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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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REPORT OF THE AUDITOR-GENERAL ON PHYSIOTHERAPY COUNCIL OF KENYA FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Physiotherapy Council of Kenya set out on pages 1 to 26, which comprise of the statement of financial position as at

30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Physiotherapy Council of Kenya at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with Physiotherapist Act, 2014 and the Public Finance Management Act.

Basis for Qualified Opinion

1. Unsupported Write Off of Impairment Loss

The statement of financial performance and as disclosed in Note 14 reflects impairment loss of Kshs.8,393,019 which relates to intangible assets according to Note 14. However, audit verifications revealed that the impairment loss relates to receivables from exchange transactions since it relates to outstanding licenses, fees and permits according to Note 17 to the financial statements.

Further, no approval of the Cabinet Secretary was provided to write off the receivables contrary to Regulation 148(6) of Public Finance Management (National Government) Regulations, 2015 which states that if the loss falls within the Cabinet Secretary's powers under Section 69(2) of the Act, the Accounting Officer shall seek the approval of the Cabinet Secretary to authorize him or her to write off the loss of an amount exceeding the one hundred thousand (Kshs.100,000) shillings but not exceeding one percent of the national governments' entity's approved estimates excluding the Consolidated Fund Services in any one incidence.

In the circumstance, the accuracy, completeness and validity of the impairment loss of Kshs.8,393,019 could not be confirmed.

2. Non Compliance With Public Sector Accounting Standards Board Template

Review of the financial statements compared with Public Sector Accounting Standards Board reporting template revealed that the statement of performance against pre-determined objects does not reflect performance indicators and achievements in quantifiable and measurable terms.

Failure to plan and to report in quantifiable terms implies that performance and achievement cannot be measured.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Physiotherapy Council of Kenya Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts final budget of Kshs.208,000,000 and actual total receipts on a comparable basis of Kshs.63,979,452 resulting to revenue shortfall of Kshs.144,020,548 or 69%.

In the circumstances, the revenue shortfall may have affected implementation of planned activities.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Council in 2024/2025 revealed that the matters indicated under Appendix 1 remained unresolved.

Other Information

The Council members are responsible for the Other Information set out on page iii to xxxviii which comprise of Key Council Information and Management, The Council, Key Management Team, Chairman's Statement, Report of the Registrar, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Council and Statement of Council Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Council's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Misclassification of Expenditure

The statement of financial performance and as disclosed in Note 9 reflects use of goods and services of Kshs.44,078,418 which includes other general expenses of Kshs.3,938,691. However, general expenses of Kshs.3,938,691 were not re classified to the relevant expense items contrary to Paragraph 2.2.2.4 of the National Treasury and Planning Circular Ref:AG.4/16/3 Vol.1(9) dated 24 June, 2020 on classification of expenses which states that all expenses that were previously under general expenses have been re classified to other expense lines to minimize duplication of some expense lines within the notes to the financial statements.

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

2. Failure to Prepare a Memorandum Cashbook

The statement of financial performance and as disclosed in Note 9 reflects use of goods and services of Kshs.44,078,418. The expenditure includes other general expenses of Kshs.3,938,691. Examination of payment vouchers provided for audit revealed that officers were issued standing imprest amounting to Kshs.943,120. However, memorandum cashbooks were not prepared to support replenishments and payments related to these imprests contrary to Regulation 92 (14) of the Public Finance Management (National Government) Regulations, 2015 which states that the holder of a standing imprest shall keep a memorandum cash book to record all receipts and payments and the balance on hand shall agree with the cash balance recorded in the cash book.

In the circumstances, Management was in breach of the law

3. Lack of Approved Human Resource Instruments

The statement of financial performance as disclosed in Note 11 to the financial statements reflects employee costs of Kshs.3,604,138. However, the Council did not have a human resource policy, human resource structure and staff establishment and relies on seconded staff from the Ministry of Health, interns and staff on contract contrary to Part G(1) of Office of the President Circular Ref; OP/CAB.9/1A dated March 11,2020 which states that the Boards of Directors are required to ensure that they are implementing SCAC approved Human Resource Policy Instruments in line with Circular No. OP/SCAC.9/21/1/1 of 15 May 2017.

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

4. Lack of Market Survey in Procurement of Office Equipment

The statement of financial position reflects property, plant and equipment of Kshs.13,658,184. Review of payment vouchers and procurement documents revealed that the Management used request for quotation to procure office equipment amounting to kshs.8,086,128 during the year under review. However, there was no evidence provided to confirm whether market survey was carried out and informed award and placing of orders contrary to Regulation 91(4) of the Public Procurement and Asset Disposal Regulations, 2020 states that before any decision to award a procurement under a request for quotation, the head of procurement function shall by way of professional opinion make a recommendation based on a market survey.

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

5. Failure to Prepare Quarterly Procurement Implementation Reports

A review of the Council's annual procurement plan revealed the entity planned to procure goods and services amounting to Kshs.170,837,180. However, the Council did not demonstrate how the approved procurement plan for the year under review was implemented since the management did not prepare quarterly reports on implementation and submit to the Public Procurement Regulatory Authority. This contravenes regulation 40(6) of the Public Procurement and Asset Disposal Regulations, 2020.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of a Debt Management Policy

The statement of financial position reflects Nil receivables from non exchange transactions but Note 17 to the financial statements reflects total receivables from non exchange transaction of Kshs.8,393,019. However, review of the Council's does not have a guideline on debt management and provision for bad debts contrary to Section 66(1)(c) of Public Finance Management Act, 2012 which states that subject to the Constitution, the accounting officer of the Judiciary, Parliamentary Service Commission, constitutional commissions and independent offices shall monitor, evaluate and oversee the management of public finances in their respective entities, including the implementation of financial policies in relation to public finances.

In the circumstances, the effectiveness of internal control over management of receivables could not be confirmed.

2. Lack of an Asset Management Policy Manual

The statement of financial position reflects property, plant and equipment of Kshs.13,658,184. Further, the statement of financial position reflects depreciation and amortization expense of Kshs.1,072,535. However, it was noted that the Council did not have an Asset Management Policy Manual contrary to Regulation 139(1)(a) and (b) of Public Finance Management Regulation, 2015 which states that the Accounting Officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse and movement and conditions of assets can be tracked.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and the Council

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Council members are responsible for overseeing the Council's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 December,2025

Appendix 1-Unresolved Prior Year Audit Matters

No	Audit Issue
1	Unsupported Receivables
2	Variances in Capital Expenditure and Total Expenditure Performance Differences in the Statement of Comparison of Budget and Actual Amounts
3	Unsupported Prior Year Adjustments in Statement of Changes in Net Assets
4	Budgetary control and performance
5	Exceeded Board Expenses Ceiling
6	Irregular Travel and Accommodation Expenditure
7	Failure to Gazette Council Members
8	Lack of Approved Staff Establishment and Other Human Resource Instruments
9	Missing Stakeholders in the Composition of the Council
10	Lack of Internal Audit Services
11	Failure to do Board Evaluation
12	Lack of IT Internal Control Systems
13	Weaknesses in Management of Imprest