Officer responsible for the water company puts in place internal control mechanisms for reconciliations and verification of payable balances to suppliers to enhance the accuracy of reported outstanding payables. These controls should include, but not be limited to, quarterly reconciliation of all supplier accounts, particularly Coast Water Works Development Agency for bulk water supplies;**
- ii). **within sixty (60) days of the adoption of this report, the Governor should engage the Coast Water Works Development Agency and ensure that the Accounting Officer responsible for the water company undertakes a reconciliation of the variance between the bills reported by the company and those reported by the Agency;**
- iii). **the Governor ensures that the Accounting Officer responsible for the water company undertakes the necessary amendments in the financial statements of the subsequent financial year, recorded as prior-year adjustments, to reflect the true and accurate position of the trade and other payables balance. Further, the Auditor-General to monitor the matter and provide a status update to the Senate in the subsequent audit cycle; and**
- iv). **the Governor should ensure that, within sixty (60) days of the adoption of this report, the Accounting Officer responsible for the water company develops a realistic and time-bound payment plan for the long-outstanding trade payables and submits evidence of the same to the Auditor-General for compliance monitoring. The Auditor-General to monitor compliance with the plan and provide a status update in the subsequent audit cycle.**

#### **5. Doubtful Recoverability of Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.348,266,514 as disclosed in Note 18 to the financial statements. Review of the aging analysis revealed that Kshs.292,720,283 of the receivables had been outstanding for more than one 120 days and no evidence was provided to indicate efforts put in place by Management to recover the amounts.

In the circumstances, the recoverability of the trade and other receivables of Kshs.292,720,283 was in doubtful.

## **Management Response**

Management noted the concern and indicated that they had engaged services of a private debt collector from 12<sup>th</sup> August 2025.

## **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). whereas the management had engaged the services of a professional debt collector, the effectiveness of the engagement could not be immediately ascertained, as the management did not demonstrate how the private debt collection services had impacted the Company's overall debt recovery performance; and
- ii). no Debt Recovery Plan with clear debt collection timelines was provided to demonstrate how the Management intends to address and reduce the outstanding debt.

## **Committee Recommendation**

The Committee recommends that –

- i). **within sixty (60) days of the adoption of this Report, the Governor submits to the Senate a comprehensive update detailing the impact of the professional debt collector on the Water Company's debt recovery performance; and**
- ii). **within ninety (90) days of the adoption of this Report, the Governor ensures that the Accounting Officer responsible for the Water Company develops and implements a comprehensive Debt Recovery Plan and submits to the Auditor-General for compliance monitoring. The Plan shall outline practical and effective debt collection strategies and include clear, time-bound debt recovery milestones. The Auditor-General to monitor compliance with the plan and provide a status update in the subsequent audit cycle.**

## **6. Failure to Revalue Assets**

The statement of financial position reflects property, plant and equipment of Kshs.1,096,491,527 as disclosed in Note 15 to the financial statements. Note 15b to the financial statements revealed that property, plant and equipment items of original costs of Kshs.105,546,510 included in the asset register had been fully depreciated but in use. However, the Company had not revalued the assets for reporting purpose which may misrepresent the actual position of the operations of the entity.

In the circumstances, the accuracy and valuation of property plant and equipment balance of Kshs.105,546,510 could not be confirmed.

### **Management Response**

Management acknowledged the audit observation and indicated plans to budget for the revaluation exercise in the coming financial period 2026/2027.

### **Committee Observation**

The Committee observed that the query remains unresolved, as the water company continues to utilize fully depreciated assets that have not been subjected to revaluation. The management's only mitigation measure was an expression of intent to budget for the revaluation exercise in the 2026/2027 financial year.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that a budgetary allocation for the revaluation is provided in the 2026/2027 financial year, that the revaluation exercise is undertaken within the first quarter of the 2026/2027 financial year, and that the necessary adjustments are incorporated into the financial statements for the 2026/2027 financial year as prior-year adjustments, so as to reflect the true and fair position of the company's assets. The Auditor-General to monitor compliance and provide a status update in the 2026/2027 financial year.**

## **7. Unsupported Property, Plant and Equipment Balance**

The statement of financial position and Note 15 to the financial statement reflects property plant and equipment of Kshs.1,096,491,527. Review of Management records revealed that the land on which the Company is domiciled is not included in the reported balance. Further, the title deed for the land on which reported buildings valued at Kshs.23,875,373 was not provided for audit review.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.1,096,491,527 could not be confirmed.

### **Management Response**

Management acknowledged the audit issue and indicated that they were following up with Coast Water Works Development Agency on transfer of land registration documents for all assets which were under their control prior to formation of Tavevo Water and Sewerage company.

In addition, management stated that the land where Tavevo occupies is registered under the principal secretary in charge of Water and Sanitation and that they were actively pursuing transfer through Coast water works.

### **Committee Observation**

The Committee observed that the query remains unresolved for since despite submission that management was in the process of following up with Coast Water Works Development Agency on transfer of land registration documents, the transfer was yet to be done.

### **Committee Recommendation**

**The Committee recommends that within sixty (60) days of the adoption of this report, the Governor, through the County Executive Committee Member responsible for matters of water, should engage with the Coast Water Works Development Agency and to ensure the transfer of ownership documents of the Water Company's land is fast-tracked. The Auditor-General to keep the matter in view and provide a status update on the matter in the subsequent audit cycle.**

### **8. Failure to Disclose Material Uncertainty Related to Going Concern**

The statement of financial position reflects current assets balance of Kshs.553,772,749 and current liabilities of Kshs.1,086,547,602 resulting into a negative working capital of Kshs.532,774,853 representing a current ratio of 0.51. A ratio that is lower than the comparative year of 0.66. The increasing negative working capital and current ratio of less than one (1) is an indication that the Company may not meet its obligations as and when they fall due. As previously reported, the condition indicates the existence of a material uncertainty, which may cast doubt on the Company's ability to continue as a going concern and that the Company's existence is dependent on continued support from the County Government of Taita Taveta and creditors. Management did not disclose measures being taken to mitigate this condition.

In the circumstances, the Company's ability to continue as a going concern could not be confirmed.

### **Management Response**

Management acknowledged the audit observation and indicated that disclosure of the same was done in the notes on page 36 of our financial statements. Management also submitted that they had undertaken the following measures to correct the going concern status;

1. Under the Water Services Development Program the company has acquired four new water pumps for Njoro and Voi Pump Houses these will improve efficiency in

service delivery. Also upgrade of water distribution systems have been improved under the above project which improves water supplies volumes whilst boosting revenues for the company.

2. Through Water Services Trust Fund, We secured financing to improve water supply under Kaloleni water project. The project included solarization of the pump house which shall assist in reducing electricity cost.
3. The Management has an Non-revenue Water Coordination unit to curb on illegal water connections and overall monitoring of the water loss levels
4. Collections of receivables is another angle we wish to employ to increase collection on top of the amounts we bill every month. This will be achieved by employing the collection solutions provided through the ERP system and a contracted debt collector.
5. The company proposes solarization on major installations to cut high electricity costs contributing to negative working capital.

### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). the water company's current liabilities exceeded its current assets leading to a negative working of Kshs.532,774,853 and indication that the water company is technically insolvent and may not meet its obligations as at when they fall due and that its continued existence was dependent on the County Government;
- ii). management did not disclose the undesirable financial position in the financial statements of the water company; and
- iii). the mitigation measures put in place by the water company were inadequate and that their effectiveness could not be ascertained.

### **Committee Recommendation**

The Committee recommends that –

- i). **the Governor of Taita Taveta County should take keen interest in the management and operations of the water company in accordance with Article 179(4) of the Constitution;**
- ii). **the Accounting Officer responsible for the water company should ensure disclosure of material uncertainty in relation to going concern is done in accordance with the Public Sector Accounting Standards Board reporting template;**
- iii). **the Governor ensures that the Accounting Officer responsible for the water company prepares and submits quarterly reports regarding the financial and**

- non-financial status of the water company in accordance with section 166 of the Public Finance Management Act, Cap. 412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences;
- iv). the Governor ensures that the County Executive Committee Member in charge of water takes full responsibility for monitoring the financial performance of the county corporation in accordance with section 184 of the Public Finance Management Act, Cap. 412A and regularly report to the Governor through the County Executive Committee in line with Article 179(6) of the Constitution;
  - v). the Governor ensures that the County Treasury undertakes annual reporting on County Corporation including an assessment of the commercial viability of the company in line with the standards set by the Water Services Regulatory Board under section 77(2) of the Water Act, Cap. 372, failure to which the County Executive Committee Member responsible for Finance may be held liable under section 147 of the Water Act on penalties for offences; and
  - vi). the Governor ensures that within 60 days of the adoption of this report the Accounting Officer responsible for the water company puts in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability.

#### **Emphasis of Matter**

Under Emphasis of matter, the Auditor-General raise the following issue –

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amount reflects final revenue budget and actual on comparable basis of Kshs.1,157,643,287 and Kshs.530,632,999 resulting in under realization of Kshs.627,010,288 or 54% of the budget. The Company spent Kshs.634,949,767 –against actual receipts of Kshs.530,632,999 resulting in over expenditure of Kshs.104,316,768 or 20% of the budget.

The over expenditure may be due to unrealistic budget while underfunding may have affected implementation of planned activities and impacted negatively on service delivery to the citizens.

#### **Management Response**

Management acknowledged the observation and stated that internally generated revenue was attained at 76%. Revenue budget from trading activities was Kshs. 537,224,854

against the actual of Kshs. 409,339,452 resulting in a performance of 76%. This was affected to a large extent due to reduced billed volumes.

### **Committee Observation**

The Committee observed that there was a budgetary underperformance of 76% linked to reduced billed volumes. However, management did not exert any budgetary control measures hence the query remains unresolved.

### **Committee Recommendations**

**The Committee recommends that the Governor ensure that, in subsequent financial years, the Accounting Officers responsible for the water company prepare realistic budgets and implement appropriate budgetary control measures, including mid-year budget reviews where necessary.**

### **Other Matter**

The Auditor-General raised the following matter under other matter -

### **Unresolved Prior Year Matters**

Sixteen (16) issues raised under the prior year report on the Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. Management had not resolved the issues or explained the failure to implement the recommendations.

### **Management Response**

No response was provided by the management.

### **Committee observation**

The Committee observed that the query remains unresolved as management did not provide a response on measures taken to address the prior year audit matters.

### **Committee Recommendation**

**The Committee recommends that –**

- i). the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the accounting officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences; and**

- ii). **the Governor ensures the accounting officer submits a detailed status report to the Senate and a copy to the Auditor-General on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

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

### **1. Irregular Utilization of Customer Deposit**

The statement of financial position reflects customer deposit balance of Kshs.44,826,051 as disclosed in Note 28 to the financial statements. Management explained that these funds relate to deposits owed to customers held in the deposit bank account. However, review of the deposit bank account held at the Co-operative bank revealed a balance of Kshs.12,778,457 resulting in a shortfall of Kshs.32,047,594 which was not explained or reconciled.

In the circumstances, Management was in breach of the law

### **Management Response**

Management acknowledged the audit observation and stated that as a corrective measure all new Customer connection fee of Kshs. 2,500 is paid into the customer deposit account on top of the Kshs. 2,500 for customer deposit on every new connection. On average about Kshs. 250,000 is paid into the deposit account every month. As at December 2025 the ledger balance stood at Kshs. 47,348,551 and a bank balance of Kshs. 17,459,956 So giving a variance of Kshs. 29,888,525. This demonstrates a refund of Kshs. 2,158,999 for the 6 months ending December 2025.

### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). The management of the water company utilized customer deposits amounting to Kshs. 32,047,594 without any formal authority and a plan on how the deposit account would be refunded; and

- ii). The repayment plan provided by the management could not be ascertained as there was no evidence in support of the monthly payment of Kshs, 250,000 into the customer deposits account.

### **Committee Recommendation**

**The Committee recommends that-**

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

### **2. Non-Compliance with Data Protection Act.**

Review of management records revealed that the Company handles customers and employee records in its systems that captures personal confidential information as names, phone numbers and location. However, the Company had not been registered with the Data Commissioner as either a data controller or a data processor contrary to Section 18(1) of the Data Protection Act, 2019 that stipulates that no person to act as a data controller or data processor unless registered with the Data Commissioner.

In the circumstances, the Company was in breach of the law

## **Management Response**

Management submitted that a data protection committee to spearhead the data protection role had been established.

## **Committee Observation**

The Committee observed that whereas a Committee was established to spearhead the data protection role, evidence of the water company being registered with the Data Commissioner as either a data controller or a data processor in compliance with section 18(1) of the Data Protection Act, Cap 411C was not provided.

## **Committee Recommendation**

**The Committee recommends that the Governor ensures that within 60 days of the adoption of this report, the Accounting Officer responsible for the water company registers the water company with the Data Commissioner as a data controller in compliance with section 18(1) of the Data Protection Act, Cap 411C and provide evidence of registration to the Auditor-General for verification.**

### **3. Failure to Declare Conflict of Interest**

Review of report on legal cases by the Water Company revealed that two (2) firms all owned by the Company Secretary had been providing legal services to the Water Company. However, evidence of the declaration of conflict of interest by the Company Secretary during the application to offer services to the Company was not provided for audit against Chapter 8 annexure 1 Part D (9) of Code of governance for state corporation (Mwongozo) on the appointment and conduct of the Corporation Secretary that provides that the Company Secretary should satisfy the requirement of chapter six of the Constitution on leadership and integrity that requires among other things that leaders avoid any situation where their personal interests could compromise their public or official duties.

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

## **Management Response**

Management submitted that they had advised the Company secretary to declare the conflict interest in compliance with chapter 6 of the Constitution. Further, management indicated that they had an in-house counsel who represents the company in all new legal matters.

### **Committee Observation**

The Committee observed that the matter remains unresolved, noting that firms associated with the Company Secretary of Tavevo Water and Sewerage Company Limited provided legal services to the water company, while the County Secretary failed to declare a conflict of interest, contrary to section 16(1) and (3) of the Leadership and Integrity Act, Cap. 185C.

### **Committee Recommendation**

The Committee recommends that –

- i). withing sixty (60) days of the adoption of this report, the Governor takes administrative action against the said County Secretary and submit evidence of the actions taken to the Senate and the Auditor-General;
- ii). the Governor ensures that there is full compliance with the provisions of Leadership and Integrity Act, Cap. 185C failure to which the responsible officers may be held liable under section 47 of the Leadership and Integrity Act on General Penalty.

#### **4. Payment of Acting Allowance Beyond Six Months**

Review of the payroll revealed that during the period between July 2024 and June 2025, nine (9) officers were paid acting allowances totaling to Kshs.438,847. It was noted that the positions acted had not been declared vacant and no notice of pending advertising of those posts had been done. Additionally, three (3) officers were paid acting allowance for a period of more than six (6) months contrary to section C 14(1-2) of human resource policies and procedures manual for the public service, 2016 that stipulates that acting allowance will not be payable to an officer for more than six (6) months.

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

### **Management Response**

Management acknowledged the audit observation and indicated that they have since filled the positions substantively.

### **Committee Observation**

The Committee observed that the management had taken remedial measures by substantively filling the positions and committed that any acting positions shall be done in accordance with the applicable laws.

## **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

### **5. Non-compliance with Ethnic Composition Requirements**

Review of staff establishment revealed that the Company had a total of 240 staff (136 permanent and 104 on contract). Out of the total staff, 180 or 75% were from the local dominant ethnic community contrary to National Cohesion and Integration Act of 2008 which provides that no public establishment to have more than one third of its staff from the same ethnic community. There was no evidence of legislative and other measures taken by the entity to correct the imbalance.

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

### **Management Response**

Management notes the observation and will ensure ethnic and gender equality during future recruitment exercise in compliance with the National cohesion and integration Act 2008.

### **Committee Observation**

The Committee observed that the query remains unresolved as 75% of the staff compliment of the water company were drawn from the dominant local ethnic community contrary to the provisions of 7(2) of the National Cohesion and Integration Act. Management did not demonstrate any legislative and other measures taken to correct the imbalance.

## **Committee Recommendation**

**The Committee recommends that-**

- i). the Governor ensures that the Board and the Accounting Officer responsible for the make deliberate efforts to progressively comply with section 65(1)(e) of the County Governments Act, Cap. 265 which provides that at least thirty percent 30% of the vacant posts at entry level be filled by candidates who are not from the dominant ethnic community; and**
- ii). the Governor ensures that the Board and the accounting officer to make deliberate efforts progressively in the endeavor to comply with Section 7(1) and (2) of the National Cohesion and Integrity Act, Cap. 7N, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.**

## **6. Closure of Bank Accounts Without Approval from County Treasury**

Review of the financial records revealed that three (3) bank accounts were closed as per the authorized request closure letters all dated 19 December, 2024. However, no evidence was provided to show that approval was granted by the County Treasury as per Section 119(1) of the Public Finance Act 2012 that stipulates that the County Treasury will be responsible for authorizing the opening, operating and closing of bank accounts for the county government and its entities, except as otherwise provided by other legislation and in accordance with regulations made under this Act.

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

### **Management Response**

Management submitted that a notification had been written to the County treasury to notify them of the closed accounts.

### **Committee Observation**

The Committee observed that the query remains unresolved, as no evidence was provided to demonstrate that approvals were sought from the County Treasury prior to the closure of bank accounts in accordance with section 119(1) of the Public Finance Act, Cap. 412A.

### **Committee Recommendation**

**The Committee recommends that –**

- i). within sixty (60) days of the adoption of this report, the Governor, through the County Executive Committee Member responsible for Finance, initiates administrative action against the officers responsible for the unprocedural closure of bank accounts;**
- ii). the Governor, through the County Executive Committee Member responsible for Finance ensures compliance with section 119(1) of the Public Finance Act, Cap. 412A failure to which the responsible officers may be held liable under section 199 of the Public Finance Management Act on penalties for offences.**

## **7. High Percentage Non-Revenue Water (NRW)**

Review of revenue records revealed the Water Company produced 5,767,858 cubic meters of water during the year under review as reported by the bulk meters supplying the water to the Company. However, out of the produced water, only 2,871,077 cubic meters was billed leading to water loss/non-revenue water of 2,896,781 cubic meters or 50% of the

produced volume which is 25% above the allowable loss. It was explained that the huge loss was due to dilapidated/ old infrastructure, leaking storage tanks, vandalism, faulty meters and inaccurate meter reading. The NRW of 2,896,781 cubic meters resulted in loss of sales estimated at Kshs.388,168,654 at the average rate of Kshs.134 per m3.

In the circumstances, the significant level for non-revenue water had a negative impact on the Company's profitability and could affect sustainability of operations.

### **Management Response**

Management noted the audit observation and submitted that it has put strategies to curb the same. Management also submitted that Tavevo has cashflow constraints which are limiting the implementation of the strategies. Some of the strategies for NRW management are captured below;

1. Institutional & Governance Strategies - NRW Unit is formed with clear roles and responsibilities from cross-departmental with the Lead NRW Coordinator reporting to NRW Steering Committee.
2. Data, Mapping & Information Management – GIS Mapping of the entire network, and ongoing updating of customer and database.
3. Metering, Billing & Commercial Loss Reduction
  - a. Data collection and monitoring on all major customers this include cash wash, water bowser installation, customer whose bills are above 100m3 and above 45m3
  - b. Visiting disconnected account to check customer water status
  - c. Detect and eliminate illegal connections
  - d. We are also Implement routine/planned meter testing, servicing, and replacement.
  - e. Improve Meter ground installation and verification
4. Network Maintenance & Asset Management –
  - a. We have an infrastructure assessment, required CAPEX and OPEX Report which assist in the prioritization and rehabilitation of water infrastructure
  - b. Mapping of leakage and burst
  - c. Asset Maintenance Plan
  - d. We have developed a GIS-based Asset Management System (Web Based GIS Enterprise)
5. Leakage Control & Physical Loss Reduction
  - a. Implement District Metered Areas (DMAs) to segment and monitor the system (20No.)
  - b. Enforce proper workmanship and pipe installation standards

6. Operational Monitoring, Reporting & Evaluation
  - a. Monitor and report monthly NRW performance indicators.
  - b. Conduct quarterly and annual NRW reviews.
7. Bulky water from CWWDA account for about 70% of your production, in liaison with CWWDA we are installing production meter for account on estimates.

### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). despite management putting mitigation measures in place to address the high Non-Revenue Water, their effectiveness could not be ascertained. Further, some of the measures were futuristic in nature and lacked clear implementation timelines;
- ii). it was not clear what proportion of the Non-Revenue Water was attributable to physical losses and what proportion resulted from commercial losses; and
- iii). Management admitted to facing financial challenges that limited its ability to implement the Non-Revenue Water mitigation strategy; however, it did not indicate the measures put in place to address these constraints.

### **Committee Recommendation**

The Committee recommends that –

- i). **within sixty (60) days of the adoption of this report, the Governor, through the County Executive Committee Member responsible for Water, ensures that the water company generates a comprehensive report detailing the proportion of Non-Revenue Water attributable to physical losses and the proportion resulting from commercial losses, and submits the report to the Senate and the Auditor-General. The report should clearly break down the contributory elements under each category, and the data should inform the Non-Revenue Water mitigation strategy.**
- ii). **the Governor, through the County Executive Committee Member responsible for Water, ensures that within ninety (90) days of the adoption of this report, the water company develops and implements a comprehensive Non-Revenue Water mitigation strategy guided by the data generated under (i), and submits the strategy to the Senate and the Auditor-General for compliance monitoring. The strategies should be practical and time-bound.**
- iii). **the Governor, through the County Executive Committee Member responsible for Finance, ensures that the water company is adequately resourced to effectively implement the Non-Revenue Water mitigation strategy; and**

- iv). **given the impact of Non-Revenue Water on the water company's cash flows, the Governor ensures that the Accounting Officer responsible for the water company makes a provision for Non-Revenue Water in the financial statements. Further, explanatory notes should be provided to detail the contributions of both commercial and physical loss factors to the overall Non-Revenue Water.**

## **8. Anomalies in Board Affairs**

The statement of profit or loss and other comprehensive income and Note 11 to the financial statement discloses board expenditure of Kshs.4,068,030. Analysis of board minutes provided for audit revealed that the Water Company in the year under review had six (6) board members inclusive of those appointed by the County Government. However, review of the appointment letter of the alternate member to the Chief Officer in charge of Water Affairs revealed that the appointee was an assistant director water and sanitation while the Corporate Governance Standards for The Water Services Sector 2024 from Water Services Regulatory Board provides that the alternate shall not be below the cadre of County Director Water or Director Finance. Additionally, the Board had four committees i.e., finance committee, human resource and administration committee, technical committee and audit committee in which the audit committee had co-opted the acting director internal audit who is not a board member. However, the appointment letters to these committees were not availed for audit.

In the circumstances, the board composition was against the law.

### **Management Response**

Management acknowledged the observation and indicated that it communicated to the County Executive committee member in charge of water in a Board meeting on 13<sup>th</sup> January 2026. The minutes of the meeting will be confirmed in the subsequent meeting.

### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). the composition of the board does not meet the requirements prescribed in the Water Services Regulatory Board Corporate Governance Guidelines which requires *“that the mandatory offices representing the county government shall be the Chief Officer in-charge of water affairs and the chief officer in-charge of finance or their alternate appointed in writing. The alternate shall not be below the cadre of county Director Water or Director Finance”*.

- ii). the Audit Committee of the Board co-opted the Ag. Director Internal Audit without an appointment letter in contravention of the requirements under guideline 3.4.2 (5) of the Water Services Regulatory Board Corporate Governance Guidelines.

### **Committee Recommendation**

The Committee recommends that –

- i). **within sixty (60) days of the adoption of this report, the Governor ensures that the Chief Officers for Water and Finance regularize the appointment of their respective alternates to the Board, in writing. The appointed alternates should not be below the cadre of County Director, Finance and County Director, Water, as required under the Water Services Regulatory Board Corporate Governance Guidelines; and**
- ii). **within sixty (60) days of the adoption of this report, the Governor ensures that the co-option of the Director, Internal Audit into the Audit Committee is regularized through a formal appointment letter.**

### **9. Failure to Prepare Quarterly Reports**

Review of financial records established that Management did to prepare quarterly financial reports in the format prescribed by the Public Sector Accounting Standards Board and did not present the report to the CECM in charge of Water for further processing contrary to Section 166 of the Public Finance Management Act, 2012 which provides that an accounting officer for a County Government entity to prepare a report for each quarter of the financial year in respect of the entity.

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

### **Management Response**

Management confirmed that quarterly financial reports are shared with the Board of directors where the County Executive committee member in charge of Water is fully represented. Going forward formal communications will also be made to the County executive committee member in charge of water in addition to the Board of directors' reports.

### **Committee Observation**

The Committee observed the query remains unresolved for the following reasons –

- i). no evidence of preparation of quarterly reports was provided despite submission by management that the reports were prepared; and
- ii). management admitted that no quarterly report was submitted to the County Executive Committee Member responsible for water as required under section 166 of the Public Finance Management Act, Cap. 412A.

### **Committee Recommendation**

**The Committee recommends that –**

- i). **the Governor takes administrative action against the Accounting Officer responsible for the water company for failure to prepare and submit quarterly reports to the County Executive Committee Member responsible for water as required under section 166 of the Public Finance Management Act, Cap. 412A; and**
- ii). **the Governor, through the County Executive Committee Member responsible for water, ensures compliance with section 166 of the Public Finance Management Act, Cap. 412A failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences.**

### **10. Irregular Procurement of Fuel**

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements discloses general and operations expense of Kshs.466,941,359. Included in this amount is fuel expense of Kshs.8,908,075. Audit review revealed that the Company procured fuel from five (5) petrol stations through various local purchase orders totaling Kshs.4,268,720. However, the firms were not in the prequalified list of suppliers. There was no evidence provided for audit indicating that the Water Company had contractual agreements with the said fuel companies neither was the procurement proceeding undertaken to identify the firms. The fuel statements indicating when and to which vehicles the ordered fuel was drawn into were not availed for audit.

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

### **Management Response**

Management stated that during the period under review the company invited suppliers to bid for the supply of fuel and lubricants through local dailies under open national tender for framework contracting. There was no response which forced the company to engage

local suppliers within our branch network. As fuel prices are currently regulated by the Energy and petroleum regulatory authority there was no risk of procuring goods above market rates. The company shall once more invite bids for the supply of fuel and lubricants.

### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). evidence indicating how the fuel suppliers were identified was not provided; and
- ii). the management did not make any effort to readvertise but made a promise to do so.

### **Committee Recommendation**

**The Committee recommends that, within sixty (60) days of the adoption of this Report, the Governor ensures that the Accounting Officer responsible for the Water Company readvertises the tender for framework contracting. In the interim, the Water Company shall immediately cease utilizing the five (5) petrol stations currently in use and instead engage prequalified suppliers under the County Executive.**

## **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 Inventory Management Control Systems**

The statement of financial position reflects inventory balance of Kshs.158,476,725 as disclosed in Note 17 to the financial statements. Review of inventory documents provided for the audit and physical verification of the Company store revealed the following internal controls weaknesses:

#### **1.1. Lack of Quarterly Stock Take and Obsolete Stock Item Reports**

Review of documents provided showed that the Company did not carry out a quarterly stock-take to monitor and manage inventory levels. Consequently, there were no regular reconciliations of inventory balances to facilitate optimum inventory balances for timely service delivery. Physical verification at the stores indicated that the central store had obsolete stock items which were not documented.

### **Management Response**

Management acknowledged the audit observations and undertook to ensure that quarterly stock takes are undertaken and an obsolete stock report prepared for management decision in the current financial period.

### **Committee Observation**

The Committee observed that the query remains unresolved as the Accounting Officer responsible for the water company did not carry out: quarterly stock-takes; regular inventory reconciliation and prepare stock reports to facilitate decision making by the management. Management reported that remedial measures were being implemented; however, the Committee could not ascertain the effectiveness of those measures.

### **Committee Recommendation**

**The Committee recommends that the Auditor-General monitors the effectiveness of the measures taken by the management and report on their effectiveness in the subsequent audit cycle.**

### **1.2 Lack of Segregation of Duties at The Store**

Analysis of stores records and staff files revealed that the store had only one officer handling all the processes of receiving, storing, issuance of stock items, and recording stock movement. Therefore, there was no evidence of segregation of duties in the operations of the store.

In the circumstances, effectiveness of internal controls on inventories management could not be confirmed.

### **Management Response**

Management acknowledged the audit observation and indicated that the process of redesigning the current organogram to ensure proper segregation of duties in stores department was underway.

### **Committee Observation**

The Committee observed that the query remains unresolved, as all store duties continued to be performed by a single officer. This situation reflects weak internal controls in the management of the store. Management reported that remedial measures were being implemented; however, the Committee could not ascertain the effectiveness of those measures.

**Committee Recommendation**

**The Committee recommends that the Auditor-General monitors the effectiveness of the measures taken by the management and report on their effectiveness in the subsequent audit cycle.**

## CHAPTER TWO: MUNICIPALITIES

### 2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THE SPECIAL MUNICIPALITY OF MWATATE FOR THE FINANCIAL YEAR 2024/2025

The Governor of Taita Taveta County, Hon. (Dr.) Andrew Mwadime, EGH, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements of the Special Municipality of Mwatate for financial year 2024/2025. He was accompanied by –

- i). Mr. Elijah Mwazo - CECM Finance
- ii). Ms. Nancy Wacharo - Municipal Manager

#### REPORT ON THE FINANCIAL STATEMENTS

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

##### **Unsupported Property Plant and Equipment**

The statement of financial position and Note 24 to the financial statement reflects property, plant and equipment balance of Kshs. 110,882,907. The balance includes buildings and motor vehicles of Kshs. 48,175,516 and Kshs. 2,226,171 respectively. However, the land on which the building is constructed was not supported by land title deed or lease agreement. Further, the motor vehicle balance was not supported with logbook for confirmation of ownership.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs. 110,882,907 could not be confirmed.

##### **Management Response**

Management indicated that the building valued at Kshs. 48,175,516 relates to the Mwatate Municipality Market, which was constructed on land designated as a market area. The ownership and use of the land are supported by the Approved Mwatate Development Plan, Reference No. TTA227/2007/1. Accordingly, the building is appropriately recognized as part of the Municipality's property, plant and equipment.

Regarding the motor vehicle valued at Kshs. 2,226,171, the logbook confirming ownership was provided for verification and confirmation.

### **Committee Observation**

The Committee observed that –

- i). the matter of the motor vehicle was adequately addressed as the logbook was availed to the Auditor-General and verified; and
- ii). the matter of the land remained outstanding as ownership documents for the parcel on which the municipal building stands were not availed for verification. Instead, management provided the Approved Mwatate Development Plan as evidence of use and ownership of the land.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the title deed for the municipal land is secured within ninety (90) days of the adoption of this report and submitted to the Auditor-General for verification.**

### **Emphasis of Matter**

Under Emphasis of matter, the Auditor-General raise the following issue –

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of kshs.36,690,476 and kshs. 4,326,743 respectively resulting in under absorption of kshs. 32,368,773 of the budgeted expenditure.

The under absorption affected implementation of planned activities and impacted negatively on service delivery to the citizens.

#### **Management Response**

Management submitted that the under-absorption of Kshs.32, 363,733 was as a result of the late disbursement of KUSP-II grants of Kshs 32,309,300, which was received after the closure of the FY 2024/25. The Funds has since been re-budgeted for in the FY 2025/26 for the Municipality planned activities.

### **Committee Observation**

The Committee observed that although evidence of the late disbursement of funds occasioned by delays in disbursement of KUSP II grants of Kshs 32,309,300 by the National Treasury was presented and confirmed by the Auditor-General, and the explanation for the delay was deemed satisfactory, the matter remains unresolved as it

could not be ascertained whether the funds allocated were fully absorbed for the intended and budgeted activities.

### **Committee Recommendation**

The Committee recommends that –

- i). the National Treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate; and**
- ii). the Auditor-General verifies that the funds disbursed outside the financial year were utilized for the approved activities and programmes, and submits a status update to the Senate within sixty (60) days of the adoption of this Report.**

### **Other Matter**

Under other matter, the Auditor-General raise the following issue –

### **Unresolved Prior Year Matters**

In the prior year's audit report, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Municipality in 2024/2025 revealed that the following five (5) issues remained unresolved:

No.	Financial Year	Audit Issue
1.	2023/2024	Unsupported Fixed Assets
2.	2023/2024	Unsupported Expenditure – Domestic travel and subsistence
3.	2023/2024	Budgetary Control and Performance
4.	2023/2024	Irregular Board Expenses
5.	2023/2024	Non-Compliance with Board Meetings

### **Management Response**

Management indicated that the issues in question were duly presented to and considered by the Senate Committee on County Public Investments and Special Funds and were formally adopted on 27<sup>th</sup> March, 2025, together with the Committee's recommendations.

Management subsequently responded to the Committee's recommendations in accordance with the adopted resolutions.

### **Committee observation**

The Committee observed that whereas the management had taken steps to address the outstanding matters only two (2) matters had been addressed whereas three (3) matters remained outstanding.

### **Committee Recommendation**

The Committee recommends that –

- i). the Governor ensures that the Accounting Officer responsible for the municipality complies with section 149(2)(l) of the Public Finance Management Act, Cap. 412A failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences;
- ii). the Governor ensures that within sixty (60) days of the adoption of this report, the Board of the municipality institutes adequate internal controls that prioritize the timely resolution of audit matters; and
- iii). the Governor ensures that within sixty (60) days of the adoption of this report, the Accounting Officer responsible for the municipality addresses fully all the outstanding audit issues.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

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

#### **Irregular Payment of Allowances to Staff**

The statement of financial performance and Note 14 to the financial statements reflect board expenses of Kshs. 1,402,920. Review of payment records revealed that staff were paid allowances totalling Kshs. 213,500 for attending twenty-two (22) board meetings during the financial year 2024/2025. This is contrary to Section 12(1) of SRC Act, 2011, establishes equal remuneration to persons for work of equal value. In this regard: Gross remuneration package should not distort the relative worth of a job; thus, allowances shall not be paid for purposes that are already compensated for in the basic salary.

### **Management Response**

Management acknowledged payment of allowances totaling Kshs. 213,500 paid to staff attending board meetings contrary to the provisions of section 12(1) of Salaries and Remunerations Act. Management further indicated that recovery of the money had been made and that going forward the secretary to the Board shall not draw up a sitting allowance. Evidence of the measures was also provided.

### **Committee Observation**

The Committee observed that management had recovered the allowances irregularly paid to staff for attending Board meetings, contrary to the provisions of Section 12(1) of the Salaries and Remuneration Act, and had instituted measures to prevent the recurrence of the anomaly.

### **Committee Recommendation**

**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 –

#### **Failure to operationalize the mandate of the Municipality**

Review of records provided on operations including revenue collections and environmental activities revealed that the Municipality since attaining municipal status, has not undertaken any of the 18 functions assigned under the municipality Charter contained under legal Notice No 2 of 08 05/2019. In addition, review of revenue collections records revealed that the Municipality lacked revenue sharing framework or reporting criteria to guide the recognition, recording and disclosure of its own -source revenue.

In the circumstances, effectiveness on internal control, governance and risk management could not be confirmed.

### **Management Response**

Management acknowledged the audit finding and indicated that they have taken various initiatives to ensure that the (18) Municipality functions as undersigned in the municipality

## EXECUTIVE SUMMARY

In executing its mandate, the Committee relied on the Reports of the Auditor-General on the Audited Accounts of the Taita Taveta Water Company, the former Municipalities, and the County Corporations for the Financial Year 2024/2025 (1<sup>st</sup> July, 2024 to 30<sup>th</sup> June 2025). These reports constituted the primary reference documents for the Committee's examination. The Committee invited the Governor of Taita Taveta as the Chief Executive Officer pursuant to Article 179(4) of the Constitution as witnesses to respond to the audit queries raised in the reports under consideration.

The Committee received both written and oral evidences from the Governor in response to the various audit queries raised by the Auditor-General in the reports under consideration on various dates. The Committee considered and concluded its inquiry onto the reports of the Auditor-General on the financial operations of the water company, municipalities and the county corporation for the Financial Year 2024/2025.

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 Taita Taveta County for the Financial Year 2024/25. The entities covered are: one (1) water company – Tavevo Water and Sewerage Company Limited; three (3) municipalities – Special Municipality of Mwatate, Taveta Municipality and Voi Municipality; four (4) hospitals – Moi (Voi) County Referral Hospital; four (4) Funds – Taita Taveta County Education Fund Board, Taita Taveta County Car Loan and Mortgage Fund, Taita Taveta County Facilities Improvement Fund, Taita Taveta County Climate Change Fund and one (1) county corporation – Taita Taveta Investment and Development Corporation.

During its examination of the Reports of the Auditor-General on the financial statements of the five entities under review, the Committee identified several cross-cutting issues of concern. These included: the doubtful sustainability of service delivery and the continued existence of the Water Company as a going concern due to accumulated losses, negative working capital, and overreliance on the County Government; persistently high levels of non-revenue water exceeding sector regulatory benchmarks; weaknesses in the management of receivables and payables; unresolved prior-year audit matters; deficiencies in budgetary control; and challenges in the operationalization of municipalities as envisaged under the Urban Areas and Cities Act, Cap. 275.

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

charter (Legal Notice No. 2 of 08/05/2019) are operationalized such as solid waste management, Management of Market, Storm water drainage and Parking management.

### **Committee Observation**

The Committee observed that despite the municipality having a gazetted charter, the County Government was yet to operationalize the outlined functions. No clear strategies had been outlined by the management regarding how the delegated functions were to be operationalized.

### **Committee Recommendation**

**The Committee recommends that –**

- i). the Governor ensures full compliance with the provisions of the Urban Areas and Cities Act, Cap. 275 of the Laws of Kenya and other applicable laws with respect to operationalization of the municipality;**
- ii). the Governor ensures that the municipality is adequately resourced and facilitated to undertake its delegated functions as per the municipal charter; and**
- iii). the Governor to ensure that within sixty (60) days of the adoption of this report, the Municipal Board develops and implements a comprehensive strategy for the operationalization of the delegated functions as outlined in the Municipal Charter.**

## **2.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MUNICIPALITY OF TAVETA FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Taita Taveta County, Hon. (Dr.) Andrew Mwadime, EGH, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements of the Municipality of Taveta for financial year 2024/2025. He was accompanied by –

- i). Mr. Elijah Mwazo - CECM Finance
- ii). Mr. Mwakalamu - Municipal Manager

### **REPORT ON THE FINANCIAL STATEMENTS**

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

#### **1. Inaccurate Statements of Cashflows**

The statement of cashflows reflects net cash flows from operating activities of Kshs. (1,226,859) which differ with recalculated amount of Kshs.808,881 resulting to a variance of Kshs.2,035,740. Further, payments include Kshs. 1,779,518 in respect of use of goods and services made on behalf of the Municipality by the County Government and does not form part of actual payments.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.808,881 could not be confirmed.

#### **Management Response**

Management indicated that the error originated from failure to reconcile cash generated from operations (note 33) and the figures under the statement of cashflow (net cashflow from operating activities) specifically, increase in payables amounting to Kshs.1,939,921 was omitted. An extract of the proposed financial statement amendments was provided for reference. Further, payments of Kshs.1,779,518 in respect of use of goods and services made on behalf of the Municipality by the County Government was recognized in the financial statement pursuant to the PSASB Municipality reporting template hence forming part of the payments. An extract of (note 5) on transfers from County Government and statement of financial position in the audited Report was provided for review.

## **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). the variance between the reported net cash flows from operating activities and the recalculated figures demonstrate that the Statement of Cashflows was not prepared in accordance with the applicable financial reporting framework. This discrepancy further highlights weaknesses in the internal review controls applied during the financial statement preparation process; and
- ii). the Accounting Officer responsible for the municipality failed to undertake the necessary reconciliations at the time of audit to correct the identified cashflows statement anomalies. However, management demonstrated how the anomaly would be addressed in the subsequent financial statements as prior year adjustments.

## **Committee Recommendations**

The Committee recommends that –

- i). **the Governor ensures that the Accounting Officer responsible for the municipality undertakes the necessary amendments in the financial statements of the subsequent financial year as prior year adjustments to reflect the true cashflows position of the municipality;**
- ii). **the Governor ensures that the Accounting Officer responsible for the municipality enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and all other relevant reporting frameworks and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**
- iii). **the Governor ensures that, within ninety (90) days of the adoption of this report, the Accounting Officer responsible for the municipality establishes and operationalizes comprehensive internal controls and oversight mechanisms to guarantee that all officers involved in the preparation of financial statements prepare, maintain, and periodically update complete and accurate financial and accounting records in compliance with section 149(2)(b) of the Public Finance Management Act, Cap. 412A section 47 of Public Audit Act, Cap. 412B failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

## **2. Unsupported Expenditure**

The statement of financial performance reflects total expenditure of Kshs.5,386,204 which include use of goods and services and board expenses of Kshs.3,468,684 and Kshs. 1,637,020 respectively. However, the expenditures were not supported by ledgers and schedules.

In the circumstances, the accuracy and completeness of the total expenditure of Kshs.5,386,204 could not be confirmed.

### **Management Response**

Management indicated that the expenditures supporting ledgers and schedules were availed for verification.

### **Committee Observation**

The Committee observed that the supporting ledgers and schedules were provided and verified by the Auditor-General.

### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

## **3. Inaccurate Statements of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects budget carryovers of Kshs 95,819 which was erroneously excluded from the total budgeted receipts resulting to understatement of the totals by a similar amount.

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

### **Management Response**

Management indicated that the matter was an oversight that the anomaly would be addressed in the subsequent financial statements as prior year adjustments.

### **Committee Observation**

The Committee observed that the omission of the carryovers was occasioned by an oversight during the computation of the budget and that management had committed to undertake a prior year adjustment in the subsequent financial year. The Committee further observed that such errors point to weaknesses in internal review and quality-assurance controls within the financial reporting process.

## Committee Recommendations

### The Committee recommends that –

- i). the Governor ensures that the Accounting Officer responsible for the municipality undertakes the necessary amendments in the financial statements of the subsequent financial year as prior year adjustments to reflect the true position of the municipality's budget; and
- ii). the Governor ensures that, within ninety (90) days of the adoption of this report, the Accounting Officer responsible for the municipality establishes and operationalizes comprehensive internal controls and oversight mechanisms to guarantee that all officers involved in the preparation of financial statements prepare, maintain, and periodically update complete and accurate financial and accounting records in compliance with section 149(2)(b) of the Public Finance Management Act, Cap. 412A and section 47(2) of Public Audit Act, Cap. 412B failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.

### Emphasis of Matter

Under Emphasis of matter, the Auditor-General raise the following issue –

#### Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.5,865,000 and Kshs.4,255,164 respectively, resulting in income shortfall of Kshs. 1,609,836 or 27% of the budget.

The underfunding and affected implementation of planned activities and impacted negatively on service delivery to the citizens.

#### Management Response

Management submitted that the underfunding and the under expenditure were due to delays in disbursement of exchequer releases for the month of June 2025.

#### Committee Observation

The Committee observed that although evidence of the late disbursement of funds occasioned by delays in exchequer releases by the National Treasury was presented and

confirmed by the Auditor-General, and the explanation for the delay was deemed satisfactory, the matter remains unresolved as it could not be ascertained whether the funds allocated were fully absorbed for the intended and budgeted activities.

### **Committee Recommendations**

**The Committee recommends that –**

- i). the National Treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate; and**
- ii). the Auditor-General verifies that the funds disbursed outside the financial year were utilized in accordance with the approved budget and submits a status update to the Senate within sixty (60) days of the adoption of this Report.**

### **Other Matter**

Under other matter, the Auditor-General raise the following issue –

#### **Unresolved Prior Year Matters**

In the prior years' audit report, two (2) issues were raised under the Effectiveness of internal Controls, Risk Management and Governance. These include failure to prepare an integrated urban area development plan and lack of strategic plan. Review of the status during audit of the Municipality in 2024/2025 revealed that the matters remained unresolved.

#### **Management Response**

Management indicated that during the period under review there was no budget allocation for the IDeP formulation. However, in the Financial Year 2025/26 the management made a budget provision for the formulation of the Urban Area Integrated Development Plan. The Policy formulation is on the draft stage.

Management further stated that once the Integrated Development Plan is approved and operationalized, the Municipality will immediately embark on the development of a comprehensive Strategic Plan to guide long-term planning, resource allocation, and service delivery. The Municipality reiterated its commitment to ensuring full compliance with legislative and governance requirements.

#### **Committee observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). the formulation of an Urban Area Integrated Development Plan (IDeP) was not undertaken during the year under review due to the absence of a budgetary**

allocation for the activity in the municipality's budget. However, funds were allocated for this purpose in the 2025/2026 financial year;

- ii). a draft IDeP had been prepared, but it was still pending approval; and
- iii). the strategic plan had not been developed, as its formulation is dependent on the existence of an approved IDeP.

### **Committee Recommendation**

**The Committee recommends that –**

- i). within 60 days of the adoption of this report, the Governor ensures that the draft IDeP is approved and operationalized; and**
- ii). within ninety (90) days of the adoption of this report, the Governor ensures that the municipal board develops and operationalizes a strategic plan in accordance with the provisions of section 39(1) of the Urban Areas and Cities Act, Cap. 275 to guide the municipality's long-term planning, resource allocation, and service delivery.**

### **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 –

#### **3. Weaknesses in Internal Audit and Risk Management**

Review of Municipality records revealed that no internal audits were conducted during the year and no reports were presented to the audit committee for deliberations. Further, internal audit unit has not been established as an independent function to review systems, monitor controls, and assess compliance. In the circumstances, effectiveness of internal controls and risk management could not be confirmed.

#### **Management Response**

Management indicated that the county government has a functional internal audit directorate whose mandate includes auditing municipalities and forward their recommendation to audit committee for deliberations. The directorate has included audit of municipalities in their workplan.

### **Committee Observation**

The Committee observed that, given the municipality operates as an agent of the County Government as envisaged under section 11(b) of the Urban Areas and Cities Act, and noting that the responsibility for oversight of the municipality rests with the County Government, the County Government's Internal Audit Directorate was adequately positioned to undertake internal audits of the municipality.

### **Committee Recommendation**

**The Committee recommends that –**

- i). the Governor ensures the Internal Audit Department is adequately resourced to enable it to effectively discharge its functions as outlined under regulation 153(1) of the Public Finance Management (County Governments) Regulations, 2015; and**
- ii). the Governor ensures that within ninety (90) days of the adoption of this report, the Internal Audit Department undertakes its first quarterly internal audit of the municipality and prepares a corresponding quarterly internal audit report in accordance with regulation 160 of the Public Finance Management (County Governments) Regulations, 2015. Thereafter, the Governor shall ensure that the Internal Audit Department conducts routine internal audits of the municipality in accordance with the provisions of the Public Finance Management (County Governments) Regulations, 2015.**

#### **4. Failure to operationalize the mandate of the Municipality**

Review of records provided for audit revealed that since attaining Municipality status, the entity has not undertaken any of the eighteen (18) functions assigned under the Charter. Gazette Notice No. 9928, Vol. CXXV, No. 170 of 28 July 2023, establishing the Taveta Municipality Charter, Paragraph 2.3.1 which specifies these functions as the core mandate of the Municipality. The non-implementation of these functions indicates that the Municipality is not performing its intended roles, which could undermine service delivery and accountability to the public.

In the circumstances, the effectiveness of service delivery to the citizens could not be confirmed

### **Management Response**

Management indicated that it had taken various initiatives to ensure that the (18) Municipality functions as underlisted in the municipality charter (Legal Notice No. 2 of

08/05/2019) are operationalized such as solid waste management, Management of Market, Storm water drainage and Parking management.

### **Committee Observation**

The Committee observed that despite the municipality having a gazetted charter, the County Government was yet to operationalize the outlined functions. No clear strategies had been outlined by the management regarding how the delegated functions were to be operationalized.

### **Committee Recommendation**

**The Committee recommends that –**

- i). the Governor ensures full compliance with the provisions of the Urban Areas and Cities Act, Cap 275 and other applicable laws with respect to operationalization of the municipality;**
- ii). the Governor ensures that the municipality is adequately resourced and facilitated to undertake its delegated functions as per the municipal charter. Further, the Governor ensures that the municipality is granted fully operational autonomy to undertake its delegated function as outlined in the municipal charter; and**
- iii). the Governor to ensure that within sixty (60) days of the adoption of this report, the Municipal Board develops and implements a comprehensive strategy for the operationalization of the delegated functions as outlined in the Municipal Charter.**

### **2.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MUNICIPALITY OF VOI FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Taita Taveta County, Hon. (Dr.) Andrew Mwadime, EGH, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements of the Municipality of Voi for financial year 2024/2025. He was accompanied by –

- i). Mr. Elijah Mwazo - CECM Finance
- ii). Ms. Rachel Mwadime - Municipal Manager

#### **REPORT ON THE FINANCIAL STATEMENTS**

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

##### **Emphasis of Matter**

Under Emphasis of matter, the Auditor-General raise the following issue –

##### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual receipts on a comparable basis of Kshs.6,945,000 and Kshs.6,639,367 respectively resulting in underfunding of Kshs.305,633 or 4% of the approved budget.

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

##### **Management Response**

Management submitted that the underfunding and the under expenditure were due to delays in disbursement of exchequer releases for the month of June 2025 which had not been received as the closure of the financial year ended June 2025.

##### **Committee Observation**

The Committee observed that although evidence of the late disbursement of funds occasioned by delays in exchequer releases by the National Treasury was presented and confirmed by the Auditor-General, and the explanation for the delay was deemed satisfactory, the matter remains unresolved as it could not be ascertained whether the funds allocated were fully absorbed for the intended and budgeted activities.

## **Committee Recommendations**

**The Committee recommends that –**

- i). the National Treasury should ensure timely disbursement of funds to counties in accordance with the disbursement schedule passed by the Senate; and**
- ii). the Auditor-General verifies that the funds disbursed outside the financial year were utilized in accordance with the approved budget and submits a status update to the Senate within sixty (60) days of the adoption of this Report.**

## **Other Matter**

Under other matter, the Auditor-General raise the following issue –

### **Unresolved Prior Year Matters**

In the prior years' audit report, two (2) issues were raised under the Effectiveness of internal Controls, Risk Management and Governance. These include failure to prepare an integrated urban area development plan and lack of strategic plan. Review of the status during audit of the Municipality in 2024/2025 revealed that the matters remained unresolved.

### **Management Response**

Management indicated that steps to address the issues had been initiated in line with the recommendations of the Senate and the Auditor-General.

### **Committee observation**

The Committee observed that whereas the management had taken steps to address the outstanding matters, the query remains unresolved as a follow-up review by the Auditor-General was underway.

### **Committee Recommendations**

**The Committee recommends that, within 60 days of the adoption of this report, the Auditor-General finalizes the follow-up review and submits a status update on the matters to the Senate.**

## **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 –

### **3. Weaknesses in Internal Audit and Risk Management**

Review of internal controls revealed that the Municipality had not established an internal audit unit, contrary to Section 73(1)(a) of the Public Finance Management Act, 2012. Further, the Municipality has constituted an audit committee but there were no activities conducted by the committee within the year under review.

#### **Management Response**

Management indicated that the municipality has an active Audit Committee that has continued to provide oversight on audit matters. Further, the committee has been holding its meetings regularly with technical support from Internal Audit Officers seconded from the County Government, who have been providing guidance in reviewing internal controls, risk management processes, and governance matters.

#### **Committee Observation**

The Committee observed that evidence of the existence of the Internal Audit Committee, Internal Audit Unit and their activities was provided to the Auditor-General and verified.

#### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

### **4. Failure to operationalize the mandate of the Municipality**

Review of records provided showed that the entity did not perform its key mandate as stipulated in the charter under Gazette Notice No.10135 of 4/08/2023. Further, review of revenue records revealed that the Municipality also lacked revenue-sharing framework or reporting criteria to guide the recognition, recording, and disclosure of its own-source revenue, thus relying solely on transfers from the County Government, with no revenue generated from own sources as envisaged under the Urban Areas and Cities Act, 2011.

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

#### **Management Response**

Management acknowledged its mandate as outlined in the Municipal Charter under Gazette Notice No. 10135 of 4 August 2023, including the responsibility to establish a revenue-sharing framework and reporting criteria to guide the recognition, recording, and disclosure of own-source revenue. However, management stated that Municipality will begin to recognize, record, and disclose own-source revenue in the financial statements once a comprehensive revenue-sharing and revenue-mobilization framework has been developed

and implemented. This process will be fully operationalized upon the formal delegation of the own-source revenue collection function to the Municipality.

### **Committee Observation**

The Committee observed that despite the municipality having a gazetted charter, the County Government was yet to operationalize the outlined functions as critical processes such as development and implementation of revenue-sharing and revenue-mobilization framework had not been undertaken hence the query remains unresolved.

### **Committee Recommendation**

**The Committee recommends that –**

- i). the Governor ensures compliance with the provisions of the Urban Areas and Cities Act, Cap 275 and other applicable laws with respect to operationalization of the municipality;**
- ii). to ensure effective operationalization of the municipality, the Governor should ensure that a revenue mobilization and revenue sharing framework is developed within sixty (60) days of the adoption of this report; and**
- iii). the Governor ensures that the municipality is adequately resourced and facilitated to undertake its delegated functions as per the municipal charter. Further, the Governor ensures that the municipality is granted fully operational autonomy to undertake its delegated function as outlined in the municipal charter.**

## CHAPTER THREE: HOSPITALS

### 3.1. REPORT ON AUDITED FINACIAL STATEMENTS FOR MOI (VOI) COUNTY REFERRAL HOSPITAL FOR THE FINACIAL YEAR 2024/2025

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements Moi (Voi) County Referral Hospital for the Financial Year 2024/2025 –

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of Moi (Voi) County Referral Hospital for the period under review on the following basis –

#### 1. Undisclosed In-Kind Contributions from the County Government and Inaccurate Employee Costs.

The statement of financial performance and Note 16 to the financial statements reflects Kshs.4,289,400 in respect of employee costs. However, the expenditure did not include salaries of undetermined amount for permanent medical staff working at the hospital and paid by the Taita Taveta County Executive. Further, the payments in kind were not reported as revenue from the County Government.

In the circumstances, the accuracy and completeness of employee costs of Kshs. 4,289,400 could not be confirmed.

#### Management Response

Management acknowledged the audit observation and indicated that it has liaised with county human resource and finance departments concerning the issue and will provide the amount of salaries for the permanent medical staff. –

#### Committee Observation

The Committee observed that the query remains unresolved for the following reasons –

- i). the hospital management may have understated its revenue and operational costs by failing to recognize in-kind contributions from the County Government and salaries paid to permanent medical staff; and
- ii). management did not undertake the necessary adjustments to the financial statements to correct the anomaly.

## **Committee Recommendation**

The Committee recommends that –

- i). The Governor ensures that the Accounting Officer responsible for the hospital undertakes the necessary prior-year adjustments in the 2025/2026 financial statements to recognize the in-kind contributions from the County Government and the salaries paid to permanent medical staff. The Auditor-General to keep the matter in view and provide a status update in the subsequent audit cycle; and
- ii). the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of the Public Audit Act, Cap.412B in the preparation and management of financial and accounting records for payables to strengthen record-keeping and reporting failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.

## **2. Unsupported Rendering of Services – Medical Service Income**

The statement of financial performance reflects revenue from exchange transactions – medical services income totaling Kshs. 156,546,399 as disclosed in Note 11 to the financial statements generated from various revenue streams. However, the revenue was not supported by system generated schedules indicating income per revenue stream and details of dates, nature of services and the patient names.

In the circumstances, accuracy and completeness of rendering of services - medical services income of Kshs. 156,546,399 could not be confirmed.

### **Management Response**

Management acknowledged the audit observation, however the system in use (Algo health) is unable to generate a detailed breakdown of the income by revenue stream. The hospital management is working on acquiring a new hospital information management system.

### **Committee Observation**

The Committee observed that the system in use by the hospital could not generate a breakdown of the income per revenue stream. It was further observed that the hospital was in the process of acquiring a new hospital information management system. However, no timelines were provided as to when the process would be concluded.

### **Committee Recommendation**

**The Committee recommends that within 90 days of the adoption of this report the Governor ensures that the hospital acquires and deploys the new hospital information management system with the capacity to generate a breakdown of the hospital's income giving details such as dates, nature of services and the patient names.**

#### **3. Inaccurate Trade and Other Payables Balance**

The statement of financial position reflects trade and other payables balance of Kshs.66,445,604 as disclosed in Note 36 to the financial statements. However, recalculation shows a closing balance of Kshs.71,491,879 resulting in an unexplained variance of Kshs.5,046,275. Further, the aging analysis was not included as part of the disclosure note, contrary to the requirement of the Annual Financial Reporting Template.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs. 66,445,604 could not be confirmed.

### **Management Response**

Management acknowledged the audit observation and committed to undertaking amendments in the subsequent financial year.

### **Committee Observation**

The Committee observed that management acknowledged the anomaly and undertook to make the necessary adjustments in the financial statements for the subsequent financial year.

### **Committee recommendation**

**The Committee recommends that –**

- i). the Governor ensures that the Accounting Officer responsible for the hospital undertakes prior year adjustments in the financial statements of the financial year 2025/2026 to correct the anomalies identified in Trade and other payables. The Auditor-General to keep the matter in view and provide a status update in the subsequent audit cycle; and**
- ii). the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of the Public Audit Act, Cap.412B in the preparation and management of financial and accounting records for payables to strengthen record-keeping and reporting failure to which the Accounting Officer may be held liable under section 199 of the Public Finance**

**Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

#### **4. Understatement of Receivables from exchange transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs 40,887,248 as disclosed in Note 29 to the financial statements. However, recalculation of the balance resulted in a closing balance of Kshs 52,944,371 leading to an unexplained variance of Kshs 12,057,123.

In the circumstances, the accuracy of receivables from exchange transactions of Kshs. 40,887,248 could not be confirmed.

#### **Management Response**

Management acknowledged the audit observation and committed to undertaking amendments in the subsequent financial year.

#### **Committee Observation**

The Committee observed that management acknowledged the anomaly and undertook to make the necessary adjustments in the financial statements for the subsequent financial year.

#### **Committee recommendation**

**The Committee recommends that –**

- i). the Governor ensures that the Accounting Officer responsible for the hospital undertakes prior year adjustments in the financial statements of the financial year 2025/2026 to correct the anomalies identified in receivables from exchange transaction. The Auditor-General to keep the matter in view and provide a status update in the subsequent audit cycle; and**
- ii). the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of the Public Audit Act, Cap.412B in the preparation and management of financial and accounting records for payables to strengthen record-keeping and reporting failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

#### **Emphasis of Matter**

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

### **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. 137,891,854 and Kshs. 115,073,848 respectively, resulting in under funding of Kshs. 22,818,006 or 17% of the budget. Similarly, the Hospital spent Kshs. 103,669,535 against actual revenue of Kshs. 115,073,848, resulting in under absorption of Kshs. 11,404,313 or 10% of actual revenue.

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

### **Management Response**

Management acknowledged the audit observation and indicated that the underfunding of ksh 22,818,006 was as a result of unrealisation of 100% of the budgeted revenue.

The under absorption of funds of Kshs 11,404,313 was as a result of transfer of 25% and 3% to CHMT and fund Administrator respectively as per 60(1) B of Taita Taveta County Health services Act 2021.

### **Committee Observation**

The Committee observed that there was budgetary underperformance and that the Accounting Officer responsible for the hospital did not apply any budgetary controls upon realization that the budget was not performing as expected.

### **Committee Recommendation**

The Committee recommends that –

- i). the Governor ensures that the Accounting Officer responsible for the Fund complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences; and**
- ii). the Governor, through the County Executive Committee Member responsible for finance, ensures that the Board of the hospital institutes proper and realistic budget planning.**

### **Other Matter**

Under other matter, the Auditor-General raise the following issue –

### Prior Year Audit Issues

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Hospital in 2024/2025 revealed that the following ten (10) issues remained unresolved:

No.	Financial Year	Audit Issue	Management Response
1	2023/2024	Unexplained variances between the financial statements	The Audit observation is noted. The variance has been restated in the financial year 2024/2025 FS
2	2023/2024	Unsupported revenue	The Audit observation is noted. The hospital is under the process of acquiring a new system (EMR) system that will give a detailed report of revenue
3	2023/2024	Undisclosed and unsupported receivables	The Audit observation is noted. The receivables have been restated in the financial year 2024/2025 FS
4	2023/2024	Undisclosed liabilities	The Audit observation is noted. The liabilities have been restated in the financial year 2024/2025 FS
5	2023/2024	Unsupported receipts and cash and cash equivalents	The Audit observation is noted. The variance has been restated in the financial year 2024/2025 FS
6	2023/2024	Undisclosed Property, plant and equipment	The Audit observation is noted. The PPEs have been disclosed and restated in the financial year 2024/2025 FS
7	2023/2024	Unsupported inventory	The Audit observation is noted. The inventory has been restated in the financial year 2024/2025 FS

8	2023/2024	Unconfirmed brought forward balances	The Audit observation is noted. The variance has been restated in the financial year 2024/2025 FS
9	2023/2024	Presentation and disclosures in the financial statements	The Audit observation is noted. However we have amended and restated in the financial year 2024/2025 FS
10	2023/2024	Inadequacies in universal health coverage	The management has noted the audit observation. Staff have been recruited and new equipment and machines have been delivered in collaboration with MOH(NESP) which has improved healthcare services

In addition, the prior-year matters and the status on implementation of Prior year audit recommendations were not disclosed in the financial statements, contrary to the requirements of the Annual Financial Reporting Template.

**Committee Observation**

The Committee observed that, whereas the Accounting Officer had put in place some remedial measures, several audit issues remained outstanding.

**Committee Recommendations**

The Committee recommends that—

- i. the Governor ensures that Accounting Officer responsible for the hospital 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 accounting officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences; and
- ii. the Governor ensures the accounting officer submits a detailed status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

Pursuant to 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. Anomalies in Presentation and Disclosures in the Financial Statements**

The financial statements submitted for audit has several presentation and disclosure issues, contrary to the format prescribed by the Public Sector Accounting Standards Boards (PSASB) as follows:

- i. The corporate governance statement as it does not confirm existence of board charter, induction and training, board members performance, dates of appointments and terms of the board;
- ii. The statement of performance against predetermined objectives did not include specific performance indicators, baseline targets, or comparative analysis of planned versus actual achievements, thus hindering the full assessment of the progress on the attainment of the Hospital strategic development objectives

In the circumstances, the presentation and disclosures of non-financial information is not compliant with the presentation format prescribed by PSASB.

### **Management Responses**

Management provided documents to confirm existence of the board.

### **Committee Observation**

The Committee observed that the documents in support of the corporate governance statement provided and verified by the Auditor-General. However, the information was not reflected in the financial statement.

### **Committee Recommendation**

The Committee recommends that –

- i). **the Governor ensures that the Accounting Officer responsible for the hospital undertakes prior year adjustments in the financial statements of the financial year 2025/2026 to correct the anomalies identified. The Auditor-General to keep the matter in view and provide a status update in the subsequent audit cycle; and**

- ii). **the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of the Public Audit Act, Cap.412B in the preparation and management of financial and accounting records for payables to strengthen record-keeping and reporting failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

## **2. Engagement of Casual Employees beyond stipulated period**

The statement of financial performance and Note 16 to the financial statements reflect employee costs Kshs.4,289,400. Review of the master payroll revealed that some employees served for periods exceeding three (3) months without written contracts. This was contrary to section 37(1) (b) of the Employment Act, 2007 which provides that where a casual employee performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly and section 35 (1) (c) shall apply to that contract of service.

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

### **Management Response**

Management indicated that it was awaiting advertisement of the vacancies after submitting an indent to the county public service board.

### **Committee Observation**

The Committee observed that the hospital engaged casual employees beyond the stipulated statutory timelines provided for under the Employment Act, Cap. 226.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the hospital management complies with the provisions of section 37(1) of Employment Act, Cap. 226 failure to which the responsible officers may be held liable under section 87 of the Employment Act on penalties for offences. Auditor-General to keep the matter in view and provide a status update on compliance in the subsequent audit cycle.**

### 3. Deficiencies in Facilities Required under Kenya Medical Practitioners and Dentists Council Standards

Inspection of the Hospital revealed significant non-compliance with Kenya Medical Practitioners and Dentists Council (KMPDC) standards for Level 4 facilities as summarized below:

Mandatory Requirement	KMPDC Marks Rating	Conditions Deficiency	Partial Marks
Out/in Patient Pharmacy	2 Marks	One pharmacy in place used for both	1 Mark
Pathology Services	2marks	None in place	0 Mark
Minor theatre	2 Marks	None in place	0 Mark
Intensive Care Unit	2 Marks	None in Place	0 Mark
High Dependency Unit with twelve (12) beds (Adult, pediatrics and neonatal)	2 marks	None in Place	0 Mark
Waste Management, system/proof of contract with a licenced waste disposal company (NEMA approved)/fenced incinerator (NEMA approved)	2 Marks	Service Not Contracted	1 Mark
Utility Vehicle	2 Marks	Designated for blood bank but also used as utility	1 Mark
Security system: CCTV with back-up system, secure fence and gate and Alarm system	2 Marks	Alarm systems not in place	1 Mark
Psychiatry Personnel	2 Marks	None in Place	0 Mark
Pathologist	2 Marks	None in Place	0 Mark
Speech Therapist	2 Marks	None in Place	0 Mark
Compliance with Data Protection-Data protection Officer	2 Marks	None in Place	0 Mark

In the circumstances, the Hospital may not be able to effectively deliver on its mandate.

#### Management Response

Mandatory Requirement	KMPDC Marks Rating	Conditions Deficiency	Partial Marks	Management Response
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Out/in Patient Pharmacy	2 Marks	One pharmacy in place used for both	1 Mark	The audit observation was noted. However the outpatient pharmacy is 90%complete.
Pathology Services	2marks	None in place	0 Mark	The audit observation was noted. However the facility offers postmortem and laboratory services.
Minor theatre	2 Marks	None in place	0 Mark	The audit observation was noted. However the minor theatre is 80%complete
Intensive Care Unit	2 Marks	None in Place	0 Mark	The audit observation was noted.
High Dependency Unit with twelve (12) beds (Adult, pediatrics and neonatal)	2 marks	None in Place	0 Mark	The audit observation was noted.
Waste Management, system/proof of contract with a licenced waste disposal company (NEMA approved)/fenced incinerator (NEMA approved)	2 Marks	Service Not Contracted	1 Mark	The audit observation was noted.
Utility Vehicle	2 Marks	Designated for blood bank but also used as utility	1 Mark	The audit observation was noted.
Security system: CCTV with back-up system, secure fence and gate and Alarm system	2 Marks	Alarm systems not in place	1 Mark	The audit observation was noted.

Psychiatry Personnel	2 Marks	None Place	in	0 Mark	The audit observation was noted. However the hospital has a psychiatric nurse.
Pathologist	2 Marks	None Place	in	0 Mark	The audit observation was noted.
Speech Therapist	2 Marks	None Place	in	0 Mark	The audit observation was noted.
Compliance with Data Protection-Data protection Officer	2 Marks	None Place	in	0 Mark	The audit observation was noted. However we have attached the data protection certificate

### **Committee Observation**

The Committee observed that the Hospital did not meet the minimum staffing, equipment, bed capacity, service provision, and digital health system requirements as prescribed by the Kenya Quality Model for Health Policy Guidelines for a Level 4 facility.

### **Committee Recommendation**

**The Committee recommends that –**

- i). within sixty (90) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital’s staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward; and**
- 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 to monitor progress and keep this matter under review in the subsequent audit cycle.**

#### **4. Failure to prepare Quarterly Reports**

The audit established that management did not prepare quarterly financial reports during the year under review. This was contrary to the prescribed reporting requirements by the Public Sector Accounting Standards Board as stipulated under section 64(1) and (4) of the Public Finance Management (County Government) regulations, 2015, which provides that the Accounting officer or receiver of revenue or collector of revenue shall prepare a quarterly report not later than the 15th day after the end of the quarter and submit the report to the county treasury, with a copy to the auditor general.

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

#### **Management Response**

Management indicated that it has commenced doing the quarterly report and provided the first quarterly report for the financial year 2025/2026.

#### **Committee Observation**

The Committee observed that the management had taken remedial measures as confirmed by the Auditor-General.

#### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

#### **5. Non-Compliance with the Data Protection Act on Registration as a Data Controller/Processor**

The Hospital processes and stores sensitive personal information for both patients and staff, including names, phone numbers, addresses, and other confidential details. Despite handling such data, the Hospital was not registered with the Office of the Data Protection Commissioner (ODPC) as either a data controller or data processor. This is contrary to Section 18(1) of the Data Protection Act, 2019 which requires that, subject to subsection (2) no person shall act as data controller or data processor unless registered with the Data Commissioner.

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

### **Management Response**

Management indicated that it has already complied with the data protection act and has acquired a certificate.

### **Committee Observation**

The Committee observed that the management has already complied and issued a certificate

### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

### **6. Non-Compliance with Facilities Improvement Financing Act, 2023**

Review of revenue records revealed that the hospital collected an amount of Kshs. 46,206,862 in respect of facilities Improvement fund and the entire amount was transferred to the county revenue fund. However, the amount reimbursed to the hospital was Kshs 34,350,016, resulting in a deficit of Kshs 11,856,846. This was contrary to section 5(1) the facilities improvement financing act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities to be retained in the hospital facilities improvement financing account.

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

### **Management Response**

The audit observation has been noted. Currently the hospital finances are guided by the Taita Taveta County Health Services Act, 2021.

Taita Taveta County government has enacted the Taita Taveta Health improvement financing Act 2024 that shall ensures all monies are retained by the collecting unit, however the regulations are yet to be assented to by the County Assembly.

### **Committee Observation**

The Committee observed that the County Government relied on the Taita Taveta County Health Services Act, 2021, which required that all monies be transferred to the County Revenue Fund (CRF), contrary to the provisions of section 5(1) of the Facilities Improvement Act, Cap. 277. However, management indicated that amendments to the County Act had been effected to align it with the Facilities Improvement Act, Cap. 277, and that reimbursement of the monies previously transferred to the CRF had been initiated.

## **Committee Recommendation**

**The Committee recommends that –**

- i). the Governor ensures all funds collected under the Facilities Improvement Financing Act, 2023 are properly retained and managed by the Hospital in accordance with Section 5(1) of the Act, and that procedures are established to prevent future misallocation;**
- ii). the Governor ensures that monies transferred to the CRF from the hospital are budgeted for and fully refunded in the financial year 2026/2027; and**
- iii). the Auditor-General to keep the matter in view and provide a status update in the subsequent audit cycle.**

### **3.2. REPORT ON AUDITED FINACIAL STATEMENTS FOR WESU SUB-COUNTY HOSPITAL FOR THE FINACIAL YEAR 2024/2025**

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements Wesu Sub-County Hospital for the Financial Year 2024/2025 –

#### **REPORT ON THE FINANCIAL STATEMENTS**

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

##### **1. Unsupported property plant and equipment**

The statement of financial position and Note 32 to the financial statements reflects property, plant and equipment balance of Kshs.628,387. The balance includes additions for the year of Kshs.404,200 in respect of ICT equipment, plant and medical equipment and other assets which were not supported by invoices, delivery notes, payment vouchers and detailed breakdown.

In addition, the property, plant and equipment balance was not supported by an asset register thus confirmation of existence and conditions of the assets could not be confirmed.

In the circumstances, the accuracy, completeness and valuation of property, plant and equipment balance of Kshs.628,237 could not be confirmed.

##### **Management Response**

Management provided the asset register, supported with invoices, delivery notes, payment vouchers and a detailed breakdown.

##### **Committee Observation**

The Committee observed that the management provided the required documents.

##### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved**

##### **Other Matter**

Under other matter, the Auditor-General raise the following issue –

### Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Hospital in 2024/2025 revealed that the following eleven (11) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Inaccuracy in statement of financial position
2	2023/2024	Unsupported cash and cash equivalent
3	2023/2024	Undisclosed property, plant and equipment
4	2023/2024	Understatement of revenues from exchange transactions
5	2023/2024	Unsupported transfers of funds
6	2023/2024	Lack of procurement plan
7	2023/2024	Unsupported engagement of casuals
8	2023/2024	Payment of wages below stipulated minimum wages
9	2023/2024	Idle facility
10	2023/2024	Lack of IT strategic plan and data recovery
11	2023/2024	Hospital role in universal health care (UHC)

### Management Response

No.	Financial Year	Audit Issue	Management response
1	2023/2024	Inaccuracy in statement of financial position	The audit observation has been noted however, the inaccuracy in the 23/24 FS has been Restated in the FY 2024/25 FS
2	2023/2024	Unsupported cash and cash equivalent	The audit observation has been noted however, the unsupported cash and cash equivalent in the 23/24 FS has been Restated in the

			FY 2024/25 FS
3	2023/2024	Undisclosed property, plant and equipment	The audit observation has been noted however, the undisclosed property plant and equipment in the 23/24 FS has been Restated in the FY 2024/25 FS
4	2023/2024	Understatement of revenues from exchange transactions	The audit observation has been noted however, the understatement of revenues from exchange transactions in the 23/24 FS has been Restated in the FY 2024/25 FS
5	2023/2024	Unsupported transfers of funds	The audit observation has been noted however, the unsupported transfer of funds in the 23/24 FS has been Restated in the FY 2024/25 FS
6	2023/2024	Lack of procurement plan	Approved procurement plan is hereby attached
7	2023/2024	Unsupported engagement of casuals	The engagement of casuals was informed by the facility's staff establishment. Further the hospital management has sought an advisory from CPSB
8	2023/2024	Payment of wages below stipulated minimum wages	The management is in cognizant with the audit observation. However, the minimum wages have been reviewed.
9	2023/2024	Idle facility	The management is in cognizant with the

			audit observation. The said facility was rendered obsolete and has further been replaced
10	2023/2024	Lack of IT strategic plan and data recovery	The management is in cognizant with the audit observation. However, The formulation of the ICT policy that includes a IT strategic plan and data recovery plan is in underway.
11	2023/2024	Hospital role in universal health care (UHC)	The management has noted the audit observation. New staff have been recruited and new equipment and machines have been delivered in collaboration with MOH/(NESP) which has improved healthcare access

### **Committee Observation**

The Committee observed that, whereas the Accounting Officer had put in place some remedial measures, several audit issues remained outstanding.

### **Committee Recommendations**

**The Committee recommends that—**

- i. the Governor ensures that Accounting Officer responsible for the hospital 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 accounting officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences; and**

- ii. **the Governor ensures the accounting officer submits a detailed status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

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

Pursuant to 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. Compliance with law and effectiveness of upgrading of Hospitals**

**1.1. Lack Of Essential Equipment & Machines**

Review of hospital health policy guidelines revealed that the Hospital did not have the necessary equipment’s and machines as required under Section 44(1) of the Primary Health Care Act, 2023.

<b>Service</b>	<b>Level 4 Hospital Standard Requirements.</b>	<b>Actuals in the hospital</b>	<b>Variance</b>	<b>Variance in Percentage- (%)</b>
Beds	150	68	82	54.7
Newborn unit incubators	5	2	3	60
Newborn unit cots	5	1	4	80
Functional ICU Beds	6	0	6	100
High dependency Unit (HDU)	6	0	6	100
Renal unit at least 5 dialysis machines	5	0	5	100

**Management Response**

Management indicated that the hospital through the county government is working to improve on accessibility and availability of healthcare services by equipping the hospital with the essential equipment and machines to the required standard.

**Committee Observation**

The Committee observed that the query remains unresolved as the optimal infrastructure levels have not been achieved as is required under the Kenya Quality Model for Healthcare for a level 4 hospital.

### Committee Recommendation

The Committee recommends that 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 to monitor progress and keep this matter under review in the subsequent audit cycle.

#### 1.2. Deficiencies In Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health policy guidelines due to staff deficits by 65 staff requirements or 64.4 % of the authorized establishments.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Variance in Percentage %
Medical officers	16	5	11	68.8
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologist	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	31	44	58.7
<b>Total</b>	<b>101</b>	<b>36</b>	<b>65</b>	

### Management Response

The hospital management indicated that through the county government, it is working on meeting the optimal required number of staff by the facility.

### **Committee Observation**

The Committee observed that the query remains unresolved as the optimal staffing levels have not been achieved as is required under the Kenya Quality Model for Healthcare for a level 4 hospital.

### **Committee Recommendation**

**The Committee recommends that within sixty (90) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward. The Auditor-General to monitor progress and keep this matter under review in the subsequent audit cycle.**

## **2. Non-Compliance with Facility Improvement Financing Act, 2023**

Review of county revenue records for level 4 and 5 hospitals revealed that Wesu sub county hospital collected Kshs. 5,629,105 and transferred the same to county to County Revenue Fund. However, only Kshs. 4,384,071 was reimbursed to the hospital leaving a balance of Kshs. 1,245,034. Further, the Facility Improvement Financing (FIF) revenues were deposited into the general county revenue accounts instead of the designated Facility bank accounts. This is contrary to the provisions of section 20-25 of the Facilities Improvement Act, 2023 which requires that all revenues collected by health facilities be retained in designated FIF accounts and utilized strictly for approved operational and improvement activities.

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

### **Management Response**

Management indicated that currently the hospital finances are guided by the Taita Taveta County Health Services Act, 2021. Taita Taveta County government has enacted the Taita Taveta Health improvement financing Act 2024 that shall ensure all monies are retained by the collecting facility, however the regulations are yet to be assented to by the County Assembly.

### **Committee Observation**

The Committee observed that the County Government relied on the Taita Taveta County Health Services Act, 2021, which required that all monies be transferred to the County Revenue Fund (CRF), contrary to the provisions of section 5(1) of the Facilities Improvement Act, Cap. 277. However, management indicated that amendments to the County Act had been effected to align it with the Facilities Improvement Act, Cap. 277, and that reimbursement of the monies previously transferred to the CRF had been initiated.

### **Committee Recommendation**

**The Committee recommends that –**

- i). the Governor ensures all funds collected under the Facilities Improvement Financing Act, 2023 are properly retained and managed by the Hospital in accordance with Section 5(1) of the Act, and that procedures are established to prevent future misallocation;**
- ii). the Governor ensures that monies transferred to the CRF from the hospital are fully refunded in the financial year 2026/2027; and**
- iii). the Auditor-General to keep the matter in view and 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 –

#### **Lack of Hospital Information System**

Examination of the Hospital revenue process, billing system, stores inventory management-pharmaceutical and non-pharmaceutical inventory activities and accounting system revealed that all hospital operations are done manually. A hospital information technology system is necessary for capturing, storing and processing of hospital fee services. In the circumstances, the effectiveness of internal controls designed in all operations especially revenue collection could not be ascertained.

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

### **Management Response**

Management indicated that through the county government and the national government it has enrolled the tiberbu system which is currently at 80% and working towards achieving 100% for public hospitals to operate with.

### **Committee Observation**

The Committee observed that as confirmed by the Auditor-General, no information technology is in place for the revenue process, billing system, stores inventory management-pharmaceutical and non-pharmaceutical inventory activities.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that within 90 days of the adoption of this report, the Hospital Management Committee puts in place all internal control systems such as Hospital Information System 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.**

### 3.3. REPORT ON AUDITED FINANCIAL STATEMENTS FOR TAVETA SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements Taveta Sub-County Hospital for the Financial Year 2024/2025 –

#### REPORT ON THE FINANCIAL STATEMENTS

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

##### 1. Variances in the Financial Statements Balances

##### 1.1. Variances between the financial statement balances and casted amounts

The financial statements presented for audit reflects variances between the financial statement balances and the casted balances as analyzed here below;

<b>Component</b>	<b>Amount in the Financial Statements Kshs.</b>	<b>Casted Amounts Kshs.</b>	<b>Variance Kshs.</b>
Statement of changes in net assets			
Surplus/(deficit) for the year (Total column)	9,937,311	(5,397,473)	15,334,784
Total as at June 30,2025	21,833,538	6,498,754	15,334,784
<b>Statement of comparison of Budget and Actual Amounts</b>			
Rendering of services – Medical service Income (performance difference)	(10,284,038)	(10,232,314)	51,724
Total receipts actual on comparable basis	53,396,297	52,313,722	1,082,575
<b>Notes to the Financial Statements</b>			

Trade and other payables (opening balance) – Note 36	478,221	12,483,702	(12,005,481)
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**Management Response**

Management acknowledged the anomaly and indicated that the financial statements would be rested in the subsequent financial year.

**Committee Observation**

The Committee observed that management acknowledged the anomalies and undertook to restate the financial statements in the subsequent financial year.

**Committee Recommendation**

The Committee recommends that—

- i). the Governor ensures that the Accounting Officer undertakes prior year adjustments to restate the financial statements in the subsequent financial year 2025/2026. The Auditor-General to keep this in view in the subsequent audit cycle;
- ii). the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences;
- 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 that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and
- v). the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section

**168(3) of the Public Finance Management Act, Cap.412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

**1.2. Variances Between Financial Statement Balance and Schedules**

The financial statements reflect rendering of services – medical service income and receivables from exchange transactions of Kshs. 52,261,998 and Kshs. 8,534,402 while the supporting schedules show Kshs. 40,472,773 and Kshs. 8,670,875 resulting in a variance of Kshs. 11,789,225 and Kshs.(136,473). The differences have not been explained or reconciled.

**Management Response**

Management indicated that according to schedules provided as indicated in Note 11, the total revenue received from rendering of services is Kshs. 52,261,998. Kshs. 40,472,773 represented revenue received from SHA while Kshs. 11,789,225 represented revenue received from user fees.

**Committee Observation**

The Committee observed that the schedules provided by the management adequately explained the variance.

**Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

**1.3. Variance between financial statement balance and schedules in support of the financial statement**

The financial statements presented for audit reflected differences between the financial statement balances and Notes to the financial statement as shown below.

<b>Component</b>	<b>Note</b>	<b>Amount in Financial Statement Kshs.</b>	<b>Amount in Notes to the financial statement Kshs.</b>	<b>Variance Kshs.</b>
<b>Statement of Financial Performance</b>				

Rendering of services -Medical service income (opening balance)	11	46,107,641	41,098,799	5,008,842
Grants and subsidies (Opening Balance)	20	2,565,436	2,565,395	41
<b>Statement of Financial Position</b>				
Receivables from exchange transactions	29	8,534,402	8,670,875	(136,473)
Receivables from exchange transactions (opening balance)	29	<b>8,534,402</b>	45,910,471	(37,376,069)
Investment Property	34	<b>0</b>	3,971,518	(3,971,518)
Investment Property (opening balance)	34	<b>0</b>	584,750	(584,750)
Inventories (opening balance)	31	<b>0</b>	20,902,832	(20,902,832)
Trade and other payables (opening balance)	36	<b>0</b>	478,221	(478,221)

In the circumstances, the accuracy and completeness of the financial statement balances could not be confirmed.

### **Management Response**

- Management acknowledged the anomaly and indicated that the financial statements would be rested in the subsequent financial year.

### **Committee Observation**

The Committee observed that management acknowledged the anomalies and undertook to restate the financial statements in the subsequent financial year.

### **Committee Recommendation**

**The Committee recommends that—**

- i). the Governor ensures that the Accounting Officer undertakes prior year adjustments to restate the financial statements in the subsequent financial year 2025/2026. The Auditor-General to keep this in view in the subsequent audit cycle;
- ii). the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences;
- 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 that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and
- v). the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.

## **2. Inaccurate depreciation and amortization Expense amount**

The statement of financial performance and note 18 of the financial statement reflect depreciation and amortization expense of Kshs.412,902. However the recalculated amount shows Kshs. 434,909 resulting in variance of Kshs. 22,007 which was not explained or reconciled.

In the circumstances, the accuracy and completeness of the depreciation and amortization expense of Kshs.412,902 could not be confirmed.

### **Committee Observation**

The Committee observed that management acknowledged the anomalies and undertook to restate the financial statements in the subsequent financial year.

### **Committee Recommendation**

**The Committee recommends that—**

- i). the Governor ensures that the Accounting Officer undertakes prior year adjustments to restate the financial statements in the subsequent financial year 2025/2026. The Auditor-General to keep this in view in the subsequent audit cycle; and**
- ii). the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

### **3. Inaccurate Property, Plant and Equipment Balance**

The statement of financial position and as disclosed in Note 32 to the financial statements reflects property, plant and equipment balance of Kshs.3,971,518. The amount includes buildings and civil works, furniture, fittings and office equipment and ICT equipment whose cost as at 30 June, 2025 was Kshs.54,000, Kshs.874,082 and Kshs.994,138 recasting shows Kshs. 60,000, Kshs.901,332 and Kshs.1,054,138 resulting in an unexplained variance of Kshs.6,000, Kshs.27,250 and Kshs.60,000 respectively. In addition, the recalculated property, plant and equipment as at 30 June, 2025 was Kshs.3,949,512 resulting in a difference of Kshs.22,006.

Further, the accumulated depreciation amount of Kshs.412,902 as reflected in note 32 differed with the recalculated accumulated depreciation amount of Kshs.528,158 by Kshs.115,256.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.3,971,518 could not be confirmed.

### **Management Response**

Management acknowledged the anomaly and indicated that the financial statements would be restated in the subsequent financial year.

### **Committee Observation**

The Committee observed that management acknowledged the anomalies and undertook to restate the financial statements in the subsequent financial year.

### **Committee Recommendation**

**The Committee recommends that—**

- i). the Governor ensures that the Accounting Officer undertakes prior year adjustments to restate the financial statements in the subsequent financial year 2025/2026 to reflect the true and accurate position of the hospital's assets. The Auditor-General to keep this in view in the subsequent audit cycle;**
- ii). the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences;**
- 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 that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**
- v). the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

#### **4. Understatement of Rendering of Services – Medical Service Income**

The statement of financial performance for the year ended 30 June, 2025 and Note 11 to the financial statements reflect rendering of services – medical income of Kshs.52,261,998. The amounts includes in this balance is Kshs.11,789,225 relating to medical services rendered through M-pesa services. However, the M-pesa statements indicated an amount of Kshs.11,861,775 which resulted in an unexplained variance of Kshs. 72,550. In addition, the revenue collected through medical services rendered was not supported by a detailed schedule showing all the medical services revenue streams and their respective incomes.

In the circumstance, the accuracy and completeness of medical services- medical income amount of Kshs. 52,261,998 could not be confirmed.

#### **Management Response**

Management indicated that the reason for the variance is that by the end of the financial year, after the swiping of the funds from M-pesa account to the linked bank account, there was a balance of queried amount as stated in the M-pesa statement of June 30<sup>th</sup> 2025.

#### **Committee Observation**

The Committee observes that the explanation provided by the management and as verified by the Auditor-General was adequate.

#### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

#### **5. Misclassification of expenditure under food and ration**

The statement of financial performance and Note 15 to the financial statements reflect medical/clinical costs of Kshs.36,182,520. Included in this amount is Kshs.6,179,222 in respect of food and ration. However, audit of the expenditure included an amount of Kshs.100,000 for supply and delivery of furniture was reported under food and ration schedule instead of property, plant and equipment schedule resulting in overstatement of food and ration expenses by Kshs.100,000.

In the circumstance, the accuracy and completeness of food and ration of Kshs.6,179,222 could not be confirmed.

## **Management Response**

Management indicated that the misclassification of Kshs. 100,000 will be corrected in the financial year 2025/2026 financial statements.

## **Committee Observation**

The Committee observed that management acknowledged the anomalies and undertook to restate the financial statements in the subsequent financial year to correct the misclassification.

## **Committee Recommendation**

**The Committee recommends that—**

- i). the Governor ensures that the Accounting Officer undertakes prior year adjustments to restate the financial statements in the subsequent financial year 2025/2026 and correct the misclassification. The Auditor-General to keep this in view in the subsequent audit cycle;**
- ii). the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences;**
- iii). 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**
- iv). the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

## **6. Recognition of Prior Years Expenses in the Current Financial Year**

The statement of financial performance and Note 15, Note 16 and Note 21 of the financial statements for the period ended 30 June, 2025 reflect medical/clinical costs, employee costs and general expenses of Kshs.36,182,520, Kshs.864,000 and Kshs.13,914,358 which included prior year expenses amounting to Kshs.4,688,081, Kshs. 72,000 and Kshs. 1,400,000 respectively that had been included in the current year's expenditure. The hospital did not observe the correct cut-off period when recording expenses, resulting in overstatement of the expenditure.

In the circumstances, the accuracy and completeness of medical/clinical costs, employee costs and general expenses of Kshs.36,182,520, Kshs.864,000 and Kshs.13.914,358 respectively could not be confirmed.

### **Management Response**

Management acknowledged the anomaly and indicated that the financial statements would be restated in the subsequent financial year.

### **Committee Observation**

The Committee observed that management acknowledged the anomalies and undertook to restate the financial statements in the subsequent financial year.

### **Committee Recommendation**

**The Committee recommends that—**

- i). the Governor ensures that the Accounting Officer undertakes prior year adjustments to restate the financial statements in the subsequent financial year 2025/2026. The Auditor-General to keep this in view in the subsequent audit cycle;**
- ii). the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences;**
- iii). 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**

- iv). **the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

### **7. Undisclosed Inventory Balance**

The statement of financial position and Note 31 to the financial statements reflects Nil balance in respect of inventories. However, audit review of stock control cards revealed closing balances of an undisclosed amount for various pharmaceutical and non-pharmaceutical stocks as at 30 June, 2025. Further, no evidence was provided to confirm that annual stock take was carried out within the period under review or at the end of the financial year.

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

#### **Management Response**

Management indicated that a full review of inventory management procedures has been undertaken, and periodic stocktaking exercises have now been scheduled and implemented across all departments. In addition, a comprehensive annual stock take was conducted at year-end to verify the existence, accuracy, and completeness of inventory records. The results have been reconciled with the inventory ledger, and any variances identified were investigated and appropriately addressed.

#### **Committee Observation**

The Committee observed that the management instituted adequate remedial measures.

#### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

### **8. Failure to Provide Ageing Analysis for Receivables and Payables**

The statement of financial position and as disclosed in Note 36 to the financial statements reflects a balance of Kshs. 15,302,797 in respect of trade and other payables. However, no ageing analysis was provided in support of the balance.

In the circumstance, the accuracy of the trade and other payables balance of Kshs.15,302,797 could not be confirmed.

### **Management Response**

Management indicated that failure to provide the ageing analysis was an oversight. The ageing analysis was provided for review.

### **Committee Observation**

The Committee observed that whereas the ageing analysis was provided and verified by the Auditor-General, it lacked information such as dates and the payment voucher numbers.

### **Committee Recommendation**

**The Committee recommends that –**

- i). the Governor ensures that the Accounting Officer responsible for the hospital makes timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap. 412B, failure to which the Accounting Officer may be held liable under section 62(2) of the Public Audit Act, Cap. 412B on penalties for offenses; and**
- ii). the Governor ensures that within 60 days of the adoption of this report, the Accounting Officer responsible for the hospital submits to the Auditor-General an ageing analysis of receivables and payables with all the necessary details for verification.**

### **Emphasis of Matter**

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

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2025 did not reflect the budget and actual amounts. The omission makes it difficult to assess the entity's budgetary performance and compliance with the approved budget as required by the International Public Sector Accounting Standards.

### **Management Response**

Management indicated that the omission was an oversight and that it has since been corrected.

### **Committee Observation**

The Committee observed that the necessary corrections were effected.

### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

### **Other Matter**

The Auditor-General raised the following query under Other Matter –

### **Unresolved Prior Year Audit Issues**

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Hospital in 2024/2025 revealed that the following fourteen (14) issues remained unresolved:

<b>No.</b>	<b>Financial Year</b>	<b>Audit Issue</b>
1	2023/2024	Unexplained variances
2	2023/2024	Unsupported and Undisclosed Receivables
3	2023/2024	Undisclosed Liabilities
4	2023/2024	Unsupported Expenditure – General Expenses
5	2023/2024	Unsupported User Fees Transfers
6	2023/2024	Undisclosed Inventories
7	2023/2024	Cash and Cash Equivalents
8	2023/2024	Unsupported and Undisclosed Property, Plant and Equipment
9	2023/2024	Presentation and Disclosure in the Financial Statements
10	2023/2024	Failure to hold Board Meetings
11	2023/2024	Shortage of Resources
12	2023/2024	Management and Control of Imprests
13	2023/2024	Unsupported Procurements – repairs and Maintenance
14	2023/2024	Lack of Risk Management Policy

## Management Response

No.	Financial Year	Audit Issue	Management responses
1	2023/2024	Unexplained variances	The audit observation is noted. The variance has been restated in the FY 2024/25 FS
2	2023/2024	Unsupported and Undisclosed Receivables	The audit observation is noted. The unsupported receivables has been restated in the FY 2024/25 FS
3	2023/2024	Undisclosed Liabilities	The audit observation is noted. The liabilities have been restated in the FY 2024/25 FS
4	2023/2024	Unsupported Expenditure – General Expenses	The audit observation is noted. The general expenses has been restated in the FY 2024/25 FS
5	2023/2024	Unsupported User Fees Transfers	The audit observation is noted. The unsupported has been restated in the FY 2024/25 FS
6	2023/2024	Undisclosed Inventories	The audit observation is noted. The undisclosed inventory has been restated in the FY 2024/25 FS
7	2023/2024	Cash and Cash Equivalents	The audit observation is noted. The cash and cash equivalent has been restated in the FY 2024/25 FS
8	2023/2024	Unsupported and Undisclosed Property, Plant and Equipment	The audit observation is noted. The unsupported PPE has been restated in the FY 2024/25 FS
9	2023/2024	Presentation and Disclosure in the Financial Statements	The audit observation is noted. The presentation and disclosure have been restated in the FY 2024/25 FS
10	2023/2024	Failure to hold Board Meetings	The management has noted the audit observation. During the said period, the

			HMB had not been fully appointed.
11	2023/2024	Shortage of Resources	The audit observation is noted.
12	2023/2024	Management and Control of Imprests	The audit observation is noted and the imprest register was updated in subsequent years FY 2024/25
13	2023/2024	Unsupported Procurements – repairs and Maintenance	The audit observation is noted. The required documents have been provided.
14	2023/2024	Lack of Risk Management Policy	The management is in cognizant with the audit observation. However, the formulation of the Risk Management policy is still underway.

### **Committee Observation**

The Committee observed that, whereas the Accounting Officer had put in place some remedial measures, several audit issues remained outstanding.

### **Committee Recommendations**

**The Committee recommends that—**

- i. the Governor ensures that Accounting Officer responsible for the hospital 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 accounting officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences; and**
- ii. the Governor ensures the accounting officer submits a detailed status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

Pursuant to 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 Quarterly Financial Reports**

The statement of financial performance reflects Kshs.52,261,998 in relation to the rendering of services – medical service income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that quarterly reports were prepared and submitted the same to the County treasury with a copy to the Auditor General as per the requirement of Regulation 64(1) of the Public Finance Management (County Governments) 2015 which requires that the Accounting Officer or receiver of revenue or collector of revenue shall prepare a quarterly report not later than the 15th day after the end of the quarter.

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

### **Management Response**

Management indicated that the facility has begun preparing the quarterly financial statements.

### **Committee Observation**

The Committee observed that whereas management indicated that they had commenced generating quarterly reports, no evidence of the same was provide for audit review.

### **Committee Recommendation**

**The Committee recommends that –**

- i). the Governor, through the County Executive Committee Member responsible for health, ensures that the Accounting Officer responsible for the hospital complies with regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 on preparation of quarterly statements, failure to which the accounting officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences; and**
- ii). within 60 days of the adoption of this report, the Accounting Officer responsible for the hospital submits to the Auditor-General evidence that quarterly reports are being prepared.**

## **2. Irregular Award of Tender for the Service and Repair of Mortuary Chamber**

The statement of financial performance and Note 19 to the financial statements reflect repairs and maintenance of Kshs. 2,875,578. The amount includes Kshs.956,043 in respect of maintenance of plant, machinery and equipment which further include Kshs.165,000 spent on servicing and repair of mortuary chamber. Review of records revealed that procurement laws and procedures were not adhered to since invitation to quote, tender evaluation minutes, professional opinion, letter of award, letter of acceptance and certificate of practical completion in support of the procurement were lacking.

In addition, the vendor was not in the list of pre-qualified suppliers, contrary to Section 44(1) and (2,g) of the Public Procurement and Asset Disposals Act, 2015 which requires that in the performance of the responsibility an accounting officer to ensure the procurement and asset disposal process of the public entity complies with this Act.

In the circumstances, the validity of the procurement worth Kshs.165,000 could not be confirmed.

### **Management Response**

Management indicated that the method of procurement that was used was a framework contract and not request for quotation which require invitation to quote, tender evaluation minutes, professional opinion, letter of award, letter of acceptance and certificate of practical completion. The service that was offered by Nelscope Limited was in the framework contract for repair and maintenance of plant and equipment for the FY 2022/24.

### **Committee Observation**

The Committee observed that list of pre-qualified suppliers provided in support of framework contracting.

### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

## **3. Irregular Engagement of Casual Workers**

The statement of financial performance and Note 16 reflects employee costs amounting to Kshs.864,000. Review of casual workers records and supporting documentation revealed that the management had engaged eight (8) casual workers at a monthly rate of Kshs.9,000. However, copies of letters of appointment showing the terms of service, job description and remuneration were not provided for audit review. This was in violation of Section B.10

(2) of the County Public Service Human Resource Manual that states a written contract of service shall state particulars of employment which include the name and address of the employee, job description, date of commencement of the job, form and duration of the contract, place of work, hours of work, remuneration, terms and conditions of employment which the employee is entitled

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

### **Management Response**

Management Indicated that it was awaiting advertisement of the vacancies after submitting an indent to the County Public Service Board.

### **Committee Observation**

The Committee observed that the hospital engaged casual employees beyond the stipulated statutory timelines provided for under the Employment Act, Cap. 226.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the hospital management complies with the provisions of section 37(1) of Employment Act, Cap. 226 failure to which the responsible officers may be held liable under section 87 of the Employment Act on penalties for offences. Auditor-General to keep the matter in view and provide a status update on compliance in the subsequent audit cycle.**

#### **4. Deficiencies in Implementation of Universal Health Coverage (UHC)**

Review of Taveta Sub-County Health records and interviews conducted with the hospital management on verification of services offered, equipment used and the medical specialists in the hospital as at the time of audit on 12 November, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff under establishment as indicated below:

<b>Hospital Staff</b>	<b>Level 4 Requirement</b>	<b>Number in Hospital</b>	<b>Deficit</b>	<b>Percentage Deficit (%)</b>
Medical Officers	16	7	9	56%
General Clinical Officers	30	18	12	40%
Anesthesiologists	2	0	2	100%
General Surgeons	2	1	1	50%

Gynecologists	2	1	1	50%
Pediatricians	2	0	2	100%
Radiologists	2	0	2	100%
Psychiatry/Mental Clinical Officer	1	0	1	100%
Kenya Registered Community Health Nurses	75	52	23	30.67%
Pharmacists	4	2	2	50%
Plaster Technology Technicians	4	0	4	100%
General Physiotherapists	6	4	2	33.3%
Dental Officers	4	1	3	75%
General Radiographer	6	4	2	33.3%
Medical Lab Technologists	40	11	29	72.5%
Nutrition and Dietetic Officers	10	4	6	60%

In addition, the hospital lacked the necessary equipment and machines outlined in the Health Policy Guidelines as analyzed here below:

<b>Equipment</b>	<b>Level 4 Requirement</b>	<b>Number in Hospital</b>	<b>Deficit</b>	<b>Percentage Deficit (%)</b>
Beds	150	120	30	20%
Resuscitaire (2 in labour & 1 in theatre)	3	1	2	66.67%
Newborn Unit incubators	5	2	3	60%
Functional ICU with at least 6 beds	1 ICU 6 beds	0	6	100%
High Dependency Unit (HDU) with at least 6 beds	1 HDU 6 beds	0	6	100%
Renal Unit with at least 5 dialysis machines	5	2	3	60%

MRI machine	1	0	1	100%
CT Scan machine	1	0	1	100%
Mammography machine	1	0	1	100%
Dental X-ray	1	0	1	100%
Defibrillators	3	1	2	50%
Functional operating theatres (General & Maternity)	2	1	1	50%
Modern communication System & ICT infrastructure	1	0	1	100%
CCTV System	1	0	1	100%

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

In the circumstances, the hospital would not be able to fully deliver on its mandate.

### **Management Response**

Management indicated that it was working with the County Government on meeting the optimal required number of staff by the facility and to improve on accessibility and availability of healthcare services by equipping the hospital with the essential equipment and machines to the required standard.

### **Committee Observation**

The Committee observed that the Hospital did not meet the minimum staffing, equipment, bed capacity, service provision, and digital health system requirements as prescribed by the Kenya Quality Model for Health Policy Guidelines for a Level 4 facility.

### **Committee Recommendation**

**The Committee recommends that –**

- i). within sixty (90) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital’s staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources,**

- improving employee welfare, and ensuring sustainable staffing levels moving forward; and**
- 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 to monitor progress and keep this matter under review in the subsequent audit cycle.**

#### **5. Failure to dispose unserviceable assets**

The statement of financial position as at 30 June, 2025 and Note 32 reflect a balance of Kshs.3,971,518 in respect to property, plant and equipment. However, field verification done on 11 November, 2025 revealed unserviceable assets such as worn-out vehicles, furniture and machinery that had not been disposed-off and were not being utilized. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer shall establish a disposal committee as and when prescribed for the purpose of disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment or assets.

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

#### **Management Response**

Management indicated that it was working towards the disposal of the unserviceable items as per the Public Procurement and Asset Disposal Act, Cap. 412C.

#### **Committee Observation**

The Committee observed that whereas management stated that was working towards the disposal of the unserviceable item, no evidence was provided to demonstrate the process was underway.

#### **Committee Recommendation**

**The Committee recommends that within 90 days from the date of the meeting, the Governor ensures that the Accounting Officer responsible for the hospital disposes the unserviceable items in accordance with the Public Procurement and Asset Disposal Act, Cap. 412C.**

## **6. Non-Compliance with Facility Improvement Financing Act, 2023**

Review of records revealed the facility collected Kshs. 11,789,225 and transferred an amount of Kshs. 11,789,225 to the County Revenue Fund. However, only Kshs. 8,985,368 was reimbursed to the hospital leaving a balance of Kshs. 2,803,857. Further, the Facility Improvement Financing (FIF) revenues were deposited into the general county revenue accounts instead of the designated Facility bank accounts. This is contrary to the provisions of section 20-25 of the Facilities Improvement Act, 2023 which requires that all revenues collected by health facilities be retained in designated FIF accounts and utilized strictly for approved operational and improvement activities.

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

### **Management Response**

Management indicated that currently the hospital finances are guided by the Taita Taveta County Health Services Act, 2021. Taita Taveta County government has enacted the Taita Taveta Health improvement financing Act 2024 that shall ensure all monies are retained by the collecting facility, however the regulations are yet to be assented to by the County Assembly.

### **Committee Observation**

The Committee observed that the County Government relied on the Taita Taveta County Health Services Act, 2021, which required that all monies be transferred to the County Revenue Fund (CRF), contrary to the provisions of section 5(1) of the Facilities Improvement Act, Cap. 277. However, management indicated that amendments to the County Act had been effected to align it with the Facilities Improvement Act, Cap. 277, and that reimbursement of the monies previously transferred to the CRF had been initiated.

### **Committee Recommendation**

**The Committee recommends that –**

- i). the Governor ensures all funds collected under the Facilities Improvement Financing Act, 2023 are properly retained and managed by the Hospital in accordance with Section 5(1) of the Act, and that procedures are established to prevent future misallocation;**
- ii). the Governor ensures that monies transferred to the CRF from the hospital are fully refunded in the financial year 2026/2027; and**
- iii). the Auditor-General to keep the matter in view and 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. Failure to Integrate ERP Revenue System with M-Pesa Payment Platform**

The statement of financial performance reflects rendering of services - medical service income amount of Kshs.52,261,998. However, the audit review of the revenue management processes and the ERP system configuration, revealed that the ERP system has not been integrated with the M-Pesa payment platform, despite the system having full technical capability to support such integration. As a result, M-Pesa collections are processed and confirmed manually outside the system before issuance of receipt. This manual handling increases the risk of delayed posting, errors, omissions, and potential revenue leakages.

In the circumstances, the effectiveness of the ERP revenue system could not be confirmed.

#### **Management Response**

Steps have already been initiated to prioritize and operationalize the system integration to enhance efficiency, accuracy, and reliability of revenue recording. Engagements with the system vendor, ICT department, and revenue teams are underway to ensure that the integration process is carried out effectively. However, plans of a new system roll out by the Ministry of health may stall onboarding of integration of the DuroMED ERP with M-pesa.

#### **Committee Observation**

The Committee observed despite management undertaking to ensure the ERP system and the M-Pesa payment platform are integrated, no timelines were given for implementation.

#### **Committee Recommendation**

**The Committee recommends that within 60 days of the adoption of this report, the Governor ensures that the M-Pesa platform and hospital's ERP system are integrated to safeguard the hospital from the risk of delayed posting, errors, omissions, and potential revenue leakages.**

### **2. Failure to dispose expired medical supplies**

The statement of financial position and Note 31 to the financial statements submitted for audit reflect a nil balance in respect of inventories. Audit review of store records, discussion

with pharmacy management and physical verification of the pharmacy revealed that twelve (12) cartons of various drugs of undetermined value had expired but were still in the pharmacy stores. The pharmacy management explained that the expired drugs were stored separately in the pharmacy because they had not obtained authority to dispose them. However, it was not clear why the expired drugs had not been disposed due to the delayed approval to dispose and why they were stored in the pharmacy. This posed a health risk of unintentional issue of expired drugs to patients.

In the circumstances, the effectiveness of internal controls in the management of medical drugs could not be confirmed.

### **Management Response**

Management acknowledged the concern and indicated that it has taken steps to ensure proper handling and disposal of expired drugs. Specifically: Expired drugs are now stored in a separate, secure storage facility to prevent accidental use while awaiting disposal, A disposal plan has been implemented, in accordance with relevant health regulations and guidelines, to ensure expired drugs are disposed of promptly and safely, regular monitoring and inventory checks are being conducted to identify expired drugs in a timely manner and prevent accumulation, staff have been sensitized on proper drug handling, segregation, and reporting procedures to strengthen compliance and minimize risks, management remains committed to ensuring that all expired drugs are handled and disposed of in a manner that protects patient safety and complies with statutory requirements.

### **Committee Observations**

The Committee observed that the Hospital had expired pharmaceutical products in its stores.

### **Committee Recommendations**

**The Committee recommends that –**

- i) the Governor should ensure the Accounting Officer ensures all expired drugs and medical supplies are immediately quantified, valued, and disposed of in line with the Guidelines on Safe Disposal of Pharmaceutical Waste, 2019; and**
- ii) the Governor should ensure the Accounting Officer implements a documented expired drug management policy with clear requirements for batch tracking, expiry monitoring, segregation, and timely disposal, and submits the policy to the Auditor-General within sixty (60) days of the adoption of this report.**

### **3. Stock-outs of essential medical supplies**

The statement of financial position and Note 31 to the financial statements reflect a nil balance in respect of inventories. Audit review of the hospital stock cards for controlling stores indicated that the hospital experienced stock-out of medical supplies ranging from ten (10) days to ninety (90) days. This affected medical services in the hospital whereby patients could not get proper medication.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical to achieve the hospital's mandate could not be confirmed.

#### **Management Response**

Management acknowledged the concern and indicated that it has taken steps to strengthen the procurement and inventory management processes. Specifically: Regular monitoring of stock levels has been instituted to identify low-stock items in advance, timely procurement and replenishment procedures have been strengthened to ensure critical medical supplies are available without disruption, coordination between the pharmacy, procurement, and clinical departments has been enhanced to prioritize essential supplies based on demand and usage patterns, inventory management controls have been improved, including periodic reviews and reporting, to prevent stock-outs and ensure continuity of services.

These measures will ensure that medical supplies are restocked promptly, maintaining uninterrupted healthcare service delivery to patients. However, all this will be subject to periodic disbursement of SHA reimbursement since that is the major source of income for the facility at the moment.

#### **Committee Observation**

The Committee observed that, whereas management had outlined a raft of measures to address the stock-outs of medical supplies, no policy or procedures had been put in place to determine or monitor stock levels. Further, the stocking process remained largely dependent on SHA reimbursements, which are prone to delays, thereby increasing the risk of recurrent stock-outs.

#### **Committee Recommendation**

**The Committee recommends that –**

- i). within 90 days of the adoption of this report, the Governor ensures that the hospital has a policy on stock management that will serve as guide on how management monitors stock levels;**
- ii). the Committee recommends that the Governor, through the County Executive Committee Member responsible for Finance, ensures that adequate resources are availed to the hospital to supplement SHA reimbursements and facilitate continuous stock replenishment;**
- iii). the Governor, through the County Executive Committee Member responsible for Health, ensures that appropriate measures are put in place to safeguard hospital medical supplies from unauthorized access and misuse;**
- iv). the Governor should ensure the Accounting Officer ensures continuous availability of essential medicines through regular stock reviews, procurement planning aligned to KEMSA supply schedules, and maintenance of a minimum safety stock level; and**
- v). the Auditor-General to keep the matter in view and provide a status update in the subsequent audit cycles.**

### **3.4. REPORT ON AUDITED FINANCIAL STATEMENTS FOR MWATATE SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements Mwatate Sub-County Hospital for the Financial Year 2024/2025 –

#### **REPORT ON THE FINANCIAL STATEMENTS**

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

##### **1. Accuracy, Presentation and Disclosure Issues in the Financial Statements**

The financial statements presented for audit reflect accuracy, presentation and disclosure anomalies as detailed below contrary to the requirements of the template prescribed by the Public Sector Accounting Standards Board.

- i. The statement of financial performance reflects Revenue (SHA claims) of Kshs. 16,868,943. However, the amount is not disaggregated in the Notes to the financial statements. In addition, the amount is not included in the total revenues from exchange transactions which has been reported as Kshs. 23,590,610 instead of the recalculated Kshs. 40,459,553.

##### **Management Response**

Management indicated that matter was an oversight which will be corrected in subsequent financial year.

##### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). management acknowledged the anomaly as an oversight and confirmed that the financial statements would be restated in the subsequent financial period; and
- ii). the existence of such errors indicates capacity constraints within the Finance and Accounting Department, as well as weaknesses in the internal controls applied during the preparation of the financial statements.

##### **Committee Recommendation**

**The Committee recommends that—**

- i). **the Governor ensures that the Accounting Officer undertakes prior year adjustments to restate the financial statements in the subsequent financial year 2025/2026 to correct the anomaly. The Auditor-General to keep this in view in the subsequent audit cycle;**
- ii). **the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences;**
- 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 that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**
- v). **the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

- ii. Note 32 to the financial statements reflects inventories comparative balance of Kshs. 3,790,166. However, the balance differs with Kshs Nil reflected in the 2023-2024 audited financial statements. In addition, detailed disclosures on inventories as at 30th June,2025 at Note 32 reflects closing inventory balance of Kshs. 2,221,841. The balance does not include write-downs in the year of Kshs. 3,997,869 and the opening balance of Kshs. 6,219,737. The recalculated balance is Kshs. 4,443,709 resulting in understating by Kshs. 2,221,868.

## **Management Response**

Management indicated that matter was an oversight which will be corrected in subsequent financial year.

## **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). management acknowledged the anomaly as an oversight and confirmed that the financial statements would be restated in the subsequent financial period; and
- ii). the existence of such errors indicates capacity constraints within the Finance and Accounting Department, as well as weaknesses in the internal controls applied during the preparation of the financial statements.

## **Committee Recommendation**

The Committee recommends that—

- i). the Governor ensures that the Accounting Officer undertakes prior year adjustments to restate the financial statements in the subsequent financial year 2025/2026 to correct the anomaly. The Auditor-General to keep this in view in the subsequent audit cycle;
- ii). the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences;
- iii). 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
- iv). the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance

**Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

- iii. Note 35 to the financial statements reflects investment property balance of Kshs.23,778,402. However, the balance is not reflected in the statement of financial position and the details and the nature of the investment property was not provided for audit confirmation.

### **Management Response**

Management indicated the investment property of Kshs 23,778,402 is disclosed in the PPE schedule hence is not omitted in the statement of financial position.

### **Committee Observation**

The Committee observed that although the inventory balance had been included under Property, Plant and Equipment (PPE), this treatment was contrary to the PSASB reporting template, which requires the two items to be disclosed separately.

### **Committee Recommendation**

**The Committee recommends that –**

- i). **the Governor ensures that the Accounting Officer undertakes the necessary prior-year adjustments to separately disclose inventory and Property, Plant and Equipment (PPE), in accordance with the PSASB reporting template, in the financial statements for the 2025/2026 financial year. The Auditor-General to keep this in view in the subsequent audit cycle;**
- ii). **the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences; and**
- iii). **the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance**

**Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

- iv. Note 4(p) to the financial statements indicates that the hospital has an accumulated surplus of Kshs. 42,503,253 which is materially inconsistent with Kshs.42,836,246 reported in the statement of financial position.

### **Management Response**

Management indicated that matter was an oversight which will be corrected in subsequent financial year.

### **Committee Observation**

The Committee observed that the anomaly resulted from an oversight, which management undertook to correct in the financial statements of the subsequent financial year. The occurrence of such an oversight is indicative of weak internal controls during the preparation of the financial statements.

### **Committee Recommendation**

The Committee recommends that –

- i). the Governor ensures that the Accounting Officer undertakes the necessary prior-year adjustments to correct the inconsistencies between Note 4(p) of the financial statements and the Statement of Financial Position in the 2025/2026 financial year. The Auditor-General to keep this in view in the subsequent audit cycle;
- ii). the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences; and
- iii). the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance

**Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

## **2. Inaccurate Statement of Cash Flows**

The statement of cash flows reflects net cash flows used in investing activities of Kshs.(23,973,452) which is indicated as proceeds from the sale of PPE. However, Note 33 to the financial statements discloses the amount as additions to Property, Plant and Equipment under classes of PPE of buildings and civil works amount of Kshs.23,778,402 and furniture, fittings and office equipment amount of Kshs.195050. The amount relates to ongoing construction of maternity units, new born unit with theatre, with the donor making the payments directly to the contractor.

Further, the statement of cash flows reflects total receipts under operating activities of Kshs.47,369,012 which includes transfers from the county government of Kshs.23,778,402. However, the amount relates to a grant paid by the donor directly to the contractor for an ongoing construction of maternity units, new born unit with theatre, with the donor making the payments directly to the contractor.

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

### **Management Response**

Management indicated that the balance of Kshs 23,778,402 is the value of work done for a project under donor funding hence no direct funding to the hospital. The balance is reflected in the cashflow statement but it's a contra entry adjustment that does not affect the cashflow balance.

### **Committee Observation**

The Committee observed that the explanation provided by management satisfactorily addressed the query as confirmed by the Auditor-General.

### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved**

## **3. Unconfirmed Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.28,643,428. Included in this balance is Facility Improvement Fund, County

Revenue Fund and FIF Outstanding bills of Kshs.636,014, Kshs.131,452 and Kshs.551,012 respectively which were not supported by detailed ledgers.

Further, the statement of financial position and Note 30 to the financial statements reflects receivables from exchange transactions balance of Kshs.28,643,428. However, re-casting of the ageing analysis of the receivables from exchange transactions give a total of Kshs.11,774,485. Receivables from exchange transactions balance of Kshs.16,868,943 is not aged. Additionally, Management has not completed Note 45 to the financial statements to assess credit risk and which provide details of receivables that are performing and impaired.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.28,643,428 could not be confirmed.

### **Management Response**

Management indicated that the error in recasting is noted, however, the correct opening balance will be restated in the subsequent financial year.

### **Committee Observation**

The Committee observed that management acknowledged the audit observation and indicated that it resulted from a recasting error. This is indicative of weak internal controls during the preparation of the financial statements.

### **Committee Recommendation**

The Committee recommends that –

- i). the Governor ensures that the Accounting Officer undertakes the necessary prior-year adjustments to correct the recasting error in the 2025/2026 financial year. The Accounting Officer should also ensure that the supporting ledgers are availed to the Auditor-General to substantiate the adjustments made. The Auditor-General to keep this in view in the subsequent audit cycle;**
- ii). the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences; and**

- iii). **the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.**

#### **4. Variance in Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.12,750,803 as disclosed in Note 37 to the financial statements. The balance includes Kshs.1,078,895 and Kshs.2,613,005 owed to Kenya Medical Supplies Authority (KEMSA) and MEDS respectively while KEMSA and MEDS records reflect Kshs.1,924,813 and Kshs.2,091,727 resulting to an unexplained respective variance of Kshs.(845,918) and Kshs.521,278.

In the circumstances, the Accuracy and completeness of the trade payable balance of Kshs.12,750,803 could not be confirmed.

#### **Management Response**

Management indicated that the variance in the trade payables amount for MEDS was due to inclusion of further payables which was incurred after end of 2024/2025 financial year as indicated in the statement and for the variance in payables from KEMSA was due to use of the opening balance instead of the closing balance as the statement indicates.

#### **Committee Observation**

The Committee observed that the variances resulted from an oversight, which management undertook to correct in the financial statements of the subsequent financial year. The occurrence of such an oversight is indicative of weak internal controls during the preparation of the financial statements.

#### **Committee Recommendation**

**The Committee recommends that –**

- i). **the Governor ensures that the Accounting Officer undertakes the necessary prior-year adjustments to correct the variance in the 2025/2026 financial year. The Auditor-General to keep this in view in the subsequent audit cycle;**

- ii). the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences; and
- iii). the Governor ensures the Accounting Officer strengthens internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.

#### **5. Non-Disclosure of Employee Costs Paid by the County Government**

The statement of financial performance reflects casual and contractual staff amount of Kshs.1,173,000 as disclosed in Note 16 to the financial statements. The Hospital received services from 170 medical staff employed and paid by the county. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit verification.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

#### **Management Response**

- Management indicated that it has liaised with county human resource and finance departments concerning the issue and will provide the amount of salaries for the permanent medical staff.

#### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). the hospital management may have understated its operational costs by failing to recognize staff costs paid the County Government; and
- ii). management did not undertake the necessary adjustments to the financial statements to correct the anomaly.

## Committee Recommendation

The Committee recommends that –

- i). The Governor ensures that the Accounting Officer responsible for the hospital undertakes the necessary prior-year adjustments in the 2025/2026 financial statements to incorporate the staff costs paid by the County Government. The Auditor-General to keep the matter in view and provide a status update in the subsequent audit cycle; and
- ii). the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of the Public Audit Act, Cap.412B in the preparation and management of financial and accounting records for payables to strengthen record-keeping and reporting failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A as read together with section 62(2) of the Public the Public Audit Act, Cap. 412B on penalties for offences.

## Other Matter

The Auditor-General raised the following query under Other Matter –

### Unresolved Prior Year Audit Issues

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Hospital in 2024/2025 revealed that the following seven (7) issues remained unresolved

<b>N o.</b>	<b>Financial Year</b>	<b>Audit Issue</b>	<b>Management Responses</b>
1	2023/2024	Inaccuracies in the financial statements	The audit observation is noted. The variance has been restated in the FY 2024/25 FS
2	2023/2024	Unsupported cash and cash equivalents	The audit observation is noted. The cash and cash equivalent has been restated in the FY 2024/25 FS

3	2023/2024	Unsupported property, plant and equipment	The audit observation is noted. The cash and cash equivalent has been restated in the FY 2024/25 FS
4	2023/2024	Unutilized infrastructure facilities	The audit observation has been noted
5	2023/2024	Irregular composition of waiver committee	The audit observation has been noted
6	2023/2024	Lack of strategic plan and data recovery plan	The management is in cognizant with the audit observation. However, The formulation of the Risk Management policy is still underway.
7	2023/2024	Role of hospitals in universal health care (UHC)	The management has noted the audit observation. New staff have been recruited and new equipment and machines have been delivered in collaboration with MOH/(NESP) which has improved healthcare access

### **Committee Observation**

The Committee observed that, whereas the Accounting Officer had put in place some remedial measures, several audit issues remained outstanding.

### **Committee Recommendations**

**The Committee recommends that—**

- i. the Governor ensures that Accounting Officer responsible for the hospital 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 accounting officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences; and**

- ii. **the Governor ensures the accounting officer submits a detailed status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

Pursuant to 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. Unutilized Microwave Medical Waste Equipment**

Audit review and physical verification on medical waste management processes at the Hospital revealed that sensitive medical waste was accumulated in an unsecured holding room near the maternity ward and later picked by a truck which transports the same to Moi County Referral Hospital in Voi town for disposal by incineration, thereby attracting transport and other logistical costs.

Further review of records revealed that the Hospital received a Microwave Medical Waste Equipment from the Ministry of Health on 15 February 2024 and is still stored in two locked containers within the hospital compound. However, Management indicated that the equipment could not be used to incinerate and sterilize the medical waste due to lack of a room or house to accommodate the equipment. This is contrary to Section 149(2)(m) of the Public Finance Management Act, 2012 which mandates an accounting officer to manage the assets of the entity to ensure that it receives value for money when acquiring, using or disposing of its assets.

As noted in the previous audit, the tender to construct the house had been awarded at a contract sum of Kshs.14,448,728 with payments of Kshs.2,701,814 already made to the contractor. However, at the time of audit in November 2025, the project remained stalled at the slab stage and contractor was not on site. However, Management did not provide a costed plan for the completion of the house and utilisation of the microwave medical equipment within the hospital and the equipment continued to deteriorate, twenty (20) months after delivery by the Ministry of Health.

In the circumstances, the value for money on the Unutilized Microwave Medical Waste Equipment could not be confirmed.

### **Management Response**

Management indicated that an allocation of kshs 10million was done by the county government in FY 2025/26. The contract was awarded and works are ongoing. Evidence of the same was provided.

### **Committee Observation**

The Committee observed that a budgetary allocation had been made for the completion of the stalled building intended to house the microwave medical waste equipment, a contract had been awarded, and construction works had since resumed.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that works on the building are completed within the contract timelines and that the microwave medical waste equipment is operationalized immediately thereafter. The Auditor-General to keep the matter in view and provide a status update in the subsequent audit cycle.**

### **2. Stalled Theatre Block**

As noted in the previous audit, the tender for the construction of a theatre block at the Hospital was awarded to a local company at a contract sum of Kshs.25,998,490 and payments of Kshs.9,086,643 had been made as at the time of audit in November 2025. However, physical inspection on 19 November, 2025 revealed that the project stalled at the walling stage and had been overgrown by trees an indication that it has been abandoned. This is contrary to Section 151(2)(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that for the purpose of managing complex and specialized contracts, the contract implementation team shall be responsible for monitoring the performance of the contractor, to ensure that all delivery or performance obligations are met or appropriate action taken by the procuring entity in the event of obligations not being met.

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

### **Management Response**

Management indicated that it is seeking budget allocation to complete the project.

### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). the Accounting Officer responsible for the hospital failed to comply with the general procurement and asset disposal principles as outlined under section 53(8)

of the Public Procurement and Asset Disposal Act which states that “*Accounting officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates*”; and

- ii). no formal requests for budgetary allocations to complete the project were provided for review.

### **Committee Recommendation**

**The Committee recommends that –**

- i). the Governor avails resources, through the 2026/2027 financial year budget, and ensures that the theatre is completed within the same financial year. The Auditor-General to provide a status update on the matter in the subsequent audit cycle; and**
- ii). the Governor ensures that the Accounting Officer responsible for the hospital complies with the provisions of the Public Procurement and Asset Disposal Act, Cap. 412C while undertaking procurement failure to which the Accounting Officer may be held liable under section 177 of the Public Procurement and Asset Disposal Act, Cap. 412C on General penalty and sanction.**

### **3. Lack of Internal Access Between the Wards and Operating Theatre**

Physical verification of the Hospital facilities on 17 November, 2025 established that the clinical wards are not physically interconnected with the operating theatre. As a result, patients requiring surgical procedures or post-operative care are transported between the theatre and the wards using an ambulance which also serves Wesu Sub County Hospital, located 16 kilometers away from the Hospital. This practice raises concerns regarding patient safety, operational efficiency, and is contrary to Ministry of Health Kenya – Health Infrastructure Norms and Standards (2017) which require that hospital clinical departments including wards and theatres be adequately linked through internal circulation routes to ensure safe and timely patient movement.

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

### **Management Response**

Management acknowledged the audit observation and indicated that a new, modern theatre complex funded by the Safaricom Mpesa Foundation has been constructed and equipped awaiting commissioning. The new theatre will significantly improve patient flow and is

expected to include improved access routes that will reduce the current risks associated with external patient transfers.

### **Committee Observation**

The Committee observed that the query remains unresolved as the hospital largely relied on the commissioning of a donor funded theatre and had not put in place to ensure that the hospital's theaters comply with Ministry of Health Kenya – Health Infrastructure Norms and Standards (2017).

### **Committee Recommendation**

**The Committee recommends that –**

- i). The Governor, through the County Executive Committee Member responsible for health, puts in place a plan to ensure that the existing hospital theaters comply with the requirements of Ministry of Health Kenya – Health Infrastructure Norms and Standards (2017) and submit it to the Senate within 60 days for implementation monitoring;**
- ii). The Governor ensures that resources are progressively availed to the hospital to facilitate compliance with the requirements of Ministry of Health Kenya – Health Infrastructure Norms and Standards (2017). The Auditor-General to keep the matter in view and provide a status update in the subsequent audit cycle.**

### **4. Lack of Land Ownership Documents**

The statement of financial position and Note 33 to the financial statements reflects property, plant and equipment balance of Kshs.23,778,402. However, the balance excludes land of unknown value on which the Hospital is constructed. In addition, no evidence of land ownership was provided for audit review. Letter referenced T/TVT/LAS.31/13/VOL.V/82 dated 24 September, 2025 from the State Department for Lands and Physical Planning and addressed to the County Executive Committee Member for the Department of Lands, Physical Planning, Urban Development and Mining at Taita Taveta County Government indicated that the hospital land Chawia/Wumari/Sechu/1285 was at the demarcation and survey stage and had been encroached by two private structures effectively reducing the land size from the allocated 4.98 hectares to 4.33 hectares as at September 2025. This is contrary to Section 162(2)(c)(i) of the Public Finance Management Act, 2012 which obligate the accounting officer to ensure that adequate arrangements are made for the proper use, custody, safeguarding and maintenance of public property.

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

### **Management Response**

Management acknowledged the audit observation and indicated that it will continue to liaise with the Parent Ministry and the County Department of Lands to expedite completion of the survey process and acquire the final ownership documents (Title/Survey Plan) for proper recognition of the land asset.

### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). failure to secure the hospital's land may have caused encroachment leading to reduction of hospital land from 4.98 hectares to 4.33 hectares;
- ii). whereas demarcation and survey of the land was underway, indications as to when the process would be concluded were not provided; and
- iii). the land had not been valued hence its value was not included in the assets of the hospital hence the hospital's assets were not fairly stated.

### **Committee Recommendation**

The Committee recommends that –

- i). **the Governor ensures that the Accounting Officer Responsible for the hospital complies with section 162(2)(c)(i) of the Public Finance Management Act, Cap. 412A failure to which the Accounting Officer may be held liable under section 199 of the Public Finance Management Act, Cap. 412A on penalties for offenses;**
- ii). **the Governor engages the State Department for Lands and Physical Planning to Fasttrack the demarcation and survey of the hospital land and provide a status update on the progress made to the Senate within 60 days of the adoption of this report. The accounting officer responsible for the State Department for Land and Physical Planning shall ensure full cooperation with the County Government of Taita Taveta in the process;**
- iii). **the Governor ensures that, upon obtaining the ownership documents for the land, a valuation is undertaken and the value of the land is duly recorded in the hospital's asset register and reflected accordingly in its financial statements; and**
- iv). **the Governor, in collaboration with the National Land Commission, immediately investigates and addresses the reported encroachment onto the hospital land and submits a status update to the Senate within sixty (60) days of the adoption of this Report.**

## **5. Non-Compliance with Facility Improvement Financing Act, 2023**

Review of records revealed the facility collected Kshs.8,546,081 and transferred an amount of Kshs.8,546,081 to the County Revenue Fund. However, only Kshs.6,423,621 was reimbursed to the hospital leaving a balance of Kshs.2,122,460. Further, the Facility Improvement Financing (FIF) revenues were deposited into the general county revenue accounts instead of the designated Facility bank accounts. This is contrary to the provisions of Section 20-25 of the Facilities Improvement Financing Act 2023 which requires that all revenues collected by health facilities be retained in designated FIF accounts and utilized strictly for approved operational and improvement activities.

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

### **Management Response**

Management indicated that currently the hospital finances are guided by the Taita-Taveta County Health Services Act 2021. The Taita-Taveta County Government has enacted the Taita –Taveta Health Improvement Financing Act 2024 that shall ensure all monies are retained by the collecting unit, however, the regulations are yet to be assented by the County Assembly.

### **Committee Observation**

The Committee observed that the County Government initially relied on Taita-Taveta County Health Services Act 2021 but has since complied with the Facilities Improvement Financing Act, Cap. 277 by ensuring that all hospital retain all their money. Further, the county has amended its Taita-Taveta County Health Services Act 2021 to align with Facilities Improvement Financing Act, Cap. 277.

### **Committee Recommendation**

**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. Non-Compliance with Law and Effectiveness of Upgrade of Hospitals

Review of Hospital records and interviews conducted on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit in November, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by forty-eight (48) % of the authorized establishment as detailed below:

Staffing Requirement	Level 4 Hospital Standard	Actuals In the Hospital	Variance	Percentage %
Medical Officers	16	6	(10)	63%
Anaesthesiologists	2	0	(2)	100%
General Surgeons	2	0	(2)	100%
Gynaecologists	2	1	(1)	50%
Paediatricians	2	0	(2)	100%
Radiologists	2	0	(2)	100%
Registered Community Health Nurses	75	45	(30)	40%
<b>Total</b>	<b>101</b>	<b>53</b>	<b>(48)</b>	<b>48%</b>

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	110	(40)	27%
Resuscitaire (2 in labour & 1 in theatre)	3	2	(1)	33%
New born unit incubators	5	1	(4)	80%

New born unit cots	5	0	(5)	100%
Functional ICU beds	6	0	(6)	100%
High Dependency Unit (HDU) Beds	6	0	(6)	100%
Renal Unit with at least 5 dialysis machines	5	0	(5)	100%
Two functional operational theatres - Maternity & General	2	1	(1)	50%
<b>Total</b>	<b>182</b>	<b>127</b>	<b>(55)</b>	<b>30%</b>

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

In the circumstances, the Hospital will not be able to deliver on its mandate.

### **Management Response**

Management acknowledged the audit observation and indicated that the hospital management through the county government is working to improve on accessibility and availability of healthcare services by equipping the hospital with the essential equipment and machines to the required standard.

### **Committee Observation**

The Committee observed that the Hospital did not meet the minimum staffing, equipment, bed capacity, service provision, and digital health system requirements as prescribed by the Kenya Quality Model for Health Policy Guidelines for a Level 4 facility

### **Committee Recommendation**

**The Committee recommends that**

- i). within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources,**

- improving employee welfare, and ensuring sustainable staffing levels moving forward; and**
- ii). **within ninety (90) days of the adoption of this report, the Committee recommends that the Governor ensures the hospital develops and implements a comprehensive plan, with appropriate budgetary allocations, to acquire and operationalize the required facilities and equipment to provide all services required for a Level 4 hospital. The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle.**

## **2. Lack of Risk Management Policy and Disaster Recovery Plan**

During the year under review, the Hospital operated without a risk management policy framework contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations. The College, therefore did not have a framework for management of risk and may be unable to identify, assess, prevent, and mitigate against the risks affecting its operations. In addition, the Hospital had not developed disaster recovery and business continuity plans to ensure that it recovers from disruptions to its operations should risks crystallize.

In the circumstances, the effectiveness of the Hospital's risk management could not be confirmed.

### **Management Response**

The management has acknowledged the observation and recognize the critical importance of risk management policy and disaster recovery plan. The hospital does not have the policy but the county government has a draft policy that covers all departments including the health department. Further the hospital will initiate processes of developing a comprehensive risk management policy and disaster recovery plan specifically for its operation that includes ways of mitigating risks and disaster recovery procedures. These initiatives will aim to strengthen risk management, ensure institution continuity, and safeguard the hospital's operational integrity.

### **Committee Observation**

The Committee observed that management had initiated the process of developing a Policy and Disaster Recovery Plans; however, no timelines were provided for the conclusion of the process.

### **Committee Recommendation**

The Committee recommends that the Governor ensures that within 90 days of the adoption of this report, the Governor ensures that the Board of Directors puts in place all internal control systems such as Risk Management Policy and Disaster Recovery Plan as provided under section 158(1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds.

#### **3. Expired Medical Supplies**

The statement of financial position reflects an inventory balance of Kshs.2,221,841. Review of store records on pharmaceuticals and non-pharmaceuticals revealed that 222,531 units of various drugs valued at Kshs.3,997,869 had expired.

In the circumstances, the effectiveness of internal controls on the management of pharmaceuticals and non-pharmaceuticals could not be confirmed.

#### **Management Response**

Management indicated that majority of the drugs were ARVs regiment which were phased out and properly isolated from the pharmacy stores. Further, the management is in the process of disposing them as per the PPAD Act 2015.

#### **Committee Observation**

The Committee observed that whereas the explanation was satisfactory, the drugs remained undisposed.

#### **Committee Recommendation**

The Committee recommends that –

- i) the Governor should ensure the Accounting Officer ensures all expired drugs and medical supplies are immediately quantified, valued, and disposed of in line with the Guidelines on Safe Disposal of Pharmaceutical Waste, 2019; and
- ii) the Governor should ensure the Accounting Officer implements a documented expired drug management policy with clear requirements for batch tracking, expiry monitoring, segregation, and timely disposal, and submits the policy to the Auditor-General within sixty (60) days of the adoption of this report.

## CHAPTER FOUR: FUNDS

### 4.1. REPORT ON AUDITED FINANCIAL STATEMENTS FOR TAITA TAVETA COUNTY EDUCATION FUND BOARD FOR THE FINANCIAL YEAR 2024/2025

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements Taita Taveta County Education Fund Board for the Financial Year 2024/2025 –

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **unqualified opinion** on the financial statements of Taita Taveta County Education Fund Board for the period under review.

#### Emphasis of Matter

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

#### Budgetary control and performance

The statement of comparison of budget and actual amounts revealed that the Fund had a revenue budget amount of Kshs.243,902,439 against actual realization of Kshs.113,083,333, resulting in under-realization of Kshs.130,819,106, or 54% of the budget. Similarly, the Fund spent a balance of Kshs.94,412,215 against actual receipts of Kshs.113,083,333 resulting to under-utilization of Kshs.18,671,118, or 17% of actual receipts. The budget under realization and underutilization may have hindered provision of services to the public.

#### Management Response

The management has noted the audit observation. The resultant under realization of ksh.130,819,106 was occasioned by failure to realize 100% of the budgeted own source revenue. Further under-utilization of ksh18, 671,118 was as a result of late receipt of funds. However, the amount was utilized in the subsequent financial year.

#### Committee Observation

The Committee observed that the query remains unresolved for the following reasons –

- i). the Committee observed that the Accounting Officer did not institute adequate budgetary control measures upon realizing that the approved budget was likely to experience underperformance; and

- ii). management acknowledged that the under-realization of budgeted revenue resulted from the failure to achieve 100% of the projected own-source revenue. This may indicate that the Water Company developed an unrealistic budget.

**Committee Recommendation**

The Committee recommends that –

- iii). the Governor ensures that the Accounting Officer responsible for the Fund complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the accounting officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences; and
- iv). the Governor, through the County Executive Committee Member responsible for finance, ensures that the Board of the Fund institutes proper and realistic budget planning.

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

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

**1. Irregular Appropriation of the Fund**

The Taita Taveta County Education Fund Act, 2023, Section 16 specifies that appropriation of the Fund to be capped at 82 per cent and the funds to be expended on bursaries and the same be disbursed equally amongst the 20 respective wards within the County, 3 per cent on administrative costs and 15 per cent on scholarships to deserving students, equally amongst the 20 wards in the County. However, the Fund spent Kshs.70,440,501 on bursaries, Kshs.22,092,018 on scholarships and Kshs.1,701,000 on administrative costs of the Board, being 62%, 20% and 1.5% respectively.

In the circumstances, appropriation of the Fund was not in accordance with the Taita Taveta County Education Fund Act, 2023.

**Management Response**

	<b>ACT</b>	<b>Actual</b>	<b>Diff</b>
Bursaries	82%	62%	20%
Scholarship	15%	20%	-5%

Administration	3%	1.5%	1.5%
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The management has noted the Audit observation. However, appropriation of the Fund is according to the budget and not the amount of money received. The total amount of Education Fund budget was Kshs.243,902,439. Bursaries 82% to make Kshs.200,000,000 Scholarship 15% to make Kshs.36,585,366 Administration 3% to make Kshs.7,317,073

Each of these items have been specified in a separate vote line in the budget and therefore requests for these funds is made separately.

### **Committee Observation**

The Committee observed that the query remains unresolved for the following reasons –

- i). that the actual expenditures were not aligned with the appropriation criteria prescribed under Section 16 of the Taita Taveta County Education Fund Act, 2023, resulting in under-allocation to bursaries and administrative costs, and over-allocation to scholarships; and
- ii). whereas the management attributed the variances to the fact that appropriations were based on the approved budget rather than the actual receipts into the Fund, the explanation was found to be unsatisfactory as the Fund Act does not provide for any form of deviation based on actual receipts.

### **Committee Recommendation**

**The Committee recommends that the Governor, through the County Executive Committee Member responsible for finance, ensures that the Accounting Officer responsible for the Fund complies with section 16 of the Taita Taveta County Education Fund Act, 2023 irrespective of whether appropriations are based on the approved budget or actual receipts. The Auditor-General to monitor compliance and provide a status update in the subsequent audit cycle.**

#### **2. Incomplete Board Composition**

Review of records and information provided revealed that the Fund had eight (8) members in the Fund administration Committee. This is contrary to the Taita Taveta County Education Fund Act, 2023, section 4(1) which requires a Board composition of ten (10) members. Additionally, the Fund had no representation of persons with disabilities in the Board, contrary to the requirements of Section 4(1)(e) of the Taita Taveta County Education Fund Act, 2023.

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

### **Management Response**

The appointment of a PWD member to the Education Fund Board is still a matter in process as reported during the audit exercise. The management is cognizant of the law and shall follow up on the matter to successful completion.

### **Committee Observation**

The Committee observed that although management indicated that the process of regularizing the composition of the Board to ensure compliance with the Taita Taveta County Education Fund Act, 2023 was underway, no timelines were provided on when the process would be concluded hence the query remains unresolved.

### **Committee Recommendation**

**The Committee recommends that, within ninety (90) days of the adoption of this report, the Governor ensures that the composition of the Board of the Fund is regularized to comply with the provisions of the Taita Taveta County Education Fund Act, 2023 and evidence of the same submitted to the Auditor-General for verification.**

### **3. Unresolved Prior Year Audit Issues**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, although Management has indicated that the issues have been resolved, no evidence was provided in support of this position.

### **Management Response**

The prior year Audit Issues are indicated as not resolved except for one that is indicated as resolved, however the management has noted the concern of the auditor and shall further consider the auditors advisory

### **Committee Observation**

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

### **Committee Recommendations**

**The Committee recommends that –**

- i). the Governor ensures the Accounting Officer resolves any issues resulting from an audit that remains outstanding as required by section 149(1)(l) of**

**the Public Finance Management Act, Cap. 412A and section 53 of the Public Audit Act, Cap, 412B, failing which the accounting officer shall be in contempt of Parliament or County Assembly and upon determination by Parliament or relevant County Assembly, Parliament or relevant County Assembly may recommend administrative sanctions such as removal as the Accounting Officer, reduction in rank among others; and**

- ii). That the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle, following a review of the actions taken.**

#### **4.2. REPORT ON AUDITED FINANCIAL STATEMENTS FOR TAITA TAVETA COUNTY CAR LOAN AND MORTGAGE FUND FOR THE FINANCIAL YEAR 2024/2025**

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements Taita Taveta County Car Loan and Mortgage Fund for the Financial Year 2024/2025 –

##### **REPORT ON THE FINANCIAL STATEMENTS**

The Auditor-General rendered an **unqualified opinion** on the financial statements of Taita Taveta County Car Loan and Mortgage Fund for the period under review.

##### **Emphasis of Matter**

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

##### **Budgetary control and performance**

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual amounts on comparable basis of Kshs.49,982,404 and Kshs. 33,074,545 respectively resulting in an under-utilization of Kshs. 16,907,859 or 34% of the budget. The under-utilization may have impacted negatively on service delivery to the residents of Taita Taveta.

##### **Management Response**

The management has noted the audit observations. However, the management has continued to sensitizes its members of the availability of Mortgage and Car loan facility to increase the uptake.

##### **Committee Observation**

The Committee observed that the query remains unresolved, as the budget under-utilization was attributed to the low uptake of mortgages and car loans by members of the Fund. Further, the impact of management's sensitization efforts on the availability of the Mortgage and Car Loan facility could not be ascertained.

##### **Committee Recommendation**

**The Committee recommends that, within ninety (90) days of the adoption of this report, the Governor, through the County Executive Committee Member responsible for Finance, ensures that the Accounting Officer responsible for the Fund implements a comprehensive strategy to improve the uptake of the facility by members and**

**submits the strategy to the Auditor-General for monitoring. Auditor-General to provide a status update on the impact of the measures in the subsequent audit cycle.**

### **Other Matter**

The Auditor-General raised the following query under Other Matter –

### **Unresolved Prior Year Audit Issues**

In the prior audit report, several issues were raised under the report on Financial Statement, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance respectively. These include Failure to prepare quarterly and annual reports to County Executive committee and County Assembly, Failure by committee to hold meetings and regularity of imprest management. Review of the status during audit of the fund in 2024/2025 revealed that the matters remained unresolved.

### **Management Response**

The management is cognizant of the audit observation. However, it's worth noting that the management appeared before the Senate PIC with regards to the Audit issues raised by the Auditor General for prior period matters.

### **Committee Observation**

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

### **Committee Recommendations**

**The Committee recommends that –**

- i). the Governor ensures the Accounting Officer resolves any issues resulting from an audit that remains outstanding as required by section 149(1)(l) of the Public Finance Management Act, Cap. 412A and section 53 of the Public Audit Act, Cap, 412B, failing which the accounting officer shall be in contempt of Parliament or County Assembly and upon determination by Parliament or relevant County Assembly, Parliament or relevant County Assembly may recommend administrative sanctions such as removal as the Accounting Officer, reduction in rank among others; and**
- ii). That the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle, following a review of the actions taken.**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

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 –

### **Failure by Committee to Hold Meetings**

The statement of financial performance reflects use of goods and services expenditure of Kshs.3,037,895 and as disclosed in Note 12 to the financial statements. use of goods and services include Nil expenditure on committee allowances which implies the car and mortgage loans committee held no meetings during the year under review. This is contrary to Regulation 8(1) of Taita Taveta County Executive Staff Car Loan and Mortgage Revolving Fund Regulations, 2016 which requires the committee to meet at least once in each calendar month.

### **Management Response**

The Management has noted the audit observation. However, it is important to note that during the period under review, the management held five (5) meetings that were essential in transacting the Fund's business. The committee members were not entitled to sitting allowances in line with the Salaries and Remuneration Commission (SRC) Circular Ref. No. SRC/ADM/11/ (156), which abolished the payment of sitting allowances to internally constituted committees.

### **Committee Observation**

The Committee observed that the Fund Committee held its meetings but did not draw any allowances and the matter was considered adequately addressed.

### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

#### **4.3. REPORT ON AUDITED FINANCIAL STATEMENTS FOR TAITA TAVETA COUNTY FACILITIES IMPROVEMENT FUND FOR THE FINANCIAL YEAR 2024/2025**

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements Taita Taveta Facilities Improvement Fund for the Financial Year 2024/2025 –

##### **REPORT ON THE FINANCIAL STATEMENTS**

The Auditor-General rendered an **unqualified opinion** on the financial statements of Taita Taveta County Facilities Fund for the period under review.

##### **Emphasis of Matter**

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

##### **1. Budgetary control and performance**

The statement of comparison of budget and actuals amounts reflects final revenue budget and actual amounts on comparable basis of Kshs. 250,000,000 and Kshs. 84,568,310 respectively resulting in an under- funding of Kshs. 165,431,690 or 66% of the budget.

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

##### **Management Response**

The audit observation has been noted. However the budget of 250,000,000 includes user fees, NHIF/SHA and exchequer from the county government which are mostly for medical drugs that are paid through the IFMIS System as required by the Taita Taveta County health services act 57(2)a which states “monies appropriated by the county assembly for operational of health facilities except money provided in the budget for purchase of medical commodities as well as conditional allocation of by national government.”

The NHIF/SHA money does not go through the FIF bank account. It’s worth noting that all the NHIF reimbursements are supposed to be deposited in the designated NHIF Health facility bank accounts as per the NHIF Act 9 of 1998(22(1)).

The NHIF Act 9 of 1998(22(1)) states that, “The Board shall pay from the Fund, a benefit to an empaneled or contracted health care provider for an expense incurred by the provider, for the provision of health care services through the centralized healthcare provider management, to the number of beneficiaries determined by the board”.

The contracted health care facilities in the county includes Moi County Referral Hospital, Mwatate Sub County Hospital, Taveta Sub County Hospital and Wesu Sub County Hospital have contract agreements and their obligation 2.1.5. states that “The Board shall remit all payments for services directly to the Healthcare provider using a bank account submitted by the Health Care Provider.

The NHIF reimbursements totaling Kshs 144,827,658 were received in the respective contracted health care facilities bank accounts and also disclosed in the FIF financial statement.

### **Committee Observation**

The Committee observed that the underfunding resulted from delayed reimbursements of claims by the Social Health Authority (SHA), affecting both current SHA-covered claims and outstanding claims inherited from the defunct National Health Insurance Fund (NHIF).

### **Committee Recommendation**

**The Committee recommends that –**

- i). the Governor, through the County Executive Committee Member responsible for health engages the Social Health Authority and agree on suitable repayment framework for the outstanding reimbursements affecting both current SHA-covered claims and claims inherited from the defunct National Health Insurance Fund (NHIF) and provide a status update to the Senate within 90 days of the adoption of this report; and**
- ii). the Governor ensures that the Accounting Officer responsible for the Fund complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the accounting officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences.**

## **2. Unresolved Prior Year Audit Issues**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources as indicated below. However, although Management has indicated that the issues have been resolved, no evidence was provided in support of this position.

### **Unresolved Prior Year audit issues**

- 1. Undisclosed Revenue**

2. Irregular Transfer of Funds to Revenue Collection Account
3. Failure to Operationalize County Health Management Board

### **Undisclosed Revenue**

The statement of financial performance reflects total revenue of Kshs 94,255,627. However, the amount differs with the amount reflected in the statement of comparison of budget and actual amounts as final revenue of Kshs 211,066,702. The variance of Kshs 116,811,075 representing National Health Insurance Fund (NHIF) receipts were omitted from the statement of financial performance. However, no reason was provided for the omission.

### **Management Response**

The management has noted the audit observation. The Budget was prepared based on the Taita Taveta County Health Services Act, 2021 Section 57(1) g which states that monies appropriated by the County Assembly shall be deposited into the FIF. However, this Act has since been repealed by the Taita Taveta Health Improvement Financing ACT 2024, Section 31.

However, the variance of Kshs 116,811,075 relates to NHIF receipts which were reported in the Level 4 Hospitals pursuant to PFM Act 2012 Section 164(1)(3)

The receipts were deposited to Health facility bank accounts as per NHIF Act 9 of 1998 section 22(1) states that, “The Board shall pay from the Fund, a benefit to an empaneled or contracted health care provider for an expense incurred by the provider, for the provision of health care services through the centralized healthcare provider management, to the number of beneficiaries determined by the board”.

The contracted health care facilities in the county includes Moi (Voi) County Referral Hospital, Mwatate Sub County Hospital, Taveta Sub County Hospital and Wesu Sub County Hospital.

Further it's worth noting that the said variance of Kshs 116,811,075 was disclosed in the FIF financial statements in Note 11: Other Receipts

The Receipts were included in the Financial statements of the Hospitals See Annex 1 Taita Taveta County Health Services Act 2021 Taita Taveta County Health Improvement Act, 2024. Enacted on 14th April, 2025 repealed section 57(2)(g) and (3) of the Taita Taveta County Health Act 2021 hence addressing the challenges encountered in implementation of the fund.

### **Irregular Transfer of Funds to Revenue Collection Account**

The statement of Financial Statement Performance and Note 2 reflects transfer of funds amounting to Kshs 92,397,422 which include Kshs 42,161,727 transferred to the Revenue Collection Account. The transfer was in violation of Section 57 (5) Taita Taveta County Health Services Act, 2021 that exempts all monies raised or received directly by Health Facilities and Sub – County public health units from being paid into County Revenue Fund

#### **Management Response**

The management has noted the audit observation. However, the funds were received in the CRF and subsequently disbursed to the respective Health facilities through the County recurrent Bank Account.

### **Failure to Operationalize County Health Management Board**

As previously reported, the Fund did not have an operational County Health Management Board during the period ending 30 June, 2024 contrary to section 7 of the Taita Taveta Health Services Act, 2021 on establishment and composition of the Board. Further, section 10 of the Act details the functions of the board among them being the responsibility to review and approve annual financial statements and reports and provide oversight. The Fund's financial statements for the year ended 30 June, 2024 submitted for audit review, were therefore not reviewed and approved by the Board.

#### **Management Response**

The management has noted the audit observation. However, The Board members were appointed via Gazette Notice No. 11834. The Financial statements were forwarded by CECM Health as prescribed by PSASB reporting Template.

#### **Committee Observation**

The Committee observed that the management had instituted adequate mitigation measures and satisfactorily addressed the prior-year matters.

#### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

#### 4.4. REPORT ON AUDITED FINANCIAL STATEMENTS FOR TAITA TAVETA COUNTY CLIMATE CHANGE FUND FOR THE FINANCIAL YEAR 2024/2025

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements Taita Taveta Facilities Improvement Fund for the Financial Year 2024/2025 –

##### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **unqualified opinion** on the financial statements of Taita Taveta County Facilities Fund for the period under review.

##### Emphasis of Matter

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

##### 1. Budgetary control and performance

The statement of comparison of budget and actual amounts revealed that the Fund had a revenue budget of Kshs.255,537,810 against actual realization of Kshs.130,937,810 resulting in under-realization of Kshs.124,600,000, or 49% of the budgeted. Similarly, the Fund spent a balance of Kshs.81,765,034 against actual receipts of Kshs.130,937,810 resulting to an under-utilization of Kshs.49,172,776, or 38% of the actual receipts.

The under realization and under-utilization affected planned activities and may have caused non-implementation of planned activities on climate change interventions.

##### Management Response

The management acknowledge the auditor’s observation. However, The under realization was as a result of failure to realize 100% of the budgeted revenue as per the schedule below –

##### Climate Change Fund Receipt Schedule

S/NO	ITEM	BUDGETED AMOUNT(KSH)	ACTUAL RECEIPT(KSH)	VARIANCE (KSH)
1	Balance B/F	94,937,810	94,937,810	0
2	FLLoCA Receipt	111,000,000	11,000,000	100,000,000
3	County Contribution	49,600,000	25,000,000	24,600,000
	<b>TOTAL</b>	<b>255,537,810</b>	<b>130,937,810</b>	<b>124,600,000</b>

Further, the under-utilization, was occasioned by the fact that some projects took too long to start and some of the contractors pulled out forcing the management to re-tender and this delayed completion. The unutilized funds were rolled over and the management can confirm that most of the said projects have since been completed and paid.

### **Committee Observation**

The Committee observed that the under realization of budgeted revenue was due unremitted disbursements from the County Government and the FLLOCA whereas the under utilization was due to delayed commencement of projects under the Fund. Management confirmed that the projects have since been concluded.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the Accounting Officer responsible for the Fund complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the accounting officer may be held liable under section 199 of the Public Finance Management Act on penalties for offences.**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

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 –

### **Incomplete projects and lack of Value for money on Climate Change Projects**

- Physical verification during the month of October, 2025 on a sample of five (5) projects that were procured during the period ending 30 June, 2025 revealed the following anomalies. Consequently, value for money may not have been achieved for the total amount of Kshs.23,022,430 contracted for the projects.

#### **i. Fencing of Maghonyi Dumpsite**

Fencing of Maghonyi dumpsite was awarded to a contractor at a contract sum of Kshs.5,022,500. The works entailed fencing the dumpsite to reduce illegal dumping of waste. The project was completed, works certified and the contractor was paid the whole contract sum. However, audit verification of the Bill of Quantities (BQs) provided includes

Kshs.200,000 provisional sums for project management which was not supported with a breakdown of the payments

### **Management Response**

The management acknowledges the audit observation. However, the amount in question was included as a provisional sum in the BQ during project planning to facilitate effective management of the project implementation process. The management has further provided the breakdown of the amount and all the supporting schedules.

### **Committee Observation**

The Committee observed that the breakdown schedule was provided and the matter was adequately addressed

### **Committee Recommendation**

**The Committee recommends that the matter be marked as resolved.**

#### **ii. Rehabilitation of Ghazi Water Project**

The works for the Ghazi Water Project were procured at a contract sum of Kshs.4,866,834.55. The works entailed repairing Ghazi water system in order to restore supply. The works were on going and an amount of Kshs.3,808,324.68 had been certified. However, the water supply lines were dilapidated resulting to leakages. The BQs included works on lockable still locks. However, the works on the lockable still locks were not done. Further, there are no taps installed hence the community is experiencing difficulties in accessing water as they have to climb up the tank to fetch water posing a risk to the community. The Contractor was not on site at the time of audit. Included in the BQ was Kshs.200,000 in provisional sums which was not supported by the activities to be undertaken.

### **Management Response**

The management has noted the audit observation. However, at the time of audit verification, the project was still ongoing and an amount of Kshs. 3,808,324.68 had been certified based on the works completed and verified by the project supervision team. The issues observed during the audit, including leakages in some sections of the pipeline, absence of taps, and installation of lockable steel locks, relate to works that had not yet been completed at the time of the audit inspection. Management has since instructed the contractor to complete

the remaining works. Further, the Bill of Quantities included a provisional sum of Kshs. 200,000 intended to cater for project management, monitoring and supervision during implementation of the project. Only Kshs. 150,000 had been utilized and certified at the time of the audit since the project had not yet been completed.

### **Committee Observation**

The Committee observed that the matter relating to the Kshs. 200,000 in provisional sums was adequately explained. However, the issue of the incomplete project remained insufficiently addressed. Management acknowledged that the project was still incomplete and that the contractor had been instructed to finalize the outstanding works; however, no timelines were provided for the completion of the same.

### **Committee Recommendation**

**The Committee recommends that**

- i). within 60 days of the adoption of this report, the Governor submits to the Senate and the Auditor-General, a breakdown of the outstanding works and indicates the expected completion timelines for compliance monitor; and**
- ii). the Auditor-General to monitor compliance with the timelines and provide a status update in the subsequent audit cycle.**
  
- iii. Decommissioning of Chakaleri Dumpsite**

The Taita Taveta Climate Change Fund advertised a tender for the decommissioning of Chakaleri dumpsite and the tender attracted 4 bidders. The tender was awarded to the winning bidder by a letter of award dated 27 December, 2024 at a contract sum of Kshs.2,782,840 for a period of twenty (20) Weeks. The project objective was to close the dumpsite and rehabilitate it for environmental protection. Further, the Project was completed and the contractor was paid the whole amount as per the contract. However, the dumpsite is still in operation with trucks from Wundanyi and Voi still dumping wastes because the new dumpsite could not be accessed by the waste trucks due to un-built box culvert at Maghonyi seasonal water course. The dumpsite is still polluting the environment and thus no value for money was realized.

### **Management Response**

The management has noted the audit observation. The contractor completed the works as per the contract specifications and the works were inspected, verified, and certified before

payment of the contract sum was made. However, continued use of the dumpsite after completion of the decommissioning works was occasioned by operational challenges affecting access to the alternative dumpsite, particularly the absence of a box culvert at the Maghonyi seasonal water course, which made it difficult for waste trucks to access the new disposal site. The box culvert has been completed and the management is working towards the full decommissioning and enforce the closure to ensure that waste disposal is redirected to the designated site.

### **Committee Observation**

The Committee observed that the continued use of the decommissioned Chakaleri dumpsite was attributed to access challenges at the Maghonyio dumpsite arising from incomplete culvert works, which have since been completed. Management indicated that it was working towards enforcing the full decommissioning of the Chakaleri dumpsite; however, no timelines were provided for the implementation of this directive.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures immediate cessation of dumping at Chakaleri dumpsite. The Auditor-General to monitor compliance and provide a status update in the subsequent audit cycle.**

#### **iv. Ngelenyi Water Project**

Ngelenyi water project was targeted at increasing water supply to the Ngelenyi community and involved works of construction of new boreholes and pipelines for supply of water to the Ngelenyi community. The tender for the works were for a contract sum of Kshs.5,488,067.30 out of which works amounting to Kshs.4,652,507.12 were certified. The project is in-complete and the contractor was not on site at the time of the audit. No electricity connection had been done. The Project is not in use by the community.

### **Management Response**

The management has noted the audit observation. However, it is important to note that the payment made reflects works that were executed and completed as per the scope captured in the BOQ and the signed contract agreement. On the matter of the electricity power connection to the pump house, it is noted that the contractor had quoted Kshs. 475,000.00 in the BOQ, based on the prevailing site conditions at the time of tendering. However, upon making the formal application for power connection during implementation, the quotation provided by the utility company was valued at Kshs. 3,613,018.00. This amount was

significantly higher than what had been budgeted under the contract and was therefore untenable to implement within the existing contract sum. The management then opted for an alternative power connection that is Solar power and budgeted for it in the 25/26FY and can confirm that a budget for solarization was set aside and a contractor has been awarded the works.

### **Committee Observation**

The Committee observed that the delays in completing the project were occasioned by changes in electricity connection costs. Management mitigated this by opting for solar as an alternative, with a budgetary allocation made for the same in the 2025/2026 financial year and the tender subsequently awarded.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that the project is completed within the contract period and Auditor-General keeps the matter in view and provide a status update in the subsequent audit cycle.**

#### **v. Malela Water Project**

The Malela water project involved connection of clean water to residents of Malela and the contract sum was Kshs.4,862,188.16 out of which an amount of Kshs.3,582,952.09 was certified. The Malela Water project is situated on private Land and the Fund has no proof of ownership either by the Fund or the land is public. Water is extremely dirty and not suitable for human consumption. The Project requires a 3 Phase Connection which is expensive for the Fund and therefore there was no electricity connection at the time of audit. Payments have been done for uncertified work and as per an Interim evaluation certificate. The contractor was to excavate a trench in hard material to receive Hd pipe at a cost of Kshs.111,320 and was paid but no work was done.

### **Management Response**

The management has noted the audit observation. However, the land on which the Malela Water Project was implemented was voluntarily provided by the landowning family for the benefit of the community, with an understanding that the family would be connected to the water supply at their homestead. Management has been engaging the landowner, members of the Ward Climate Change Planning Committee (WCCPC), and the County Attorney to formalize this arrangement through a legally binding agreement to regularize the use of the land for the project. Further, at the time of the audit, the project was still ongoing and the

interim certificate raised related only to works that had already been completed and verified. Consequently, some components of the project, including water quality improvement measures and electricity connection, had not yet been finalized during the audit inspection.

Management wishes to confirm that the outstanding works have since been completed. The chlorine dosing system provided for in the Bill of Quantities has been installed and is operational, ensuring that the water supplied meets the required quality standards for human consumption. In addition, the three- phase electricity connection required to run the system has been successfully installed.

The project is now operational and the management can confirm that residents of Malela are currently accessing clean water at their homesteads, thereby achieving the intended objective of improving water supply in the area

#### **Committee Observation**

The Committee observed that the project has been completed and is in use.

#### **Committee Recommendation**

**The Committee recommends that 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 –

#### **Lack of County Climate Change Finance Framework**

The Taita Taveta County Climate Change Fund does not have a County Climate Change Finance Framework as required by Regulation 12 of Taita Taveta Climate Change Fund (Amendment) Regulations to guide the development and implementation of detailed climate change interventions listed in the climate change action plans. The policy framework aims to integrate climate change considerations into planning, budgeting, implementation and decision making at the National and County level and across all sectors. It also establishes a funding mechanism and strategy that enables implementation of priority actions for climate resilience adaptive capacity and low-carbon growth.

In the circumstances, the Fund lacked framework to guide the development and implementation of detailed climate change interventions.

### **Management Response**

The Management acknowledges the audit observation. We acknowledge the absence of a County specific Climate Change Finance Framework, though our operations are guided by the program's manuals and the PFM Act which provide a comprehensive guide for integrating climate change into county planning, budgeting, and implementation processes and on the running of the fund. The management is cognizant of the fact that there is need to have a specific climate change framework and has taken steps towards achieving that. We currently have developed a draft Finance policy and Framework; However, due to financial constraint the process is currently on hold. The department has engaged other partners and we can confirm that GIZ is finalizing on our proposal and this process will continue once our workplan is approved.

### **Committee Observation**

The Committee observed that a draft Climate Financing Framework had been developed and awaited approval.

### **Committee Recommendation**

**The Committee recommends that, within 90 days of the adoption of this report, the Governor ensures that the Climate Financing Framework is approved and fully operationalized.**

## **2. Lack of ICT Policy and Disaster Recovery Plans**

Review of the fund ICT internal control environment revealed that there was no formal approved ICT Policy in place at the time of audit which includes data security policy and disaster recovery plans. Further, formally documented and approved processes to manage upgrades for all financial and performance information systems were not in place. Failure to have in place a formal approved ICT Policy may expose the fund to critical loss of data and thus jeopardize operations in case of disaster. Hence in violation of Regulation 158(1) of the Public Finance Management Regulations, 2015 (County Governments) that requires the county government entity develops a system of risk management and internal control that builds robust business operations.

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

### **Management Response**

The management has acknowledged the observation and recognize the critical importance of robust ICT governance. The Fund does not have the policy but the ICT department has a draft policy that covers all departments including the department where climate change is housed. Further the fund will initiate processes of developing a comprehensive ICT Policy specifically for its operation that includes data security protocols and disaster recovery procedures. Furthermore, formal processes for managing system upgrades will be documented. These initiatives will aim to strengthen data protection, ensure business continuity, and safeguard the Fund's operational integrity.

### **Committee Observation**

The Committee observed that management had initiated the process of developing an ICT Policy and Disaster Recovery Plans; however, no timelines were provided for the conclusion of the process.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures that within 90 days of the adoption of this report, the Board of Directors put in place all internal control systems such as ICT Policy and Disaster Recovery Plans 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.**

## CHAPTER FIVE: COUNTY CORPORATION

### 3.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THE TAITA TAVETA INVESTMENT AND DEVELOPMENT CORPORATION FOR THE FINANCIAL YEAR 2024/2025

The Governor of Taita Taveta County, Hon. (Dr.) Andrew Mwadime, EGH, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements of the Tita Taveta Investment and Development Corporation for financial year 2024/2025. He was accompanied by –

- i). Mr. Elijah Mwazo - CECM Finance
- ii). Mr. Fredrick Nganga - CCO Finance

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **unqualified opinion** on the financial statements of the Taita Taveta Investments and Development Corporation for the period under review.

#### Emphasis of Matter

Under Emphasis of matter, the Auditor-General raise the following issue –

#### Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on a comparable basis of Kshs.6,100,000 and Kshs.4,008,000 respectively resulting in under-funding of Kshs.2,092,000 or 34% of the budget. Further, the Corporation spent a balance of Kshs.2,48,447 against actual receipts of Kshs.4,008,000 resulting in under-utilization of Kshs. 1,859,553 or 46% of actual receipts.

The underfunding and under-utilization affected planned activities and may have contributed to failure to carry out its principal activities including investments and development.

#### Management Response

Management submitted that the under-funding of Kshs. 2,092,000 resulted from the non-realization of the County Executive Exchequer Allocation amounting to Kshs. 71,022,053.

Further, the corporation under-utilized Kshs. 1,859,553, which had been earmarked for policy formulation and implementation. The policy formulation process involves rigorous

procedures, which include problem identification, policy analysis, strategy and policy development, stakeholder engagements, policy enactment, policy implementation and policy monitoring and evaluation. Due to the lengthy process and in line with prudent financial management principles, the funds could not be fully utilized before the closure of FY 2024/25. Management anticipates finalizing the process within the FY 2025/26. Consequently, the unutilized funds have been re-budgeted for in the subsequent financial year, FY 2025/2026, to facilitate the completion of the policy formulation and its implementation

### **Committee Observation**

The Committee observed that the explanation provided regarding budgetary underfunding and underutilization, together with the supporting evidence, was satisfactory. However, the matter remains unresolved, as the Committee was unable to ascertain whether the funds allocated were fully absorbed for the intended and budgeted activities in the subsequent financial year.

### **Committee Recommendation**

**The Committee recommends that the Auditor-General verifies whether the funds disbursed outside the financial year were utilized for the approved activities and programmes and submits a status update to the Senate within sixty (60) days of the adoption of this Report.**

# ANNEXTURES

Minutes of the 52<sup>nd</sup> Sitting held on Monday 23<sup>rd</sup> March, 2026



**13<sup>TH</sup> PARLIAMENT 5<sup>TH</sup> SESSION**

**MINUTES OF THE FIFTY SECOND SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON MONDAY, 23<sup>RD</sup> MARCH 2026 IN COMMITTEE ROOM 10, BUNGE TOWER AT 4.00 P.M.**

**PRESENT**

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

**ABSENT WITH APOLOGY**

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

**SECRETARIAT**

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

**A. OFFICE OF THE AUDITOR GENERAL**

Mr. Mark Gachanja                      Liasion

**B. ETHICS AND ANTI CORRUPTION COMMISION**

Mr. Patrick Kinoti                      -Liaison Officer

**MIN. NO. SEN/CPICSF/382/2026      PRAYER**

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

**MIN. NO. SEN/CPICSF/383/2026      ADOPTION OF THE AGENDA**

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

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

**MIN. NO. SEN/CPICSF/384/2026      CONSIDERATION AND ADOPTION OF REPORTS**

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

**1. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kisumu County for the Financial Year 2024/2025 (1<sup>st</sup> July, 2024 to 30<sup>th</sup> June, 2025)-**

- a. Kisumu Water and Sanitation Company (KIWASCO)
- b. City Of Kisumu
- c. Ahero County Hospital
- d. Chulaimbo County Hospital
- e. Kisumu County Hospital
- f. Kombewa County Referral Hospital
- g. Lumumba Sub County Hospital
- h. Migosi Sub County Hospital
- i. Muhoroni County Hospital
- j. Nyakach County Hospital
- k. Kisumu County Mortgage & Car Loan (Executive) Fund
- l. Kisumu County Mortgage & Car Loan Assembly Fund
- m. Kisumu Lakefront Development Corporation
- n. Kisumu County Emergency Fund
- o. Kisumu County Bursary Fund
- p. Kisumu County Climate Change Fund
- q. Kisumu County Covid-19 Emergency Response Fund Account
- r. Kisumu County Education Fund
- s. Kisumu County Women, Youth and People with Disabilities Fund

**2. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kwale County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- a. Kwale Water and Sewerage Company Limited
- b. Diani Municipality
- c. Lungalunga Municipality
- d. Kwale Municipality
- e. Kinango Municipality
- f. Kwale Sub-County Hospital
- g. Msambweni County Referral Hospital
- h. Lungalunga Sub-County Level 4 Hospital
- i. Kinango Level 5 Hospital
- j. Kwale County Bursary and Scholarship Fund
- k. Kwale County Emergency Fund
- l. Kwale County Youth, Women and Person with Disabilities Revolving Fund
- m. Kwale County Trade Revolving Fund
- n. Kwale County Climate Change Fund

**3. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in West Pokot County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- a. Kapenguria Water Company Limited
- b. Kapenguria Municipality
- c. Kapenguria Referral Hospital
- d. Chepareria Sub-County Level 4 Hospital
- e. Kacheliba Sub-County Level 4 Hospital
- f. Sigor Sub-County Level 4 Hospital
- g. West Pokot County Cooperative Development Fund

**4. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nandi County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- a. Kapsabet Nandi Water and Sanitation Company (KANAWASCO)
- b. Kapsabet Municipality
- c. Kapsabet County Referral Hospital
- d. Nandi County Alcoholic Drinks Fund
- e. Nandi County Climate Change Fund
- f. Nandi County Executive Education Fund

- g. Nandi County Emergency Fund
- h. Nandi County Facilities Improvement Fund

**5. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Bomet County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- a. Bomet Water and Sanitation Company Limited (BOMWASCO)
- b. Bomet Municipality
- c. Cheptalal Level 3b Hospital
- d. Kapkoros Level 3a Hospital
- e. Longisa Level 4 Hospital
- f. Ndanai Level 4 Hospital
- g. Sigor Level 4 Sub-County Hospital
- h. Bomet County Education Revolving Fund
- i. Bomet County Bursary Fund
- j. Bomet County Climate Change Fund
- k. Bomet County Executive Car and Mortgage Scheme Fund

**6. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kirinyaga County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- a. Kirinyaga County Water and Sanitation Plc(KICOWASCO)
- b. Rukanga Makutano Water and Sanitation Plc. (RUMAWASCO)
- c. Kerugoya -Kutus Municipal
- d. Sagana Sub - County Level 4 Hospital
- e. Kianyaga Sub County Level 4 Hospital
- f. Kimbimbi Sub County Level 4 Hospital
- g. Kirinyaga County Executive Emergency Fund
- h. County Government of Kirinyaga Executive Mortgage Fund
- i. Kirinyaga Executive Car Loan & Mortgage Fund
- j. Kirinyaga County Alcoholic Drinks Control Fund
- k. Kirinyaga County Climate Change Fund
- l. Kirinyaga County Executive Bursary Fund

**7. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nyeri County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- a. Mathira Water and Sanitation Company Limited
- b. Narumoru Water and Sanitation Company Limited
- c. Nyeri Water and Sanitation Company Limited

- d. Othaya-Mukurweini Water and Sanitation Company
- e. Tetu Water and Sanitation Company Limited
- f. Nyeri Municipality
- g. Karatina Subcounty Level 4 Hospital
- h. Mt Kenya Subcounty Referral Hospital
- i. Mukureini Sub County Hospital
- j. Nyeri County Referral Hospital
- k. Othaya Sub County Hospital
- l. Nyeri County Climate Change Fund
- m. Nyeri County Elimu Fund
- n. Nyeri County Enterprise Fund
- o. Nyeri County Health Services Fund

**8. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Taita-Taveta County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- a. Tavevo Water and Sewerage Company Limited
- b. Special Municipality of Mwatate
- c. Taveta Municipality
- d. Voi Municipality
- e. Moi (Voi) County Referral Hospital
- f. Wesu Sub-County Hospital
- g. Taveta Sub-County Hospital
- h. Mwatate Sub-County Hospital
- i. Taita Taveta County Education Fund Board
- j. Taita Taveta County Car Loan and Mortgage Fund
- k. Taita Taveta County Facilities Improvement Fund
- l. Taita Taveta County Climate Change Fund
- m. Taita Taveta Investment and Development Corporation

**9. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nyandarua County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- a. Nyandarua Water and Sanitation Company Limited
- b. Olkalou Water and Sanitation Company Limited
- c. Mairo-Inya Municipality
- d. Engineer Municipality
- e. Olkalou Municipality
- f. Engineer County Hospital
- g. Jm Kariuki Memorial County Referral Hospital

- h. Nyandarua County Bursary Fund
- i. Nyandarua County Climate Change Fund
- j. Nyandarua County Executive (State and Public) Car Loan and Mortgage Scheme Fund
- k. Nyandarua County Emergency Fund

**10. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Samburu County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- a. Samburu Water and Sanitation Company Limited (SAWASCO)
- b. Maralal Municipality
- c. Samburu County Teaching and Referral Hospital
- d. Baragoi Sub-County Hospital
- e. Samburu County Executive Staff Mortgage Fund
- f. Samburu County Bursaries Fund
- g. Samburu County Climate Change Fund
- h. Samburu County Conservancies Fund
- i. Samburu County Persons Living with Disability Fund
- j. Samburu County Youth and Women Enterprise Development Fund

**11. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Samburu County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- 1. Garissa Water and Sewerage Company Limited.
- 2. Garissa Municipality
- 3. Dadaab Municipality
- 4. Masalani Municipality
- 5. Garissa County Level 5 Teaching and Referral Hospital
- 6. Ijara Sub-County Hospital
- 7. Modogashe Sub-County Hospital
- 8. Dadaab Sub-County Hospital
- 9. Garissa County Emergency Fund
- 10. Garissa County Revolving Fund
- 11. Garissa Climate Change Fund
- 12. Garissa County Scholarship Fund

**12. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Elgeyo Marakwet County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-**

- 1. Iten Tambach Water and Sewerage Company Limited.
- 2. Cherang'any Marakwet Water and Sanitation Company Limited
- 3. Iten Tambach Unicity


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

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

There was no any other business.

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

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



**SIGNED: ..... DATE: .....**

24/3/2026

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