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Date: 31/03/2026



THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

PAPERS LAID	
DATE	31/03/2026
TABLED BY	SEN. OSOBI
COMMITTEE	
CLERK AT THE TABLE	WILLIAM

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31/03/2026

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

SECTOR	NO.	ENTITY
WATER COMPANIES	6	MAVOKO WATER AND SANITATION COMPANY LIMITED (MAVWASCO)
		MACHAKOS MUNICIPAL WATER AND SEWERAGE COMPANY LIMITED (MACWASCO)
		MWALA WATER AND SANITATION COMPANY LIMITED
		MATUNGULU WATER AND SEWERAGE COMPANY (MAKAWASCO)
		KATHIANI WATER AND SANITATION COMPANY LIMITED
		YATTA WATER SERVICES COMPANY LIMITED (YAWASCO)
MUNICIPALITIES	3	MAVOKO MUNICIPALITY
		MACHAKOS MUNICIPALITY

DC-EG  
Forwarded & recommended for  
approval  
31/03/2026



<b>KANGUNDO/TALA MUNICIPALITY</b>		
<b>HOSPITALS</b>	<b>11</b>	<b>KALAMA LEVEL 4 LEVEL 4 HOSPITAL</b>
		<b>KANGUNDO SUB-COUNTY HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>KATHIANI SUB-COUNTY HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>KIMITI LEVEL 4 HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>MASINGA SUB-COUNTY HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>MATUU DISTRICT HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>MAVOKO LEVEL 4 HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>MUTITUNI LEVEL 4 HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>MWALA SUBCOUNTY HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>NDITHINI LEVEL 4 HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>MACHAKOS COUNTY REFERRAL HOSPITAL LEVEL 5 HOSPITAL</b>
<b>FUNDS</b>	<b>4</b>	<b>MACHAKOS COUNTY BURSARY FUND</b>
		<b>MACHAKOS COUNTY EMERGENCY FUND</b>
		<b>MACHAKOS COUNTY EXECUTIVE COUNTY EXECUTIVE</b>
		<b>MACHAKOS COUNTY EXECUTIVE AND CHIEF OFFICERS CAR LOAN AND MORTGAGE SCHEME</b>

**MARCH, 2026**

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## **ACRONYMS/ABBREVIATIONS**

<b>CBK</b>	Central Bank of Kenya
<b>CECM</b>	County Executive Committee Member
<b>COB</b>	Controller of Budget
<b>CPISFC</b>	County Public Investments and Special Funds Committee
<b>DPP</b>	Director of Public Prosecution
<b>EACC</b>	Ethics and Anti-Corruption Commission
<b>HELB</b>	Higher Education Loans Board
<b>IFMIS</b>	Integrated Financial Management Information System
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>KRA</b>	Kenya Revenue Authority
<b>LAPFUND</b>	Local Authorities Pension Trust Fund
<b>MACWASCO</b>	Machakos Municipal Water and Sewerage Company Limited
<b>MAKAWASCO</b>	Matungulu Water and Sewerage Company
<b>MAVWASCO</b>	Mavoko Water and Sanitation Company Limited
<b>NEMA</b>	National Environment Management Authority
<b>NHIF/SHIF</b>	National/Social Health Insurance Fund
<b>NRW</b>	Non-Revenue Water
<b>NSSF</b>	National Social Security Fund
<b>OAG</b>	Office of the Auditor-General
<b>PAA</b>	Public Audit Act
<b>PFM</b>	Public Finance Management
<b>PPADA</b>	Public Procurement and Asset Disposal Act
<b>PPRA</b>	Public Procurement Regulatory Authority
<b>PSASB</b>	Public Sector Accounting Standards Board
<b>SHA</b>	Social Health Authority
<b>SO</b>	Standing Orders
<b>TNT</b>	The National Treasury
<b>UACA</b>	Urban Areas and Cities Act
<b>WASREB</b>	Water Services Regulatory Board

**WRA/WARMA** Water Resources Authority/Water Resources Management Authority

**WSTF** Water Sector Trust Fund

**YAWASCO** Yatta Water Services Company Limited

## 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
- a) 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 Machakos County water companies and Municipalities for the Financial Year 2024/2025. The following entities were considered: six (6) water companies - Mavoko Water and Sanitation Company Limited (MAVWASCO), Machakos Municipal Water and Sewerage Company Limited (MACWASCO), Mwala Water and Sanitation Company Limited, Matungulu Water and Sewerage Company (MAKAWASCO), Kathiani Water and Sanitation Company Limited, and Yatta Water Services Company Limited (YAWASCO), three (3) Municipalities - Mavoko Municipality, Machakos Municipality, and Kangundo/Tala Municipality, eleven (11) hospitals- Kalama Level 4 Level 4 Hospital, Kangundo Sub-County Hospital Level 4 Hospital, Kathiani Sub-County Hospital Level 4 Hospital, Kimiti Level 4 Hospital Level 4 Hospital, Masinga Sub-County Hospital Level 4 Hospital, Matuu District Hospital Level 4 Hospital, Mavoko Level 4 Hospital Level 4 Hospital, Mutituni Level 4 Hospital Level 4 Hospital, Mwala Subcounty Hospital Level 4 Hospital, Ndithini Level 4 Hospital Level 4 Hospital and Machakos County Referral Hospital Level 5 Hospital and four (4) funds- Machakos County Bursary Fund, Machakos County Emergency Fund, Machakos County Executive County Executive, Machakos County Executive And Chief Officers Car Loan And Mortgage Scheme.

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

## COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators—

- |  |                   |
|--|-------------------|
| 1. Sen. Godfrey Atieno Osotsi, CBS, MP.    | -Chairperson      |
| 2. Sen. Eddy Gicheru Oketch, MP.           | -Vice-Chairperson |
| 3. Sen. Agnes Kavindu Muthama, MP          | -Member           |
| 4. Sen. William Kipkemoi' Kisang, CBS, MP. | -Member           |
| 5. Sen. Peris Pesi Tobiko, CBS, MP         | -Member           |
| 6. Sen. Beth Kalunda Syengo, MP            | -Member           |
| 7. Sen. George Mungai Mbugua, MP           | -Member           |
| 8. Sen. Raphael Chimera Mwinzangu, MP.     | -Member           |
| 9. Sen. Hamida Ali Kibwana, MP             | -Member           |

## COMMITTEE SECRETARIAT

- |                             |                          |
|-----------------------------|--------------------------|
| 1. Mr. Yussuf Shimoy        | - Clerk Assistant I      |
| 2. Mr. Erick Njogu          | -Clerk Assistant II      |
| 3. Mr. Godfrey Nyaga        | -Clerk Assistant III     |
| 4. Mr. Khatib Omar          | -Clerk Assistant III     |
| 5. Mr. Kennedy Owuoth       | -Fiscal Analyst          |
| 6. Mr. Jeremy Chabari       | -Senior 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'enoh      | -Media Relations Officer |
| 15.Mr. Victor Kimani        | -Audio Officer           |
| 16.Mr. Fredick Okola        | -Sergeant-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.

## **EXECUTIVE SUMMARY**

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited accounts of Machakos water companies and municipalities for the Financial Year 2024/25 (1<sup>st</sup> July, 2024 to 30<sup>th</sup> June 2025) as the primary documents for its investigations. The Committee invited the Governor of Machakos County as the Chief Executive Officer pursuant to Article 179(4) as a witness to respond to the audit queries raised in the reports under consideration.

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

This report presents the findings and recommendations of the Select Committee on County Public Investments and Special Funds following its consideration of the Auditor-General's reports on nine (9) entities in Machakos County for the Financial Year 2024/25. The entities covered are: six (6) water companies - MAVWASCO, MACWASCO, Mwala Water and Sanitation Company Limited, MAKAWASCO, Kathiani Water and Sanitation Company Limited, and YAWASCO; and three (3) Municipalities -Mavoko Municipality, Machakos Municipality, and Kangundo/Tala Municipality, eleven (11) hospitals- Kalama Level 4 Hospital, Kangundo Sub-County Hospital Level 4 Hospital, Kathiani Sub-County Hospital Level 4 Hospital, Kimiti Level 4 Hospital, Masinga Sub-County Hospital Level 4 Hospital, Matuu District Hospital Level 4 Hospital, Mavoko Level 4 Hospital, Mutituni Level 4 Hospital, Mwala Subcounty Hospital Level 4 Hospital, Ndithini Level 4 Hospital and Machakos County Referral Hospital Level 5 Hospital and four (4) funds- Machakos County Bursary Fund, Machakos County Emergency Fund, Machakos County Executive County Executive, Machakos County Executive And Chief Officers Car Loan And Mortgage Scheme.

The majority of the entities received Qualified Opinions from the Auditor-General, indicating the existence of significant audit issues that require urgent management attention and corrective action.

The key issues identified include: going concern uncertainties arising from accumulated losses and negative working capital; non-revenue water levels exceeding regulatory benchmarks across all six water companies; expired terms of Boards of Directors across all water companies; failure to remit statutory deductions; long outstanding trade

receivables and payables; non-compliance with law on ethnic composition; unauthorized use of customer deposits; delayed project implementation; failure to maintain fixed asset registers; use of expired water tariffs; non-compliance with procurement regulations; failure to open dedicated revenue bank accounts for municipalities; lack of municipal strategic plans; and weaknesses in internal controls and governance.

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

## **REPORT STRUCTURE**

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

**CHAPTER ONE** is a record of the audit queries raised in the Auditor-General's report on Machakos Water Companies-( Mavoko Water and Sanitation Company Limited (Mavwasco), Machakos Municipal Water and Sewerage Company Limited (Macwasco), Mwala Water and Sanitation Company Limited, Matungulu Water and Sewerage Company (Makawasco), Kathiani Water and Sanitation Company Limited and Yatta Water Services Company Limited (Yawasco) for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

**CHAPTER TWO** is a record of the audit queries raised in the report of the Auditor-General for Machakos Municipalities-( Mavoko Municipality, Machakos Municipality and Kangundo/Tala Municipality) for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

**CHAPTER THREE** is a record of the audit queries raised in the report of the Auditor-General for Machakos Hospitals- (Kalama Level 4 Level 4 Hospital, Kangundo Sub-County Hospital Level 4 Hospital, Kathiani Sub-County Hospital Level 4 Hospital, Kimiti Level 4 Hospital Level 4 Hospital, Masinga Sub-County Hospital Level 4 Hospital, Matuu District Hospital Level 4 Hospital, Mavoko Level 4 Hospital Level 4 Hospital, Mutituni Level 4 Hospital Level 4 Hospital, Mwala Subcounty Hospital Level 4 Hospital, Ndithini Level 4 Hospital Level 4 Hospital and Machakos County Referral Hospital Level 5 Hospital for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

**CHAPTER FOUR** is a record of the audit queries raised in the report of the Auditor-General for Machakos Funds-( Machakos County Bursary Fund, Machakos County Emergency Fund, Machakos County Executive County Executive, Machakos County Executive and Chief Officers Car Loan and Mortgage Scheme for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

## **GENERAL OBSERVATIONS FOR WATER COMPANIES**

The Committee made the following general observations regarding the operations and financial management of Machakos Water Companies under review: —

1. **Non-Revenue Water (NRW)** - The Committee observed that all six Water Companies recorded NRW levels significantly exceeding the sector benchmark of 25% prescribed by WASREB, ranging from 33% to 40%, attributed to physical losses from dilapidated infrastructure, commercial losses from inaccurate meter reading and billing, illegal connections, and high supply pressure from new sources causing pipe bursts.
2. **Material Uncertainty Regarding Going Concern** - The Committee noted that several of the water companies reported negative working capital and cumulative losses, raising material doubts about their long-term sustainability and ability to continue as going concerns without County Government support.
3. **Delayed and Expired Board of Directors Appointments** -The Committee observed that the terms of the Boards of Directors of all Machakos water companies expired in September 2024 and had not been renewed as at the time of audit, preventing key governance decisions, approval of financial statements, and policy formulation.
4. **Deficiencies in Financial Reporting** -The Committee noted widespread inaccuracies and errors in the preparation and presentation of financial statements, including unexplained variances between ledgers and financial statements, incorrect cash flow presentations, and failure to submit supporting documents to auditors on time, contrary to Section 62 of the Public Audit Act, Cap. 412B.
5. **Unauthorized Use of Customer Deposits** - The Committee noted that multiple water companies borrowed customer deposits to finance operational activities without maintaining corresponding cash balances, and in some cases without Board approval, contrary to the Public Finance Management Act, Cap. 412A.
6. **Failure to Transfer Shares and Assets to the County Government** - The Committee observed that some water companies had not transferred shares and assets inherited from predecessor entities to the County Government as required by the Water Act leaving ownership legally unconfirmed.
7. **Lack of Internal Audit Function and Audit Committee** - The Committee noted that smaller water companies lacked established internal audit functions and Board Audit Committees, contrary to section 155 of the Public Finance Management Act.

## **GENERAL RECOMMENDATIONS FOR WATER COMPANIES**

The Committee makes the following recommendations to address the observed deficiencies and enhance the performance, compliance, and sustainability of Water Companies: -

1. **Mitigation of Non-Revenue Water** - The Governor ensures the Board of Directors and Accounting Officers institute comprehensive measures to reduce Non-Revenue Water addressing both physical and commercial losses, including replacement of old dilapidated infrastructure, installation of smart meters for accurate billing, application of GIS technology for real-time detection of bursts and leakages, creation of District Metered Areas (DMAs), and collaboration with the Ethics and Anti-Corruption Commission (EACC) to reduce illegal connections. The Accounting Officer should segregate NRW into physical and commercial components to enable targeted interventions. The Auditor-General to review the implementation of the measures and provide a status update in the subsequent audit cycle.
2. **Enhancement of Financial Reporting and Audit Compliance** - The Governor ensures the Accounting Officers take appropriate administrative action on responsible finance officers who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act and ensure compliance with section 149(2)(b) of the Public Finance Management Act and section 47(2) of the Public Audit Act, Cap. 412B, failure to which the provisions of section 199 of the Public Finance Management Act, Cap. on penalties for offences shall apply.
3. **Strengthening Financial Sustainability and Going Concern** - The Governor of Machakos County should take a keen interest in the management and operations of the water companies in line with Article 179(4) of the Constitution. The Accounting Officers should prepare and submit quarterly reports to the County Treasury in line with section 166 of the Public Finance Management Act, Cap. 412A. The County Executive Committee Member in charge of water should take full responsibility for monitoring financial performance under section 184 of the Public Finance Management Act.
4. **Refund of Customer Deposits** - The Governor ensures each Accounting Officer provides a certified bank statement for the designated customer deposit account and a comprehensive individual customer deposit register to the Senate and a copy to the Auditor-General within sixty (60) days of the adoption of this report. The Board should put in place a Customer Deposits Management Policy. All customer deposits

shall be maintained in a ring-fenced fixed or call account. The Auditor-General to provide a status update in the subsequent audit cycle.

5. **Transfer of Shares and Assets to the County Government** -The Governor ensures the County Government initiates the legal process of transferring all shares and assets held in trust or by predecessor entities to the County Government of Machakos in compliance with the Water Act, 2016. The Governor to submit evidence of initiation of the transfer process to the Senate and a copy to the Auditor-General within sixty (60) days of the adoption of this report.
6. **Establishment of Internal Audit Function and Audit Committee** - The Governor ensures all water companies establish functional internal audit functions and Board Audit Committees in compliance with Section 155 of the Public Finance Management Act, 2012 within sixty (60) days of Board appointment.

## GENERAL OBSERVATIONS FOR MUNICIPALITIES

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

1. **Failure to Fully Operationalize Municipalities** - The Committee noted that all three municipalities were granted charters in 2018 but had not been allocated adequate funding to discharge the sixteen (16) functions delegated to them in August 2024. Seven years after charter grants, the municipality had not been operationalized and the county government has not made provision for adequate funding, as may be appropriate, under section 172 of the Public Finance Management and section 43(1) of the Urban Areas and Cities Act, have not been .
2. **Lack of Municipal Strategic Plans** - The Committee observed that all three municipalities had not developed comprehensive strategic plans contrary to Section 39(1) of the Urban Areas and Cities Act though Integrated Development Plans were approved by the County Assembly on 5 December 2024.
3. **Deficiencies in Financial Reporting** - The Committee observed numerous inaccuracies and errors in the financial statements of municipalities, including Nil disclosure of revenue from exchange transactions and property, plant and equipment, raising concerns about the capacity of officers responsible for their preparation.
4. **Non-Compliance with Ethnic Composition and Disability Representation Requirements** - The Committee observed that all municipalities had staff predominantly from the dominant ethnic community (76%–98%) and none had employees living with disabilities, contrary to section 65(1)(e) of the County Governments Act and paragraph 2.2.2(i) of the PSC Diversity Policy, 2016.

## GENERAL RECOMMENDATIONS FOR MUNICIPALITIES

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

1. **Enforcement of Municipal Autonomy and Adequate Funding** -The Governor ensures that all municipalities are fully operationalized to undertake their delegated functions by the commencement of the Financial Year 2026/2027 and are adequately funded, as may be appropriate, in accordance with section 172 of the Public Finance Management Act and section 43(1) of the Urban Areas and Cities Act. The Auditor-General to keep this matter in view and report in the subsequent audit cycle.

2. **Completion and Adoption of Strategic Plans** - Within sixty (60) days of the adoption of this report, the Governor, through the Board of each Municipality, ensures the Strategic Plan is developed and formally adopted in line with section 39(1) of the Urban Areas and Cities Act. The Municipal Manager shall submit the adopted Strategic Plan to the Senate and a copy to the Auditor-General for verification.
3. **Strengthening Financial Reporting Capacity** -The Governor ensures the Municipal Manager and head of finance develop and implement a continuous capacity-building programme for all finance officers on IPSAS. The Accounting Officer should take appropriate administrative action on responsible officers who fail to keep complete financial records as required by section 156(1) of the PFM Act, failure to which the provisions of section 199 on penalties shall apply.
4. **Compliance with Ethnic Inclusivity and Disability Requirements** -The Governor ensures the Machakos County Public Service Board makes deliberate efforts to progressively comply with section 65(1)(e) of the County Governments Act 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 with Paragraph 2.2.2(i) of the PSC Diversity Policy, 2016 which requires at least 5% of public sector appointments to comprise persons living with disabilities. Compliance status shall be reviewed in the subsequent audit period.
5. **Timely Submission of Audit Documents and Adherence to Approved Budgets**  
- The Governor ensures the Municipal Manager directs that all supporting documents requested by the Auditor-General are submitted within the timelines stipulated in section 47(1) of the Public Audit Act failure to which the Committee shall recommend investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

**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 considering the audit reports. The Committee further wishes to express its appreciation to the able secretariat for their support and services in facilitating the Members and the Committee in its operations.

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

SIGNED: .....  


DATE: .....  


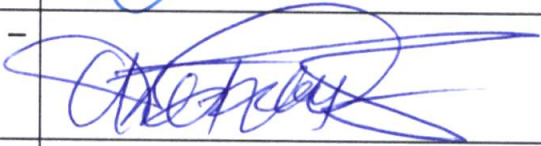

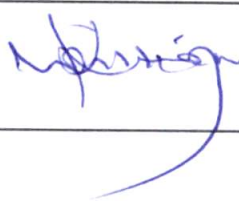
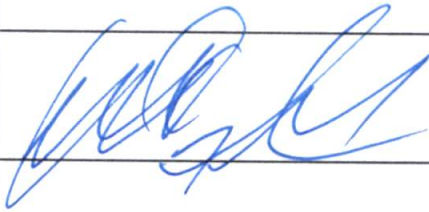
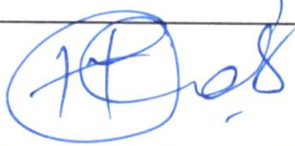

**HON. SEN. GODFREY ATIENO OSOTSI, CBS, MP**  
**CHAIRPERSON**

**ADOPTION OF THE REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF MACHAKOS COUNTY WATER COMPANIES, MUNICIPALITIES, HOSPITALS AND FUNDS 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>6</b>	<b>MAVOKO WATER AND SANITATION COMPANY LIMITED (MAVWASCO)</b>
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		<b>MWALA WATER AND SANITATION COMPANY LIMITED</b>
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		<b>YATTA WATER SERVICES COMPANY LIMITED (YAWASCO)</b>
<b>MUNICIPALITIES</b>	<b>3</b>	<b>MAVOKO MUNICIPALITY</b>
		<b>MACHAKOS MUNICIPALITY</b>
		<b>KANGUNDO/TALA MUNICIPALITY</b>
<b>HOSPITALS</b>	<b>11</b>	<b>KALAMA LEVEL 4 HOSPITAL</b>
		<b>KANGUNDO SUB-COUNTY HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>KATHIANI SUB-COUNTY HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>KIMITI LEVEL 4 HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>MASINGA SUB-COUNTY HOSPITAL LEVEL 4 HOSPITAL</b>
		<b>MATUU DISTRICT HOSPITAL LEVEL 4 HOSPITAL</b>

		<b>MAVOKO LEVEL 4 HOSPITAL      LEVEL 4 HOSPITAL</b>
		<b>MUTITUNI LEVEL 4 HOSPITAL      LEVEL 4 HOSPITAL</b>
		<b>MWALA SUBCOUNTY HOSPITAL      LEVEL 4 HOSPITAL</b>
		<b>NDITHINI LEVEL 4 HOSPITAL      LEVEL 4 HOSPITAL</b>
		<b>MACHAKOS COUNTY REFERRAL HOSPITAL LEVEL 5 HOSPITAL</b>
<b>FUNDS</b>	<b>4</b>	<b>MACHAKOS COUNTY BURSARY FUND</b>
		<b>MACHAKOS COUNTY EMERGENCY FUND</b>
		<b>MACHAKOS COUNTY EXECUTIVE COUNTY EXECUTIVE</b>
		<b>MACHAKOS COUNTY EXECUTIVE AND CHIEF OFFICERS CAR LOAN AND MORTGAGE SCHEME</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 COMPANIES

### 1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MAVOKO WATER AND SANITATION COMPANY LIMITED (MAVWASCO) FOR THE FINANCIAL YEAR 2024/25

The Governor of Machakos County, Hon. Wavinya Ndeti, appeared before the Committee on Thursday, 22nd January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Mavoko Water and Sewerage Company Limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Onesmus Muwa - CECM Water
2. Raphael Mutie - Managing Director
3. Judah Mutua - Manager
4. Milkah Musyoki - Accountant

### REPORT ON THE FINANCIAL STATEMENTS

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

#### 1. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.208,951,804 as disclosed in Note 30(a) to the financial statements. Included in the balance are receivables totalling Kshs.134,403,678 which have been outstanding for more than one hundred and twenty (120) days. Management did not provide measures put in place to recover the long outstanding amounts. In addition, the Company does not have a Debt Management Policy. In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.134,403,678 could not be confirmed.

#### Management Response

Management indicated that the Company finance policy guides on revenue collection and debt management mechanisms. Debt collection has been enforced via customer disconnections. A Debt Management Policy has been developed and reviewed to align with current law. Debt collectors were engaged and managed to collect Kshs.956,725 by October 2025. Management plans to switch to smart meters to implement a prepayment token system to avert future accumulation of trade receivables.

### **Committee Observations**

The Committee observed that-

1. The query had not been fully addressed as receivables totalling Kshs.134,403,678 remained outstanding for more than 120 days.
2. The Debt Management Policy was in draft form and had not been approved by the Board.
3. The amount recovered by debt collectors (Kshs.956,725) was insignificant relative to the outstanding balance of Kshs.134,403,678.
4. The Company's inability to recover receivables posed a significant risk to its financial sustainability and going concern.

### **Committee Recommendations**

The Committee recommends that—

- i. the Governor, through the Accounting Officer, should ensure that MAVWASCO undertakes a debtors' circularization to confirm the authenticity of the receivables and provide a status update to the Senate and a copy to the Auditor-General within sixty (60) days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer submits, within sixty (60) days of the adoption of this report, a debtors' aging schedule to the Auditor-General for review and verification and updates the Committee in the subsequent audit cycle;
- iii. the Governor ensures the Accounting Officer submits, within sixty (60) days of the adoption of this report, an approved copy of the Debt Management Policy to the Senate and a copy to the Auditor-General for verification;
- iv. the Governor ensures the Accounting Officer puts in place, within sixty (60) days of the adoption of this report, aggressive recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures and provide a status update to the Committee in the subsequent audit cycle; and
- v. the Governor ensures the Accounting Officer undertakes a detailed analysis of its long outstanding trade receivables and, with the Board's approval, writes off the irrecoverable debts in line with Section 130(2)(d) of the Public Finance Management (County Governments) Regulations, 2015.

## **2. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.377,230,996 and Kshs.318,649,544 respectively, resulting in underfunding of Kshs.58,581,452 or approximately 16% of budget. The underfunding affected planned activities and may have impacted negatively on service delivery to the public.

### **Management Response**

Management explained that the projected revenue included an ambitious target of bulk supply of 3,500 cubic meters of water daily from the Northern Collection Tunnel (NCT) through Nairobi Water and Sewerage Company. The anticipated supply was delayed for six months to January 2025, with only 2,250 cubic meters supplied daily, resulting in an undersupply of 855,000 cubic meters equivalent to at least Kshs.64,125,000 in lost revenue.

### **Committee Observations**

The Committee observed that-

1. The revenue shortfall of Kshs.58,581,452 (16%) negatively impacted planned service delivery.
2. The budget was unrealistic as it relied on NCT supply volumes from a third party that were not guaranteed at the time of budget preparation.
3. Over-reliance on a single external supply source posed a significant operational and financial risk to MAVWASCO.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the Board and Accounting Officer prepare realistic and evidence-based budgets using verified water supply capacities, with conservative projections for supply from external sources not yet formally contracted;**
- ii. **the Accounting Officer engages AWWDA and the Ministry of Water Sanitation and Irrigation to formalise a binding framework agreement with Nairobi Water and Sewerage Company for guaranteed daily supply volumes within sixty (60) days of the adoption of this report; and**
- iii. **the Accounting Officer develops documented contingency revenue plans to mitigate the impact of supply shortfalls on the Company's budget performance.**

### **3. Long Outstanding Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.129,437,811. Review of the vendor aging analysis revealed that the balance includes payables totaling Kshs.63,565,150, which have been outstanding for more than one hundred and twenty (120) days. Failure to settle bills during the year distorts the financial statements and adversely affects budgetary provisions for the subsequent year as they form a first charge.

#### **Management Response**

Management indicated commitment to meeting all obligations as they fall due and paid Kshs.15,017,035 of the long outstanding payables by December 2025. A plan to clear Kshs.2,500,000 monthly has been put in place.

#### **Committee Observations**

The Committee observed that-

1. Outstanding payables of Kshs.63,565,150 outstanding for more than 120 days were a significant concern.
2. The monthly repayment plan of Kshs.2,500,000 was insufficient to clear the outstanding balance within a reasonable timeframe.
3. Accumulated payables posed a risk to the Company's supplier relationships and continued operations.

#### **Committee Recommendations**

The Committee recommends that—

- i. **within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant creditors to formulate an accelerated repayment plan for the payables and files a report on the same with the Senate and a copy to the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle;**
- ii. **the Governor ensures the water company makes budgetary provision to clear all outstanding payables by the end of FY 2026/2027 and provides a status update to the Senate within sixty (60) days of the adoption of this report; and**
- iii. **the Governor ensures that the County Executive Committee Member in charge of water continuously monitors the financial performance of the water company in line with section 184 of the Public Finance Management Act, 2012 and reports on the same to the County Executive Committee making recommendations on how the water company can improve its performance.**

#### **4. Delayed Project Implementation - Conditional Liquidity Support Grant II**

The Company entered into a Conditional Liquidity Support Grant (CLSG) II Agreement with Water Sector Trust Fund on 30 April, 2024 for implementation of short-term interventions at a total cost of Kshs.21,275,125. The Company received the first disbursement of Kshs.10,637,562 (50%). However, the project had not commenced as at 30 June, 2025, the original agreement period expired, and the grant agreement was subsequently terminated by WSTF on 9 June, 2025 for non-compliance with Article 6 of the CLSG II Agreement. The Company refunded the full Kshs.10,637,562 to the Fund. In the circumstances, value for money of the project could not be confirmed.

#### **Management Response**

Management explained that commencement required an Environmental and Social Impact Assessment (ESIA) from a WSTF consultant which was delayed to October 2024. By that time the Board's term had expired, preventing procurement without Board approval. The County Government sought an extension of the implementation period.

#### **Committee Observations**

The Committee observed that-

1. The project was not implemented despite receipt of Kshs.10,637,562, resulting in termination by WSTF and loss of anticipated community water infrastructure benefits.
2. Management's explanation did not adequately justify the failure to commence procurement within the one-year agreement period.
3. The governance gap caused by the Board's term expiry directly contributed to the project's termination.

#### **Committee Recommendations**

The Committee recommends that-

- i. the Governor ensures the County Government and MAVWASCO engage WSTF within sixty (60) days of the adoption of this report to explore reinstatement of the grant or application for fresh funding and submits a status report to the Senate and a copy to the Auditor-General;
- ii. the Governor ensures expeditious appointment of a Board of Directors to eliminate governance gaps that prevent procurement decisions in compliance with section 79(1) of the Water Act; and
- iii. the Accounting Officer ensures all future grant agreements are accompanied by a detailed implementation schedule with clear

**procurement milestones, governance approval timelines, and environmental assessment requirements to prevent recurrence.**

### **5. Non-Revenue Water**

Review of water sales and production records revealed that the Company produced 1,774,935 cubic meters (M<sup>3</sup>), out of which 1,116,035 M<sup>3</sup> was billed to customers, leaving 658,900 M<sup>3</sup> or approximately 37% of production as Non-Revenue Water (NRW). This contravenes the WASREB guidelines which require water service providers to ensure that commercial losses do not exceed 25% of total production. In the circumstances, the huge losses affected the Company's profitability, service delivery and sustainability of services.

#### **Management Response**

Management acknowledged the NRW rate of 37% was above the acceptable threshold, mainly attributed to high pressure from the Northern Collection Tunnel supply through dilapidated pipe networks causing numerous bursts and leakages. Management launched 24-hour network surveillance, routine inspections, night flow monitoring, and replacement of faulty meters, which reduced NRW from 75% in January 2025 to 28% in December 2025.

#### **Committee Observations**

The Committee observed that-

1. NRW of 37% significantly exceeded the 25% WASREB benchmark and was 12 percentage points above the allowable threshold.
2. Management's intervention measures showed positive results, reducing NRW from 75% to 28% in the NCT-supplied network.
3. The root cause of dilapidated pipes unable to handle NCT supply pressure requires permanent resolution through capital investment.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Accounting Officer should put in place comprehensive measures to mitigate the Non-Revenue Water addressing both physical and commercial losses, including replacement of old dilapidated infrastructure, installation of smart meters for accurate billing, application of GIS technology for real-time detection of bursts and leakages, establishment of District Metered Areas (DMAs), installation of Pressure Reduction Valves (PRVs), and development of institutional anti-corruption policies to curb illegal connections. The Auditor-General to review the implementation of the measures and provide a status update in the subsequent audit cycle;**

- ii. **the Governor ensures the Accounting Officer segregates NRW into physical and commercial components so that the water company can ascertain and identify specific mitigating measures to effectively address and reduce NRW levels; and**
- iii. **the County Government collaborate with the Ethics and Anti-Corruption Commission (EACC) to ensure pre-emptive measures are put in place to reduce cases of theft and illegal connections.**

#### **6. Non-Compliance with Law on Ethnic Composition**

During the year under review, 100 out of 130 employees (approximately 77%) were members of the dominant ethnic community in the County, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 and Section 65(1)(e) of the County Governments Act, 2012. Additionally, 29 out of 39 employees recruited during the year (approximately 74%) were from the dominant ethnic community, demonstrating that the imbalance was being perpetuated through active recruitment.

#### **Management Response**

Management indicated that the company was at 26% ethnic composition from other ethnicities against the set minimum of 33%, a shortfall of 7%. The company is working progressively toward the required representation through open recruitment processes.

#### **Committee Observations**

The Committee observed that-

1. The Company's workforce remained predominantly from the dominant ethnic community in breach of the law.
2. The recruitment during the year of 74% from the dominant community compounded rather than addressed the existing imbalance.

#### **Committee Recommendations**

The Committee recommends that—

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

**The Board should develop and adopt a formal Diversity and Inclusion Policy and submit evidence of adoption to the Auditor-General within sixty (60) days of the adoption of this report. Compliance status shall be reviewed in the subsequent audit period.**

#### **7. Non-Compliance with the Approved Staff Establishment**

The Company had an approved staff establishment of ninety-eight (98) employees while the actual number in position was one hundred and thirty (130), resulting in over-establishment by thirty-two (32) officers. The staff establishment had not been reviewed and approved by the Board, contrary to Section 149(1) of the Public Finance Management Act, 2012.

#### **Management Response**

Management explained that additional workforce was engaged upon receipt of NCT water supply to maintain infrastructure in new service areas. The Board resolved to engage additional staff as per Board minutes dated 28th June 2024.

#### **Committee Observations**

The Committee observed that-

1. The Company operated with 32 additional staff beyond the approved establishment without a formally revised and Board-approved establishment.
2. While Board approval was provided for additional staff, the establishment document itself had not been formally revised and approved.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the Board formally reviews and approves a revised staff establishment that reflects the Company's current operational requirements and submits the same to the Senate and a copy to the Auditor-General within sixty (60) days of the adoption of this report; and**
- ii. **the Accounting Officer ensures all future staffing actions are undertaken within the approved establishment.**

#### **8. Failure to Remit Statutory Deductions**

The Company owed Water Services Regulatory Board (WASREB) and Water Resources Management Authority (WARMA) regulatory levy and abstraction fees of Kshs.41,609,544 and Kshs.2,239,100 respectively, totalling Kshs.43,848,644, contrary to

Regulation 22(2)(a) of the Public Finance Management (County Governments) Regulations, 2015.

### **Management Response**

Management acknowledged the outstanding amounts and explained that a standoff existed between Water Service Providers and the two regulatory institutions over increased rates. The Ministry of Water intervened, agreeing on new rates. Payments have commenced following the new tariff approval.

### **Committee Observations**

The Committee observed that-

1. The non-remittance of Kshs.43,848,644 in regulatory levies and abstraction fees constituted a breach of law.
2. The rate dispute, though now resolved, does not extinguish the obligation to settle all accumulated arrears.
3. Continued non-remittance risks sanctions, penalties, and potential licence revocation.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer negotiates and implements a structured payment plan with WASREB and WRA to clear all outstanding regulatory obligations within twelve (12) months of the adoption of this report and submits evidence of the payment plan to the Auditor-General within sixty (60) days; and**
- ii. **all regulatory levies and abstraction fees are henceforth remitted in full and on time as first charges on collections. The Auditor-General to verify remittance compliance in the subsequent audit cycle.**

### **9. Failure to Refund Customers' Deposits**

The Company's customers' deposits balance was Kshs.42,724,950. However, the deposit bank account reflected a balance of Kshs.123,903, resulting in a variance of Kshs.42,601,047. Funds totalling Kshs.34,000,000 were borrowed by Management to finance other activities with only Kshs.311,265 refunded, contrary to Section 149(1) of the Public Finance Management Act, 2012. The Company's ability to refund customers' deposits as and when demanded could not be confirmed.

### **Management Response**

Management cited severe infrastructural damage from flooding in May 2025 and the need to develop pipeline network for NCT water as reasons for borrowing customer deposits. Repayments of Kshs.100,000 monthly have commenced through an escrow account.

### **Committee Observations**

The Committee observed that-

1. The Company's ability to refund customers' deposits of Kshs.42,601,047 on demand could not be confirmed.
2. The monthly repayment of Kshs.100,000 would take over twenty-eight (28) years to clear the outstanding balance of Kshs.33,688,735, rendering it wholly inadequate.
3. The borrowing of customer deposits exposed the Company to financial and legal liability.

### **Committee Recommendations**

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 Senate and a copy to the Auditor-General. The Auditor-General to provide status update to the Senate on the same;
- iii. the Board of Directors should put in place a Customer Deposits Management Policy to guide how the water company can access, utilize and refund the money within specified timelines. Further, the Accounting Officer should ensure that there is full disclosure to the water company's customers on the utilization of the deposits; 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 to submit evidence of the same to the Auditor-General within 60 days of the adoption of this report for verification.

### **10. Delayed Board of Directors Appointment**

The previous Board of Directors' term expired in September 2024 and positions remained vacant seven (7) months later as at the time of audit in October 2025, contrary to Section 79(1) of the Water Act, 2016. The financial statements were not approved and/or signed by the Chairman on behalf of the Board. In the circumstances, the existence of effective governance measures could not be confirmed.

### **Management Response**

Management indicated that Machakos County water companies are under sectoral reforms which will pave way for a monolithic water company. Once the exercise is complete, a final decision on the way forward will be made.

### **Committee Observations**

The Committee observed that-

1. The Company operated without a Board for an extended period, in breach of Section 79(1) of the Water Act, 2016.
2. Ongoing sectoral reforms do not eliminate or suspend the legal requirement for a functional Board during the transition period.
3. The absence of a Board prevented approval of financial statements, formulation of new policies, and effective governance oversight.

### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor immediately appoints the Board of Directors for MAVWASCO in compliance with section 79(1) of the Water Act pending conclusion of sectoral reforms, and submits evidence of Board appointment to the Senate and a copy to the Auditor-General within thirty (30) days of the adoption of this report; and**
- ii. **the Governor ensures that sectoral reform timelines are clearly defined and no water company operates without Board oversight beyond thirty (30) days.**

## **1.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MACHAKOS MUNICIPAL WATER AND SEWERAGE COMPANY LIMITED (MACWASCO) FOR THE FINANCIAL YEAR 2024/25**

The Governor of Machakos County, Hon. Wavinya Ndeti, appeared before the Committee on Thursday, 22nd January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Machakos Water and Sewerage Company Limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Onesmus Muwa - CECM Water
2. Stephen Ndwiki - Managing Director
3. CPA Daniel Kioko - Accountant

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

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

#### **1. Inaccuracies in the Statement of Cash Flows**

The statement of cash flows reflects Kshs.877,323 as net cash flows from operating activities while the reconciling Note 23 to the financial statements reflects cash generated from operations of Kshs.10,077,032, resulting in an unexplained variance of Kshs.9,199,709. In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

#### **Management Response**

Management indicated that the anomaly has been reconciled and the correction will be reflected in the restated financial statements for Financial Year 2025-2026 in the comparative cash flow statement.

#### **Committee Observations**

The Committee observed that-

1. The variance of Kshs.9,199,709 in the statement of cash flows was a significant inaccuracy that undermined the reliability of the financial statements.
2. Management committed to correcting the anomaly in the subsequent year's restated financial statements.

#### **Committee Recommendations**

The Committee recommends that—

- i. the Accounting Officer should take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act and in line with their terms and conditions of employment, failure to which the provisions of section 199 on penalties for offences shall apply;
- ii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, and section 47(1) of the Public Audit Act in the preparation, management and submission of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act on penalties shall apply; and
- iii. the Accounting Officer ensures that prior year adjustments are carried out in the FY 2025/2026 financial statements to correct the cash flow errors in order to reflect the true financial position of the company. The Auditor-General to verify the corrections in the subsequent audit cycle.

#### **1. 2. Long Outstanding Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.172,645,859. Included in the balance are receivables totaling Kshs.112,549,572 that have been outstanding for a period of more than one hundred and twenty (120) days. Management did not provide measures put in place to recover the long outstanding receivables. The accuracy, completeness and recoverability of the receivables balance could not be confirmed.

#### **Management Response**

Management acknowledged the outstanding receivables and provided measures including issuance of demand letters, enforcement of water disconnections, structured engagement with debtors for part-payment arrangements, and implementation of an approved Debt Management Policy.

#### **Committee Observations**

The Committee observed that-

1. Outstanding receivables of Kshs.112,549,572 (more than 120 days) represented a significant risk to the Company's cash flow and financial health.
2. While management had measures in place, the effectiveness of debt recovery efforts could not be confirmed from the evidence provided during audit.

## **Committee Recommendations**

**The Committee recommends that—**

- i. the Governor, through the Accounting Officer, should ensure that MACWASCO undertakes a debtors' circularization to confirm the authenticity of the receivables and provide a status update to the Senate within sixty (60) days of the adoption of this report;**
- ii. the Governor ensures the Accounting Officer submits, within sixty (60) days of the adoption of this report, a debtors' aging schedule to the Auditor-General for review and verification and updates the Committee in the subsequent audit cycle;**
- iii. the Governor ensures the Accounting Officer puts in place, within sixty (60) days of the adoption of this report, aggressive recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures and provide a status update in the subsequent audit cycle; and**
- iv. the Governor ensures the Accounting Officer undertakes a detailed analysis of its long outstanding trade receivables and, with the Board's approval, writes off the irrecoverable debts in line with section 150 of the Public Finance Management Act and regulation 141(2)(d) of the Public Finance Management (County Governments) Regulations, 2015.**

### **2. 3. Material Uncertainty Related to Going Concern**

The statement of profit or loss reflects a loss for the year before taxation of Kshs.8,638,673. The statement of financial position reflects current liabilities totalling Kshs.255,053,540 against current assets balance of Kshs.240,312,543, resulting in negative working capital of Kshs.14,740,997. Trade and other payables balance of Kshs.281,081,437 increased by Kshs.48,367,866 from the previous year. Further, the material uncertainty had not been disclosed by way of notes to the financial statements. The ability of the Company to continue to sustain its services could not be confirmed.

### **Management Response**

Management indicated that the loss and negative working capital arose mainly from cash flow constraints. Measures implemented include expansion of water and sewerage coverage through the ADB-funded project (68% complete) and Kathale-Ikulu Water Project (92% complete); a revised cost-reflective tariff gazetted in May 2025; and operationalization of a Debt Management Policy. The loss had reduced by Kshs.21 million from the prior year.

### **Committee Observations**

The Committee observed that-

1. The water company operated with a negative working capital of Kshs.14,740,997 during the financial year under review, casting doubt on the company's ability to meet its obligations as and when they fall due.
2. The company has provided a mitigation plan to address the negative working capital with some tangible improvements, notably the loss reducing by Kshs.21 million.
3. The material uncertainty regarding going concern was not disclosed in the notes to the financial statements as required by applicable accounting standards.

### **Committee Recommendations**

The Committee recommends that—

- i. the Governor of Machakos County should take keen interest in the management and operations of the water company in line with Article 179(4) of the Constitution;
- ii. the Accounting Officer should prepare and submit quarterly reports to the County Treasury in regard to the financial and non-financial status of the water company in line with section 166 of the Public Finance Management Act;
- iii. the County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act and regularly report to the Governor through the County Executive Committee in line with Article 179(6) of the Constitution;
- iv. the County Treasury should undertake annual reporting on County Corporations including an assessment of the commercial viability of the company in line with the standards set by WASREB under section 77(2) of the Water Act; and
- v. the Accounting Officer should, within sixty (60) days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability, and ensure the going concern uncertainty is disclosed by way of notes to the financial statements in compliance with applicable IPSAS.

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

### **4. Excessive Non-Revenue Water**

Machakos Municipal Water and Sewerage Company Limited produced a total of 1,013,454 cubic meters of water, of which only 693,891 cubic meters was billed to customers, leaving 319,563 cubic meters or approximately 32% as Non-Revenue Water (NRW), exceeding the 25% WASREB guideline. No explanation was provided for the high level of NRW.

### **Management Response**

Management attributed high NRW to aging water distribution infrastructure, frequent pipe bursts, undetected leakages, illegal connections, inaccurate and aged customer meters, and data reconciliation challenges. Measures include infrastructure rehabilitation, leak detection intensification, metering improvements, illegal connections control, network zoning into District Metered Areas (DMAs), and monthly NRW performance reviews.

### **Committee Observations**

The Committee observed that-

1. NRW of 32% exceeded the 25% WASREB benchmark by seven percentage points.
2. Management's measures were appropriate but required sustained resourcing and accelerated implementation.
3. No explanation was provided during audit for the high NRW level, which was a compliance and transparency gap.

### **Committee Recommendations**

The committee recommends that-

- i. **The Governor should ensure that the Accounting Officer monitors and oversees the implementation of measures to mitigate Non-Revenue Water (NRW), addressing both physical and commercial losses, and reports progress to the Auditor-General for review in the subsequent audit cycle.**
- ii. **the Governor ensures that the Accounting Officer segregates NRW to both Physical or Commercial so that the water company can ascertain and identify specific mitigating measures to effectively address and reduce the NRW levels; and**
- iii. **the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put place to reduce cases of theft and illegal connections.**

### **5. Non-Compliance with Law on Ethnic Composition**

During the year under review, 52 out of 57 employees (approximately 91%) were from the dominant ethnic community in the County, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.

### **Management Response**

Management acknowledged that the majority of current staff were inherited from the defunct Municipal Council of Machakos and National Water. No recruitment exercises have been conducted since 2019.

### **Committee Observations**

The Committee observed that-

1. The Company's workforce at 91% from the dominant community significantly exceeded the statutory one-third threshold.
2. The Company's failure to conduct any recruitments since 2019 has perpetuated and entrenched the ethnic imbalance over a six-year period.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Board and the Accounting Officer make deliberate efforts to progressively comply with Section 65(1)(e) of the County Governments Act 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 Board and the Accounting Officer make deliberate and progressive efforts to comply with section 7(1) and (2) of the National Cohesion and Integration Act which requires that public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. Compliance status shall be reviewed in the subsequent audit period.**

### **6. Non-Compliance with One-Third of Basic Salary Rule**

During the year ended 30 June, 2025, thirteen (13) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission Human Resource Policies, 2016.

### **Management Response**

The non-compliance was mainly due to introduction of new statutory deductions including the Housing Levy, Social Health Insurance Fund (SHIF), and enhanced NSSF contributions, which significantly reduced employees' net pay.

### **Committee Observations**

The Committee observed that-

1. Thirteen employees' net salaries fell below one-third of their basic salary, which may expose the staff to pecuniary embarrassment.
2. The issue was largely driven by new statutory requirements, but the obligation to ensure compliance with the one-third rule remained.

### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor ensures the Accounting Officer reviews the salary structure for the thirteen (13) affected employees to ensure compliance with the one-third rule through restructuring of allowances or salary adjustments where feasible, and submits evidence of corrective measures to the Auditor-General within sixty (60) days of the adoption of this report; and**
- ii. **the Accounting Officer monitors payroll compliance with the PSC HR Policies, 2016 on an ongoing basis and ensures the matter does not recur in subsequent periods.**

### **3. 7. Non-Remittance of Statutory Deductions**

Management did not remit statutory deductions totalling Kshs.43,401,935 due to KRA, NSSF, HELB, LAFUND and SHIF. The Company also owed WASREB and WARMA regulatory levy and abstraction fees totalling Kshs.43,848,644, contrary to Regulation 22(2)(a) of the PFM (County Governments) Regulations, 2015 and Section 19(4) of the Employment Act, 2007.

### **Management Response**

Management acknowledged the non-remittance and attributed delays to cash flow constraints from revenue shortfalls and competing operational demands. Structured payment plan agreements have been put in place with relevant institutions.

### **Committee Observations**

The Committee observed that-

1. Unremitted statutory deductions of Kshs.43,401,935 constituted a breach of the Employment Act, 2007 and exposed employees to loss of benefits.
2. Outstanding regulatory levies of Kshs.43,848,644 further compounded the Company's total outstanding statutory liabilities.
3. The combined statutory and regulatory obligations of over Kshs.87 million posed a serious risk to the Company's legal standing and operational licence.

### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor ensures the Accounting Officer immediately institutes priority payments plan to clear all outstanding statutory deductions due to KRA, NSSF, HELB, LAPFUND and SHIF within twelve (12) months of the adoption of this report, and submits evidence of the payment plan to the Auditor-General within sixty (60) days;**
- ii. **the Governor ensures the Accounting Officer institutes a structured payment plan with WASREB and WRA to clear all outstanding regulatory obligations within twelve (12) months, and submits evidence to the Auditor-General within sixty (60) days; and**
- iii. **all future statutory deductions and regulatory levies are remitted on time as first charges on collections. The Auditor-General to verify remittance compliance in the subsequent audit cycle.**

#### **8. Delayed Project Implementation — WSTF Projects**

Multiple WSTF-funded projects showed significant delays: (i) CLSG II — the project had not commenced as at the time of audit despite receipt of Kshs.37,000,000 (50%) disbursement, with the one-year agreement period expired; (ii) Kathale-Ikulu Water Project — at 42% completion as at 30 June, 2025 despite multiple contract extensions, depriving approximately 7,200 residents of improved water supply; and (iii) Mumbuni Household Sanitation Project — at 29% completion, depriving approximately 2,000 residents of improved sanitation services. Value for money of the funds disbursed could not be confirmed.

#### **Management Response**

Management cited delayed funding, pending procurement approvals, and Board tenure expiry. As at the time of management response, Kathale-Ikulu was at 84% and Mumbuni at 76% completion. Contract extensions had been secured from WSTF.

#### **Committee Observations**

The Committee observed that-

1. The CLSG II project was not implemented despite receipt of Kshs.37,000,000, risking potential grant termination.
2. Progress on the Kathale-Ikulu and Mumbuni projects improved significantly post-audit, indicating that management capacity exists when governance is functional.
3. Project delays deprived the Machakos community of anticipated water and sanitation benefits.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer implements all WSTF-funded projects strictly within revised agreement timelines and provides quarterly implementation progress reports to the Board and a copy to the Auditor-General;**
- ii. the Accounting Officer submits, within sixty (60) days of the adoption of this report, evidence to the Auditor-General on current implementation status and timelines for completion of the CLSG II, Kathale-Ikulu, and Mumbuni projects; and**
- iii. future grant applications are accompanied by realistic implementation schedules that account for procurement timelines, environmental approvals, and Board approval requirements. The Auditor-General to verify completion status of all WSTF projects and confirm value for money in the subsequent audit cycle.**

#### **9. Failure to Refund Customer Deposits**

Customers' deposit balance was Kshs.14,970,964 while the deposit bank account reflected a balance of Kshs.4,556, resulting in a variance of Kshs.14,966,408 that had been borrowed by Management to finance various activities, contrary to Section 149(1) of the Public Finance Management Act, 2012. The Company's ability to refund customers' deposits as and when demanded could not be confirmed.

#### **Management Response**

Management indicated the variance arose from approved temporary use of customer deposits for operational expenditures. Refund delays were due to cash flow challenges. Repayment has since commenced and is ongoing.

#### **Committee Observations**

The Committee observed that-

- 1. Customer deposits of Kshs.14,966,408 had been borrowed to finance operations, contravening the PFM Act.**
- 2. The Company's ability to refund customer deposits on demand could not be confirmed.**

#### **Committee Recommendations**

**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 Senate and a copy to the Auditor-General. The Auditor-General to provide status update to the Senate on the same;
  - iii. the Board of Directors should put in place a Customer Deposits Management Policy to guide how the water company can access, utilize and refund the money within specified timelines. Further, the Accounting Officer should ensure that there is full disclosure to the water company's customers on the utilization of the deposits; 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 to submit evidence of the same to the Auditor-General within 60 days of the adoption of this report for verification.

#### **10. Delayed Board Appointment**

The previous Board of Directors' term elapsed in September 2024 and positions remained vacant more than one year later as at the time of audit on 13 November, 2025, contrary to Section 79(1) of the Water Act, 2016. There was a lack of formulation of new Company policies, procedures and execution of Board functions. The existence of effective governance measures could not be confirmed.

#### **Management Response**

Management acknowledged the gap and indicated that water companies are undergoing sectoral reforms. Once complete, a new Board will be appointed to run all the water companies.

#### **Committee Observations**

The Committee observed that-

1. The Company operated without a Board for over a year, depriving it of governance oversight, strategic direction, and approval of financial statements.
2. Sectoral reforms do not suspend or eliminate the legal requirement to have a functional Board during the transition period.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor immediately appoints Board of Directors for MACWASCO in compliance with section 79(1) of the Water Act pending conclusion of sectoral reforms, and submits evidence of Board appointment to the Senate and a copy to the Auditor-General within thirty (30) days of the adoption of this report; and**
- ii. **the Governor ensures that no water company operates without a Board beyond thirty (30) days.**

### **11. Non-Compliance with Approved Staff Establishment**

The Company had an authorized establishment of one hundred and three (103) personnel against an in-post of fifty-six (56) personnel, leading to a shortage of forty-seven (47) staff across several cadres. Management did not provide a clear plan to correct the shortage.

#### **Management Response**

Management explained the shortfall resulted from staff exits over time and the Company's limited financial capacity. Casual staff have been engaged in critical operational areas as an interim measure.

#### **Committee Observations**

The Committee observed that-

1. A staffing shortfall of 47 posts (46% of the approved establishment) risked compromising key operations and service delivery.
2. Casual staff engagement was an interim measure that required formalization and regularization in compliance with employment law.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor ensures the Board and Accounting Officer develop a structured, phased recruitment plan to progressively fill the forty-seven (47) vacant posts in line with the approved establishment within two (2) financial years, and submits the plan to the Senate and a copy to the Auditor-General within sixty (60) days of the adoption of this report; and**
- ii. **the Accounting Officer regularizes the engagement of casual staff in accordance with the Employment Act, and ensures their terms and conditions are in compliance with the law.**

### **1.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MWALA WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/25**

The Governor of Machakos County, Hon. Wavinya Ndeti, appeared before the Committee on Thursday, 22nd January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Mwala Water and Sewerage Company Limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Onesmus Muwa - CECM Water
2. Peter Mwansuna - Managing Director

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

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Mwala Water and Sanitation Company Limited for the following basis—

##### **1. Unconfirmed Property, Plant and Equipment Balances**

The statement of financial position reflects property, plant and equipment of Kshs.6,508,769. However, the assets register was not provided for audit review. In the circumstances, the accuracy of property, plant and equipment balance of Kshs.6,508,769 could not be confirmed.

#### **Management Response**

Management indicated the Company has an assets list and has requested the County Government of Machakos to assist in asset valuation.

#### **Committee Observations**

The Committee observed that-

1. The Company did not maintain a proper fixed asset register as required by law.
2. Asset values could not be independently verified due to absence of a comprehensive register submitted for audit.

#### **Committee Recommendations**

The Committee recommends that—

- i. **within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters of water, engages with the County Government to ensure the asset valuation exercise is completed and ownership documents are obtained;**

- ii. upon completion of the valuation, the Accounting Officer should prepare an updated fixed asset register within sixty (60) days and submit it to the Auditor-General for verification, in compliance with National Treasury Circular No. 5/2020; and
- iii. the Governor ensures the Accounting Officer maintains an up-to-date asset register in accordance with Section 149(2)(o) of the Public Finance Management Act, Cap. 412A and in the format prescribed by PSASB, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties for offences shall apply.

## **2. Unconfirmed Refundable Customer Deposits Balance**

The statement of financial position reflects customer deposits balance of Kshs.1,925,692. However, the deposit account balance reflects Kshs.15,897 resulting in unexplained variance of Kshs.1,909,795, which is a clear indication that customer deposits had been used to fund other operations, contrary to Section 149(1) of the Public Finance Management Act, 2012.

### **Management Response**

Management acknowledged borrowing from customer deposits account to fund operations due to financial challenges. Measures include requesting the County Government to hand over high-yielding boreholes and engaging a debt collector.

### **Committee Observations**

The Committee observed that-

- 1. Customer deposits of Kshs.1,909,795 had been borrowed to fund operations in breach of the PFM Act.
- 2. The Company's ability to refund customer deposits on demand could not be confirmed.

### **Committee Recommendations**

The Committee recommends that—

- i. the Accounting Officer should, within sixty (60) days of the adoption of this report, submit to the Senate and the Auditor-General a repayment plan with clear timelines for full restoration of the customer deposits of Kshs.1,909,795;
- ii. the Accounting Officer should ensure that all customer deposits are held in a ring-fenced fixed deposit account and submits a certified bank statement to the Auditor-General within sixty (60) days; and

- iii. **the Board prohibits future unauthorized use of customer deposits for operational financing and puts in place a Customer Deposits Management Policy within thirty (30) days of Board appointment.**

### **3. Long Outstanding Trade Receivables**

Trade and other receivables balance was Kshs.5,534,100, including debts totalling Kshs.4,578,363 which have been outstanding for more than one hundred and twenty (120) days. The Company does not have a Finance Manual outlining the guidelines and policies on management and collection of receivables. In addition, the Company made a provision for bad and doubtful debts of Kshs.457,836 which was not supported by a Policy. The accuracy, completeness and recoverability of the receivables balance could not be confirmed.

#### **Management Response**

Management issues demand notices on outstanding debts and is in the process of engaging a debt collector. The Company has a Finance Manual which guides financial matters, with debt management provisions on page 114.

#### **Committee Observations**

The Committee observed that-

1. Outstanding receivables of Kshs.4,578,363 (120+ days) posed a risk to the Company's revenue sustainability.
2. The provision for bad and doubtful debts of Kshs.457,836 was not supported by a Board-approved standalone policy.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer submits, within sixty (60) days of the adoption of this report, a debtors' aging schedule and recovery status report to the Auditor-General for review and verification;**
- ii. **the Governor ensures the Accounting Officer develops and implements aggressive debt recovery measures including structured payment plans, disconnections for persistent defaulters, and engagement of professional debt collectors; and**
- iii. **the Board of Directors, upon appointment, approves a standalone bad and doubtful debt provisioning policy and a comprehensive Debt Management Policy within thirty (30) days of Board appointment, and submits evidence to the Auditor-General for verification.**

#### **4. Undisclosed Material Uncertainty Relating to Going Concern**

The statement of profit or loss reflects net operating loss of Kshs.5,396,673. The statement of financial position reflects current liabilities of Kshs.29,874,144 against current assets of Kshs.5,790,354, resulting in a negative working capital of Kshs.24,083,790, an indication that the Company is technically insolvent. Trade and other payables increased by Kshs.4,777,949. The state of financial affairs and measures to reverse the trend were not disclosed in the financial statements contrary to IFRS requirements.

#### **Management Response**

Management cited high electricity costs and frequent pipe bursts due to old pipeline as main cost drivers. An ongoing Mwala Cluster Water gravitational project (due for completion June 2026) is expected to reduce operational costs and increase customer base.

#### **Committee Observations**

The Committee observed that-

1. The Company had negative working capital of Kshs.24,083,790, indicating technical insolvency.
2. The going concern uncertainty was not disclosed in the financial statements, contrary to accounting standards.
3. Management's remedial measures are long-term and may not yield immediate results.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor of Machakos County should take keen interest in the management and operations of the water company in line with Article 179(4) of the Constitution and ensure the going concern uncertainty is disclosed by way of notes to the financial statements in compliance with the applicable IPSAS framework;**
- ii. **the Accounting Officer should prepare and submit quarterly reports to the County Treasury in regard to the financial and non-financial status of the water company in line with the Public Finance Management Act;**
- iii. **the County Executive Committee Member in charge of water should monitor the financial performance of the company under section 184 of the PFM Act, 2012 and regularly report to the Governor in line with Article 179(6) of the Constitution; and**
- iv. **the Accounting Officer should, within sixty (60) days of the adoption of this report, put in place strategic and innovative measures for recovery and to**

**boost the financial health of the water company for self-sustainability and submit evidence of the measures to the Auditor-General.**

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

### **5. Non-Revenue Water**

The Company produced a total of 154,623 cubic meters (m<sup>3</sup>) of water. However, only 93,133 cubic meters were billed to customers. The balance of 61,490 cubic meters, approximately 40% of the total water produced, represents Non-Revenue Water (NRW), which is above the 25% limit prescribed by WASREB Guidelines, 2018. In the circumstances, Management was in breach of the law.

#### **Management Response**

Water losses were experienced through vandalism, road upgrading activities, commercial losses and physical losses due to dilapidated pipes. Management has been replacing old pipes with HDPE and PPR pipes, replacing malfunctioning customer meters, and collaborating with provincial administration to sensitize the community on vandalism reduction.

#### **Committee Observations**

The Committee observed that-

1. NRW of 40% significantly exceeded the 25% WASREB benchmark by fifteen percentage points.
2. Management's measures were progressive but required acceleration and substantial capital investment.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Accounting Officer should put in place comprehensive measures to mitigate the Non-Revenue Water including replacement of old dilapidated infrastructure, installation of smart meters, application of GIS technology for real-time detection, and collaboration with EACC to reduce illegal connections. The Auditor-General to review implementation and provide a status update in the subsequent audit cycle;**
- ii. **the Governor ensures the Accounting Officer segregates NRW into physical and commercial components and submits a detailed NRW Reduction Plan to the Board for approval within thirty (30) days of Board appointment; and**

- iii. **the Accounting Officer reports NRW reduction progress quarterly to the Board.**

#### **6. Failure to Remit Statutory Deductions**

Included in trade and other payables balance of Kshs.27,948,452 are statutory deductions for PAYE, NHIF, NSSF, Housing Levy and Pension totalling Kshs.1,097,094 which had not been remitted as at 30 June, 2025, contrary to Regulation 22(2)(a) of the PFM (County Governments) Regulations, 2015 and Section 19(4) of the Employment Act, 2007.

#### **Management Response**

Management acknowledged financial challenges. PAYE and SHIF payments were made. NSSF, Housing Levy and Pension of Kshs.657,292 remain outstanding.

#### **Committee Observations**

The Committee observed that-

1. Non-remittance of statutory deductions of Kshs.1,097,094 constituted a breach of the Employment Act, 2007 and exposed employees to loss of benefits.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer remits all outstanding statutory deductions immediately and establishes a system to ensure timely future remittances as first charges on collections; and**
- ii. **the Auditor-General verifies remittance compliance in the subsequent audit cycle.**

#### **7. Use of Expired Water Tariff**

Operating revenue of Kshs.4,476,852 was billed using water tariffs approved by WASREB for use between the years 2012 and 2017, hence outdated. In the circumstances, the validity and regularity of the water tariff applied could not be confirmed, contrary to Section 72(1) of the Water Act, 2016.

#### **Management Response**

The Company is currently applying for a new tariff from WASREB and the application is at the data entry stage.

#### **Committee Observations**

The Committee observed that-

1. Operating on an expired tariff structure (2012-2017) for more than eight years contravened Section 72(1) of the Water Act, 2016.

2. An outdated tariff structure may be causing the Company to undercharge consumers, negatively impacting revenue collection.

### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor ensures the Accounting Officer expedites the WASREB tariff review application and secures a new cost-reflective tariff within six (6) months of the adoption of this report and submits evidence of gazettelement to the Auditor-General; and**
- ii. **the Auditor-General verifies tariff approval and implementation in the subsequent audit cycle.**

### **8. Non-Compliance with Law on Ethnic Composition**

As previously reported, review of staff records revealed that all twelve (12) employees of the Company were from the dominant ethnic community in the County, contrary to Section 65(1)(e) of the County Governments Act, 2012. No measures were provided to reverse the trend.

### **Management Response**

The Company inherited employees from the dominant community during its formation. The Company plans to place all employment vacancies in newspapers to attract other communities.

### **Committee Observations**

The Committee observed that-

1. All twelve (12) employees being from the dominant community represented 100% non-compliance with the ethnic diversity requirement.
2. Management's plan lacked a concrete timeline or specific targets for improving ethnic representation.

### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Board and the Accounting Officer make deliberate efforts to progressively comply with Section 65(1)(e) of the County Governments Act 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 Board and the Accounting Officer comply with section 7(1) and (2) of the National Cohesion and Integration Act. The Board should develop a**

**Diversity Policy and submit evidence to the Auditor-General within sixty (60) days of Board appointment. Compliance status shall be reviewed in the subsequent audit period.**

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

The Company did not comply with the Data Protection Act, 2019 by failing to register with the Office of the Data Protection Commissioner, contrary to Section 19(1) of the Act, 2019. In the circumstances, Management was in breach of the law.

#### **Management Response**

The Company has started the process of registration in Financial Year 2025/2026.

#### **Committee Observations**

The Committee observed that-

1. Failure to register with the Data Protection Commissioner exposed the Company and its customers' data to legal risk and regulatory sanctions.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer registers the Company with the Office of the Data Protection Commissioner within thirty (30) days of the adoption of this report and submits evidence of registration to the Auditor-General for verification, failure to which the Committee shall recommend investigation in accordance with the Data Protection Act, 2019.**

#### **10. Failure to Appoint Board of Directors**

As disclosed in the Corporate Governance Statement, the Company operated without a functional Board of Directors during the year under review. The term of the Company's Board of Directors expired on 21 September, 2024, contrary to Section 79(1) of the Water Act, 2016. The Company did not benefit from Directors' leadership and monitoring of resources.

#### **Management Response**

Management wrote to the County Government, who is the appointing authority, and will make follow-ups to ensure the Board is constituted.

#### **Committee Observations**

The Committee observed that-

1. The Company operated without a Board for over a year, creating a governance vacuum that compromised accountability and decision-making.

## **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor immediately appoints a Board of Directors for Mwala Water and Sanitation Company Limited in compliance with section 79(1) of the Water Act, 2016, and submits evidence of Board appointment to the Senate and a copy to the Auditor-General within thirty (30) days of the adoption of this report.**

### **11. Lack of Internal Audit Function and Audit Committee**

The Company had not established an internal audit function and an Audit Committee of the Board, contrary to Section 155 of the Public Finance Management Act, 2012. As such, the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

#### **Management Response**

The County Government of Machakos has seconded an internal auditor to the Company. Once the appointment of the Board of Directors is finalized the Audit Committee shall be appointed and the Audit function will be operational.

#### **Committee Observations**

The Committee observed that-

1. The absence of a dedicated internal audit function and Board Audit Committee weakened governance, accountability, and internal controls.
2. Reliance on a seconded auditor without a formal Board Audit Committee did not fully satisfy the requirements of section 155 of the PFM Act.

## **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor ensures the Board constitutes a formal Audit Committee within thirty (30) days of Board appointment and establishes a dedicated internal audit unit within sixty (60) days of Board appointment, in compliance with section 155 of the Public Finance Management Act; and**
- ii. **the Accounting Officer submits evidence of establishment of the internal audit function and Audit Committee to the Auditor-General for verification.**

#### **1.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MATUNGULU WATER AND SEWERAGE COMPANY (MAKAWASCO) FOR THE FINANCIAL YEAR 2024/25**

The Governor of Machakos County, Hon. Wavinya Ndeti, appeared before the Committee on Thursday, 22nd January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Matungulu Water and Sewerage Company Limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Onesmus Muwa - CECM Water
2. Phylis Mwikali - Finance Manager

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

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

##### **1. Variances between Ledgers/Schedules and the Financial Statement Balances**

Review of the amounts and balances in the financial statements and ledgers revealed unexplained variances: General and Operation Expenses — financial statement reflected Kshs.9,198,575 against ledger of Kshs.9,187,057 (variance Kshs.11,519); Trade and Other Payables — financial statement reflected Kshs.16,261,686 against ledger of Kshs.16,121,566 (variance Kshs.140,120). The accuracy and completeness of the financial statements could not be confirmed.

##### **Management Response**

Management has corrected the anomaly in the general ledger.

##### **Committee Observations**

The Committee observed that-

1. Unexplained variances between ledgers and financial statements constituted inaccuracies that undermine the reliability of the financial statements.
2. Correction of anomalies in the general ledger alone was insufficient without corresponding restatement of the financial statements.

##### **Committee Recommendations**

The Committee recommends that—

- i. the Accounting Officer should take appropriate administrative action on responsible finance officers who fail to keep complete and accurate financial

- records in accordance with section 156(1) of the Public Finance Management Act;
- ii. the Accounting Officer ensures that prior year adjustments are carried out in the FY 2025/2026 financial statements to correct the variances and reflect the true financial position; and
  - iii. the Accounting Officer strengthens reconciliation controls and implements monthly reconciliations between the general ledger and financial statement balances, submitting quarterly reconciliation reports to the Board.

## **2. Unconfirmed Property, Plant and Equipment**

Property, plant and equipment balance of Kshs.19,665,378 includes land and motorbike valued at Kshs.2,350,000 and Kshs.23,632 respectively. However, ownership documents including title deeds and logbooks were not provided for audit review. The accuracy, completeness and ownership of property, plant and equipment could not be confirmed.

### **Management Response**

Management acknowledged that some property was handed over from the Town Council of Kangundo during inception in 2008. These properties are held by Tanathi Water Works Development Agency and need to be transferred to the County Government and then to the Company in compliance with Section 84(1) of the Water Act, 2016.

### **Committee Observations**

The Committee observed that-

1. The Company could not confirm ownership of assets valued at Kshs.19,665,378 due to absence of ownership documents.
2. The long-standing pending transfer of assets from predecessor entities since 2008 (over seventeen years) contravened the Water Act, 2016.

### **Committee Recommendations**

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters of water, engages with the relevant Water Works Development Agencies and IGRTC to ensure the transfer of ownership documents of the donated items is fast-tracked;
- ii. the Governor makes budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;
- iii. upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within sixty (60) days and submit to the Auditor-General for verification; and

- iv. **the Governor, through the Accounting Officer, ensures that the water company maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act, regulation 136 Public Finance Management (County Government) Regulations, 2015 and in the format prescribed by PSASB, failure to which the provisions of Section 199 on penalties for offences shall apply.**

### **3. Long Outstanding Receivables**

Trade and other receivables balance of Kshs.9,534,443 includes receivables totaling Kshs.7,634,240 that have remained outstanding for more than ninety (90) days. Management did not provide measures put in place to recover the outstanding debts. Further, the Company does not have a Debt Management Policy. The accuracy and completeness of trade and other receivables balance could not be confirmed.

#### **Management Response**

Management has been writing follow-up letters to disconnected customers, has formed a revenue collection team, and has engaged a debt collector. The Managing Director will engage the Board to develop a bad debts policy framework once the Board is appointed.

#### **Committee Observations**

The Committee observed that-

1. Outstanding receivables of Kshs.7,634,240 (90+ days) posed a significant risk to the Company's revenue sustainability.
2. The absence of a Board-approved Debt Management Policy weakened the governance framework for debt recovery.

#### **Committee Recommendations**

The Committee recommends that-

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

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

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

### **4. Non-Revenue Water**

The Company produced 154,623 cubic meters (m<sup>3</sup>) of water. Only 93,133 cubic meters were billed to customers. The balance of 61,490 cubic meters, approximately 40% of total production, represents Non-Revenue Water (NRW), above the 25% WASREB limit. In the circumstances, Management was in breach of the law.

#### **Management Response**

The Company experienced water losses through vandalism, road upgrading activities, commercial losses and physical losses due to dilapidated pipes. Management has been replacing old pipes with HDPE and PPR pipes, replacing malfunctioning customer meters, and collaborating with provincial administration on community sensitization.

#### **Committee Observations**

The Committee observed that-

1. NRW of 40% significantly exceeded the 25% WASREB benchmark by fifteen percentage points.
2. Multiple root causes required a comprehensive multi-pronged approach.

#### **Committee Recommendations**

The committee recommends that-

- i. The Governor should ensure that the Accounting Officer monitors and oversees the implementation of measures to mitigate Non-Revenue Water

(NRW), addressing both physical and commercial losses, and reports progress to the Auditor-General for review in the subsequent audit cycle.

- ii. the Governor ensures that the Accounting Officer segregates NRW to both Physical or Commercial so that the water company can ascertain and identify specific mitigating measures to effectively address and reduce the NRW levels; and
- iii. the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put place to reduce cases of theft and illegal connections.

### **5. Delayed Board Appointment**

The previous Board of Directors' term elapsed in September 2024 and the positions have since remained vacant more than one year later as at the time of audit on 13 November, 2025. There was a lack of formulation of new Company policies, procedures and execution of the functions of the Board since September 2024, contrary to Section 79(1) of the Water Act, 2016.

#### **Management Response**

Management is making follow-ups for appointment of the Board of Directors from the County Government of Machakos.

#### **Committee Observations**

The Committee observed that-

1. The Company operated without a Board for over a year, contravening the Water Act, 2016.
2. The absence of a Board prevented formulation of new policies, approval of financial statements, and effective oversight.

#### **Committee Recommendations**

**The Committee recommends that the Governor immediately appoints a Board of Directors for MAKAWASCO in compliance with section 79(1) of the Water Act and submits evidence of Board appointment to the Senate and a copy to the Auditor-General within thirty (30) days of the adoption of this report.**

### **6. Delayed Project Implementation — Kangundo Water Supply Project**

The Company signed a contract for pipe laying, construction of two (2) water kiosks, refurbishment of masonry tank and rehabilitation of pump house at a contract sum of Kshs.11,195,650 on 2 November, 2022. Expenditure incurred was Kshs.5,769,997 as at 30

June, 2025. Despite several contract period extensions, the project was still ongoing more than three years after inception. The delayed funding and prolonged timelines pose the risk of cost escalations and potential deviations from the original project scope.

### **Management Response**

Management explained delays were caused by VAT payment requirements (16%), delayed WSTF disbursement, delayed NEMA license (received August 2023) and delays in approvals of project variations. The project was at 90% completion and expected to be completed by end of January 2026.

### **Committee Observations**

The Committee observed that-

1. The project had experienced significant delays over three years since inception in November 2022.
2. The risk of cost escalations increases with each successive delay in project completion.
3. The project was close to completion (90%) and should yield intended community benefits soon.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer completes the Kangundo Water Supply Project within the latest extended contract period and submits a completion report together with a value for money assessment to the Senate and a copy to the Auditor-General; and**
- ii. **the Auditor-General verifies project completion and confirms value for money in the subsequent audit cycle.**

### **7. Unauthorized Borrowing of Customers' Deposits**

Customer deposits balance of Kshs.5,142,920 while the deposit bank account reflected Kshs.200,605, resulting in a variance of Kshs.4,942,315. Although management explained the amount was utilized for operations, Board approval for the majority was not provided for audit review, contrary to Section 149(1) of the Public Finance Management Act, 2012.

### **Management Response**

Management explained the variance represents amounts borrowed to finance operations since incorporation. Board approval of Kshs.333,840 for solarization was provided. The remaining amount was borrowed to finance electricity bill payments.

### **Committee Observations**

The Committee observed that-

1. The unauthorized borrowing of customer deposits totalling Kshs.4,942,315 was a breach of the PFM Act.
2. Board approval was only provided for a small portion (Kshs.333,840) of the total borrowed amount.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Accounting Officer should, within sixty (60) days of the adoption of this report, submit to the Senate and the Auditor-General a repayment plan with clear timelines for full restoration of the customer deposits;**
- ii. **the Accounting Officer should ensure that all customer deposits are held in a ring-fenced deposit account and submits a certified bank statement to the Auditor-General within sixty (60) days; and**
- iii. **the Board, upon appointment, establishes a Customer Deposits Management Policy prohibiting unauthorized use of customer deposits and submits evidence to the Auditor-General within thirty (30) days of adoption.**

### **8. Non-Remittance of Statutory Deductions**

Trade and other payables balance of Kshs.16,261,686 includes Kshs.3,434,983 and Kshs.985,507 in respect to WASREB (Regulatory Levy) and Water Resources Management Authority fees respectively, which had not been remitted to the respective institutions, contrary to Regulation 22(2)(a) of the PFM (County Governments) Regulations, 2015.

### **Management Response**

Management explained that the Company has been facing cash flow challenges due to its low revenue and is therefore unable to pay its debts as they fall due.

### **Committee Observations**

The Committee observed that-

1. Non-remittance of WASREB and WARMA fees totalling Kshs.4,420,490 constituted a breach of PFM Regulations.
2. Outstanding regulatory obligations posed a risk of penalties, sanctions, and potential licence revocation.

### **Committee Recommendations**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer implements a structured payment plan to clear all outstanding WASREB and WARMA obligations within twelve (12) months of the adoption of this report and submits evidence of the payment plan to the Auditor-General within sixty (60) days; and**
- ii. all regulatory levies are remitted on time in future periods as a first charge on collections.**

### **9. Non-Compliance with Ethnic Composition Thresholds**

As previously reported, review of the staff records revealed that the Company had a total of twelve (12) employees who are all from the dominant ethnic community in the County, contrary to Section 65(1)(e) of the County Governments Act, 2012. No measures were provided to reverse the trend.

#### **Management Response**

Management indicated that as the entity grows, management shall endeavour to employ personnel from different communities. In FY 2025-2026 management has engaged a casual staff member from a different community.

#### **Committee Observations**

The Committee observed that-

1. All twelve (12) employees being from the dominant community represented 100% non-compliance with the ethnic diversity requirement.
2. Engagement of one casual staff from a different community was insufficient to address the systematic imbalance.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. the Governor ensures that the Board and the Accounting Officer make deliberate efforts to progressively comply with Section 65(1)(e) of the County Governments Act, 2012 which provides that at least thirty percent (30%) of the vacant posts at entry level be filled by candidates who are not from the dominant ethnic community; and**
- ii. the Governor ensures that the Board and the Accounting Officer comply with Section 7(1) and (2) of the National Cohesion and Integration Act. Compliance status shall be reviewed in the subsequent audit period.**

## **1.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KATHIANI WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/25**

The Governor of Machakos County, Hon. Wavinya Ndeti, appeared before the Committee on Thursday, 22nd January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kathiani Water and Sewerage Company Limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Onesmus Muwa - CECM Water
2. George Mutunga - A.g. Managing Director

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

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Kathiani Water and Sanitation Company Limited for the following basis—

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

The statement of financial position reflects property, plant and equipment balance of Kshs.119,507,062. Included in the balance is Kshs.100,000,000 in respect to freehold land whose valuation report was not provided for audit review. The accuracy and completeness of the property, plant and equipment balance could not be confirmed.

#### **Management Response**

The valuation was based on engineers' estimates. Management has written to the Department of Lands for actual land valuation and issuance of title deed for the land where Muoni Dam lies.

#### **Committee Observations**

The Committee observed that-

1. The property, plant and equipment balance of Kshs.119,507,062 could not be confirmed due to absence of a professional valuation report for Kshs.100,000,000 worth of land.
2. Basing valuation on engineers' estimates without a formal professional valuation did not meet the requirements of applicable accounting standards.

#### **Committee Recommendations**

The Committee recommends that—

- i. **within sixty (60) days of the adoption of this report, the Governor ensures that the Accounting Officer commissions a professional asset valuation for**

- all Company assets, including the Muoni Dam land, and submits the valuation report to the Senate and a copy to the Auditor-General for verification;
- ii. upon completion of the valuation, the Accounting Officer should prepare an updated asset register within sixty (60) days and submit to the Auditor-General for verification; and
  - iii. the Governor, through the Accounting Officer, ensures that the water company maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act, regulation 136 Public Finance Management (County Governments) Regulations, 2015 and in the format prescribed by PSASB.

## **2. Long Outstanding Trade and Other Receivables**

Trade and other receivables balance of Kshs.7,139,380 includes receivables totaling Kshs.4,554,443 outstanding for more than one hundred and twenty (120) days. Although an agreement had been reached with debtors to pay in installments, no payment had been received as at the time of audit in November 2025. The accuracy and recoverability of the receivables balance could not be confirmed.

### **Management Response**

Management has taken measures including signed agreements with debtors to pay in installments, disconnection of customers with outstanding bills, and customer sensitization barazas. Evidence of payments received from some customers post-audit was provided.

### **Committee Observations**

The Committee observed that-

1. Outstanding receivables of Kshs.4,554,443 (120+ days) had not been recovered despite payment agreements being in place.
2. Management's enforcement measures showed some results post-audit, indicating effectiveness when strictly applied.

### **Committee Recommendations**

The Committee recommends that—

- i. the Governor ensures the Accounting Officer submits, within sixty (60) days of the adoption of this report, a debtors' aging schedule and recovery status report to the Auditor-General for review and verification;
- ii. the Governor ensures the Accounting Officer implements strict enforcement of debt payment agreements including disconnections for

- persistent defaulters, and installs pre-paid water meters to prevent future accumulation of receivables; and**
- iii. **the Auditor-General keeps the matter in view and provides a status update in the subsequent audit cycle.**

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

### **3. Failure to Transfer Shares to County Government**

The Company was formed on 29 August, 2014 as a private Company limited by shares. Upon enactment of the Water Act, 2016, ownership was to be transferred to the County Government of Machakos. However, 1,000 shares of Kshs.100 each formerly held by two shareholders as trustees for the County Council of Machakos were not formally transferred to the County Government of Machakos. The ownership of the Company could not be confirmed.

#### **Management Response**

Management indicated that the company is being restructured to align with the Water Act, 2016. Once complete, the 1,000 shares shall be transferred to the County Government of Machakos.

#### **Committee Observations**

The Committee observed that-

1. The failure to transfer shares to the County Government since enactment of the Water Act, 2016 left the ownership of the Company legally unconfirmed for nine years.
2. The protracted delay in share transfer was unacceptable and constituted a governance risk.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the County Government of Machakos initiates the legal process of transferring all shares in Kathiani Water and Sanitation Company Limited to the County Government in compliance with the Water Act within sixty (60) days of the adoption of this report; and**
- ii. **the Accounting Officer submits evidence of the share transfer process to the Senate and a copy to the Auditor-General for monitoring. The Auditor-General to keep the matter in view in the subsequent audit cycle.**

### **4. Use of Outdated Water Tariffs**

The statement of profit or loss reflects operating revenue of Kshs.9,865,124 being water sales for the year under review. The water tariff structure in use was approved for use from FY 2014/2015 to 2016/17 and has not been reviewed. The validity and regularity of the water tariff applied could not be confirmed, contrary to Section 72(1) of the Water Act, 2016.

### **Management Response**

Management is in the process of acquiring a new tariff. Management has uploaded the data required for tariff application to the WASREB website and WASREB is working on the new tariff.

### **Committee Observations**

The Committee observed that-

1. Operating on a tariff structure approved for 2014-2017 (over eight years out of date) contravened Section 72(1) of the Water Act, 2016.
2. An outdated tariff structure may be causing the Company to undercharge consumers, negatively impacting revenue collection and financial sustainability.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer expedites the WASREB tariff review application and secures a new cost-reflective tariff within six (6) months of the adoption of this report and submits evidence of gazettelement to the Senate and a copy to the Auditor-General; and**
- ii. **the Auditor-General verifies tariff approval and implementation in the subsequent audit cycle.**

### **5. Lack of Land Ownership Documents and Encroachment on Muoni Dam Land**

The assets register includes a parcel of land measuring fifteen point two (15.2) hectares reserved for Muoni Dam, whose ownership documents were not provided for audit review. The land is not fenced and had been encroached by informal settlers engaged in agricultural activities, raising concerns about the security of the land and its suitability for the intended water infrastructure purpose.

### **Management Response**

Management has written to the Department of Lands for issuance of title deed where Muoni Dam stands. Management, together with the Deputy County Commissioner Kathiani, has

an agreement with the informal settlers to vacate the silted land of the Muoni Dam reservoir area by end of February 2026.

### **Committee Observations**

The Committee observed that-

1. The 15.2-hectare Muoni Dam land lacked title documentation, making ownership unconfirmed.
2. Encroachment by informal settlers posed a significant risk to the Company's planned water infrastructure.
3. The agreement for settlers to vacate by February 2026 needed to be strictly enforced.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the County Government obtains a title deed for the Muoni Dam land and submits evidence to the Senate and a copy to the Auditor-General within ninety (90) days of the adoption of this report;**
- ii. **the informal settlers are evicted from the reserved land in accordance with the agreement with the Deputy County Commissioner, Kathiani, and evidence of clearance submitted to the Auditor-General; and**
- iii. **the land is fenced after clearance to prevent future encroachment, and the Accounting Officer submits evidence of fencing to the Auditor-General within one hundred and twenty (120) days of the adoption of this report.**

## **1.6. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR YATTA WATER SERVICES COMPANY LIMITED (YAWASCO) FOR THE FINANCIAL YEAR 2024/25**

The Governor of Machakos County, Hon. Wavinya Ndeti, appeared before the Committee on Thursday, 22nd January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Yatta Water and Sewerage Company Limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Onesmus Muwa - CECM Water
2. Cosmas Masesi - A.g. Managing Director

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

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

#### **1. Unsupported Revaluation Reserve Balance**

The statement of financial position reflects revaluation reserve balance of Kshs.8,255,514 as disclosed in Note 35 to the financial statements. However, supporting documents to confirm the balance were not provided for audit review. In the circumstances, the accuracy and completeness of the revaluation reserve balance could not be confirmed.

#### **Management Response**

Management provided correct supporting documents for the revaluation reserve amount of Kshs.36,827,741 including a schedule, Board approval minutes, contract agreement with the valuer, and list of all valued assets. Management acknowledged an error during financial statement preparation and confirmed adjustments will reflect in FY 2025/2026.

#### **Committee Observations**

The Committee observed that-

1. There was a significant error in the revaluation reserve disclosed in the financial statements (Kshs.8,255,514 vs. actual Kshs.36,827,741), a variance of Kshs.28,572,227.
2. Management subsequently provided supporting documentation and committed to correcting the error in subsequent financial statements.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. the Accounting Officer should take appropriate administrative action on responsible finance officers who fail to keep complete financial records in accordance with Section 156(1) of the Public Finance Management Act;
- ii. the Accounting Officer ensures that prior year adjustments are carried out in the FY 2025/2026 financial statements to correct the revaluation reserve error and reflect the true financial position of the Company; and
- iii. the Auditor-General verifies the corrections in the subsequent audit cycle.

## **2. Long Outstanding and Unsupported Trade and Other Receivables**

Trade and other receivables balance of Kshs.35,548,149 includes receivables of Kshs.35,974,970 outstanding for more than one hundred and twenty (120) days. Sales invoices for receivables balance of Kshs.24,876,125 in respect to Machakos County Government and canal customers were not provided for audit review. The accuracy and recoverability of the receivables balance could not be confirmed.

### **Management Response**

Management indicated that a debt management policy guides collection. Debt collectors have been engaged. Samples of sales invoices and statements issued to customers, including schedules of amounts owed by Machakos County Government for bowser water, were provided.

### **Committee Observations**

The Committee observed that-

1. Receivables of Kshs.35,548,149 with Kshs.35,974,970 outstanding for more than 120 days posed a critical risk to the Company's cash flow.
2. The County Government's debt for bowser water required direct intervention at the highest level of County leadership.

### **Committee Recommendations**

The Committee recommends that—

- i. the Governor, through the Accounting Officer, ensures YAWASCO undertakes a debtors' circularization to confirm the authenticity of the receivables, including the County Government's bowser water debt, and provides a status update to the Senate and a copy to the Auditor-General within sixty (60) days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer submits, within sixty (60) days, a debtors' aging schedule to the Auditor-General for review and verification;

- iii. the Governor personally engages the County Government to settle the outstanding bowser water debt and all other County Government institutional receivables within sixty (60) days, and submits evidence of settlement to the Senate and a copy to the Auditor-General; and
- iv. the Governor ensures the Accounting Officer undertakes a detailed analysis of its long outstanding trade receivables and, with the Board's approval, writes off the irrecoverable debts in line with section 150(1) of the Public Finance Management Act and regulation 141 of the Public Finance Management (County Governments) Regulations, 2015.

### **3. Inaccuracies in Refundable Deposits and Prepayments**

Refundable deposits and prepayments balance was Kshs.4,326,588. However, the reconciled cash book balance reflected customer deposits balance of Kshs.5,011, resulting in a variance of Kshs.4,321,577 which had been utilized to finance operations. The accuracy and completeness of the customers' deposits balance could not be confirmed.

#### **Management Response**

Management acknowledged financial constraints and indicated that the Board authorized the use of customer deposits for key operations. Management agreed to start repaying Kshs.50,000 monthly upon engagement of a debt collector.

#### **Committee Observations**

The Committee observed that-

1. Customer deposits of Kshs.4,321,577 had been used for operations, significantly limiting the Company's ability to refund deposits on demand.
2. The monthly repayment plan of Kshs.50,000 would take over seven (7) years to clear the outstanding balance, rendering it wholly inadequate.

#### **Committee Recommendations**

The Committee recommends that—

- i. the Accounting Officer should, within sixty (60) days of the adoption of this report, submit to the Senate and the Auditor-General a repayment plan with clear, accelerated timelines for full restoration of the customer deposits;
- ii. the Accounting Officer should ensure that all customer deposits are held in a ring-fenced fixed or call account and submits a certified bank statement to the Auditor-General within sixty (60) days; and
- iii. the Board, upon appointment, establishes a Customer Deposits Management Policy prohibiting unauthorized use of customer deposits.

#### **4. Unsupported Board Expenses**

Board expenses totalling Kshs.423,000 include sitting allowances of Kshs.213,000. Payments were not supported with invitation letters, signed minutes, and/or attendance registers. In addition, the payment schedules were not signed. The accuracy and completeness of Board expenses amounting to Kshs.213,000 could not be confirmed.

#### **Management Response**

Supporting documents for the unsupported Board expenses have since been provided for audit review, including signed payment schedules, payment vouchers, invitation letters, signed minutes and attendance registers.

#### **Committee Observations**

The Committee observed that-

1. Board expense documentation was not provided during audit, constituting a breach of Section 62 of the Public Audit Act, Cap. 412B.
2. Management subsequently availed the supporting documentation, partially addressing the query.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer ensures timely submission of all documents during the audit process in line with section 47(1) of the Public Audit Act, failure to which the Committee shall recommend investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and**
- ii. **the Accounting Officer maintains complete documentation for all Board expenses before disbursement and ensures payment schedules are signed before payment.**

#### **5. Unconfirmed Property, Plant and Equipment**

Property, plant and equipment balance of Kshs.3,850,000 represents three (3) vehicles whose logbooks were not provided for audit review. The accuracy, completeness and ownership of motor vehicles valued at Kshs.3,850,000 could not be confirmed.

#### **Management Response**

Management indicated that original logbooks are held by Tanathi Water Works Development Agency, as the three vehicles were donations from Tanathi Services Board. YAWASCO will liaise with Tanathi WWDA to initiate the transfer process.

#### **Committee Observations**

The Committee observed that-

1. Ownership of three motor vehicles valued at Kshs.3,850,000 could not be confirmed due to absence of logbooks.

#### **Committee Recommendations**

The Committee recommends that—

- i. **within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters of water, engages with Tanathi Water Works Development Agency to ensure the transfer of logbooks and ownership documents to YAWASCO is fast-tracked;**
- ii. **upon completion of the transfer, the Accounting Officer should update the asset register and submit the same to the Auditor-General for verification; and**
- iii. **the Auditor-General verifies asset ownership documentation in the subsequent audit cycle.**

#### **6. Unconfirmed Operating Revenue**

Total revenue of Kshs.24,894,185 could not be confirmed due to an inadequate billing system lacking key modern features including USSD access, Mobile Application Support, Automated Meter Reading (AMR), and a Customer Self-Service portal. Customers were billed using estimated consumption units rather than actual meter readings. Customers' records lacked corresponding meter numbers. The accuracy and completeness of operating revenue totaling Kshs.24,894,185 could not be confirmed.

#### **Management Response**

Management acknowledged the billing system challenges and has replaced the old billing system with a modern one. Estimated billing was used due to faulty or damaged meters, inaccessible meters, and missing meters.

#### **Committee Observations**

The Committee observed that-

1. Operating revenue of Kshs.24,894,185 could not be confirmed due to a deficient billing system that relied on estimated readings.

2. Management has replaced the billing system with a modern platform, which is a positive step toward compliance.
3. Replacement of deficient customer meters was critical to restoring billing accuracy.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor ensures the Accounting Officer enhances the capacity of in-post officers to comply with the Public Sector Accounting Standards in the preparation of financial statements and invests in technology to enhance efficiency and improve accuracy;**
- ii. **the Accounting Officer should, within sixty (60) days of the adoption of this report, submit to the Auditor-General a meter replacement schedule with timelines for eliminating estimated billing for all customers within twelve (12) months; and**
- iii. **the Auditor-General verifies the integrity of the new billing system and the implementation of the meter replacement schedule in the subsequent audit cycle.**

#### **7. Inaccuracies in Retained Earnings**

Retained earnings balance of Kshs.14,994,610 differs with the recalculated balance of Kshs.27,572,293 Negative, resulting in unexplained variance of Kshs.42,566,903. The statement of changes in equity also reflects conflicting opening retained earnings balances. The accuracy and completeness of the retained earnings balance could not be confirmed.

#### **Management Response**

Management acknowledged the variances were occasioned by errors in revaluation reserves. Reconciliation has been undertaken and corrective figures will be reported in subsequent financial statements.

#### **Committee Observations**

The Committee observed that-

1. The unexplained variance of Kshs.42,566,903 in retained earnings was a critical inaccuracy that fundamentally undermined the reliability of the financial statements.
2. Management's commitment to correct the error in subsequent financial statements was noted.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Accounting Officer should take appropriate administrative action on responsible finance officers who fail to keep complete and accurate financial records in accordance with section 156(1) of the Public Finance Management Act;**
- ii. **the Accounting Officer ensures that prior year adjustments are carried out in the FY 2025/2026 financial statements to correct the retained earnings balance and reflect the true financial position; and**
- iii. **the Auditor-General verifies the corrections in the subsequent audit cycle.**

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

The statement of profit or loss reflects loss before tax of Kshs.10,935,302 (Deficit of Kshs.3,112,024 for 2023/2024). The statement of financial position reflects negative working capital of Kshs.21,550,251. Trade and other payables balance of Kshs.53,841,259 increased by Kshs.8,716,204, an indication of the Company's inability to meet its financial obligations as and when they fall due.

#### **Management Response**

Management acknowledged the observations and indicated ongoing measures including: water project from Tanathi water services (48% complete); Belgium Government Project covering additional areas; request to County Government to de-silt Yatta canal; and Trans Africa Water donor-funded project on solarization of pumping equipment.

#### **Committee Observations**

The Committee observed that-

1. The water company operated with a negative working capital of Kshs.21,550,251, casting serious doubt on its ability to meet its obligations as and when they fall due.
2. The Company has provided a mitigation plan involving long-term projects, but no tangible evidence of immediate liquidity improvement has been provided.
3. The going concern uncertainty needed to be explicitly disclosed in the notes to the financial statements.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor of Machakos County should take keen interest in the management and operations of the water company in line with Article 179(4) of the Constitution;**
- ii. **the Accounting Officer should prepare and submit quarterly reports to the County Treasury in regard to the financial and non-financial status of the**

- water company in line with section 166 of the Public Finance Management Act;
- iii. the County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act and regularly report to the Governor in line with Article 179(6) of the Constitution;
  - iv. the County Treasury should undertake annual reporting on County Corporations including assessment of commercial viability under section 77(2) of the Water Act; and
  - v. the Accounting Officer should, within sixty (60) days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability, ensure the going concern uncertainty is disclosed in the notes to the financial statements, and submit evidence to the Auditor-General.

#### **9. Long Outstanding Trade and Other Payables**

Trade and other payables balance of Kshs.53,841,259 includes payables totalling Kshs.30,012,414 outstanding for more than three (3) years. Failure to settle bills during the year distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

#### **Management Response**

Management paid Kshs.495,950 by November 2025. Projects being implemented are expected to improve financial position and enable debt settlement.

#### **Committee Observations**

The Committee observed that-

1. Outstanding payables of Kshs.30,012,414 outstanding for more than three years were a critical concern for the Company's credibility and financial management.
2. The amount settled (Kshs.495,950) was grossly insufficient relative to the total outstanding obligations of Kshs.53,841,259.

#### **Committee Recommendations**

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Accounting Officer engages all creditors to formulate a structured repayment plan for the payables and files a report on the same with the Auditor-General for

- verification. The Auditor-General to provide a status update in the subsequent audit cycle; and
- ii. the Governor ensures the water company makes budgetary provision to clear the long outstanding payables by the end of FY 2026/2027 and reports to the County Executive Committee Member for water in line with section 184 of the Public Finance Management Act, 2012.

#### **10. Failure to Transfer Shares to the County Government**

Ordinary share capital of Kshs.100,000 is reflected in the financial statements. However, the Company's registration certificates show Kshs.40 for two (2) ordinary shares held by two (2) former Directors. No explanation was provided as to why the shares have not been transferred to the County Government of Machakos, contrary to Section 636(1) of the Companies Act, 17 of 2015.

#### **Management Response**

Management acknowledged the audit observation. Currently the County Government is undertaking water sector reforms involving review of the ownership of the water companies. Once the exercise is over all the shares will be transferred to the County Government.

#### **Committee Observations**

The Committee observed that-

1. The failure to transfer shares to the County Government since enactment of the Water Act, 2016 left ownership of YAWASCO formally unconfirmed for nine years.
2. Ongoing sectoral reforms do not eliminate the legal obligation to effect the share transfer.

#### **Committee Recommendations**

The Committee recommends that—

- i. the Governor ensures the County Government initiates the legal process of transferring all shares in YAWASCO to the County Government of Machakos within sixty (60) days of the adoption of this report; and
- ii. the Accounting Officer submits evidence of the share transfer process to the Senate and a copy to the Auditor-General. The Auditor-General to monitor the transfer process in the subsequent audit cycle.

#### **11. Excess Non-Revenue Water**

Water production was 191,750 Cubic Meters (M<sup>3</sup>) of which only 128,824 M<sup>3</sup> was billed to customers. The balance of 62,926 M<sup>3</sup> or approximately 33% of total production represents Non-Revenue Water (NRW), above the acceptable threshold of 25% set by WASREB. Although Management attributed the high levels of NRW to dilapidated distribution network, old inaccurate water meters and illegal connections, no specific measures had been put in place. In the circumstances, Management was in breach of law.

### **Management Response**

Management has a planning measure to allocate dedicated budgets for meter replacement. Tamper-resistant meter boxes have been installed. Regular field inspections have been intensified. A non-revenue water team managed to reduce water loss from 33% to 31% as at September 2025.

### **Committee Observations**

The Committee observed that-

1. NRW of 33% exceeded the 25% WASREB benchmark by eight percentage points.
2. Management's intervention slightly reduced NRW from 33% to 31%, indicating that the measures were beginning to have effect but required acceleration.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Accounting Officer should put in place comprehensive measures to mitigate the Non-Revenue Water including replacement of old dilapidated infrastructure, installation of smart meters, application of GIS technology for real-time detection, and collaboration with the EACC to reduce illegal connections. The Auditor-General to review implementation and provide a status update in the subsequent audit cycle;**
- ii. **the Governor ensures the Accounting Officer segregates NRW into physical and commercial components and submits a detailed NRW Reduction Plan to the Board within thirty (30) days of Board appointment; and**
- iii. **the Accounting Officer should ensure that management does not exceed the benchmark of 25% NRW as set by WASREB, and if exceeded, provide an explanation to the Senate and the Auditor-General.**

## **12. Non-Compliance with Law on Ethnic Composition**

25 out of 27 employees (approximately 93%) were from the dominant ethnic community in the County, contrary to Section 65(e) of the County Governments Act, 2012.

### **Management Response**

Management indicated that the last recruitment was done in 2020 and most applicants were from the dominant ethnic community. Management shall endeavour to comply with Section 65(e).

#### **Committee Observations**

The Committee observed that-

1. 93% of staff from the dominant community significantly exceeded the statutory one-third threshold.
2. The last recruitment in 2020 did not adequately address the ethnic diversity requirement.

#### **Committee Recommendations**

The Committee recommends that—

- i. the Board and the Accounting Officer make deliberate efforts to progressively comply with section 65(1)(e) of the County Governments Act 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 Board and the Accounting Officer comply with section 7(1) and (2) of the National Cohesion and Integration Act. Compliance status shall be reviewed in the subsequent audit period.

### **13. Non-Remittance of Statutory Deductions**

Management did not remit statutory deductions totalling Kshs.3,149,532 which were due to KRA, NSSF, SHIF, LAPFUND and Housing Levy, contrary to Section 19(4) of the Employment Act, 2007.

#### **Management Response**

Management indicated that implementation of new and ongoing projects will increase revenue by 50% and engagement of a debt collector will improve cash flows, enabling settlement of statutory deductions.

#### **Committee Observations**

The Committee observed that-

1. Non-remittance of statutory deductions of Kshs.3,149,532 constituted a breach of the Employment Act, 2007 and exposed employees to loss of statutory benefits.
2. Management's measures relied on future revenue improvements rather than addressing the immediate statutory obligation.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor ensures the Accounting Officer implements a structured payment plan to clear all outstanding statutory deductions totalling Kshs.3,149,532 within six (6) months of the adoption of this report and submits evidence of the payment plan to the Auditor-General within sixty (60) days; and**
- ii. **all future statutory deductions are remitted on time as first charges on collections.**

#### **14. Lack of Valid Contracts**

The Company procured water treatment chemicals and repairs and maintenance services amounting to Kshs.697,110 and Kshs.1,700,500 respectively without valid written contracts, contrary to Section 135(2) of the Public Procurement and Assets Disposal Act, 2015.

#### **Management Response**

Management acknowledged the findings. The procurement involved emergency water treatment chemicals. Management has regularized the procurement processes in compliance with PPADA 2015.

#### **Committee Observations**

The Committee observed that-

1. Procurement of goods and services amounting to Kshs.2,397,610 without valid contracts contravened section 135(2) of Public Procurement and Asset Disposal Act, Cap. 412C.
2. While the emergency nature of chemical procurement was noted, proper emergency procurement procedures under Public Procurement and Asset Disposal Act should have been followed and documented.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Accounting Officer should comply with section 135(2) of the Public Procurement and Assets Disposal Act by entering into written contracts for all procurements above the direct procurement threshold; and**
- ii. **all emergency procurement decisions are properly documented and the applicable exception under Public Procurement and Assets Disposal Act is justified in writing before procurement commences.**

#### **15. Irregularities in Procurement of Security Services**

Security services totalling Kshs.714,000 were directly procured without meeting the conditions for direct procurement under Section 103(2)(a) of the Public Procurement and Assets Disposal Act, 2015.

#### **Management Response**

Management acknowledged the audit findings and indicated that necessary measures have been taken to regularize procurement of security services.

#### **Committee Observations**

The Committee observed that-

1. Security services of Kshs.714,000 were directly procured without meeting the statutory conditions for direct procurement.
2. Security services are generally available from multiple providers and should have been competitively procured.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer procures security services and other related services through competitive processes in compliance with the Public Procurement and Assets Disposal Act; and**
- ii. **all direct procurement decisions are supported by a written justification meeting the specific conditions under section 103(2) of Public Procurement and Assets Disposal Act and approved by the relevant authority before procurement commences.**

#### **16. Use of Expired Water Tariff**

The Company relied on the Kenya Gazette Notice of the year 2010 approving water tariffs valid from November 2010 to June 2012. No further gazettelement or approvals have been made. The validity and regularity of the water tariffs applied could not be confirmed, contrary to Section 72(1) of the Water Act, 2016. Management was in breach of law.

#### **Management Response**

Management has applied for a new water tariff and is in constant communication with WASREB.

#### **Committee Observations**

The Committee observed that-

1. Operating on a tariff structure valid from 2010-2012 (over thirteen years out of date) was a serious contravention of the Water Act, 2016 that severely impacted the Company's revenue collection and financial sustainability.

### **Committee Recommendations**

The Committee recommends that—

- i. the Governor ensures the Accounting Officer expedites the WASREB tariff review application and secures a new cost-reflective tariff within six (6) months of the adoption of this report and submits evidence of gazettelement to the Senate and a copy to the Auditor-General; and
- ii. the Auditor-General verifies tariff approval and implementation in the subsequent audit cycle.

### **17. Lack of Internal Audit Function and an Audit Committee of the Board**

The Company has not established an internal audit function and an Audit Committee of the Board, contrary to Section 155 of the Public Finance Management Act, 2012.

#### **Management Response**

Currently the Company relies on County Audit Committee appointed in January 2025. Once water sector reforms are completed, each water company will have its own audit committee.

#### **Committee Observations**

The Committee observed that-

1. The absence of a dedicated internal audit function and Board Audit Committee weakened governance, accountability, and internal controls.
2. Reliance on the County-level audit committee did not fully satisfy the requirements of Section 155 of the PFM Act.

### **Committee Recommendations**

The Committee recommends that—

- i. the Governor ensures YAWASCO establishes a functional internal audit unit and Board Audit Committee within sixty (60) days of Board appointment, in compliance with section 155 of the Public Finance Management Act; and
- ii. the Accounting Officer submits evidence of establishment of the internal audit function and Audit Committee to the Auditor-General for verification.

### **18. Expired Terms of Service for the Board of Directors**

The Board of Directors were appointed on September 2021 vide Gazette Notice Number 9866 for a period of three (3) years. The Board's terms expired in October 2024. However, the Board continued to be in office without any authority for seven (7) months during the

year under review. The Board was in office irregularly and the existence of effective governance measures could not be confirmed.

### **Management Response**

Management indicated that the County Government initiated water sector reforms which will culminate with the appointment of new Board of Directors.

### **Committee Observations**

The Committee observed that-

1. YAWASCO's Board continued operating beyond its mandate for seven months without proper legal authority.
2. Decisions made by the Board during the seven-month period of irregular tenure may face legal challenge.
3. Ongoing sectoral reforms do not exempt the Company from the legal requirement to have a properly constituted Board.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor immediately appoints a new Board of Directors for YAWASCO in compliance with section 79(1) of the Water Act and submits evidence of Board appointment to the Senate and a copy to the Auditor-General within thirty (30) days of the adoption of this report; and**
- ii. **the Governor ensures that no water company operates beyond its Board's mandate without proper renewal or appointment of a new Board, failure to which the provisions of Section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply.**

## CHAPTER TWO: MUNICIPALITIES

### 2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MAVOKO MUNICIPALITY FOR THE FINANCIAL YEAR 2024/25

The Governor of Machakos County, Hon. Wavinya Ndeti, appeared before the Committee on Thursday, 22nd January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Mavoko Municipality for the Financial Year 2024/2025. The Governor was accompanied by the following officers-

1. Nathaniel Nganga - CECM, Lands
2. Josyline Nzeki - Municipal Manager
3. Benedica Ngumbau - Chief Officer- Urban

#### REPORT ON THE FINANCIAL STATEMENTS

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

##### 1. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.559,543,301 as disclosed in Note 24 to the financial statements. However, the valuation report, fixed assets register and ownership documents for the assets were not provided for audit review. In the circumstances, the accuracy, completeness, existence and ownership of the property, plant and equipment balance of Kshs.559,543,301 could not be confirmed.

##### Management Response

Management provided a fixed asset register and ownership documents for assets owned by Mavoko Municipality. The County Government has contacted the National Treasury to assist in the valuation exercise for the remaining property, plant and equipment inherited from the County Government.

##### Committee Observations

The Committee observed that-

1. Property, plant and equipment balance of Kshs.559,543,301 could not be confirmed during audit due to absence of comprehensive supporting documentation.
2. Management subsequently provided some documentation, partially addressing the audit query.
3. The valuation of assets inherited from the County Government had not been completed as at the time of audit.

##### Committee Recommendations

**The Committee recommends that—**

- i. **within sixty (60) days of the adoption of this report, the Governor ensures that the County Government completes the valuation and formal transfer of all assets to Mavoko Municipality, and submits a transfer instrument and asset register to the Senate and a copy to the Auditor-General for verification;**
- ii. **the Municipal Manager should prepare and maintain a comprehensive and updated fixed asset register in compliance with section 104(1)(h) of the Public Finance Management Act, regulation 136 Public Finance Management (County Governments), 2015 and National Treasury Circular No. 5/2020, and submit the same to the Auditor-General within thirty (30) days of completion of the transfer; and**
- iii. **the Governor ensures the National Treasury provides the requested technical assistance for asset valuation within the sixty-day period.**

## **2. Undisclosed Revenue from Exchange Transactions**

The statement of financial performance reflects Nil revenue from exchange transactions. However, review of documents revealed that the Municipality had not opened a bank account for its revenue collection contrary to Section 23(1) of the Urban Areas and Cities Act, 2011. The County Government of Machakos collects and banks revenue on behalf of the Municipality. However, the supporting documents for the revenue collected were not provided for audit review and no disclosure Note was made in the financial statements. The accuracy and completeness of the Nil revenue from exchange transactions could not be confirmed.

### **Management Response**

Management acknowledged that revenue from exchange transactions was not recognized in the financial statements for FY 2024/2025. Corrective measures have been taken for FY 2025/2026 to ensure the Municipality opens a bank account and recognizes revenue. A schedule of revenue collected within Mavoko Municipality for FY 2024/2025 was provided.

### **Committee Observations**

The Committee observed that-

1. Mavoko Municipality had not opened a dedicated revenue bank account as required by Section 23(1) of the Urban Areas and Cities Act, 2011.

2. Revenue collected by the County Government on behalf of the Municipality was not disclosed in the financial statements, rendering the Nil revenue figure inaccurate.
3. Management's corrective action for FY 2025/2026 was noted but the matter remained unresolved in the year under review.

### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor ensures Mavoko Municipality opens a dedicated revenue bank account within thirty (30) days of the adoption of this report and submits evidence of account opening to the Senate and a copy to the Auditor-General;**
- ii. **the Governor ensures that Mavoko Municipality is appropriately financed under section 172 of the Public Finance Management Act and section 43(1) of the Urban Areas and Cities Act to ensure effective discharge of the functions delegated to the Municipality; and**
- iii. **the Municipal Manager ensures all revenue is disclosed in the financial statements for FY 2025/2026 and subsequent years. The Auditor-General to verify the same in the subsequent audit cycle.**

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

### **3. Failure to Prepare Budget**

The Municipality Management did not prepare a budget for the financial year 2024/2025 for submission to the County Treasury for approval by the County Assembly, contrary to Section 175(5) of the Public Finance Management Act, 2012.

### **Management Response**

Management indicated that Mavoko Municipality prepared a total budget of Kshs.28,040,000 (Development Kshs.17,840,000 and Recurrent Kshs.10,200,000) for FY 2024/2025. The Board approved the budget on 28 March 2024. The County Treasury approved the same and included it in the County approved budget for FY 2024/2025.

### **Committee Observations**

The Committee observed that-

1. Management demonstrated that a budget was prepared and approved, but the supporting documents were not provided to the audit team during audit in breach of Section 62 of the Public Audit Act, Cap. 412B.

2. The provision of Board minutes and IFMIS budget extract adequately addressed the substance of the audit query.

### **Committee Recommendations**

The Committee recommends that—

- i. **The Governor ensures that the Municipality adheres to section 164(3) and (4) of the Public Finance Management Act and submit financial statements not later than three months after the end of the Financial Year failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. **the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 47(1) of the Public Audit Act, failure to which the Committee shall recommend investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

### **4. Non-Compliance with Law on Ethnic Composition and Disabilities Distribution**

During the year under review, 64 out of 84 employees (approximately 76%) were from the dominant ethnic community in the County, contrary to Section 65(1)(e) of the County Governments Act, 2012. In addition, none of the employees was living with disability contrary to Paragraph 2.2.2(i) of the Public Service Commission Diversity Policy, 2016 which stipulates that at least five per cent (5%) of appointments in the public sector shall comprise persons living with disabilities.

### **Management Response**

The staff in the Municipality were seconded from the County Government. The Municipality did not conduct any staff recruitment during FY 2024/2025. The Municipality will engage the Board to regularize the issue of national cohesion and diversity in future recruitments.

### **Committee Observations**

The Committee observed that-

1. 76% of staff were from the dominant ethnic community, significantly exceeding the statutory one-third threshold.
2. No employees living with disabilities were employed, contravening the 5% disability representation requirement.

## **Committee Recommendations**

**The Committee recommends that—**

- i. **the Board and the Municipal Manager make deliberate efforts to progressively comply with Section 65(1)(e) of the County Governments Act 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 Board and the Municipal Manager comply with Paragraph 2.2.2(i) of the PSC Diversity Policy, 2016 and section 7(1) and (2) of the National Cohesion and Integration Act. The Municipal Manager should develop a Diversity Policy and submit evidence to the Auditor-General. Compliance status shall be reviewed in the subsequent audit period.**

### **5. Lack of a Strategic Plan**

During the year under review, Management did not develop a Strategic Plan for the Municipality, contrary to Section 39(1) of the Urban Areas and Cities Act, 2011 which stipulates that a Board or Town Committee shall, within the first year of its election, adopt a single, inclusive strategic plan for the development of the City or Urban area for which it is responsible.

### **Management Response**

The Municipality presented the Integrated Development Plan for approval by the County Assembly. Approval was granted on 5 December 2024. The adopted IDP will guide preparation of the Strategic Plan by the newly appointed Municipality Board Members.

### **Committee Observations**

The Committee observed that-

1. The Integrated Development Plan was approved by the County Assembly on 5 December 2024, providing the foundation for a Strategic Plan.
2. The Strategic Plan had not been developed yet, though the approved IDP was a positive step toward compliance.

### **Committee Recommendations**

**The Committee recommends that—**

- i. **within sixty (60) days of the adoption of this report, the Governor, through the Board of Mavoko Municipality, ensures the Strategic Plan is developed and formally adopted in line with section 39(1) of the Urban Areas and Cities Act building on the approved Integrated Development Plan; and**

- ii. **the Municipal Manager submits the adopted Strategic Plan to the Senate and a copy to the Auditor-General for verification. The Auditor-General to keep the matter in view in the subsequent audit cycle.**

#### **6. Failure to Fully Operationalize the Municipality**

Review of records revealed that the Municipality was granted a Charter on 27 June, 2018 which transformed it to a Corporate body status. However, during the year under review, the Municipality was not allocated any funding by the County Assembly to perform its functions apart from Kshs.35,628,370 paid by the County Government. Although sixteen (16) functions were transferred via Gazette Notice 11612 dated 23 August, 2024, there were no resources allocated to operationalize the functions. The Municipality was not able to perform its functions as prescribed in the Charter.

#### **Management Response**

Management indicated that the sixteen functions were transferred on 23 August 2024, after the budget for FY 2024/2025 had been approved. The Management has written to the County Treasury requesting adequate funding to support the transferred functions.

#### **Committee Observations**

The Committee observed that-

1. The Municipality had not been adequately funded to operationalize all sixteen transferred functions.
2. Seven years after being granted a Charter (2018), Mavoko Municipality remained financially and operationally dependent on the County Government.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor should ensure by the commencement of the Financial Year 2026/2027 that Mavoko Municipality is fully operationalized in line with its delegated functions as gazetted by the County Government; and**
- ii. **the Municipality is adequately funded in accordance with section 172 of the Public Finance Management Act and section 43(1) of the Urban Areas and Cities Act. The Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

## **2.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MACHAKOS MUNICIPALITY FOR THE FINANCIAL YEAR 2024/25**

The Governor of Machakos County, Hon. Wavinya Ndeti, appeared before the Committee on Thursday, 22nd January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Machakos Municipality for the Financial Year 2024/2025. The Governor was accompanied by the following officers-

1. Nathaniel Nganga - CECM, Lands
2. Benedica Ngumbau - Chief Officer- Urban

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

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

#### **1. Undisclosed Property, Plant and Equipment**

The statement of financial position reflects a Nil balance of property, plant and equipment. However, review of records and physical verification revealed existence of various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the Municipality did not maintain a fixed assets register and the ownership documents for the assets were not provided for audit review. The accuracy, completeness, existence and ownership of the Nil balance of property, plant and equipment could not be confirmed.

#### **Management Response**

Management acknowledged that net value for property, plant and equipment was not disclosed in financial statements for FY 2024/2025. The inherited assets will be disclosed in FY 2025/2026 after valuation exercise and transfer of ownership.

#### **Committee Observations**

The Committee observed that-

1. Machakos Municipality had significant assets — land, buildings, motor vehicles, furniture, computers, and equipment — that were not disclosed in the financial statements.
2. The Municipality did not maintain a fixed asset register, contrary to PFM Act requirements.
3. The County Government must complete the valuation and formal transfer of assets to the Municipality.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. **within sixty (60) days of the adoption of this report, the Governor ensures that the County Government completes the valuation and formal transfer of all assets to Machakos Municipality and submits a transfer instrument and asset register to the Senate and a copy to the Auditor-General;**
- ii. **the Municipal Manager prepares a comprehensive fixed asset register upon completion of asset transfer and submits the same to the Auditor-General within thirty (30) days of transfer; and**
- iii. **the National Treasury provides the requested technical assistance for asset valuation within the sixty-day period.**

## **2. Undisclosed Revenue from Exchange Transactions**

The statement of financial performance reflects Nil revenue from exchange transactions. However, review of documents revealed that the Municipality had not opened a bank account for its revenue collection contrary to Section 23(1) of the Urban Areas and Cities Act, 2011. The County Government of Machakos collects and banks revenue on behalf of the Municipality. There was no document provided for audit review in respect to the revenue collected. The accuracy and completeness of the Nil revenue from exchange transactions could not be confirmed.

### **Management Response**

Management acknowledged that revenue from exchange transactions was not recognized in the financial statements for FY 2024/2025. Corrective measures have been taken for FY 2025/2026 to ensure the Municipality opens a bank account and recognizes revenue.

### **Committee Observations**

The Committee observed that-

1. Machakos Municipality had not opened a dedicated revenue bank account as required by Section 23(1) of the Urban Areas and Cities Act, 2011.
2. Revenue collected by the County Government on behalf of the Municipality was not disclosed in the financial statements.
3. No supporting documentation for revenue collected was provided during audit.

### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Governor ensures Machakos Municipality opens a dedicated revenue bank account within thirty (30) days of the adoption of this report and submits evidence of account opening to the Senate and a copy to the Auditor-General;**

- ii. **all revenue collected by the County Government on behalf of the Municipality for FY 2024/2025 is transferred to the Municipality's account within sixty (60) days, and the Accounting Officer submits evidence of the transfer to the Auditor-General; and**
- iii. **the Municipal Manager ensures full revenue disclosure in the financial statements for FY 2025/2026 and subsequent years. The Auditor-General to verify the same in the subsequent audit cycle.**

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

### **3. Failure to Prepare Budget**

The Municipality Management did not prepare a budget for the financial year 2024/2025 for submission to the County Treasury for approval by the County Assembly, contrary to Section 175(5) of the Public Finance Management Act, 2012.

#### **Management Response**

Management indicated that Machakos Municipality prepared a total budget of KES 141,913,120 (Development Kshs.104,000,000 and Recurrent Kshs.37,913,120) for FY 2024/2025. The Board approved the budget on 28 March 2024, and the County Treasury approved and included it in the County approved budget.

#### **Committee Observations**

The Committee observed that-

1. Management demonstrated that a budget was prepared and approved but the supporting documents were not provided to the audit team during audit in breach of Section 62 of the Public Audit Act, Cap. 412B.
2. The provision of Board minutes adequately addressed the substance of the audit query.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Municipality should adhere to section 164(3) and (4) of the Public Finance Management Act and submit financial statements not later than three months after the end of the Financial Year; and**
- ii. **the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 47(1) of the Public Audit Act, failure to which the Committee shall recommend investigation and**

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

#### **4. Non-Compliance with Law on Ethnic Composition and Disabilities Distribution**

During the year under review, 67 out of 79 employees (approximately 84%) were from the dominant ethnic community in the County. None of the employees was living with disability contrary to Section 65(1)(e) of the County Governments Act, 2012 and Paragraph 2.2.2(i) of the PSC Diversity Policy, 2016.

##### **Management Response**

The staff in the Municipality were seconded from the County Government. The Municipality did not conduct any staff recruitment during FY 2024/2025.

##### **Committee Observations**

The Committee observed that-

1. 84% of staff were from the dominant ethnic community, significantly exceeding the statutory one-third threshold.
2. No employees with disabilities were employed, contravening the 5% disability representation requirement.

##### **Committee Recommendations**

The Committee recommends that—

- i. the Governor ensures that the Board and the Municipal Manager make deliberate efforts to progressively comply with section 65(1)(e) of the County Governments Act 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 Municipal Manager comply with Paragraph 2.2.2(i) of the PSC Diversity Policy, 2016 and Section 7(1) and (2) of the National Cohesion and Integration Act, 2008. Compliance status shall be reviewed in the subsequent audit period.

#### **5. Incomplete Project — St. Mary's Girls Primary School to KWFT Road**

Management entered into a contract for construction of a road from St. Mary's Girls Primary School to KWFT. The tender was re-advertised and eventually awarded at a cost of Kshs.88,784,824. Total payment as at the time of audit inspection on 11 September, 2025 was Kshs.65,769,869 (approximately 74% of total cost). The completion date had been extended by one hundred and five (105) days. However, as at the time of audit

inspection, the work was incomplete and the contractor was not on site. Value for money totaling Kshs.65,769,869 paid for the project could not be confirmed.

### **Management Response**

At the time of management response, the contractor had done 80% of the Works. Remaining works included installation of light poles, road marking, and site clearance. The contractor requested extension due to constant sewer challenges, delayed KPLC relocations, and delays in shipping of solar light materials. The new expected completion date was 10 March 2026.

### **Committee Observations**

The Committee observed that-

1. The road project at Kshs.88,784,824 was 80% complete at the time of management response with 20% pending.
2. The delays were partly attributable to external factors including KPLC relocations and material shipping delays.
3. Value for money of Kshs.65,769,869 could not be confirmed pending full completion.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures the Accounting Officer completes the road project within the extended contract period of 10 March 2026 and submits a completion report together with a value for money assessment to the Senate and a copy to the Auditor-General;**
- ii. **the Accounting Officer enforces contractual obligations and applies liquidated damages for further delays in accordance with the contract terms; and**
- iii. **the Auditor-General verifies project completion and confirms value for money in the subsequent audit cycle.**

## **6. Failure to Fully Operationalize the Municipality**

Review of records revealed that the Municipality was granted a Charter on 27 June, 2018. During the year under review, the Municipality was not allocated any funding by the County Assembly to perform its functions other than Kshs.30,074,880 paid by the County Government. Although sixteen (16) functions were transferred via Gazette Notice 11612 dated 23 August, 2024, there were no other resources allocated. The Municipality may not be able to perform its functions as prescribed in the Charter.

### **Management Response**

Management indicated that the sixteen functions were transferred on 23 August 2024, after the budget for FY 2024/2025 had been approved. The Management has written to the County Treasury requesting adequate funding.

### **Committee Observations**

The Committee observed that-

1. Machakos Municipality had not been adequately funded to operationalize all sixteen transferred functions.
2. Seven years after being granted a Charter (2018), the Municipality remained financially dependent on the County Government.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor should ensure by the commencement of the Financial Year 2026/2027 that Machakos Municipality is fully operationalized in line with its delegated functions as gazetted by the County Government; and**
- ii. **the Municipality is adequately funded in accordance with section 172 of the Public Finance Management Act and section 43(1) of the Urban Areas and Cities Act. The Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

### **7. Lack of a Municipality Strategic Plan**

During the year under review, Management did not develop a strategic plan for the Municipality contrary to Section 39(1) of the Urban Areas and Cities Act, 2011.

### **Management Response**

The Municipality presented the Integrated Development Plan for approval by the County Assembly. Approval was granted on 5 December 2024.-

### **Committee Observations**

The Committee observed that-

1. The Municipality's Strategic Plan had not been developed, though the Integrated Development Plan was approved in December 2024.
2. Absence of a Strategic Plan may hinder the Municipality from achieving its goals and objectives.

### **Committee Recommendations**

The Committee recommends that—

- i. **within sixty (60) days of the adoption of this report, the Governor, through the Board of Machakos Municipality, ensures the Strategic Plan is developed and formally adopted in line with section 39(1) of the Urban Areas and Cities Act; and**
- ii. **the Municipal Manager submits the adopted Strategic Plan to the Senate and a copy to the Auditor-General for verification.**

### **2.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KANGUNDO/TALA MUNICIPALITY FOR THE FINANCIAL YEAR 2024/25**

The Governor of Machakos County appeared before the Committee to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Kangundo/Tala Municipality for the Financial Year 2024/25.

1. Nathaniel Nganga - CECM, Lands
2. Benedica Ngumbau - Chief Officer- Urban

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

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Kangundo/Tala Municipality for the following basis—

##### **1. Undisclosed Property, Plant and Equipment**

The statement of financial position reflects a Nil balance of property, plant and equipment. However, review of records and physical verification revealed existence of various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. The Municipality did not maintain a fixed assets register and ownership documents for the assets were not provided for audit review. The accuracy, completeness, existence and ownership of a Nil balance of property, plant and equipment could not be confirmed.

##### **Management Response**

Management acknowledged that net value for property, plant and equipment was not disclosed in financial statements for FY 2024/2025. The inherited assets will be disclosed in FY 2025/2026 after valuation exercise and transfer of ownership.

##### **Committee Observations**

The Committee observed that-

1. Kangundo/Tala Municipality had significant physical assets that were not reflected in the financial statements.
2. The Municipality did not maintain a fixed asset register, contrary to PFM Act requirements.

##### **Committee Recommendations**

The Committee recommends that—

- i. **within sixty (60) days of the adoption of this report, the Governor ensures the County Government completes the valuation and formal transfer of all**

- ii. **assets to Kangundo/Tala Municipality and submits a transfer instrument and asset register to the Senate and a copy to the Auditor-General; and the Municipal Manager prepares a comprehensive fixed asset register upon completion of asset transfer in compliance with section 104(1)(h) of the Public Finance Management Act and regulation 136 Public Finance Management (County Governments) Regulations, 2015.**

## **2. Undisclosed Revenue from Exchange Transactions**

The statement of financial performance reflects Nil revenue from exchange transactions. However, review of documents revealed that the Municipality had not opened a bank account for its revenue collection contrary to Section 23(1) of the Urban Areas and Cities Act (UACA), 2011. The County Government of Machakos collects and banks revenue on behalf of the Municipality. The supporting documents for the revenue collected were not provided for audit review. The accuracy and completeness of the Nil revenue from exchange transactions could not be confirmed.

### **Management Response**

Management acknowledged that revenue from exchange transactions was not recognized in the financial statements for FY 2024/2025. Corrective measures have been taken for FY 2025/2026.

### **Committee Observations**

The Committee observed that-

1. Kangundo/Tala Municipality had not opened a dedicated revenue bank account as required by Section 23(1) of the Urban Areas and Cities Act, 2011.
2. Revenue collected by the County Government on behalf of the Municipality was not disclosed in the financial statements.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures Kangundo/Tala Municipality opens a dedicated revenue bank account within thirty (30) days of the adoption of this report and submits evidence of account opening to the Senate and a copy to the Auditor-General;and**
- ii. **the Municipal Manager ensures full revenue disclosure in the financial statements for FY 2025/2026 and subsequent years.**

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

### **3. Failure to Prepare Budget**

The Municipality Management did not prepare a budget for the financial year 2024/2025 for submission to the County Treasury for approval by the County Assembly, contrary to Section 175(5) of the Public Finance Management Act, 2012.

#### **Management Response**

Management indicated that Kangundo/Tala Municipality prepared a total budget of KES 41,000,000 (Development Kshs.26,000,000 and Recurrent Kshs.15,000,000) for FY 2024/2025. The Board approved the budget on 28 March 2024. Board minutes were provided as evidence.

#### **Committee Observations**

The Committee observed that-

1. Management demonstrated that a budget was prepared and approved but the supporting documents were not provided to the audit team during audit in breach of Section 62 of the Public Audit Act, Cap. 412B.
2. The provision of Board minutes adequately addressed the substance of the audit query.

#### **Committee Recommendations**

The Committee recommends that—

- i. **the Municipality should adhere to section 164(3) and (4) of the Public Finance Management Act and submit financial statements not later than three months after the end of the Financial Year; and**
- ii. **the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 47(1) of the Public Audit Act, failure to which the Committee shall recommend investigation and prosecution in accordance with Section 62(2) of the Public Audit Act in the subsequent audit cycle.**

### **4. Non-Compliance with Law on Ethnic Composition and Disabilities Distribution**

During the year under review, 65 out of 66 employees (approximately 98%) were from the dominant ethnic community in the County and none of the employees was living with disabilities, contrary to Section 65(1)(e) of the County Governments Act, 2012 and Paragraph 2.2.2(i) of the PSC Diversity Policy, 2016.

### **Management Response**

The staff in the Municipality were seconded from the County Government. The Municipality did not conduct any staff recruitment during FY 2024/2025.

### **Committee Observations**

The Committee observed that-

1. 98% of staff from the dominant ethnic community represented the most severe level of non-compliance among the three Machakos municipalities.
2. No employees with disabilities were employed, contravening the 5% disability representation requirement.

### **Committee Recommendations**

The Committee recommends that—

- i. the Governor shall ensure that the Board and the Municipal Manager make deliberate efforts to progressively comply with section 65(1)(e) of the County Governments Act 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 shall ensure that the Board and the Municipal Manager comply with Paragraph 2.2.2(i) of the PSC Diversity Policy, 2016 and section 7(1) and (2) of the National Cohesion and Integration Act. Compliance status shall be reviewed in the subsequent audit period.

### **5. Lack of a Municipality Strategic Plan**

During the year under review, Management did not develop a Strategic Plan for the Municipality, contrary to Section 39(1) of the Urban Areas and Cities Act, 2011. An Integrated Development Plan was in draft stage and had not been approved.

### **Management Response**

The Municipality presented the Integrated Development Plan for approval by the County Assembly. Approval was granted on 5 December 2024.

### **Committee Observations**

The Committee observed that-

1. The Municipality's Strategic Plan had not been developed, though the Integrated Development Plan was approved in December 2024.
2. Absence of a Strategic Plan may hinder the Municipality from achieving its development goals.

### **Committee Recommendations**

**The Committee recommends that—**

- i. within sixty (60) days of the adoption of this report, the Governor, through the Board of Kangundo/Tala Municipality, ensures the Strategic Plan is developed and formally adopted in line with section 39(1) of the Urban Areas and Cities Act; and**
- ii. the Municipal Manager submits the adopted Strategic Plan to the Senate and a copy to the Auditor-General for verification.**

#### **6. Failure to Fully Operationalize the Municipality**

Review of records revealed that the Municipality was granted a Charter on 27 June, 2018 granting it a corporate body status. During the year under review, the Municipality was not allocated any funding by the County Assembly to perform its functions apart from Kshs.26,460,974 paid by the County Government. Although sixteen (16) functions were transferred via Gazette Notice 11612 dated 23 August, 2024, there were no resources allocated. The Municipality may not be able to perform its functions as prescribed in the Charter.

#### **Management Response**

Management indicated that the sixteen functions were transferred on 23 August 2024, after the budget for FY 2024/2025 had been approved. The Management has written to the County Treasury requesting adequate funding.

#### **Committee Observations**

The Committee observed that-

1. Kangundo/Tala Municipality had not been adequately funded to operationalize all transferred functions.
2. Seven years after being granted a Charter (2018), the Municipality remained operationally dependent on the County Government.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. the Governor should ensure by the commencement of the Financial Year 2026/2027 that Kangundo/Tala Municipality is fully operationalized in line with its delegated functions as gazetted by the County Government; and**
- ii. the Municipality is adequately funded in accordance with section 172 of the Public Finance Management Act and section 43(1) of the Urban Areas and Cities Act. The Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

## **7. Lack of Internal Audit Function and an Audit Committee of the Board**

The Municipality has not established an internal audit function and an Audit Committee of the Board, contrary to Section 155 of the Public Finance Management Act, 2012. As such the Municipality did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee. The effectiveness of internal controls could not be confirmed.

### **Management Response**

The Municipality does not have its own audit committee in place; however, it relies on the audit committee for the County Government of Machakos.

### **Committee Observations**

The Committee observed that-

1. Relying on the County Government's audit committee did not meet the statutory requirement for each municipality to have its own audit function and Board Audit Committee.
2. The absence of an internal audit function weakened internal controls, governance, and accountability.

### **Committee Recommendations**

The Committee recommends that—

- i. **the Governor ensures Kangundo/Tala Municipality establishes its own dedicated internal audit function and Board Audit Committee within sixty (60) days of the appointment of the Municipal Board, in compliance with section 155 of the Public Finance Management Act; and**
- ii. **the Municipal Manager submits evidence of establishment of the internal audit function and Audit Committee to the Auditor-General for verification.**

## **CHAPTER THREE: HOSPITALS**

### **3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR HOSPITALS IN MACHAKOS COUNTY FOR THE FINANCIAL YEAR 2024/25**

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

The Auditor-General audited the financial statements of the following hospitals in Machakos County for the financial year ended 30th June 2025-

1. Kalama Level 4 Level 4 Hospital
2. Kangundo Sub-County Hospital Level 4 Hospital
3. Kathiani Sub-County Hospital Level 4 Hospital
4. Kimiti Level 4 Hospital Level 4 Hospital
5. Masinga Sub County Hospital Level 4 Hospital
6. Matuu District Hospital Level 4 Hospital
7. Mavoko Level 4 Hospital Level 4 Hospital
8. Mutituni Level 4 Hospital Level 4 Hospital
9. Mwala Subcounty Hospital Level 4 Hospital
10. Ndithini Level 4 Hospital Level 4 Hospital
11. Machakos County Referral Hospital Level 5 Hospital

However, the Management did not submit responses to the specific audit queries raised in the Auditor-General's reports.

#### **Committee Observations**

The Committee observed the failure by the Management to submit their responses to the queries raised by the Auditor-General. This omission was attributed to the non-submission of requisite supporting documents by the County management to facilitate the Committee's scrutiny. This failure constitutes a breach of section 62 of the Public Audit Act, Cap. 412B, which mandates the timely provision of documentation to facilitate public audit and oversight.

This failure to submit, severely impedes the constitutional oversight function of Parliament, as enshrined in Article 96 as read together with Article 227(8) of the Constitution, and undermines the principle of public accountability over county resources. The Committee notes that this lack of cooperation renders it unable to conduct a thorough examination of the management of Municipalities and related expenditure of public funds.

## **Committee Recommendations**

**The Committee recommends ---**

- i. the adoption of the Auditor-General's findings on the financial statements for the afore-mentioned County Hospitals for the Financial Year 2024/2025, as the Management failed to provide responses to the audit queries;**
- ii. The Governor ensure that the Accounting Officer resolves all issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A;**
- iii. the Accounting Officers of the Hospitals are directed to ensure strict compliance with Section 62 of the Public Audit Act, Cap. 412B, in all subsequent reporting periods, by providing all requisite responses and documentation to the Senate and a copy to the Auditor-General within the stipulated timelines;**
- iv. The Governor should ensure that within sixty (60) days of the adoption of this report, Accounting Officer submits the status report on the mitigation measures taken to resolve all outstanding matters;**
- v. EACC to take up the issues; and**
- vi. the Governor is hereby notified that failure to comply with these directives in subsequent audit cycles will attract the application of the penalties for offences as prescribed under section 199 of the Public Finance Management Act, Cap. 412A, against the responsible Accounting Officers.**

## **CHAPTER FOUR: FUNDS**

### **4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR HOSPITALS IN MACHAKOS COUNTY FOR THE FINANCIAL YEAR 2024/25**

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

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

1. Machakos County Bursary Fund County Executive Fund
2. Machakos County Emergency Fund
3. Machakos County Executive County Executive
4. Machakos County Executive and Chief officers Car Loan and Mortgage Scheme

#### **Committee Observations**

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

#### **Committee Recommendations**

##### **The Committee recommends -**

- i. **the Governor through the respective accounting officers ensures that appropriate remedial actions are taken to address the issues raised in the Auditor-General's report on the financial statements for the Kisumu County Hospitals for the Financial Year 2024/2025 and submit a report to the Senate within 90 days of the adoption of this report and a copy to the Auditor-General; and**
- ii. **the Auditor-General to keep the matter in view in the subsequent audit cycle.**

# ANNEXTURES

*Minutes of the Committee*



## 13<sup>TH</sup> PARLIAMENT 5<sup>TH</sup> SESSION

### MINUTES OF THE FIFTY THIRD SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON MONDAY, 30<sup>TH</sup> MARCH 2026 HELD ON ZOOM PLATFORM AT 10.00 A.M.

#### PRESENT

- |  |                    |
|--|--------------------|
| 1. Sen. Godfrey Atieno Osotsi, CBS, MP | - Chairperson      |
| 2. Sen. Eddy Gicheru Oketch, MP        | - Vice-Chairperson |
| 3. Sen. Agnes Kavindu Muthama, MP      | - Member           |
| 4. Sen. Peris Pesi Tobiko, CBS, MP     | - Member           |
| 5. Sen. Hamida Ali Kibwana, MP         | - Member           |

#### ABSENT WITH APOLOGY

- |                                      |          |
|--------------------------------------|----------|
| 6. Sen. William Kisang' Kipkemoi, MP | - Member |
| 7. Sen. Beth Kalunda Syengo, MP      | - Member |
| 8. Sen. Raphael Chimera Mwinzagu, MP | - Member |
| 9. Sen. George Mungai Mbugua, MP     | - Member |

#### SECRETARIAT

- |                       |                        |
|-----------------------|------------------------|
| 1. Mr. Yussuf Shimoy  | - Clerk Assistant I    |
| 2. Mr. Erick Kimani   | - Clerk Assistant II   |
| 3. Mr. Godfrey Nyaga  | - Clerk Assistant III  |
| 4. Mr. Jeremy Chabari | - Senior Legal Counsel |
| 5. Mr. Peter Katana   | - Research Officer     |
| 6. Ms. Hamun Mohamud  | - Research Officer     |
| 7. CPA Keneddy Owuoth | - Fiscal Analyst       |
| 8. Mr. Victor Kimani  | - Audio officer        |

#### MIN. NO. SEN/CPICSF/382/2026 PRAYER

The meeting was called to order by the Chairperson at twenty-five minutes past ten O'clock in the morning 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 Sen. Eddy Gicheru Oketch, MP and seconded by Sen. Hamida Ali Kibwana, 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. Kajido County**

- I. Oololaiser Water and Sewerage Company Limited
- II. Nol-Turesh Loitokiok Water and Sanitation Company Limited
- III. Olkejuado Water and Sewerage Company Limited
- IV. Kajido County Referral Hospital
- V. Imbirikani Level 4 Hospital
- VI. Ngong Level 4 Hospital
- VII. Kitengela Sub-County Hospital
- VIII. Ongata Rongai Sub-County Hospital
- IX. Kajido County Emergency Fund
- X. Kajido County Alcoholic Drinks Control Fund
- XI. Kajido County Climate Change Fund
- XII. Kajido County Disability Mainstreaming Fund
- XIII. Kajido County Education Bursary Grants and Scholarship Fund
- XIV. Kajido County Youth and Women Enterprise Fund
- XV. Kajido County Emergency Fund

**2. Kiambu County**

- I. Gatundu Water and Sewerage Company
- II. Githunguri Water and Sanitation Company
- III. Karuri Water and Sanitation Company
- IV. Kiambu Water & Sanitation Company
- V. Limuru Water and Sewerage Company
- VI. Ruiru-Juja Water & Sewerage Company
- VII. Thika Water and Sewerage Company
- VIII. Karuri Municipality
- IX. Kiambu Municipality
- X. Kikuyu Municipality

- XI. Limuru Municipality
- XII. Ruiru Municipality
- XIII. Thika Municipality
- XIV. Gatundu Level 5 Hospital
- XV. Igeania Sub-County Hospital
- XVI. Karuri Level 4 Hospital
- XVII. Kigumo Level 4 Hospital
- XVIII. Kihara Sub County Hospital
- XIX. Lari Hospital
- XX. Lusigetti Sub- County Hospital
- XXI. Nyathuna Level 4 Hospital
- XXII. Ruiru Sub-County Hospital
- XXIII. Tigoni Sub County Hospital
- XXIV. Wangige Sub County Hospital
- XXV. Kiambu County Referral Hospital
- XXVI. Thika Level 5 Hospital
- XXVII. Kiambu County Executive Emergency Fund
- XXVIII. Kiambu County Alcoholic Drinks Control Fund
- XXIX. Kiambu County Climate Change Fund,
- XXX. Kiambu County Executive Bursary Fund
- XXXI. Kiambu County Fif Fund
- XXXII. Kiambu County Jiinue Fund

### 3. Homabay

- I. Homa Bay County Water and Sanitation Company Ltd (Homawasco)
- II. Municipality Of Homa Bay
- III. Municipality Of Kendu Bay
- IV. Municipality Of Mbita
- V. Municipality Of Ndhiwa
- VI. Municipality Of Oyugis
- VII. Homa Bay County Teaching and Referral Hospital
- VIII. Kabondo Sub-County Hospital
- IX. Kandiege Sub-District Hospital
- X. Kendu Sub-District Hospital
- XI. Kisege Sub-District Hospital
- XII. Magunga Level Iv Hospital
- XIII. Makongeni L4
- XIV. Malela Level 4 Hospital
- XV. Marindi Sub County Referral Hospital
- XVI. Ndhiwa Sub County Hospital
- XVII. Nyandiwa Level Iv Hospital
- XVIII. Nyangiela Sub District
- XIX. Ogongo Level 4 Hospital
- XX. Pala Level 4 Hospital

- XXI. Rachuonyo District Hospital
- XXII. Rangwe Sub-District Hospital
- XXIII. Sena Level 4 Hospital
- XXIV. Suba North Sub-County Hospital
- XXV. Suba Sub-County Hospital
- XXVI. Tom Mboya Memorial Level 4 Hospital
- XXVII. Homa Bay County Mortgage & Car Loan Executive Fund
- XXVIII. Homa Bay County Alcoholic Drink Control Board
- XXIX. Homa Bay County Bursary Fund

#### 4. Migori

- I. Migori Water and Sewerage Company
- II. Awendo Municipality
- III. Kehancha Municipality
- IV. Migori Municipality
- V. Rongo Municipality
- VI. Awendo Sub-County Hospital
- VII. Isibania Sub-District Hospital
- VIII. Karungu Sub-County Hospital
- IX. Kegonga Sub County Hospital
- X. Macalder Sub-County Hospital
- XI. Migori County Referral Hospital
- XII. Muhuru Sub-County Hospital
- XIII. Ntimaru Sub County Hospital
- XIV. Nyamaraga Sub County Hospital
- XV. Othoro Sub County Hospital
- XVI. Oyani Sub County Hospital
- XVII. Rongo Sub County Hospital
- XVIII. Uriri Sub County Hospital
- XIX. Migori County Ward Development Fund.
- XX. Migori County Executive Car Loan and Mortgage Fund
- XXI. Migori County Climate Change Fund.
- XXII. Migori County Alcoholic Drinks Control Fund
- XXIII. Migori County Ward Development Fund.

#### 5. Kisii

- I. Gusii Water and Sanitation Company Limited (Gwasco/Kwasco)
- II. Kisii Municipality
- III. Etago Sub-County Hospital
- IV. Gesusu Sub-County Referral Hospital
- V. Gucha Sub County Referral Hospital
- VI. Ibacho Sub-County Hospital
- VII. Ibeno Sub-County Referral Hospital
- VIII. Iranda Sub County Referral Hospital

- IX. Kisii County Health Facilities Improvement Fund
- X. Fund, Kisii Demonstration Farms Fund
- XI. Kisii County Emergency Fund
- XII. Kisii Mortgage & Car Loan (Executive) Fund
- XIII. Kisii County Climate Change Fund
- XIV. Kisii County Bursary Fund
- XV. Kisii County Covid-19 Emergency Fund
- XVI. Kisii County Veterinary Services Development

6. Machakos

- I. Mavoko Water and Sanitation Company Limited (Mavwasco)
- II. Machakos Municipal Water and Sewerage Company Limited (Macwasco)
- III. Mwala Water and Sanitation Company Limited
- IV. Matungulu Water and Sewerage Company (Makawasco)
- V. Kathiani Water and Sanitation Company Limited
- VI. Yatta Water Services Company Limited (Yawasco)
- VII. Mavoko Municipality
- VIII. Machakos Municipality
- IX. Kangundo/Tala Municipality
- X. Kalama Level 4 Level 4 Hospital
- XI. Kangundo Sub-County Hospital Level 4 Hospital
- XII. Kathiani Sub-County Hospital Level 4 Hospital
- XIII. Kimiti Level 4 Hospital Level 4 Hospital
- XIV. Masinga Sub-County Hospital Level 4 Hospital
- XV. Matuu District Hospital Level 4 Hospital
- XVI. Mavoko Level 4 Hospital Level 4 Hospital
- XVII. Mutituni Level 4 Hospital Level 4 Hospital
- XVIII. Mwala Subcounty Hospital Level 4 Hospital
- XIX. Ndithini Level 4 Hospital Level 4 Hospital
- XX. Machakos County Referral Hospital Level 5 Hospital
- XXI. Machakos County Bursary Fund-
- XXII. Machakos County Emergency Fund
- XXIII. Machakos County Executive and Chief Officers Car Loan and Mortgage Scheme

7. Baringo

- I. Kirandich Water and Sanitation Company Limited
- II. Eldama Ravine Water and Sewerage Company Limited (Erawasco)
- III. Chemususu Water Company Limited
- IV. Municipality Of Kabarnet
- V. Marigat Sub-County Level 4 Hospital
- VI. Kabartonjo Level 4 Hospital

- VII. Baringo County Referral Hospital
- VIII. Eldama Ravine Level 4 Hospital
- IX. Chemolingot Level 4 Hospital
- X. Baringo County Executive Car Loan Scheme Fund
- XI. Baringo County Executive Mortgage Scheme Fund
- XII. Baringo County Emergency Fund
- XIII. Baringo Cooperative Development Fund
- XIV. Baringo County Bursary and Scholarship Fund,
- XV. Baringo County Climate Change Fund,
- XVI. Baringo County Micro and Small Enterprises Fund And
- XVII. Baringo County Community Conservation Fund

8. Isiolo

- I. Isiolo Municipality
- II. Isiolo County Referral Hospital
- III. Financing Locally-Led Climate Action Programme (Filoca)
- IV. Isiolo County Education Bursary Fund

9. Busia

- I. Busia Water and Sewerage Services Company Limited
- II. Busia Municipality
- III. Malaba Municipality
- IV. Alupe Sub County Hospital
- V. Busia County Referral Hospital
- VI. Teso North Sub County Hospital
- VII. Nambale Sub County Hospital
- VIII. Busia Agricultural Development Fund
- IX. Busia County Alcoholic Drinks Control Fund
- X. Busia County Climate Change Fund
- XI. Busia County Cooperative Enterprise Development Fund
- XII. Busia County Public (Officers) Revolving Fund

10. Kakamega

- 1. Kakamega County Water and Sewerage Company Limited
- 2. Kakamega County Rural Water and Sewerage Company Limited
- 3. Mumias Municipality
- 4. Kakamega Municipality
- 5. Navakholo Sub- County Hospital
- 6. Malava Sub- County Hospital
- 7. Matungu Sub- County Hospital
- 8. Butere County Hospital
- 9. Kakamega County Referral Hospital
- 10. Manyala Sub- County Hospital
- 11. Kakamega County Climate Change Fund

12. Kakamega County Alcoholic Drinks Control Fund
13. Kakamega County Emergency Fund
14. Kakamega County Investment and Development Agency

11. Bungoma

- I. Bungoma Water and Sewerage Company Limited.
- II. Bungoma Municipality
- III. Kimilili Municipality
- IV. Bungoma County Referral Hospital
- V. Bumula Sub-County hospital
- VI. Kimilili Sub-County Hospital
- VII. Mt. Elgon Sub-County Hospital
- VIII. Bursary Fund
- IX. Climate Change Fund
- X. Disaster And Emergency Management Fund
- XI. Persons With Disabilities Empowerment Fund
- XII. Trade Development Loan Fund
- XIII. Youth And Women Empowerment Fund

12. Kitui

- I. Kitui Water and Sanitation Company
- II. Kiambere wingi Water and Sanitation Company
- III. Kitui County Referral Hospital
- IV. Mutomo Sub-County Hospital
- V. Mwingi Level 4 Hospital
- VI. Ikanga Sub-County Hospital
- VII. Tseikuru Sub-County Hospital
- VIII. Kitui County Textile Center
- IX. Kitui County Empowerment Fund

13. Siaya

- I. Sibo Water and Sanitation Company Ltd
- II. Bondo Municipality
- III. Siaya Municipality
- IV. Ugunja Municipal Board
- V. Ambira Level 4 Hospital
- VI. Bondo Level 4 Hospital
- VII. Got Agulu Sub County Level Hospital
- VIII. Siaya County Referral Hospital
- IX. Siaya County Bursary Fund
- X. Siaya County Climate Change Fund

#### 14. Laikipia

- I. Nyahururu Water and Sanitation Company Limited
- II. Nanyuki Water and Sanitation Company
- III. Municipality Of Nanyuki
- IV. Municipality Of Rumuruti
- V. Nanyuki Teaching and Referral Hospital
- VI. Doldol Level 4 Hospital
- VII. Rumuruti Sub-County Hospital
- VIII. Nyahururu County Referral Hospital
- IX. Emergency Fund
- X. Bursary Fund
- XI. Assets Leasing Fund
- XII. Business Stimulus Fund
- XIII. Climate Change Fund - Flloca
- XIV. Laikipia County Cooperative Fund.
- XV. County Revenue Board
- XVI. County Development Authority

#### 15. Turkana

- I. Lodwar Water and Sanitation Company Limited
- II. Kakuma Municipality
- III. Lodwar Municipality
- IV. Lodwar County Referral Hospital
- V. Lokiatung Sub-County Level 4 Hospital
- VI. Lopiding Sub-County Level 4 Hospital
- VII. Turkana County Executive Car Loan and Mortgage Fund
- VIII. Turkana County Climate Change Fund
- IX. Turkana County Co-Operative Development Enterprise Fund
- X. Turkana County Education Fund
- XI. Turkana County Emergency Fund

#### 16. Narok

- I. Narok Water and Sewerage Services Company Limited (Narwassco)
- II. Kilgoris Municipality
- III. Narok Municipality
- IV. Narok County Referral Hospital
- V. Maasai Mara Community Support Fund
- VI. Alcoholics Drinks Regulation and Control Fund
- VII. Bursary Management Fund

#### 17. Uasin Giishu

- I. Eldoret Water and Sanitation Company Limited (Eldowas)
- II. Municipality Of Eldoret (Now City of Eldoret)

- III. Huruma Level 4 Hospital
- IV. Turbo Level 4 Hospital
- V. Uasin Gishu District Hospital
- VI. Mortgage And Car Loans Scheme Fund
- VII. Alcoholic Drinks Control Fund
- VIII. Cooperative Enterprise Development Fund
- IX. Education Revolving Fund
- X. Bursary And Skills Development Support Fund

18. Nairobi

- I. Nairobi City Water and Sewerage Company Limited
- II. Bahati Level 4 Hospital
- III. Mutuini Dagoretti Level 4 Hospital
- IV. Mama Margaret Uhuru Level 5 Hospital
- V. Mbagathi County Referral Hospital
- VI. Mama Lucy Kibaki-Level 5 Hospital
- VII. Nairobi City County Alcoholic Drinks Control and Licensing Board

19. Meru

- I. Meru Water and Sewerage Services Company (Mewass)
- II. Meru County Rural Water and Sanitation Company (Mewsc)
- III. Meru Municipality
- IV. Maua Municipality
- V. Meru Teaching and Referral Hospital (Mtrh)
- VI. Miathene Sub-County Hospital
- VII. Nyambene Sub-County Hospital
- VIII. Meru County Revenue Board (Mcrb)

20. Trans-Nzoia

- I. Trans Nzoia Water and Sewerage Company Limited.
- II. Kitale Municipality
- III. Kitale County Referral Level 4 Hospital
- IV. Wamalwa Kijana Teaching and Referral Hospital
- V. Trans Nzoia County Climate Change Fund
- VI. Trans Nzoia County Nawiri Fund
- VII. Trans Nzoia County Youth and Women Development Fund
- VIII. Trans Nzoia County Elimu Bursary Fund
- IX. Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund

21. Nakuru

- I. Nakuru Water and Sanitation Company Limited
- II. Nakuru Rural Water and Sanitation Company Limited
- III. Naivasha Water and Sanitation Company Limited

- IV. Gilgil Municipality
- V. Molo Municipality
- VI. Nakuru City
- VII. Naivasha Municipality
- VIII. Nakuru County Referral And Teaching Hospital
- IX. Teaching Hospital
- X. Naivasha Sub-County Level 4 Hospital
- XI. Gilgil Sub-County Level 4 Hospital
- XII. Nakuru County Bursary Fund
- XIII. Nakuru County Climate Change Fund
- XIV. Nakuru County Emergency Fund

## 22. Kilifi

- I. Kilifi Municipality
- II. Malindi Municipality
- III. Mariakani Municipality
- IV. Mtwapa Municipality
- V. Watamu Municipality
- VI. Kilifi County Climate Change Fund
- VII. Kilifi County Emergency Fund
- VIII. Kilifi County Health Services Improvement Fund
- IX. Kilifi County Microfinance (Wezesha) Fund/board
- X. Kilifi County Ward Scholarship Fund
- XI. Bamba Sub-County Hospital
- XII. Gede Sub County Hospital
- XIII. Jibana Sub District Hospital
- XIV. Kilifi County Hospital
- XV. Malindi District Hospital
- XVI. Marafa Sub County Hospital
- XVII. Mariakani District Hospital
- XVIII. Mtwapa Sub County Hospital
- XIX. Rabai Sub County Hospital
- XX. Kilifi Mariakani Water and Sewerage Co.
- XXI. Malindi Water and Sewerage Co.
- XXII. Kilifi County Assembly Members Mortgage and Car Loan Scheme Fund
- XXIII. Kilifi County Car Loan and Mortgage Scheme Fund

## 23. Kericho

- I. Kericho County Executive Staff Car Loan Fund
- II. Kericho County Executive Staff Mortgage Fund
- III. Kericho County Emergency Fund
- IV. Kericho County Executive
- V. Financing Locally Led Climate Change Action (FLLoCA) - Kericho
- VI. Kericho County Agricultural Development
- VII. Kericho County Alcoholic Drinks Fund

- VIII. Kericho County Bursary Fund
- IX. Kericho County Enterprise Fund
- X. Forttenan Sub District Hospital
- XI. Kapkatet District Hospital
- XII. Kericho District Hospital
- XIII. Kipkelion Sub District Hospital
- XIV. Londiani District Hospital
- XV. Roret Sub-District Hospital
- XVI. Sigowet Sub-District Hospital
- XVII. Kericho Water and Sanitation Co. Ltd

24. The Committee considered and adopted the Report on the summary of key audit findings in the Auditor-General Reports for Water Companies, Municipalities, Hospitals and funds for the financial year 2024/2025

**Committee resolution**

The Committee unanimously adopted the aforementioned reports and directed the secretariat to process for tabling of the same.

**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 nineteen minutes to eleven o'clock in the morning. The next meeting would be called on notice.

**SIGNED: ..... DATE: .....31.03.2026.....**

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