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REPUBLIC OF KENYA

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31/03/26

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31/03/2026



THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

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

SECTOR	NO.	ENTITY
WATER COMPANIES	7	GATUNDU WATER AND SEWERAGE COMPANY
		GITHUNGURI WATER AND SANITATION COMPANY
		KARURI WATER AND SANITATION COMPANY
		KIAMBU WATER & SANITATION COMPANY
		LIMURU WATER AND SEWERAGE COMPANY
		RUIRU-JUJA WATER & SEWERAGE COMPANY
		THIKA WATER AND SEWRAGE COMPANY
MUNICIPALITIES	6	KARURI MUNICIPALITY
		KIAMBU MUNICIPALITY
		KIKUYU MUNICIPALITY
		LIMURU MUNICIPALITY
		RUIRU MUNICIPALITY
		THIKA MUNICIPALITY
HOSPITALS	13	GATUNDU LEVEL 5 HOSPITAL
		IGEGANIA SUB-COUNTY HOSPITAL
		KARURI LEVEL 4 HOSPITAL
		KIGUMO LEVEL 4 HOSPITAL

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31/03/2026



			KIHARA SUB COUNTY HOSPITAL
			LARI HOSPITAL
			LUSIGETTI SUB- COUNTY HOSPITAL
			NYATHUNA LEVEL 4 HOSPITAL
			RUIRU SUB-COUNTY HOSPITAL
			TIGONI SUB COUNTY HOSPITAL
			WANGIGE SUB COUNTY HOSPITAL
			KIAMBU COUNTY REFERAL HOSPITAL
			THIKA LEVEL 5 HOSPITAL
FUNDS		8	KIAMBU COUNTY EXECUTIVE EMERGENCY FUND
			KIAMBU COUNTY ALCOHOLIC DRINKS CONTROL FUND
			KIAMBU COUNTY CLIMATE CHANGE FUND,
			KIAMBU COUNTY EXECUTIVE BURSARY FUND
			KIAMBU COUNTY FIF FUND
			KIAMBU COUNTY JIINUE FUND
			COUNTY GOVERNMENT OF KIAMBU RECEIVER OF REVENUE
			COUNTY REVENUE FUND-COUNTY GOVERNMENT OF KIAMBU

MARCH, 2026

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ACRONYMS/ABBREVIATION

AWWDA	Athi Water Works Development Agency
CECM	County Executive Committee Member
EACC	Ethics and Anti-Corruption Commission
FIF	Facilities Improvement Financing Act
GAAP	Generally Accepted Accounting Principles
IGRTC	Intergovernmental Relation Technical Committee
IMS	Inventory Management System
KRA	Kenya Revenue Authority
NRW	Non-Revenue Water
OAG	Office of the Auditor-General
PAA	Public Audit Act
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
RWWDA	Regional Water Works Development Agency
SO	Standing Orders
THIWASCO	Thika Water and Sewerage Company
TNT	The National Treasury
WASREB	Water Services Regulatory Board
WRA	Water Resources Authority
WSP	Water Service Provider
WSTF	Water Sector Trust Fund

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

Parliamentary Committees are a creation of the Constitution through Article 124(1) of the Constitution, which empowers each House of Parliament to establish Committees and make Standing Orders (SO) for the orderly conduct of its proceedings, including the proceedings of its committees. Pursuant to Article 96(3) of the Constitution, the Senate exercise oversight over national revenue allocated to the county governments. The Select Committee on County Public Investments and Special Funds is established pursuant to Standing Order No. 194 of the Senate Standing Orders and is mandated to-

- a) examine the reports and accounts of county public investments; and
- b) examine the reports, if any, of the Auditor-General on the county public investments.

Pursuant to the provisions of Article 229(4) of the Constitution of Kenya, 2010, the Auditor-General is required to audit and report on the accounts of all national and county government entities, including water companies, municipalities, hospitals and the county funds, within six months after the end of each financial year.

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Kiambu County water companies and Municipalities for the Financial Year 2024/2025. The entities considered include Gatundu Water and Sewerage Company, Githunguri Water and Sanitation Company, Karuri Water and Sanitation Company, Limuru Water and Sewerage Company, Thika Water and Sanitation Company; Karuri Municipality, Kiambu Municipality, Kikuyu Municipality; Limuru Municipality, Ruiru Municipality and Thika Municipality, Gatundu Level 5 Hospital, Igeganja Sub-County Hospital, Karuri Level 4 Hospital, Kigumo Level 4 Hospital - Kiambu County, Kihara Sub County Hospital, Lari Hospital, Lusigetti Sub- County Hospital, Nyathuna Level 4 Hospital, Ruiru Sub-County Hospital, Tigoni Sub County Hospital, Wangige Sub County Hospital, Kiambu County Referral Hospital, Thika Level 5 Hospital, Kiambu County Executive Emergency Fund, Kiambu County Alcoholic Drinks Control Fund, Kiambu County Climate Change Fund, Kiambu County Executive Bursary Fund, Kiambu County Fif Fund, Kiambu County Jjinue Fund, County Government Of Kiambu Receiver Of Revenue and County Revenue Fund-County Government Of Kiambu.

The Governor of Kiambu County, presented written responses before the Committee, to respond to audit queries raised by the Auditor-General in the respective entities.

COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators-

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

COMMITTEE SECRETARIAT

- | | |
|------------------------------|----------------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant I |
| 2. Mr. Erick Njogu | - Clerk Assistant II |
| 3. Mr. Godfrey Nyaga | - Clerk Assistant III |
| 4. Mr. Khatib Omar | - Clerk Assistant III |
| 5. Mr. Kennedy Owuoth | - Fiscal Analyst |
| 6. Mr. Jeremy Chabari | - Legal counsel |
| 7. Mr. Erick Ososi | - Research Officer I |
| 8. Ms. Linet Aseka | - Research Officer III |
| 9. Mr. Martin Mulandi | - Research Officer III |
| 10. Mr. Peter Katana Kahindi | - Research Officer III |
| 11. Ms. Janice Lekuton | - Research Officer III |
| 12. Ms. Hamun Abdille | - Research Officer III |
| 13. Mr. David Munene | - Research Officer III |
| 14. Mr. Josphat Ng'eno | - Media Relations officer. |
| 15. Mr. Victor Kimani | - Audio officer |
| 16. Mr. Fredick Okola | - Serjeant-at-arms |

ESTABLISHMENT OF THE COMMITTEE

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

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

EXECUTIVE SUMMARY

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited Accounts of Kiambu water companies and municipalities for the Financial year 2024/25 (1st July, 2024 to 30th June 2025) as the primary documents for the investigations.

The Committee received written responses from the Governor, 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 thirty-four (34) entities in Kiambu County for the Financial Year 2024/25. The entities covered are: five (7) water companies – Gatundu Water and Sewerage Company, Githunguri Water and Sanitation Company, Karuri Water and Sanitation Company, Kiambu Water and Sanitation Company, Limuru Water and Sewerage Company, Ruiru-Juja Water and Sewerage Company, Thika Water and Sanitation Company; six (6) Municipalities – Karuri Municipality, Kiambu Municipality, Kikuyu Municipality; Limuru Municipality, Ruiru Municipality and Thika Municipality, thirteen (13) Hospitals Gatundu Level 5 Hospital, Igegania Sub-County Hospital, Karuri Level 4 Hospital, Kigumo Level 4 Hospital - Kiambu County, Kihara Sub County Hospital, Lari Hospital, Lusigetti Sub- County Hospital, Nyathuna Level 4 Hospital, Ruiru Sub-County Hospital, Tigoni Sub County Hospital, Wangige Sub County Hospital, Kiambu County Referral Hospital, Thika Level 5 Hospital, (8) eight funds- Kiambu County Executive Emergency Fund, Kiambu County Alcoholic Drinks Control Fund, Kiambu County Climate Change Fund, Kiambu County Executive Bursary Fund, Kiambu County Fif Fund, Kiambu County Jiinue Fund, County Government Of Kiambu Receiver Of Revenue and County Revenue Fund- County Government of Kiambu.

All the thirty-eight entities received a Qualified Opinion, from the Auditor-General, indicating the existence of significant audit issues that require urgent management attention and corrective action.

The key issues identified across the entities include: going concern uncertainties arising from accumulated losses and negative working capital; non-revenue water at levels exceeding regulatory benchmarks; operation without valid WASREB licenses; irregular engagement of casual employees; non-remittance of statutory deductions; unresolved prior year audit matters; budgetary control issues; over-reliance on County Government transfers; non-compliance with procurement regulations; 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 Kiambu Water Companies 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 Kiambu Municipalities 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 Kiambu Hospitals for 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 Kiambu Funds for 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 Kiambu Water Companies under review: -

1. **Non-Revenue Water (NRW)** – The Committee observed that the Water Companies recorded NRW levels that significantly exceeded the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB). This was mostly attributed to physical losses from dilapidated infrastructure, commercial losses from inaccurate meter reading and billing, and illegal connections.
2. **Deficiencies in Financial Reporting** – The Committee noted widespread inaccuracies and errors in the preparation and presentation of financial statements. Furthermore, both Accounting Officers and Managing Directors exhibited challenges in complying with Section 62 of the Public Audit Act, Cap. 412B, by failing to submit supporting documents to auditors on time. This impedes the accountability and audit process, while the persistent delays in finalizing complete financial statements point to a lack of requisite competencies and experience within the entities.
3. **Non-Adherence to Accounting Standards** – The committee observed that accountants across the Water Companies faced challenges in fully adopting the International Public Sector Accounting Standards (IPSAS) framework. The Committee noted that while the Public Sector Accounting Standards Board (PSASB) periodically updates these standards to reflect emerging issues and best practices, many water companies struggle with their application, as evidenced by recurring audit queries.
4. **Non-Compliance with Ethnic Inclusivity Requirements** – The Committee observed significant non-compliance with the National Cohesion and Integration Act, Cap. 7N, and Section 65(1)(e) of the County Government Act, Cap. 265. These provisions mandate that public offices represent ethnic diversity and that at least 30% of entry-level posts be filled by candidates from outside a county's dominant ethnic community.
5. **Material Uncertainty Regarding Going Concern** – The committee noted that four of water companies reported negative working capital during the review period, rendering them unable to meet short-term financial obligations as they fall due. Their continued operation is heavily reliant on financial support from County Executive or development partners, raising material doubts about their long-term financial sustainability.
6. **Weak Budgetary Control and Performance** – The Committee observed that the water companies had widespread weaknesses in budget execution. Water companies frequently failed to adhere to approved budget ceilings, resulting in either over-utilization or under-utilization of appropriated funds. In several

instances, funds were re-allocated to unbudgeted items without prior Board approval. These issues are compounded by high revenue shortfalls and the preparation of unrealistic budgets.

7. **Incomplete Transfer of Assets and Liabilities** – The Committee observed that most water companies had not fully completed the transfer of assets and liabilities from the defunct local authorities and Regional Water Works Development Agencies, as required by the Water Act, Cap.372. This omission prevents these companies from presenting a true and fair view of their financial position in their books of account.
8. **Disputes over Asset Ownership** – The Committee observed MUWASO and MUSWASCO were embroiled in disputes regarding the ownership of Maragua Dam Project, creating legal and financial uncertainty.
9. **Lack of an Updated Fixed Asset Register** – The Committee observed that the water companies failed to maintain and update their fixed asset registers, contrary to National Treasury Circular No. 5/2020. This omission exposes company assets to significant risks, including loss, waste, and misuse. The Committee further noted that the National Treasury issued a circular no. 5/2020 of 25th February 2020 on the preparation of asset registers for entities in County Governments.

GENERAL RECOMMENDATIONS FOR 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. These measures should include the adoption of Geographic Information System (GIS) technology for real-time detection of bursts and leakages, installation of smart meters to ensure accurate billing, rehabilitation of dilapidated infrastructure, and the development of institutional anti-corruption policies with robust enforcement mechanisms to curb illegal connections. Furthermore, management should disclose the proportional breakdown of physical and commercial losses, expressed as percentages, in their periodic reports.
2. **Enhancement of Record Keeping and Audit Compliance** – The Governor ensures the Board and Accounting Officers implement proper record keeping and provide all requisite supporting documents to the Auditor-General in accordance with Section 9(1)(e) of the Public Audit Act, Cap. 412B, within the stipulated audit timelines. Adherence to the provisions of the Accountants Act, Cap. 531, is mandatory. Failure to comply with these requirements shall

necessitate the invocation of Section 62 of the Public Audit Act by the Committee.

3. **Capacity Building on Financial Reporting Standards** – The Governor ensures the Board of Directors, in consultation with the Public Sector Accounting Standards Board (PSASB), facilitate continuous capacity building for finance officers and management on International Public Sector Accounting Standards (IPSAS) to improve the quality of financial reporting and enhance compliance. The Board must ensure that all accounting personnel possess the requisite competency and experience as mandated by the Accountants Act. Additionally, the Accounting Officer should enforce strict adherence to the financial reporting template prescribed by the National Treasury. These measures will strengthen the maintenance of books of account, improve the accuracy of financial statements, and ensure their timely submission to the Auditor-General.
4. **Compliance with Ethnic Inclusivity and Diversity Requirements** – The Governor ensures the Board and County Government to make deliberate efforts to progressively comply with section 7(1) and (2) of the National Cohesion and Integration Act and Section 65(1) (e) of the County Governments Act on diversity, realization of the one-third rule on recruitment in public institutions and ethnic inclusivity. In addition, the Board and the County Governments should establish a diversity policy to comply with the law. Compliance status shall be reviewed in subsequent audit periods.
5. **Strengthening Financial Sustainability and Asset Management** - The Board, Accounting Officers and the County Government to put in place strategic and innovative measures for recovery and to boost the financial health of the water companies for self-sustainability. The Board should indicate if the financial support is a conditional grant or donation in their books of account and it should not be a direct transfer from the County Executive. Further, the County Governor through the County Executive Committee member for water should monitor the financial operations of the water companies pursuant to section 184 of the Public Finance Management Act.
6. **Prudent Budgetary Planning and Control** - The Governor ensures the Board and accounting officers prepare realistic budgets and revenue projections to prevent issues of revenue shortfalls, that negatively impact service delivery. In the budget preparation process, the Board should consider previous budgetary allocations and ensure that any proposed increases are reasonable and justified. The Board must also seek the necessary statutory approvals by forwarding budget estimates to the County Executive Committee member for water, who shall subsequently submit them to the County Treasury as required by law. Additionally, water companies are encouraged to automate their billing systems to enhance revenue collection efficiency.

7. **Resolution of Asset and Liability Transfer Disputes** - The Governor should engage the Ministry of Water, Sanitation and Irrigation, the Water Services Regulatory Board (WASREB), the Regional Water Works Development Agencies and the Inter-Governmental Relations Technical Committee to settle the matter on the transfer of the assets and liabilities as required by the Water Act.
8. **Strict Adherence to Statutory and Regulatory Frameworks** - The Governor ensures the Board and accounting officers of the water companies are directed to ensure strict compliance with all relevant laws and regulations, including but not limited to the Public Finance Management Act, the Public Audit Act, the Public Finance Management (County Government) Regulations, 2015, the Water Act, the Accountants Act, the Companies Act, the Income Tax Act, the Employment Act, Cap.226, the Pension Act, the Retirement Benefits Act and the Water Services Regulatory Board (WASREB) guidelines. Non-compliance shall attract appropriate sanctions.
9. **Expediting Transfer of Assets and Liabilities** - The Governor should engage the Inter-Governmental Relations Technical Committee (IGRTC) and the relevant Regional Water Works Development Agency to fast-track on the transfer of the assets and liabilities so that they reflect a true position of the companies in their books of account.
10. **Maintenance of Updated Fixed Asset Registers** - The Board of Directors and the managing director should ensure the water companies maintains updated fixed asset registers in compliance with section 136 (1) of the Public Finance Management (County Government) Regulations, 2015 and in the format prescribed by the National Treasury and submit the same to the Auditor-General within 60 days from the adoption of this report.

GENERAL OBSERVATIONS FOR MUNICIPALITIES

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

1. **Lack of Operational Autonomy of Municipalities** – The Committee observed that the municipalities lacked operational independence from the County Executive in areas of management, function and finances. This contravened sections 12 on Management independence, 20 on functional independence, 45 and 46 on financial independence of the Urban Areas and Cities Act, 2011 CAP. 275, which collectively guarantee municipalities the autonomy necessary for effective governance.
2. **Deficiencies in Financial Reporting and Standards Compliance** – The Committee observed that there were numerous inaccuracies and errors in the financial statements of municipalities, raising concerns about the capacity of the officers responsible for their preparation. Furthermore, municipalities face

persistent challenges in adapting to the International Public Sector Accounting Standards (IPSAS) framework required for the preparation of their financial statements.

3. **Asset Management-** The Committee observed that the assets belonging to municipalities were still being held and managed by the county executive. Consequently, this made the municipalities not maintain and update the asset registers, which was contrary to section 104(1)(h) of the Public Finance Management Act, 2012. Thus, the true financial position of the municipalities could not be reflected in the financial statements.
4. **Late Submission of Audit Documents–** The Committee noted that the Auditor-General encountered significant challenges due to the late submission of supporting documents by municipalities during the audit process. This delay hinders the accountability and audit process and contravenes Section 62 of the Public Audit Act, Cap. 412B, which mandates the timely provision of documentation.
5. **Weak Budgetary Control and Performance –** The Committee observed that municipalities had weaknesses in executing their approved budgets and did not adhere to the approved budget ceilings set for programs. The municipalities either over-utilized or under-utilized the appropriated funds. Further, some Municipalities prepared unbalanced budgets contrary to regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015.

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 the operationalization of municipalities is undertaken according to the functions delegated as gazetted by the County Government. Further, the Governor should ensure that municipalities are adequately funded in accordance with section 172 of the Public Finance Management Act, 2012, to enhance their operational independence and enable effective service delivery. The Governor should further ensure that all municipalities in the county are operationalized to undertake their delegated functions in line with law by the commencement of the Financial Year 2026/2027.
2. **Strengthening Financial Reporting Capacity-** The Governor ensures the Municipal Manager and the head of finance shall, in consultation with the County Treasury and the Public Sector Accounting Standards Board (PSASB), develop and implement a continuous capacity-building program for all finance officers on the application of International Public Sector Accounting Standards (IPSAS). Further, the Municipal Manager shall ensure that all financial

statements prepared from the financial year 2025/26 onwards fully comply with the most current IPSAS framework as issued by the PSASB. Any deviation shall be explicitly explained and justified in the notes to the financial statements.

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

ACKNOWLEDGEMENTS

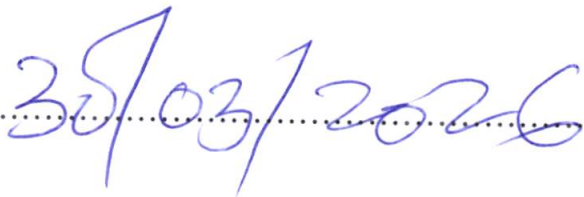
The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate in the execution of its mandate. I also take this opportunity to thank the Members of the Committee for their due diligence and commitment in considering the audit reports. The Committee 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:.....
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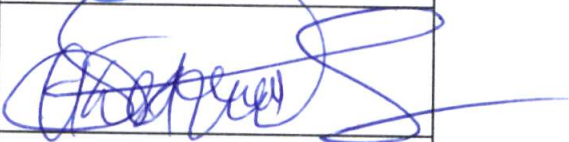

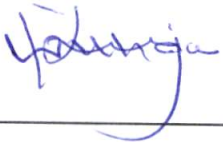


**HON. SEN. GODFREY ATIENO OSOTSI, CBS, MP
CHAIRPERSON**

ADOPTION OF THE REPORT OF THE SENATE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF THIRTY-FOUR COUNTY ENTITIES FOR KIAMBU FOR THE FINANCIAL YEAR 2024/25

SECTOR	NO.	ENTITY
WATER COMPANIES	7	GATUNDU WATER AND SEWERAGE COMPANY
		GITHUNGURI WATER AND SANITATION COMPANY
		KARURI WATER AND SANITATION COMPANY
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HOSPITALS	13	GATUNDU LEVEL 5 HOSPITAL
		IGEGANIA SUB-COUNTY HOSPITAL
		KARURI LEVEL 4 HOSPITAL
		KIGUMO LEVEL 4 HOSPITAL
		KIHARA SUB COUNTY HOSPITAL
		LARI HOSPITAL
		LUSIGETTI SUB- COUNTY HOSPITAL
		NYATHUNA LEVEL 4 HOSPITAL
		RUIRU SUB-COUNTY HOSPITAL
		TIGONI SUB COUNTY HOSPITAL
		WANGIGE SUB COUNTY HOSPITAL
		KIAMBU COUNTY REFERAL HOSPITAL
		THIKA LEVEL 5 HOSPITAL
FUNDS	8	KIAMBU COUNTY EXECUTIVE EMERGENCY FUND
		KIAMBU COUNTY ALCOHOLIC DRINKS CONTROL FUND

		KIAMBU COUNTY CLIMATE CHANGE FUND,
		KIAMBU COUNTY EXECUTIVE BURSARY FUND
		KIAMBU COUNTY FIF FUND
		KIAMBU COUNTY JIINUE FUND
		COUNTY GOVERNMENT OF KIAMBU RECEIVER OF REVENUE
		COUNTY REVENUE FUND-COUNTY GOVERNMENT OF KIAMBU

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 GATUNDU WATER & SEWERAGE COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Committee received written management responses to the following queries raised in the reports of the Auditor-General on the financial statement for Gatundu County Health Facilities Improvement Fund for the Financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Gatundu Water and Sewerage Company for the period under review on the following basis -

1. Long outstanding Trade and Receivables

The statement of financial position and as disclosed in Note 18 to the financial statements reflects trade and receivables balance of Kshs. 170,814,439 which is net of provision for specific and general doubtful receivables balance of Kshs. 12,869,571 and Kshs. 18,726,905 respectively. However, the balance includes receivables balance of Kshs. 163,832,528 which has been outstanding for over one hundred and twenty (120) days and whose recoverability is doubtful.

Further, the specific provision for doubtful receivables balance of Kshs. 12,869,574 represents debts of Kshs. 3,488,789 inherited from the Ministry of Water and KSh. 9,380,782 inherited from Gatundu South Water Company. The balances have been outstanding for more than ten (10) years with no movement over the years. No satisfactory explanation was provided on why the debts have not been recovered.

In the circumstances, the accuracy, completeness and full recoverability of trade and receivables balance of Ksh. 170,814,439 could not be confirmed.

Management Response

A large portion of the outstanding debts relates to consumers affected by the destruction of water pipelines during road construction works undertaken by KeRRA and KURA, particularly along the Mau Mau Roads. Consumers in the affected areas including Githiorori, Gatina, Gathiro, Gatei, Kibichoi, Gateiguru, and Kigumo already had outstanding balances in their accounts at the time water supply was disrupted. Following the interruption of services and cessation of consumption, these balances remained unpaid. Consequently, the delay in reinstating the damaged pipes, owing to resource constraints, prompted consumers to seek alternative water sources such as shallow wells, boreholes, community irrigation projects, and direct extraction from rivers.

Concerted efforts have been made to engage consumers who have been inactive or dormant for extended periods. These efforts include the reinstatement of damaged pipes where 40.6 Kilometers has been reinstated in Nguna, Mundoro, Kenyatta Road estates, Kirangi, Marige and Gatei areas, 11 public awareness campaigns were held in the reporting period regarding the risks of consuming untreated water, and the establishment of partial payment agreements

Committee Observation

The committee observed that

- i. The Company has a significant amount of trade and receivables totalling Ksh. 170,814,439, out of which Ksh. 163,832,528 has been outstanding for over one hundred and twenty (120) days, casting doubt on its recoverability
- ii. No sufficient evidence was provided to demonstrate actual recovery of the long outstanding debts despite management's efforts such as public awareness campaigns, partial payment agreements and issuance of demand notices
- iii. Debts amounting to Ksh. 12,869,571 inherited from the Ministry of Water and Gatundu South Water Company have remained outstanding for over ten (10) years with no movement, indicating weak debt resolution mechanisms

Committee Recommendation

The committee recommends that—

- i. **The Governor through the Accounting Officer should ensure that Gatundu Water 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 the Accounting Officer should within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor-General for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle;**
- iv. **The 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.**

2. Failure to Revalue Fully Depreciated Assets Still in Use

The statement of financial position and as disclosed in Note 15 to the financial statements reflects property, plant and equipment balance of Ksh. 31,875,392. However, review of records provided revealed that the Company's asset register has some fully depreciated assets that are still in use. The Company has not revalued these assets in order to recognize their operating value.

Management Response

Management has initiated a comprehensive revaluation exercise for all Company assets. A mechanical valuer has already been engaged to undertake the revaluation of motorcycles. The Company has written to the County Department of Lands, Housing, Physical Planning and Urban Development requesting them to undertake the revaluation of all fully depreciated assets.

Committee Observation

The Committee observed that management did not undertake valuation of assets sighting financial constraints.

Committee Recommendation

The committee recommends that

- i. **The Governor ensures that the management of the water company ensures that the valuation of all assets of the water company is fast-tracked and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- ii. **The Governor to make 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 60 days of the adoption of this report and submit to the Auditor-General for verification; and**
- iv. **The Accounting Officer ensures that the water company maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public**

Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

3. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Ksh. 199,387,410 as disclosed in Note 22 to the financial statements and increased by Ksh. 73,379,584 or 58% from the prior year balance of Ksh. 126,007,826. The balance includes payables totaling Ksh. 72,646,582 that have been outstanding for over two (2) years. In addition, analysis of payables ledger revealed that trade payables from previous and current years did not form the first charge. No satisfactory explanation was provided for the non-compliance with Section 53(8) of the public procurement and asset disposal Act, 2015 which states that ‘an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contracts are reflected in approved budget estimates

In the circumstances, the Company Management was in breach of the new law and is exposed to the potential risk of nugatory cost arising from the interest payments and penalties on overdue costs.

Management Response

During the reporting period, the company faced financial challenges and was unable to fully meet its regular operating costs. However, with the recent tariff review and CLSG project, the company has managed to increase its revenue by 56 percent thus been able to break even and begin settling outstanding payables. As at December 2025, the Company had successfully settled approximately Ksh 40 million of the outstanding payables. To prevent legal action, management has negotiated repayment plans with certain suppliers, such as Kel Chemicals, AWWDA, Smart People Africa and Spenomatic, to ensure their continued services

The management ensures that all statutory deductions are paid promptly to avoid penalties.

Committee Observation

The committee observed that

1. The Company’s trade and other payables increased significantly by Ksh. 73,379,584 from Ksh. 126,007,826 in the prior year to Ksh. 199,387,410, indicating worsening liquidity challenge
2. Payables amounting to Ksh. 72,646,582 have been outstanding for over two (2) years, exposing the Company to potential penalties, interest charges and litigation risks

Committee Recommendation

The committee recommends that

- i. The Governor to ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report;**
- ii. 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 report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance**
- iii. Within sixty (60) days of the adoption of this report, the Accounting Officer engage the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.**

4. Unaccounted for Non-Revenue Water

During the year, the Company produced a total of 3,741,896 cubic meters (m³) of water. However, only 2,266,154m³ was billed to customers resulting to unbilled volume of 1,475,742m³ or 39% of the total water produced. The unbilled volume of 1,475,742m³ with a sale price of Ksh. 123,519,605 at an average price of Ksh. 83.70 per m³ represents the Non-revenue Water (NRW). This is over and above the allowable loss of 25% as provided by schedule E of Water Service Regulatory Board (WASREB) guidelines.

Management Response

The Non-Revenue Water (NRW) level of 39% reported in FY 2024/2025 was above the allowable regulatory threshold of 25% largely due to structural and operational challenges within the system. Key among these were the absence of zonal meters, a high number of faulty and under-registering consumer meters and an aging distribution network prone to frequent bursts.

Despite these constraints, the Company undertook deliberate corrective measures. During the FY 2024/2025, 1,542 pipe bursts were repaired, 41 km of pipeline rehabilitated, 3,582 consumer meters serviced and 2,487 faulty meters replaced. In addition, 169 inactive and 123 illegal connections were disconnected from the mains and 973 water connections mapped to improve billing accuracy. These efforts addressed both physical and commercial losses.

Committee Observation

The committee observed that

The Company recorded Non-Revenue Water (NRW) of 39%, which is above the allowable limit of 25% set by the Water Services Regulatory Board (WASREB) guidelines. The unaccounted water volume of 1,475,742m³ represents significant potential revenue loss amounting to Ksh. 123,519,605, negatively impacting the financial performance of the Company;

Committee Recommendation

The committee recommends that

- i. **The Accounting Officer should put in place comprehensive measures to mitigate on the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle; and**
- 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;**
- 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 on Wage Bill

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects staff costs amount of Ksh. 96,175,344. This expenditure amounts to 46% of the total revenue of Ksh. 207,785,915 received during the year which was above the recommended rate of 35%. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the limit set shall not exceed thirty-five (35) percent of the total revenue.

In circumstances, Management was in breach of the law.

Management Response

This was due to the continued operation under a non-recovery tariff that had been in place for over 15 years, limiting the Company's ability to match rising operational costs. With the implementation of the new tariff in November 2024, monthly revenue has increased from an average of Kshs. 9 million to approximately Kshs. 23 million, strengthening the Company's capacity to meet its operational needs. Furthermore, under the CLSG 2 Project, the scope of the projects is initiatives geared toward enhancing revenue generation. As a result, the staff cost ratio has reduced to 36% of total revenue.

Committee Observation

The Committee observed that the company's personnel costs represented 46% of the company's annual expenditure, exceeding the 35% ratio recommended by Water Services Regulatory Board (WASREB).

Committee Recommendation

The committee recommends that

- i. The Governor ensures that the Accounting Officer develops a staff rationalisation plan with specific annual reduction targets to achieve the WASREB benchmark of 35% and report to the Senate and a copy to the Auditor-General within 90 days after adoption of this Report; and**
- ii. The Company ensures progressive compliance to section 3.9 (9) of WASREB corporate Governance Guidelines which limits the wage bill to thirty-five percent (35%) of the total revenue and establish a lean staff complement.**

6. Non-Compliance with Employment Quotas for Persons with Disability

Review of personnel records and payroll database provided for audit revealed that the Company employed one hundred and thirty-nine (139) members of staff. However, there was no representation of persons with disability. This was contrary to Section 21(2)(a) of the Persons with Disabilities Act 2025 which provides that employers with 20 or more employees must ensure that at least 5% of their workforce consists of persons with disabilities. In circumstances, Management was in breach of the law.

Management Response

The Company ensures all vacancies are competitively advertised nationally, and continues encouraging women, youth and persons with disabilities to apply as demonstrated in our recent advertisement to attract a broader and more diverse pool of applicants.

To ensure compliance with Section 21(2)(a) of the Persons with Disabilities Act, 2025 the Company is committed to a non-discriminatory approach and provides equal opportunity for employment. Being an equal opportunity employer, it is committed to diversity, inclusion and equity. To address the absence of persons with disabilities in our workforce, the Company is committed to progressively achieving the required 5% representation and strengthening inclusivity in compliance with all affirmative action requirements.

Committee Observation

The committee observed that the Company had a total workforce of one hundred and thirty-nine (139) employees with no representation of persons with disabilities, contrary to Section 21(2)(a) of the Persons with Disabilities Act, 2025;

The absence of persons with disabilities in the workforce indicates non-compliance with statutory requirements on inclusivity and affirmative action

Committee Recommendation

The committee recommends that the Board and the accounting officer to make deliberate efforts progressively in the endeavor to comply with Section 21 of Persons with Disability Act, 2025, Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.

7. Non-Compliance with Affirmative Action on Gender, Staff Ethnicity and Regional Balance.

Review of personnel records and payroll database provided for audit revealed that the Company employed one hundred and thirty-nine (139) or 97% were from the same ethnic community. This was contrary to Section 7(10 & (2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community. Further, employees' records revealed that one hundred and eight (108) or 78% of the members of staff were male while 22% were female.

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

Management Response

The current staff composition is largely attributable to historical factors, including the transition of staff from the former local authorities and national government institutions, as well as the Company's location within a rural setting where a significant proportion of applicants are drawn from the local community. In addition, the technical nature of some roles has historically attracted a higher number of male applicants.

Committee Observation

The committee observed that The Company had one hundred and thirty-nine (139) employees, of which 97% were drawn from the same ethnic community, in contravention of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008

The Company's workforce composition reflects lack of ethnic diversity, exceeding the statutory limit of one-third representation from a single ethnic community

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 to make deliberate efforts progressively in the endeavor to comply with Section 21 of Persons with Disability Act, 2025, Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of Land Ownership Document

The property, plant and equipment net book value of Ksh. 31,875,392 includes land with a balance of Ksh. 11,239,518. Review of records provided for audit revealed that the land was registered in the name of Karimenu Water and Sanitation Company

Limited. The company has not provided satisfactory explanation on why the ownership documents have not been registered in the Company's name and whether the process of transfer has been initiated. Further, ownership documents for the parcel of land where the company offices are located and the basis for the valuations were not provided for the audit.

In the circumstances, the ownership of the parcel of land could not be confirmed.

Management Response

Gatundu water was derived from the merger of Gatundu South Water and Sanitation Company (GASWASCO) and Karimenu Water and Sanitation Company (KARIWASCO). The said land was acquired then by Karimenu water before the merger. The transfer process has already been initiated and is currently awaiting finalization.

Regarding the parcel of land on which the Company's offices are located, the Company has written to the County Department of Lands, Housing and Physical Planning requesting their facilitation in the process of obtaining the title deed.

The Company is currently awaiting their guidance on the way forward.

Committee Observation

The committee observed that

The Company reported land valued at Ksh. 11,239,518 in its financial statements; however, ownership documents were not in the name of the Company but in the name of Karimenu Water and Sanitation Company Limited;

No documentary evidence was provided to confirm completion of the transfer process of the land to the Company following the merger

Committee Recommendation

The committee recommends that

- i. Within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters water, engages with the Tana Water Works Development Agency and the IGRTC to ensure the transfer of ownership documents of the donated items is fast tracked;**
- ii. The Governor to make budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;**

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

2. Non-Compliance on Governance and Composition of Board

The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflects Board expenses amount of Ksh. 4,904,167. Review of the Board Composition revealed that four (4) Board Members left the Board during the year. However, no replacements were made to ensure full representation of all the interested groups in the Board during the year under audit. Further, Management did not provide the gazette notices for the appointment of Board Members and it was not possible to confirm the legitimacy of the governing organ of the Company. In addition, the Board annual work plans and annual performance evaluation were not provided for audit review.

In the circumstances, the effectiveness of internal control on governance could not be confirmed.

Management Response

Water service provision is a devolved function, and the appointment of directors is undertaken through the established county governance framework. During the year, the terms of four (4) Board members lapsed, resulting in vacancies within the Board. The County Government subsequently issued a Gazette Notice in September 2025 advertising for the recruitment of new Board members and thereafter appointed three (3) Board members who were issued with appointment letters. In addition, the County Government further published an advertisement in December to fill the remaining vacancy, and the recruitment process is currently ongoing. The Board Annual Work

Plan for FY 2025/2026 has been duly approved and is in place, and implementation is ongoing in accordance with the scheduled activities. With the Board now fully constituted, annual Board performance evaluations will henceforth be conducted.

Committee Observation

The committee observed that

1. Four (4) Board Members exited during the year, and no immediate replacements were made, resulting in incomplete Board composition and lack of full representation of stakeholders;
2. Management did not provide gazette notices and appointment documentation for Board Members for audit verification, making it difficult to confirm the legality and legitimacy of the Board;
3. The absence of a fully constituted Board during the year under review may have weakened oversight and governance functions of the Company

Committee Recommendation

The committee recommends that

- i. **The Governor ensures that the Accounting Officer and the County Government, within sixty (60) days of the adoption of this report, provide all gazette notices and appointment letters for Board Members to the Auditor-General for verification;**
- ii. **The Governor ensures that the Board is fully constituted at all times in compliance with applicable laws and regulations to guarantee effective governance and representation of all stakeholders**
- iii. **The Board should develop, approve and implement annual work plans and ensure that annual Board performance evaluations are conducted and documented in line with good governance practices**

1.2 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR GITHUNGURI WATER & SANITATION COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga, EGH, presented written responses before the Committee to respond to audit queries raised in the report of the Auditor-General on financial statements for Githunguri Water and Sanitation Company for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Githunguri Water and Sanitation Company for the period under review on the following basis

1. Unexplained Variances in Customer Bills

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.47,123,560. However, review of billing records provided for audit revealed significant and unexplained fluctuations in the number of customers billed on a monthly basis which was not explained as analysed below;

Month	Number of Customers Billed	Variance
July, 2024	2990	
August, 2024	3160	170
September, 2024	3238	78
October, 2024	2617	621
November, 2024	3145	528
December, 2024	2984	161
January, 2025	3181	197
February, 2025	3138	43
March, 2025	2868	270
April, 2025	2639	229
May, 2025	2728	89
June, 2025	2435	293

The variations indicate inconsistencies in customer billing data that were not adequately justified.

In the circumstances, the accuracy and completeness of operating revenue amount of Kshs.47,123,560 could not be confirmed.

Management Response

Management takes note that a review of billing records provided for audit revealed significant and unexplained fluctuations in the number of customers billed on a monthly basis which was not explained

We wish to respectfully highlight that the fluctuations are attributed to various factors as outlined below:

Nairobi Water Sewerage Company inconsistent rationing programme and shortage of water produced to supply to our customers. This makes the number of our customers who rely on Nairobi Offtakes for water vary every other month thus varying billed accounts. Breakdown of boreholes within our service area thus disrupting water production and billing thereof. This led to reduced number of customers billed in various months. Kenya Power & Lighting Co. Ltd: Disconnection of power by KPLC due to outstanding bill has led to irregular pattern of billed customers almost in every billing cycle. New connections registration leading to increase in the number of active connections

Management shall implement monthly revenue reconciliation procedures, including the comparison of billing system reports, cash/receipt collections, and customer master data, to ensure the accuracy and completeness of revenue records.

Committee Observation

The committee observed that the Company reported operating revenue of Kshs. 47,123,560 for the period under review. However, audit records revealed significant month-to-month fluctuations in the number of customers billed indicate inconsistencies in billing records that were not fully explained

Committee Recommendation

The committee recommends that

- i. The Governor through the Accounting Officer should prioritize full implementation of the monthly revenue reconciliation to ensure discrepancies are identified and resolved promptly 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, put in place recovery measures. 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**

2. Variance in Operating Revenue

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.47,123,560 while Note 6 to the financial statements reflects an amount of Kshs.48,392,060 resulting to an unexplained variance of Kshs.1,268,500.

In the circumstances, the accuracy and completeness of operating revenue amount of Kshs.47,123,560 could not be confirmed.

Management Response

The noted variance of Kshs. 1,268,500 arose due to an oversight in disclosure. The amount was correctly adjusted and reflected, but the corresponding adjustment was inadvertently not updated during the final compilation of the financial statements.

We confirm that the Statement of Profit or Loss and Other Comprehensive Income reflects the correct operating revenue of Kshs. 47,123,560, and therefore the variance was purely a disclosure misclassification with no effect on the Profit and Loss position or the overall financial performance of the Company.

Committee Observation

The Committee observed that this was an error that arose from misclassification.

Committee Recommendation

The committee recommends that

- i. The Governor to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap. 412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. The Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**

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

3. Unsupported Board Payments

The statement of profit or loss and other comprehensive income reflects Board expenses amount of Kshs.2,949,796 which further includes Kshs.754,494 paid to various Board members. However, supporting documents such as attendance registers and certificates of participation were not provided for audit verification.

In the circumstances, the accuracy and validity of the Board expenses amount of Kshs.754,494 could not be confirmed

Management Response

Management takes note of the observation regarding the payment of directors' allowances during trainings held at the Kenya School of Government (KSG). The training was undertaken in line with the Directors' capacity-building requirements. A requisition was duly raised and an LSO was issued as a commitment for their attendance. The LSO served as the formal commitment instrument in accordance with internal procurement and financial procedures. Management wishes to clarify that the training fee was not settled as at the time of the audit and hence participants' certificates could not be processed. The attendance register was maintained by Kenya School of Government.

Management will going forward maintain attendance register for board participation in trainings/meetings, invitation letters and completion certificates

Committee Observation

The committee observed Board expenses amounting to Kshs. 754,494 were not supported by essential documentation such as attendance registers and certificates of participation which limits the ability to verify whether the payments were valid and incurred for legitimate Board activities.

Committee Recommendation

The committee recommends that

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which

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

4. Unsupported Deferred Income

The statement of financial position reflects deferred income balance of Kshs.6,149,664 as disclosed in Note 33 to the financial statements. However, the balance was not supported with financing or grant agreement and evidence of cash receipt or bank account where deferred income is held.

In the circumstances, the accuracy, completeness and existence of deferred income balance of Kshs.6,149,664 could not be confirmed.

Management Response

The deferred income balance of Kshs. 6,149,664 relates to **sanitation blocks** funded and constructed directly by the Water Sector Trust Fund (WSTF). The funds were not received as cash by the Company; instead, WSTF financed and implemented the sanitation project, and upon completion, the sanitation blocks were handed over to the Company for operation and maintenance.

Accordingly, the deferred income represents the value of the sanitation blocks recognized as assets, and not cash held by the Company. The amount is being amortized to profit or loss in accordance with IAS 20, over the useful life of the sanitation blocks. During the year, Kshs. 732,461 has been recognized as income through amortization.

Committee Observation

The Committee observed that supporting documents to support Deferred Income of Kshs. 6,149,664 was not provided.

Committee recommendations

The Committee recommends that

- i. The Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and**
- ii. The Auditor-General verifies the documents provided by the management and provide a status update of the same to the Senate within sixty (60) days of the adoption of this report.**

5. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects total receipts and payments of Kshs.54,678,135 and Kshs.51,593,071 respectively, that were not supported by receipts vouchers and

invoices. Further, the respective amounts were not reconciled to the corresponding amounts in the statement of financial performance.

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

Management Response

Management clarifies the query arose in the Draft report as “The statement of cash flows reflects total receipts amount of Kshs.54,678,135 which further includes other income amount of Kshs.1,268,500. However, the statement of profit or loss and other comprehensive income reflects nil revenue from other income as disclosed in Note 8 to the financial statements”. The issue was misclassification of “Other income” which had zero net effect. We have attached revised final copy of financial statements 2024-2025. Adjustment made to P&L to include other income (Miscellaneous income) under Note 8 as per Auditor recommendations, this has been separated from the Operating revenue under Note 6

Committee Observation

The Committee observed that the Statement of Cash Flows reflects total receipts and payments amounting to Kshs. 54,678,135 and Kshs. 51,593,071 respectively, which were not supported by adequate documentation such as receipt vouchers and invoices.

Committee recommendations

The Committee recommends that

The Committee recommends that the Accounting Officer should ensure strict compliance with the provisions of regulation 90 (1) of Public Finance Management (County Government) Regulations 2015 with respect to monthly reconciliation of bank statements, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

6. Non-Disclosure of Material Uncertainty Relating to Going Concern

The statement of profit or loss and other comprehensive income reflects Kshs.58,191,606 and Kshs.92,811,702 in respect to total revenue and total expenses respectively resulting to a deficit of Kshs.34,620,096 (2023/2024: Kshs. 9,928,434). The deficit resulted to an increase in accumulated deficit of retained earnings from Kshs.160,958,566 as at 30 June, 2024 to accumulated deficit in retained earnings of Kshs.195,578,662 as at 30 June,2025. The trend of making deficits every financial year is not a positive position as this is an indication of weak financial management.

The statement of financial position reflects current liabilities balance of Kshs.294,472,759 which exceeds the current assets balance of Kshs.81,512,930 by

Kshs.212,959,829. The Company is therefore **technically insolvent** casting significant doubt on its ability to meet its short-term financial obligations as they fall due. The material uncertainty relating to going concern was not disclosed in the financial statement

In the circumstances, the Company may be unable to meet its current financial obligations as they fall due, which may result in increased dependence on creditors to finance the Company's day-to-day operations.

Management Response

Management takes note of the auditor's observation that the company is technically insolvent and may not be able to meet its current obligations as and when they fall due. The reported loss for the year ended 30 June 2025, the cumulative negative revenue reserves, and the deficit in working capital are accurate reflections of the Company's current financial strain.

It is important to highlight that a key driver of this precarious position is the continued application of non-cost recovery tariff, last reviewed in year 2014, which does not reflect the prevailing economic environment nor the current cost of producing and distributing water. Over the past decade, the Company has experienced significant increases in energy costs, treatment chemicals, labour, infrastructure maintenance, and statutory obligations. However, revenue streams have remained constrained due to the outdated tariff structure, leading to persistent cashflow deficits and accumulation of liabilities

1. Submission of a comprehensive tariff review proposal to the Water Services Regulatory Board (WASREB) to align the tariff with the actual cost of service provision and ensure revenue sufficiency going forward.
2. Implementation of revenue enhancement strategies, including reduction of non-revenue water, improved metering and billing integrity, and expansion of the customer base.
3. Cost optimization initiatives, focusing on operational efficiency, energy management, streamlined procurement, and prioritization of essential expenditures.
4. Continuous engagement with the Kiambu County Government, Athi Water Works Agency and Development Partners for structured financial support, including subventions and collaborative interventions to stabilize operations during the tariff transition period.
5. Creditor restructuring discussions to ease immediate cash flow pressures and align repayment plans with projected revenue improvements

Management reaffirms that the going concern basis remains appropriate, given the ongoing tariff approval process, the County Government's demonstrated commitment to supporting the utility, and the Company's implementation of a turnaround strategy. We also acknowledge the need for enhanced disclosure and commit to ensuring that all material assumptions and mitigating actions related to going concern will be fully incorporated in future financial statements in compliance with IAS 1

Committee Observation

The Committee observed that the Company is technically insolvent and may be unable to meet its short-term obligations as they fall due.

Committee Recommendations

The Committee recommends that-

- i. The Governor of Kiambu 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, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. The County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act, 2012 and regularly report to the Governor through the County Executive Committee in line with Article 179 (6) of the Constitution;**
- iv. The County Treasury should undertake annual reporting on County Corporation including an assessment of the commercial viability of the company in line with the standards set by the Water Services Regulatory Board under section 77(2) of the Water Act, 2016; and**
- v. The Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability. Additionally, the management reviews and regularizes the company's existing assets and have updated assets register that reflect the current financial position. Further, management to determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).**

7. Long Outstanding Receivables

Note 22 to the financial statements reflects gross trade receivables balance of Kshs.96,004,705 which further includes Kshs.90,176,799 that have been outstanding for over 120 days including Kshs.8,482,982 which has been outstanding for over ten (10) years. Further, Comparative analysis of water meters and billings revealed that a total of three thousand, five hundred and sixty-two (3,562) active accounts with long outstanding debt of Kshs.35,461,076 had not been disconnected. However, there was no policy on the impairment of long outstanding arrears casting doubt on the fair statement of the accounts receivables balance

In the circumstances, the full recoverability of the receivables balance of Kshs.96,004,705 could not be confirmed

Management Response

Management takes note of the auditor's observation on the long outstanding receivables

To ensure that we recover long outstanding debts; We have initiated:

1. Frequent Customer clinics and Sensitization on the importance of water bills payment.
2. Part payment agreement to ease the burden on payment arrears while enjoying the services.
3. Robust debt collection unit in the organization.
4. Bi-Monthly reminders through bulk SMS.
5. Policy document on writing off unrecoverable debts

Committee Observation

The committee observed that a significant portion of trade receivables amounting to Kshs. 90,176,799 has remained outstanding for over 120 days, including Kshs. 8,482,982 that has been outstanding for over ten (10) years. This raises serious concerns regarding the recoverability of the debts.

Committee Recommendations

The Committee recommends that-

- i. **The Governor through the Accounting Officer should ensure that Githunguri Water 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 the Accounting Officer should within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor-General for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle**
- iv. **The 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**
- 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.**

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.69,157,429 and Kshs.61,001,606 respectively, resulting to under-funding of Kshs.8,155,823 or 12% of the budget. However, the Company spent an amount of Kshs.101,852,959 against actual revenue of Kshs.61,001,606 resulting to an over-utilization of Kshs. 40,851,353 or 40% of the actual revenue

The underfunding may have adversely affected the Company's planned activities and negatively impacted on service delivery to the public.

Management Response

Management takes note of the observation that the statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs. 69,157,429 and Kshs. 61,001,606 respectively, resulting to under-funding of Kshs. 8,155,823 or 12% of the budget. Similarly, the Company spent an amount of Kshs. 101,852,959 against actual revenue of Kshs. 61,001,606 resulting to an over-utilization of Kshs. 40,851,353 or 40% of the actual revenue the current water tariff remains below the cost-recovery level necessary to sustainably operate and maintain our water system. This resulted in lower than required revenue inflows despite increased operational demands. The projected revenue was tied to an anticipated water

production increase by 1,500m³/day from Kiameru project that was expected to commence and generate additional connections billing and reduce reliance on Nairobi bulk water purchase. However, the project did not kick off due to delayed last mile connections, meaning the expected revenue did not materialize within the financial year as anticipated.

1. A full cost recovery tariff proposal has been submitted to Water Services Regulatory Board seeking approval to ensure adequate revenue generation for operations and sustainability.
2. Future budgets will incorporate stricter forecasting techniques, including:
 - a) Adjusting projections for anticipated projects based on realistic timelines,
 - b) Incorporating sensitivity analysis for possible delays, and

Aligning expenditure strictly to reliable revenue streams

Committee Observation

The committee observed that the Company recorded a revenue shortfall of Kshs. 8,155,823, representing 12% below the approved budget. Additionally, the Company incurred expenditure amounting to Kshs. 101,852,959 against actual revenue of Kshs. 61,001,606, resulting in an over-expenditure of Kshs. 40,851,353 or 40% of the actual revenue.

Committee Recommendations

The Committee recommends that

- i. **The Governor ensures that the Accounting Officer ensures strict compliance with section 149(2) (h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standards Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. **The Governor ensures that the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

Other Matter

1. Continuous Water Disconnections by Nairobi City Water & Sewerage Company Limited (NCWSC) Due to Outstanding Debts

The statement of financial position reflects trade and other payables balance of Kshs.276,304,226 as disclosed in Note 31 to the financial statements which further includes Kshs.211,308,578 payable to Nairobi City Water and Sewerage Company Limited (NCWSC). However, it was noted that the Company experienced continuous water disconnections by Nairobi City Water and Sewerage Company Limited due to accumulated unpaid water bills. These recurrent disconnections disrupt water supply and service delivery to existing customers. As a result, local citizens are left without water, which is a fundamental right guaranteed under Article 43(1)(d) of the Constitution of Kenya, 2010, thereby affecting access to a basic essential service.

In addition, the disconnections significantly affect the Company's day-to-day operations and its ability to fulfill its core mandate of providing reliable water services

Management Response

Management takes note of the auditor's observation that the Company has experienced continuous water disconnections by Nairobi City Water and Sewerage Company Limited due to accumulated unpaid water bills and that these recurrent disconnections disrupt water supply and service delivery to existing customers.

The Company recognizes that such interruptions undermine reliable service delivery and may compromise citizens' constitutional right to clean and safe water in adequate quantities. To address this, Management has initiated formal engagement with NCWSC to negotiate terms for uninterrupted water supply while collaboratively reviewing the outstanding balance. In addition, the Company is developing a structured and realistic payment plan, aligned with its cash flows, to progressively settle the arrears and prevent future disconnections. These measures will help stabilize supply, safeguard service continuity, and enhance public confidence in the Company's operations.

Committee Observation

The Committee observed that the Company has accumulated significant payables amounting to Kshs. 211,308,578 owed to Nairobi City Water and Sewerage Company Limited (NCWSC), leading to frequent water disconnections. These disruptions have adversely affected the Company's ability to provide consistent and reliable water services to its customers.

Committee Recommendations

The Committee recommends that

- i. The Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' ageing schedule to the Auditor-**

General for review and verification and update the Committee in the subsequent audit cycle;

- ii. The Governor ensures that the Accounting Officer, within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor-General for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle**
- iii. 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**

2. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 31 to the financial statements reflects trade and other payables balance of Kshs.276,304,226. However, the ageing analysis revealed that payables totaling to Kshs.260,152,532 had been outstanding for more than one hundred and twenty (120) days. This is contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contracts are reflected in approved budget estimates.

In the circumstances, the Company is not able to meet its short-term obligations as and when they fall due and faces risk of litigation from suppliers. In addition, Management was in reach of the law.

Management Response

Management has taken note of the observation that the statement of financial position and as disclosed in Note 31 to the financial statements reflects trade and other payables balance of Kshs. 276,304,226. However, the ageing analysis revealed that payables totaling Kshs. 260,152,532 had been outstanding for more than hundred and twenty (120) days.

The accumulation of aged payables is primarily attributable to the current uneconomic tariff (Last Reviewed 2014), which has remained significantly below the cost of producing, treating, and distributing water. As a result:

1. Revenue generated has not been sufficient to meet operational costs and settle outstanding obligations promptly.

2. Priority has often been given to essential operational needs such as power, chemicals, repairs & Maintenance to ensure continuity of water supply to customers.
3. The company has been operating under severe liquidity constraints that have affected its ability to clear supplier balances within normal credit periods

A comprehensive tariff review proposal has been prepared and submitted to the Water Services Regulatory Board (WASREB). This new tariff aims to align revenue with actual costs and improve the Company's capacity to service its obligations promptly

Committee Observation

The committee observed that the accumulation of long-outstanding payables is in contravention of Section 53(8) of the Public Procurement and Asset Disposal Act, 2015, as the Company appears to have committed to expenditures without ensuring availability of funds.

Committee Recommendation

The committee recommends that

- iv. **The Governor to ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report;**
- v. **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 report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance**
- vi. **Within sixty (60) days of the adoption of this report, the Accounting Officer engage the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.**

3. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects final revenue budget and expenditure of Kshs.69,157,429 and Kshs.108,962,237 respectively resulting to a budget imbalance of Kshs.39,804,808. This indicates that the budget is not balanced contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the budget shall be balanced.

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

Management Response

Management takes note of the observation. Management shall ensure that the source of revenue to finance the budgeted expenditure is identified before the budget formulation.

Committee Observation

The committee observed that the company approved an unbalanced budget, with total expenditure of Kshs. 108,962,237 exceeding the revenue budget of Kshs. 69,157,429, resulting in a deficit of Kshs. 39,804,808 which is in contravention of Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015, which requires budgets to be balanced.

Committee Recommendations

The Committee recommends that-

- i. The Governor ensures that the Accounting Officer ensures strict compliance with section 149(2) (h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standards Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. The Governor ensures that the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

4. Unaccounted for Non-Revenue Water

During the year under audit, the Company produced a total of 1,409,956 cubic meters (m³) of water. However, only 581,565 m³ were billed to customers, resulting to an unbilled volume of 828,391 m³ which represent 59% of the total water produced. The unbilled volume of 828,391 m³ valued at approximately Kshs.67,099,671 (based on an average tariff of Kshs.81 per m³) constitutes the Company's Non-Revenue Water (NRW). The resulting NRW level exceeds the allowable limit of 25%, as provided under Schedule E of the Water Services Regulatory Board (WASREB) guidelines by 34%.

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

Management Response

Management takes note that during the year under audit, our Company produced a total of 1,409,956 cubic meters (m³) of water. However, only 581,565 m³ were billed to customers, resulting to an unbilled volume of 828,391 m³ which represent 59% of the total water produced.

Management has developed a draft targeted NRW Reduction Programme focused on minimizing both technical and commercial losses. This includes conducting a network audit to identify high-loss areas, enhancing active leakage detection and rapid repairs, and replacing old or faulty production and consumer meters. To address commercial losses, the Company will strengthen meter reading controls, validate the customer database to identify illegal or unmetered connections, and improve billing-to-production reconciliation. An internal NRW task force will oversee implementation, set quarterly reduction targets, and ensure continuous monitoring to progressively reduce NRW to acceptable WASREB thresholds.

Committee Observation

The Committee observed that the Company recorded a significantly high level of Non-Revenue Water (NRW) at 59%, far exceeding the allowable threshold of 25% as prescribed by the Water Services Regulatory Board (WASREB) guidelines. This resulted in unbilled water volume of 828,391 m³ valued at approximately Kshs. 67,099,671

Committee Recommendation

The committee recommends that

- i. The Accounting Officer should put in place comprehensive measures to mitigate on the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;**
- ii. 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**

- 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 the Public Procurement Capacity Building Levy Order

Management did not provide evidence to confirm that the Company complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

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

Management Response

Management takes note of the auditor's observation on the Non-compliance with the Public Procurement Capacity Building Levy Order.

During the period under review, the Company faced financial constraints and was unable to settle outstanding supplier payments. Consequently, the related 0.03% Public Procurement Capacity Building Levy was not remitted to PPRA.

Management acknowledges the requirement and will compute and remit the applicable levy, together with the necessary returns, once supplier payments are made and cash flow improves

Committee Observation

The Committee observed that the Company did not comply with paragraph 3(1) of the Public Procurement Capacity Building Levy Order, 2023, which requires a levy of 0.03% on all procurement contracts and timely remittance to the Public Procurement Regulatory Authority (PPRA).

It was noted that no evidence was provided to confirm remittance of the levy or filing of monthly returns as required under PPRA Circular No. 01/2024 dated 30th August 2024.

Committee Recommendations

The Committee recommends that Management should comply with the Public Procurement Capacity Building Levy Order, 2023, failure to which the provisions

of section 199 of the Public Finance Management Act on penalties for offences shall apply.

6. Non-Compliance with Fiscal Responsibility Principles

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects staff costs amount of Kshs.27,762,258. The expenditure amounts to 48% of the total revenue of Kshs.58,191,606 received during the year under review which was above the recommended 35% which may be unsustainable. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which states that the expenditure on wages and benefits for Public Officers shall not exceed 35 per cent of the County Government's total revenue.

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

Management Response

Management takes note of the audit observation regarding staff costs. The organization will endeavor to have a Wage bill rationalization plan, HR restructuring measures & productivity improvements

Committee Observation

The Committee observed that staff costs for the year amounted to Kshs.27,762,258, representing 48% of total revenue of Kshs.58,191,606. This exceeds the 35% threshold prescribed under Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that

- i. The Governor ensures that the Accounting Officer develops a staff rationalisation plan with specific annual reduction targets to achieve the WASREB benchmark of 35% and report to the Senate and a copy to the Auditor-General within 90 days after adoption of this Report; and**
- ii. The Company ensures progressive compliance to the provisions of section 3.9 (9) of WASREB corporate Governance Guidelines which limits the wage bill to thirty-five percent (35%) of the total revenue and establish a lean staff complement.**

7. Non-compliance with Employment Quotas for Persons with Disability

Review of payroll data provided for audit revealed that out of the forty-three (43) employees on contract and permanent basis, there was no representation of persons with

disability. This was contrary to Section 21(2)(a) of the Persons with Disabilities Act, 2025 which provides that employers with 20 or more employees must ensure that at least 5% of their workforce consists of persons with disabilities.

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

Management Response

Management takes note of the audit observations relating to non-compliance with Employment Quotas for Persons with Disability. The organization will endeavor to publicly advertise all vacant positions nationally this approach is intended to reach and attract applicants without discrimination where people with disability are encouraged from across the country. The objective has always been to provide equal access to employment opportunities irrespective of Disability, ethnicity, gender, or geographical location

Committee Observation

The Committee observed that the company was contrary to Section 21(2)(a) of the Persons with Disabilities Act, 2025, which requires employers with 20 or more employees to ensure at least 5% of their workforce comprises persons with disabilities.

Committee Recommendations

The Committee recommends that the Board and the accounting officer to make deliberate efforts progressively in the endeavor to comply with Section 21 of Persons with Disability Act, 2025, Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.

8. Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution

Review of personnel records provided for audit revealed that the Company had forty (40) staff out of which 34 or 91% came from the same ethnic community. Further, employee records revealed that thirty-four (34) or 77% of the members of staff were male while 23% were female. This was contrary to Section 7 of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community

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

Management Response

Management takes note of the audit observations relating to non-compliance on gender balance and ethnic diversity. The organization endeavors to publicly advertise all vacant positions nationally this approach is intended to reach and attract applicants from all ethnic communities across the country. The objective has always been to provide equal access to employment opportunities irrespective of ethnicity, gender, or geographical location.

Committee Observation

The Committee observed that the Company was contrary to Section 7 of the National Cohesion and Integration Act, 2008, which provides that no public establishment shall have more than one-third of its staff from the same ethnic community.

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
- ii. The Board and the accounting officer to make deliberate efforts progressively in the endeavor to comply with Section 21 of Persons with Disability Act, 2025, Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of Land Ownership Documents

The statement of financial position and as disclosed in Note 23 to the financial statements reflects property, plant and equipment balance of Kshs.28,890,289 which includes buildings with a net book value of Kshs.9,667,122. However, the Company has not provided land ownership documents for the land within Githunguri Police Station where the offices are located and other parcels located at Keretta Forest, Githiga and Kwamaiko where the Company has treatment works and sanitation blocks.

In the circumstances, the ownership and valuation of land could not be confirmed

Management Response

Management takes note of the auditor's observation that the company lacks land ownership documents. This is as a result of delay in transfer of assets and liabilities from National to County Governments during devolution in the year 2013. The Company will initiate and follow through the process of securing allotment letters from the Kiambu County Government. Engagement will be made with the Department of Lands, Housing and Physical Planning to expedite the regularization process.

Committee Observation

The Committee observed that the Committee could not confirm the ownership or valuation of the land and associated assets plant, and equipment valued at Kshs.28,890,289, including buildings worth Kshs.9,667,122. Land ownership documents for parcels at Githunguri Police Station, Keretta Forest, Githiga, and Kwamaiko were not provided.

Committee Recommendations

The Committee recommends that-

- i. Within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters water, engages with the IGRTC to ensure the transfer of ownership documents of the donated items is fast tracked;**
- ii. The Governor to make budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;**
- iii. The Governor ensures that the management of the water company ensures that the valuation of all assets of the water company is fast-tracked and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- iv. Upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification**
- v. The Accounting Officer ensures that the water company maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

2. Accounts with Negative Meter Readings

Review of water billing records for the financial year ended 30 June, 2025 revealed that seven hundred and ninety-nine (799) ordinary water accounts reflected negative billing. This resulted in negative consumption amounting to Kshs.1,019,304 which was included in the cycle billings without being identified and flagged as anomalous.

In the circumstances, the negative readings indicated internal control weakness in meter readings and the completeness and validity of billing transactions could not be confirmed.

Management Response

Management takes note that a review of water billing records for the financial year ended 30 June, 2025 revealed that seven hundred and ninety-nine (799) ordinary water accounts reflected negative billing. This resulted in negative consumption amounting to Kshs. 1,019,304, which was included in the cycle billings without being identified and flagged as anomalous.

We shall constitute a meter verification committee to:

- (a) Identify and verify those meters that give negative readings and recommend action(s) needed to reverse the trend.
- (b) Have a meter replacement Programme of the faulty ones.
- (c) Have a meter servicing Programme of the faulty but serviceable ones.
- (d) Identify the best quality meters by checking the specifications that would give minimum billing errors, that have a long-life span and that withstand varying pressures.

Committee Observation

The Committee observed that 799 water accounts reflected negative meter readings during the financial year ended 30 June 2025, resulting in negative consumption valued at Kshs.1,019,304 which were included in the cycle billings without detection.

Committee Recommendations

The Committee recommends that

The Accounting Officer responsible for the water company should put in place comprehensive measures including the installation of smart meters to ensure accurate billing, the replacement of the old water supply network, as well as the introduction of a Geographic Information System (GIS), which will help the company receive real-time data on leaks in pipes and monitor maintenance.

3. Failure to Tag Fixed Assets

The statement of financial position and as disclosed in Note 20 to the financial statements reflects property, plant and equipment balance of Kshs.28,890,289. However, review of the documents provided for audit revealed that some of the assets were not tagged making physical verification and identification process difficult. In addition, the assets register had not included location of assets, serial numbers for assets, registration number for motor bikes and the conditions of the assets. This was contrary to Regulation 132(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires movement and conditions of assets to be tracked.

In the circumstances, the effectiveness of internal controls on assets tracking could not be confirmed. Further the Company was in breach of the law.

Management Response

We acknowledge the auditor's observation that some of the company assets were not tagged. Management will undertake a comprehensive asset tagging exercise in the next financial year to ensure proper identification, tracking, and ease of physical verification.

Committee Observation

The Committee observed that the management is in the process of tagging the assets and valuation to dispose the unserviceable assets.

Committee Recommendation

The Committee observed that

- i. The Governor ensures that the management of the water company conducts the valuation of all assets of the water company is fast-tracked and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- ii. The Governor to make 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 60 days of the adoption of this report and submit to the Auditor-General for verification;**
- iv. The Governor ensures that the accounting officer prepares and submits a comprehensive annual disposal plan for all unserviceable, obsolete and surplus assets to the Auditor-General within sixty days of the adoption of this report; and**
- v. The Accounting Officer ensures that the water company maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the**

Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences may apply.

4. Delayed Replacement of Board Members

Review of the governance records revealed that the terms of two Board members expired on 14 February, 2025. However, the replacement process had not been undertaken in a timely manner. As a result, the Board currently operates with vacant positions, which led to inadequate membership and consistent failure to meet quorum requirements for Board and Committee meetings.

In the circumstance, the Company did not achieve its strategic objectives

Management response

Management shall develop a timely succession plan for the board to avoid creating vacuums in the board and advise the County accordingly.

Committee Observation

The Committee observed that the terms of two Board members expired on 14 February 2025, but replacements had not been made in a timely manner. This resulted in vacant positions on the Board, causing inadequate membership

Committee Recommendations

The Committee recommends that the Board and the accounting officer to make deliberate efforts progressively develop and implement a timely Board succession plan to ensure smooth transitions and avoid vacancies.

5. Non-Compliance with CEO Tenure Requirements Under the Water (Services) Regulations, 2025

Review of the Chief Executive Officer's (CEO's) employment contract revealed that the CEO is currently serving a three-year term, renewable up to three times, as stipulated in the existing contract. However, Section 12(5) of the Water (Services) Regulations, 2025, specifies that the Managing Director of a water services provider shall serve a term of five (5) years, renewable only once, subject to satisfactory performance. This discrepancy indicates that the current CEO contract structure is not aligned with the regulatory requirement prescribing a single five-year term with only one renewal permitted.

In the circumstances, the effectiveness of internal controls and governance on employment structures could not be confirmed

Management Response

Management takes note of the auditor's observation. Management will advise the board to comply with the current regulation of 2025

Committee Observation

The Committee observed that the Chief Executive Officer (CEO) is serving a three-year term, renewable up to three times, contrary to Section 12(5) of the Water (Services) Regulations, 2025. The regulation prescribes a single five-year term, renewable only once, subject to satisfactory performance.

Committee Recommendations

The Committee recommends that

- i. The Governor ensures that the board reviews and amend the CEO's employment contract to align fully with Section 12(5) of the Water (Services) Regulations, 2025; and**
- ii. The Governor to ensure that all future employment contracts for senior management comply with the statutory tenure and renewal provisions.**

6. Lack of Approved Policy Documents

Review of documents provided for audit revealed that the Company lacked approved policy documents which include, finance policy, procurement policy, human resource policy, organogram, ICT policy and disaster recovery plan, risk management policy, staff code of conduct and ethics and staff establishment. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 which require an Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and develop a system of risk management and internal control that builds robust business operations.

In the circumstance, the effectiveness of internal controls, risk assessment and management could not be confirmed. Further, Management was in breach of the law.

Management Response

Management takes note of the auditor's observation. Management shall ensure that the policy documents are approved

Committee Observation

The Committee observed that the Company lacked approved policy documents, including the finance policy, procurement policy, human resource policy, organogram,

ICT policy and disaster recovery plan, risk management policy, staff code of conduct and ethics, and staff establishment.

Committee Recommendations

The Committee recommends that the Governor through the County Executive Committee Member (CECM) - Finance ensure that the water company puts in place all internal control systems, such as Risk Management Policy, as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015, among others, to guide the internal operations of the water company. Further, the board to fast track the approval and adoption of the draft risk management policy and submit evidence of the same to the Auditor-General for verification.

1.3 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KARURI WATER & SANITATION COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga, EGH, presented written responses before the Committee, to respond to audit queries raised in the report of the Auditor-General on financial statements for Karuri Water and Sanitation Company for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Karuri Water and Sanitation Company for the period under review on the following basis

1. Long outstanding Trade and Receivables and Weak Credit Control

The statement of financial position and as disclosed in Note 20 to the financial statements reflect trade and other receivables totaling Kshs.51,541,997. Out of the balance Kshs.31,327,082 or approximately 60% relates to receivables outstanding for over 120 days, well beyond the 60-days limit prescribed by WASREB as detailed below;

Age Category	Amount	% of Total
Less than 30 Days	10,578,716	20%
30-60 Days	5,316,878	10%
61-90 Days	2,979,349	6%
91-120 Days	1,934,584	4%
Over 120 Days	31,327,082	60%
Total	52,136,608	100%

Further, there was no evidence of active recovery measures, debtors' follow-up or Board approval for write-off presented for the aged balances. In addition, Management did not charge the increase in provision for doubtful debts of Kshs.670,600 between the current and the previous year balance of Ksh.2,606,830 and Kshs1,936,230 respectively in the statement of profit or loss and other comprehensive income.

In the circumstances, the accuracy and completeness of trade and other receivables balance totaling Kshs.51,541,997 could not be confirmed.

Management Response

The company continues to make deliberate efforts to collect both old and new receivables, in an effort to do this, in the year under review the company had 8 staff dedicated to the Revenue Unit under the Finance Department. These 8 staff man the different zones of the company which has greatly improved on revenue collection and the average revenue collection efficiency for the quarter ended December 2025 was 102%

The company has also been sending demand letters to defaulters and failure to respond has led to the disconnection of 84 accounts in the quarter ended December 2025. Additionally, the company has also been encouraging defaulters to sign part payment agreements and clear their balances over time as opposed to being disconnected from service as evidenced in the half year ended December 2025, we had signed 41 such agreements.

We have also included the charged increase in provision for doubtful debts (670,600) on the statement of profit or loss and other comprehensive income; additionally, we have included the Reconciliation of Impairment Allowance for Trade Receivables

Committee Observation

The committee observed that

1. Trade and other receivables, totaling Kshs. 31,327,082 (60% of the total), has been outstanding for over 120 days, far exceeding the 60-day limit prescribed by WASREB
2. There was no evidence of active recovery measures or follow-up on long-outstanding balances prior to audit, raising concerns on the accuracy, completeness, and recoverability of the receivables balance of Kshs. 51,541,997
3. Increases in provision for doubtful debts of Kshs. 670,600 between the previous and current year were initially not reflected in the statement of profit or loss and other comprehensive income, indicating weak internal controls over financial reporting

Committee Recommendation

The committee recommends that

- i. **The Governor through the Accounting Officer should ensure that Karuri Water 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 the Accounting Officer should within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor-General for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle;**
- iv. **The 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.**

2. Long Outstanding Payables

The statement of financial position and as disclosed in Note 25 to the financial statements reflect trade and other payables balance of Kshs.179,015,022. Review of records revealed the following:

2.1 Audit Fees

Trade payables schedule revealed that the Office of the Auditor-General is owed a total of Kshs.1,506,000, out of which Kshs.1,390,000 has been outstanding for more than one year. The long outstanding payable balance negatively affects liquidity and imply that the Company may be struggling to meet its short-term obligations.

2.2 Regulatory Fees

Review of the Company's supporting schedules-revealed that the WASREB regulatory fee was calculated monthly at 4% of total revenue. However, review of the payables aging analysis indicates that unremitted regulatory fees totaling Kshs.5,522,566 remain outstanding as at 30 June, 2025. The delayed cash settlement and remittance WASREB may result in late fees, interest charges, or penalties, thereby impacting on liquidity of the Company.

2.3 Unsupported and Long Outstanding Trade Payables

The statement of financial position and as disclosed in Note 25 to the financial statements reflect trade and other payables balance of Kshs.179,015,022. Included in the amount are trade payables totaling Kshs.141,374,112 or approximately 79% that have been outstanding for more than one year.

Further, the original invoices from suppliers, contracts and creditor's movement register were not provided for audit review.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.179,015,022 could not be confirmed and the Company may be liable to penalties and interest due to late payments of debts.

Management Response

The accumulation of majority of these payables came about due to operating with a non-cost recovery tariff as well as the Covid-19 pandemic. However, since September 2024 the company implemented a new tariff after approval by WASREB.

The management is in the process of repaying long outstanding debts as the revenue increases; we have already written to the following creditors requesting for part payment agreements and has making payments towards the same.

Committee Observation

The committee observed that portion of trade and other payables, totalling Kshs. 141,374,112 (79% of total payables), has been outstanding for more than one year, indicating weak creditor management and potential liquidity constraints

Committee Recommendation

The committee recommends that

- i. The Governor to ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report;**
- ii. 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 report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance**
- iii. Within sixty (60) days of the adoption of this report, the Accounting Officer engage the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.**

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.171,200,000 and Kshs.140,733,955

respectively, resulting to under-collection of Kshs.30,466,045 or approximately 18% of the budget.

The under collection of the budgeted amounts is an indication that all activities and projects in the annual work-plan were not implemented by the Water Company, which may have negatively impacted service delivery to the public.

Management Response

The variance in the revenue and expenditure budget by 18% and 15% respectively was due to unforeseen challenges as enumerated below: The delay in full implementation of the Kiambu-Ruaka sewer project by floods that swept away a significant part of the laid down trunkline at Ruaka River. The budget was also prepared on the assumption that AWWDA would complete the Gathiri Springs which is expected to bring in more than 600 M³ per day but this was not forthcoming due to challenges of securing a transformer from Kenya Power. Gachie boreholes (2) which are yet to be completed due to challenges of securing transformers for the two. The destruction of our pipeline by Government agencies during road construction.

Despite these challenges, the company has reduced significantly the under-collection budget variance from the previous year, which was 31% and 18% respectively. It is also noteworthy that the company has reported a marginal surplus over 10 years in the year under review

Committee Observation

The committee observed that the Company under-collected revenue by Kshs. 30,466,045, representing an 18% shortfall against the approved budget, while expenditure also deviated by 15%, indicating gaps in budgetary performance

Committee Recommendations

The Committee recommends that-

- i. The Governor ensures that the Accounting Officer ensures strict compliance with section 149(2) (h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standards Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. The Governor ensures that the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control**

measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

4. Lack of a Binding Contract

Nairobi City Water and Sanitation Company supplied bulk water to Karuri Water and Sanitation Company. However, there was no contract agreement between the two entities covering key areas such as service obligations, tariffs, metering, payment terms, dispute resolution and compliance with regulatory requirements. Although Management explained that the agreement was in draft format awaiting approval, the validity of transactions between the two Companies may not be binding.

In the circumstances, the terms and basis of the engagement could not be confirmed.

Management Response

The company has been following up on the signing of the draft agreement with the sector regulator (WASREB) under which the mandate falls as evidenced by correspondences herein attached

A few meetings have been held on the same, but the regulator is yet to enforce the signing of the agreement, however we have a draft agreement

Committee Observation

The committee observed that there was no signed binding contract between Nairobi City Water and Sanitation Company for bulk water supplied to Karuri Water and Sanitation Company. Key contractual areas such as service obligations, tariffs, metering, payment terms, dispute resolution, and regulatory compliance were not formally agreed upon

Committee Recommendation

The committee recommends that the governor engages Nairobi City water and sanitation company together with WASREB so as to fast track the pending agreement on supply of bulk water to Karuri water and provide status update of mitigations take to resolve the matter within 90 days of the adoption of this report.

5. Non-Revenue Water

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect operating revenue from water sales of Kshs. 134,498,580. Review of records provided for audit revealed that the Company produced a total of 1,853,767 cubic meters (M3) of water. However, only 1,086,159 cubic meters were billed to customers. The balance of 767,608 cubic meters, which is approximately

41% of the total water produced represents Non-Revenue Water (NRW which is above the 25% limit prescribed by Water Services Regulatory Board Guidelines, 2018.

In addition, discrepancies were noted between the NRW volume reported in operational data (767,608 m) and the amounts reflected in the Managing Director's report (varying amount by scheme, indicating a need for reconciliation to ensure accuracy and consistency in reporting.

In the circumstances, Management was in breach of the law and the accuracy of information provided could not be confirmed.

Management Response

The high NRW is occasioned by a dilapidated network, part of which we inherited from community water projects and the defunct local authority, an ageing infrastructure results to leaks and bursts which is called physical losses.

To address this, the company has been able to map the water infrastructure network using GIS tools and we are replacing old PVC and G.I. pipes with the recommended HDPE pipes. Due to the high cost involved, the company through internal resources and assistance from the County has been progressively replacing the pipes.

Additionally, the company has put in place the following strategies to further tackle the NRW

Committee Observation

The committee observed that The Company recorded Non-Revenue Water (NRW) of 41%, significantly above the allowable 25% threshold prescribed by the Water Services Regulatory Board (WASREB) Guidelines, 2018

Committee Recommendation

The committee recommends that

- i. The Accounting Officer should put in place comprehensive measures to mitigate on the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;**
- ii. 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.**

6. Delay in Implementation of the County Government Financed Project

The project for the Implementation and Improvement of Water, Environment and Sanitation Services, financed by the County Government of Kiambu at a total contract sum of Kshs.5,033,720 and implemented by Karuri Water and Sanitation Company Limited (KAWASCO), had not been fully implemented or closed as at the time of the audit in October 2025. Out of the total grant, Kshs.2,042,800 remained unutilized as at 30 June 2025, an indication of delay in project execution and financial closure.

Further, the funds are not held in the designated project account as was indicated in the Financing Agreement. Instead, the balance is currently retained in the entity's revenue account, (WSTF Grant Account). In the circumstances, the situation demonstrates a significant delay in both implementation and closure, occurring over one year beyond the expected completion period of July-August 2024, as outlined in the project's implementation schedule and subsequent addendum.

Management Response

The above-mentioned project had a component of construction of a park which proved to be a challenge to implement due to lack of available public land in our area of jurisdiction. The management wrote to the county Government of Kiambu to request an addendum to the financing agreement to allow change of use from building a park to paying for labor of laying pipeline destroyed by road construction which has since been approved. By the close of the year under review, the pipe laying was in its final stages, and all the remaining resources have been expended in the current financial year, and we have provided a breakdown of the casualties paid in

Committee Observation

The Committee observed that a total contract sum of Kshs. 5,033,720, had not been fully implemented or financially closed by the time of audit in October 2025 and out of the total grant, Kshs. 2,042,800 remained unutilized as at 30 June 2025, indicating delays in project execution.

Committee Recommendation

The committee recommends that

- i. The Governor ensures the accounting officer submits a detailed status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report;**
- ii. The Governor, within sixty (60) days of the adoption of this report, submits to the Auditor-General and the Senate a comprehensive status report on the project detailing payments made to the contractor, outstanding contractual obligations, and timelines for completion and commissioning of the water storage tank;**
- iii. The Board of Directors ensures that all contract variations, extensions of time and project relocations are adequately documented, approved and implemented in strict compliance with the Public Procurement and Asset; and**
- iv. The County Executive Committee Member in charge of Water ensures that adequate funding is mobilized to complete and operationalize the project without further delay and reports to the Senate on the utilization and impact of the project on service delivery within the subsequent audit cycle.**

7. Non-Compliance with Ethnic Diversity and Persons Living with Disability Requirements

Review of employees' records revealed that the Company had a total of seventy (70) members of staff during the period under review. Sixty-two (62) employees or approximately 94% of the workforce were from the same ethnic community. This indicates significant concentration from a single group, which may raise concerns regarding diversity and inclusivity in recruitment practices. Further, analysis of the workforce composition revealed that the Company employed four (4) new members of staff in the County. However, all the new appointments or 100% were from the dominant ethnic community in the County, contrary to the law.

In addition, the Organization had only (2) employees living with disability, accounting for just 1% of the total staff. This falls short of the Government-mandated threshold of 5% for the employment of persons with disabilities, highlighting the need for more proactive measures to promote equal opportunities and compliance with legal requirements.

In the circumstances, Management was in breach of the law

Management Response

The noted concentration of employees from a single ethnic community is primarily due to the local demographic composition of the region in which the Company operates. Most applicants received during previous recruitment exercises were from the dominant ethnic group within the locality.

However, Management reaffirms its commitment to promoting diversity, equity, and inclusion in all recruitment and staffing processes, in line with constitutional provisions and government regulations on fair representation and the employment of persons living with disabilities

Committee Observation

The committee observed that the Company the Company employed only two (2) persons living with disabilities, representing 1% of the workforce, falling short of the mandated 5% threshold and approximately 94% were from a single ethnic community

Committee Recommendation

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 to make deliberate efforts progressively in the endeavor to comply with Section 21 of Persons with Disability Act, 2025, Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.**

8. Appointment of the Board Members and Committees of the Board

The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflect Board expenses totaling Kshs.2,850,330. Review of Board meeting minutes for both the full Board and sub-committees of the Board revealed that the tenure of the three (3) members of the Board expired on 14th February 2024 and no replacement had been done. Further, the Company held a Hybrid Full Board Meeting on 12th September 2024, in attendance were two (2) Board members who were appointed on 5th August 2024. However, there was no Kenya Gazette notice supporting their appointment.

Review of Board appointment letters and other available information revealed that the Board had six (6) members excluding the Managing Director as opposed to the range

from seven (7) and to nine (9) members that is provided for in Mwongozo Par.1.1. A third gender rule was also not adhered to as it had only one (1) female member against five (5) males.

In the circumstances, Management was in breach of the law

Management Response

The County Government of Kiambu has since recruited and appointed two (2) Board members to replace the 2 whose term expired in February 2024, and they have since reported and been incorporated in the newly reconstituted board committees.

To get to the required minimum of seven (7) members, the County Government of Kiambu advertised the recruitment of an additional board member; we have specifically requested for a female member to help fulfil a third gender rule.

The County Government is also in the process of publishing these new members in the Kenya Gazette

Committee Observation

The committee observed that 3 Board members' tenure expired on 14th February 2024, and replacements were not immediately appointed

Committee Recommendation

The committee recommends that

- i. The Governor ensures that the Accounting Officer and the County Government, within sixty (60) days of the adoption of this report, provide all gazette notices and appointment letters for Board Members to the Auditor-General for verification;**
- ii. The Governor ensures that the Board is fully constituted at all times in compliance with applicable laws and regulations to guarantee effective governance and representation of all stakeholders; and**
- iii. The Board should develop, approve and implement annual work plans and ensure that annual Board performance evaluations are conducted and documented in line with good governance practices.**

9. Gaps in IT Internal Controls

There were no service reports provided that document any changes made to the system by the vendor. This lack of documentation raises concerns on accountability and the ability to track modifications or updates that may impact system performance.

Interview with Management indicated that the vendor providing support for the billing system had direct access to the client's live environment. The access raises significant concerns regarding security, data integrity and compliance.

The audit revealed that data from the billing system to the accounting system is captured manually with no integrations between the two systems. Further, there were no controls to guide on how data is entered in the accounting system which exposes the entity to incorrect data entry.

Analysis of the ICT records and interview with Management revealed that Management lacked Disaster Recovery Policy, Data backup Policy/procedures and ICT department work plan to help guide on the operations of the ICT functions.

In the circumstances, the staff handling ICT equipment in the Institution lack standard guidelines and procedures of their operations and the entity is exposed to insecure and incorrect data.

Management Response

The management through the ICT department has prepared an amended and revised ICT policy to accommodate the audit concerns which has since been presented to the Finance, HR and Administration committee of the board on 23rd February 2026 and was recommended to the full board for approval.

The revised policy has outlined the disaster recovery procedure as well as how service reports will be prepared and maintained.

The management has also procured a new billing system set to be rolled out in March 2026 and this will be integrated with current accounting system as a requirement of its implementation, we have also set strict rules on the developer accessing the live environment

Committee Observations

The Committee Observed that the ICT department lacked formal policies and procedures, including Disaster Recovery and Data Backup Policies, and no ICT work plan was in place to guide operations

Committee Recommendations

The Committee recommends that

- i. The County Executive Committee Member (CECM) - Finance ensures that the water company puts in place all internal control systems such as the ICT policy as provided under section 155 (5) of the Public Finance Management Act, 2012**

- ii. **The Board of Directors ensures that the ICT strategic plan is finalized, approved, and fully implemented to provide clear direction for ICT initiatives and alignment with the Company's objectives;**
- iii. **The ICT Strategy Committee and Steering Committee are formally established, operationalized, and empowered to provide strategic oversight, monitor ICT performance, and report to the Board on all ICT matters;**
- iv. **The Company fully operationalizes the ERP system, ensuring that the ICT section is adequately empowered, resourced, and trained to manage and maintain the system effectively; and**
- v. **The Accounting Officer submits evidence of the operationalization of ICT governance structures and full functionality of the ERP system to the Auditor-General within sixty (60) days of adoption of this report.**

10. Variances in Staff Establishment and Actual Occupancy

Analysis of the Water Company's staff establishment against the actual staff occupancy revealed that the approved staff establishment stands at one hundred and eighty-six (186) positions, while the actual employees as at 30 June 2025 was sixty-six (66) resulting in a variance of one hundred and twenty (120) positions. Further, review of payroll records revealed that the current workforce includes a billing officer in the commercial department, under job grade six (6). However, there is no provision for the position in the approved staff establishment. Further, the basis of remuneration and how the position was created was not clear.

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

Management Response

The variance between the approved staff establishment of 186 positions and the actual occupancy of 66 positions is primarily due to the company's limited financial capacity, which has constrained its ability to fill all approved positions. Management has therefore adopted a phased recruitment approach, filling only critical and priority positions based on the availability of funds and operational requirements, to maintain financial sustainability while ensuring continuity of essential services.

Regarding the specific case highlighted in the audit (Payroll Number KWSCO007), management wishes to clarify that the officer in question is not a Billing Officer, but rather serves as a Customer Relations Assistant II, in Job Grade 6, within the Commercial Department. This position exists within the approved staff establishment.

To support this clarification, management has attached the document altering the terms and conditions of employment

Committee Observations

The Committee Observed that the approved staff establishment of the Water Company stood at 186 positions, while actual occupancy was only 66, leaving a significant vacancy of 120 positions, which may affect operational capacity

Committee Recommendations

The Committee recommends that–

- i. The Governor, through the Board, ensures that the water company has an approved staff establishment by June 30, 2026 and avail budget allocations for the progressive recruitment of critical staff; and**
- ii. The Governor to ensure that the water company puts in place a recruitment plan with clear timelines indicating how the water company shall recruit the critical staff and provide a copy of the same to the Senate within thirty (30) days of the adoption of this report.**

11. Lack of ICT Committees

During the year under review, the Company did not establish an IT Strategic Committee and an IT Steering Committee contrary to Section 6.2 of the IT Governance Standard by the ICT Authority of 2019 which requires that all MCDAs establish two ICT governance Committees, an IT Strategy Committee to provide strategic advice on ICT initiatives and investments to the Board and an IT Steering Committee to define the IT mission and goals aligned with the strategic direction of the organization.

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

Management Response

The management has prepared a revised ICT policy which outlines the formation of the two committees as required by Section 6.2 of the IT Governance Standard by the ICT Authority of 2019.

Upon approval of the revised ICT Policy by the full board, these committees will be constituted and commissioned by the managing director.

Committee Observations

The Committee observed that the Company had not established an IT Strategic Committee or an IT Steering Committee during the year under review, contrary to Section 6.2 of the IT Governance Standard by the ICT Authority (2019)

Committee recommendations

The Committee recommends that the Board of Directors ensures that the water company puts in place all internal control systems such as the ICT policy as

provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of all the funds. Further, the managements to submit evidence of the same to the Auditor-General for verification.

1.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIAMBU WATER & SANITATION COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga presented written responses before the Committee to respond to audit queries raised in the report of the Auditor-General on financial statements for Kiambu Water and Sewerage Company for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Kiambu Water and Sewerage Company for the period under review on the following basis

1. Long Outstanding Receivables

The statement of financial position and Note 18 to the financial statements reflects trade and other receivables balance of Kshs. 197,952,150 which includes a balance of Kshs. 148,177,537 that has remained uncollected for more than one hundred and twenty (120) days. No explanation has been given for the non-collection. The prolonged outstanding balances cast doubt on the recoverability of these amounts and may lead to a potential loss of funds.

In the circumstances, the accuracy and recoverability of receivables totaling Kshs. 197,952,150 could not be confirmed.

Management Response

- The long outstanding receivables has been attributed by:
- Nonpayment by already disconnected customers.
- Partial or delayed payments by National Government and County Government institutions.
- Ongoing litigation where some customers have sued the company for disconnecting the services for non-payment.
- Nonpayment by key institutional clients, including Kiambu District Hospital for sewer services which contributes to significant receivable balances.
- Dormant or inactive customer accounts.

To avoid further accumulation of the outstanding receivables the company has taken the following steps:

- The company continuously engages customers who are willing to pay but are unable to settle the full outstanding balance by entering into structured payment plans. This enables the company to recover amounts that have already been billed.

- Continuous Customer Engagement by Issuing demand letters to customers with long outstanding balances, including National and County Government institutions and conducting regular customer engagement meetings to remind customers of outstanding obligations.
- Adoption of a billing software that sends automated SMS reminders to customers ahead of disconnection deadlines.
- Allowing partial payment arrangements for customers with large outstanding balances or disputes over bills.
- Establishment of a specialized revenue collection unit responsible for daily follow-up on overdue accounts.
- Collaborating with neighbouring service providers, such as Kirigiti Water Company, to restrict supply to customers who have not settled debts with the Company, preventing further revenue leakage.

Committee Observation

The committee observed that a significant portion of trade and other receivables amounting to Kshs. 148,177,537 has remained outstanding for more than one hundred and twenty (120) days, casting doubt on the recoverability of the amounts.

Committee Recommendations

The Committee recommends that—

- i. The Governor through the Accounting Officer should ensure that Kiambu Water and Sewerage 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 the Accounting Officer should within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor-General for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle**
- iv. The 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.

2. Long Outstanding Payables

The amount includes long-outstanding payables totaling Kshs. 121,890,839 comprising amounts owed to various water sector agencies as shown in the table below.

Description	Amount (Kshs)
Athi Water Service Board	35,228,016
Water Services Regulatory Board	45,904,192
Athi Water Works Development Authority	30,190,438
Water Resources Management Authority	10,508,193
Total	121,830,839

These balances have remained unpaid for more than two (2) years with no movement, indicating the Company's inability to settle its financial obligations as they fall due. The outstanding amounts continue to grow due to the accumulation of annual levies and charges.

In addition, payables totaling Kshs. 274,421,039 had been outstanding for more than three months. However, no explanation was provided as to why the Company did not prioritize the settlement of these prior period obligations as the first charge against the current financial year's budget allocation, in line with sound financial management practices, before committing to new expenditures.

Management Response

- The accumulation of long-outstanding balances is attributable to the following operational and financial constraints:
 - ✓ High Non-Revenue Water (NRW) resulting from aging and dilapidated infrastructure, leading to revenue losses.
 - ✓ Non-cost-reflective tariffs, which have not been adequately covering operational obligations.
 - ✓ Delays in tariff review approvals, affecting timely revenue adjustments.
 - ✓ Regulatory levy by the Water Services Regulatory Board (WASREB) was adjusted from 1% to 4% of total billed revenue and increase in water

abstraction fees by the Water Resources Authority from Kshs. 0.5 per cubic meter to Kshs. 2.5 per cubic meter.

- ✓ Underproduction at Riara Treatment Plant due to the presence of electricity pylons, which create operational constraints at the weir intake, resulting in overreliance on bulk water purchases from Nairobi City Water and Sewerage Company Limited.
- ✓ Negative working capital position, where current liabilities exceed current assets, constraining liquidity and the ability to settle obligations as they fall due.
 - The company has taken the following measures to preventing further accumulation of long outstanding payables:
 - ✓ The Company is prioritizing the settlement of current bills owed to Nairobi City Water and Sewerage Company Limited and Water Services Regulatory Board in order to prevent further accumulation of arrears. Payment amounts are expected to increase upon approval of the new tariff. A revised repayment plan has been agreed with Nairobi City Water and Sewerage Company Limited, under which the Company increased its weekly payments from Kshs. 600,000 to Kshs. 900,000.
 - ✓ The Company submitted a tariff review application to Water Services Regulatory Board in December 2024 seeking approval of a cost-reflective tariff to address operational deficits.
 - ✓ The Company is engaging with Athi Water Works Development Agency (AWWDA) to secure additional bulk water supply from Karemuni II Dam (5,000 m³ per day) and the Northern Collector Tunnel system (3,000 m³ per day). This will Increase service coverage in Thindigua, Ndumberi, Kiamumbi, and Ting'ang'a, expand the customer base and enhance revenue generation capacity.
 - ✓ The company is engaging with the County Government of Kiambu and Athi Water Works Development Agency regarding the possible relocation of the electricity pylons to allow flooding of the Riara offtake. This will enable optimal utilization of the plant's full capacity and increase water volumes to serve unserved and underserved areas.
 - ✓ The company has entered into a structured payment arrangement with Water Services Regulatory Board (WASREB) where the company is making a weekly payment of Kshs. 500,000

Committee Observation

The committee observed that payables totalling Kshs. 274,421,039 have been outstanding for more than three (3) months, with no explanation provided by management on why prior period obligations were not prioritized for settlement in line with prudent financial management practices

Committee Recommendations

The Committee recommends that

- i. **Within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle**
- ii. **The Governor ensures the water company makes budgetary provision to clear part of the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption 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 report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance.**

3. Material Uncertainty Related to Going Concern

The statement of financial position reflects total current assets of Kshs. 262,707,266 and total current liabilities of Kshs. 326,928,484, resulting in a negative working capital of Kshs. 64,221,218. Consequently, the Company's current ratio stood at 0.8:1, indicating that current assets were insufficient to meet short-term obligations. Further, the Company has a negative capital reserve of Kshs. 66,445,984. This position is consistent with prior years' financial statements, suggesting a persistent liquidity challenge that casts doubt on the Company's ability to continue operating as a going concern.

Management Response

The high negative working capital position is primarily attributable to accumulated bulk water payables, interest on loans payable to Athi Water Works Development Agency, abstraction fees payable to Water Resources Authority, and regulatory fees payable to Water Services Regulatory Board. Additionally, the situation has been escalated by high levels of Non-Revenue Water (NRW), meaning that a significant portion of water produced does not generate corresponding revenue, thereby weakening the Company's cash flow. Delayed tariff adjustments have further constrained revenue growth relative to rising operational costs.

- To address this, Management has implemented the following measures:
- ✓ The Company has applied for a tariff review with the Water Services Regulatory Board (WASREB). The proposed tariff adjustment is intended to address rising costs of water fittings and other operational inputs, thereby enhancing revenue streams and improving the current ratio.
- ✓ The Company is prioritizing payment of current bills owed to Nairobi City Water and Sewerage Company Limited and the Water Services Regulatory Board to prevent further accumulation of arrears.
- ✓ Management has established a dedicated Non-Revenue Water (NRW) team to implement targeted interventions aimed at reducing water losses, improving billing accuracy, and enhancing revenue collection.
- ✓ The Company has developed a proposal amounting to Kshs. 215 million for the expansion of the water distribution network in Kiamumbi and Thindigua. The project is expected to increase coverage, customer base, and revenue generation.
- ✓ A further proposal amounting to Kshs. 13.5 million has been submitted to the County Government of Kiambu for the installation of approximately 10 km of assorted-diameter water supply pipelines in Thindigua. This initiative aims to strengthen infrastructure and improve service delivery.
- ✓ The company has submitted a proposal to County Government of Kiambu on Drilling equipping and construction of a water tank and installation of assorted diameters 10km water supply network in Kanunga of Kshs. 10 Million.
- ✓ The company has submitted a proposal of Kshs. 6 Million for installation of assorted diameters 5km water supply networks to Kiura & Migaa.
- ✓ The company has developed a proposal of Kshs. 215 Million for water distribution network at Kiamumbi and Thindigua.

- ✓ The company has also developed proposal and submitted to the County Government of Kiambu for pipeline installation of assorted diameters 10km water supply networks in Thindigua of Kshs. 13.5 Million.

Committee Observation

The committee observed that the Company is operating with a negative working capital of Kshs. 64,221,218 and a current ratio of 0.8:1, indicating that it is unable to meet its short-term obligations as they fall due. The company has a negative capital reserve of Kshs. 66,445,984, which, together with the persistent liquidity challenges observed in prior years, raises significant doubt on its financial sustainability and ability to continue as a going concern

Committee Recommendations

The Committee recommends that—

- i. The Governor of Murang'a 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, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences may apply;**
- iii. The County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act, 2012 and regularly report to the Governor through the County Executive Committee in line with Article 179 (6) of the Constitution;**
- iv. The County Treasury should undertake annual reporting on County Corporation, including an assessment of the commercial viability of the company in line with the standards set by the Water Services Regulatory Board under section 77(2) of the Water Act, 2016; and**
- v. The Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability. Additionally, the management reviews and regularizes the company's existing assets and have updated assets register that reflect the current financial position. Further, management to determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).**

Other Matter

I. Unresolved Prior Year Matters

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

	Financial Year	Audit Issue
1.	2023/2024	Long Outstanding Trade and Other Receivables
2.	2023/2024	Irregular Board Expenses
3.	2023/2024	Misstatement of Bank and Cash Balances
4.	2023/2024	Material Uncertainty Related to Going Concern
5.	2023/2024	Long Outstanding Payables
6.	2023/2024	Payables on Complete Uncapitalized Projects
7.	2023/2024	Payables not Taken as the First Charge
8.	2023/2024	Unjustified Increase in Trade Payables
9.	2023/2024	Non-Adherence to National Cohesion Requirement on Ethnicity
10.	2023/2024	Lack of Well Constituted Board from July, 2023 to June, 2024
11.	2023/2024	Excess Non-Revenue Water
12.	2023/2024	Lack of Audit and Risk Management Committee
13.	2023/2024	Understaffed Human Resource

Management Response

The company is continuously addressing the unresolved issues; however, the following issues were fully resolved during the year:

Issue number 2, number 10 and number 12 have been fully addressed. The Company's Board is now fully constituted, as evidenced by the Appointment Letters of the Board of Directors. Additionally, an Audit & Risk Management Committee has been established. This is supported by the appointment letter of Mr. Shadrack Ndiritu as Chairperson of the Audit & Risk Management

Issue number 3 on “Misstatement of Bank and Cash Balances” was resolved on 10 December 2024. The variance was corrected and reconciled as evidenced by the bank clearance slip and the December 2024 bank statement

Committee Observation

The Committee observed that the water company had unresolved prior year matters demonstrating the management’s lack of action to implement corrective measures.

Committee Recommendations

The Committee recommends that

- i. **The Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and administrative sanctions may recommend such as the removal of the accounting officer and reduction in rank; and**
- ii. **The Governor ensures the accounting officer submits a detailed status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Presentation and Disclosure of the Financial Statements

Review of financial statements revealed the following anomalies:

- i. The statement of performance against predetermined objectives for Kiambu Water and Sewerage Company is based on strategic pillars and objectives derived from a strategic plan that expired in the year ended 2024.
- ii. Review of the reconciliation of the budget and actual amounts revealed that the Company reconciled the budgeted amounts against the statement of financial performance instead of the statement of cash flows, contrary to the prescribed reporting template.

In the circumstances, the financial statements are not in compliance with the Accounting Standards Board reporting requirements.

Management Response

The Company was in the process of revising its strategic plan. A consultant was engaged to support the development of the revised plan, which is now at its final stage. The

revised strategic plan is currently awaiting approval by the Board for full implementation.

The Company acknowledges that the reconciliation of budgeted versus actual amounts was prepared against the Statement of Financial Performance. This approach aligns with the IFRS accrual concept, which guides the preparation of the Company's financial statements for water service providers on an accrual basis. The reconciliation against the Statement of Financial Performance was intended to ensure compliance with the accounting matching concept, by matching revenues and related expenses in the same reporting period. Management remains committed to enhancing reporting practices and will provide additional guidance to ensure future reconciliations meet both IFRS requirements and the prescribed reporting templates.

Committee Observation

The committee observed the financial statements were not presented in the format recommended by the Public Sector Accounting Standards Board (PSASB).

Committee Recommendations

The Committee recommends that—

- i. The Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences may apply;**
- ii. The Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences may apply**
- iii. The National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iv. The Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with**

section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences may apply;

- v. The Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and
- vi. The Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.

2. Non-Adherence to National Cohesion Requirement on Ethnicity

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects staff costs amounting to Kshs. 125,135,089. Review of employee records for the Kiambu Water and Sewage Company Limited revealed that sixty (60) or 77%, of the total staff of seventy-eight (78) were from one dominant community yet the County is cosmopolitan in nature. This was contrary to Section 7(1) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and Section 7(2) states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

Management Response

The Company is committed to complying with the provisions of the National Cohesion and Integration Act, 2008. The current staff composition reflects historical recruitment trends and natural staff attrition patterns over time rather than deliberate exclusion or discriminatory practices.

The Company maintains a non-discriminatory employment policy as stipulated in Section 2.5 of the Human Resource Manual on Recruitment and Appointments, which provides that the Company is an equal opportunity employer and does not discriminate on the basis of gender, age, race, ethnicity, or any other prohibited grounds.

The company has progressively ensured that all vacant positions are openly and competitively advertised to the public

Committee Observation

The committee observed that the staff composition does not reflect the diversity of the people of Kenya despite the County being cosmopolitan in nature, indicating non-adherence to the constitutional and statutory requirements on inclusivity in public service.

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 to make deliberate efforts progressively in the endeavour to comply with Section 21 of Persons with Disability Act, 2025, Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.**

3. Under-Representation of Persons with Disabilities (PWDs)

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects staff costs amounting to Kshs. 125,135,089. Review of the staff composition revealed that out of the 78 employees, none were identified as Persons with Disabilities (PWDs). This represents 0% of the workforce, contrary to Section 4(f) of Persons with Disabilities Act, 2025 which requires public service to promote inclusion and integration of persons with disability by putting in place measures to ensure that at least five per centum of the employment positions are filled by persons with disability.

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

Management Response

The company has two employees who are enabled differently however plans are underway to ensure they renew their certificates where one of the officers has renewed his disability certificate.

Committee Observation

The committee observed that absence of certified PWD employees reflects non-compliance with Section 4(f) of the Persons with Disabilities Act, 2025 and demonstrates failure by the Company to promote inclusion and integration of persons with disabilities in employment

Committee Recommendations

Committee recommends that the Governor ensures that the Board and the accounting officer make deliberate efforts progressively in the endeavour to comply with Article 27(6) of the Constitution 2010 through affirmative action programmes.

4. Non-Compliance with Debt Fiscal Responsibility Principles

The statement of financial position and Note 21 and Note 22 to the financial statements reflects current and non-current liabilities totaling Kshs. 361,802,082. comparison of this balance with the total revenue of Kshs. 350,075,244, as reported in the statement of profit or loss and other comprehensive income, revealed that the payables represent approximately 103% of total revenue. This exceeds the statutory debt ceiling of 20% by 83%, indicating non-compliance with fiscal responsibility principles as prescribed by Regulation 25(1)(a) of Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of law.

Management Response

The Company is prioritizing settlement of current obligations to gradually reduce outstanding payables. Structured repayment plans have been agreed with key creditors, including Nairobi City Water and Sewerage Company Limited.

Application for a tariff review with the Water Services Regulatory Board to increase cost recovery.

Strengthened collection of outstanding debts through enforcement of payment plans.

The company is continuously carrying out interventions towards reduction of non-revenue water. Thus, the non-revenue water will be converted into revenue thus reducing the debt fiscal ration.

The company through WSTF under CLSG (II) is upgrading 7km existing water networks, extending 16km assorted diameters pipelines which will increase the company water coverage thus improving on revenue generated.

Committee Observation

The committee observed that high debt ratio indicates unsustainable borrowing and weak fiscal discipline, exposing the Company to financial risk and limiting its ability to meet its obligations.

Committee Recommendations

The Committee recommends that the Governor ensures that the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

5. Lack of Public Participation on Climate Change Mitigation Programs

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflects an amount of Kshs. 141,141,840 for general and operations expenses. Included in this amount is Kshs. 4,961,411 incurred under environmental conservation. During the year under review, the Company undertook tree planting programs along Rivers Kamiti and Riara as a means of conserving the riparian lands. However, there was no evidence that public participation and consultation was conducted to incorporate the views of the public in the undertaking of these activities. This was contrary to Section 24(1) and (2) of the Climate Change Act, 2016 which requires that: (1) Public entities at each level of Government shall, at all times when developing strategies, laws and policies relating to climate change, undertake public awareness and conduct public consultations. (2) Public consultations shall be undertaken in a manner that ensures the public contribution makes an impact on the threshold of decision making.

In the circumstances, Management was in breach of law.

Management Response

The Company undertook tree planting programs along Rivers Kamiti and Riara as part of its environmental conservation initiatives, incurring Kshs. 4,961,411 under environmental conservation (as reflected in the financial statements).

To ensure compliance with Section 24(1) and (2) of the Climate Change Act, 2016, the Company conducted a public participation and tree planting meeting on 11 December 2024, where the exercise involved consultations with local communities, stakeholders, and interested members of the public, as evidenced by the attached report and signed list of participants

Committee Observation

The committee observed that the Company incurred Kshs. 4,961,411 on environmental conservation activities, including tree planting along Rivers Kamiti and Riara, without initial evidence of public participation and consultation as required by law.

Committee Recommendation

The Committee recommends that the Accounting Officer should within 60 days of the adoption of this report, submit evidence of public participation to the Auditor general for verification. The Auditor-General to verify and submit a status update on the same in the subsequent audit cycle.

6. Understaffed Human Resource

The statement of profit or loss and other comprehensive income reflects staff costs totaling Kshs. 125,135,089, as disclosed in Note 10 to the financial statements. However, an examination of the Human Resource records revealed that the Company is currently operating below the approved staffing levels. The staff establishment list reviewed during the audit indicated that only seventy-eight (78) positions were filled against an approved establishment of one hundred and seven (107). This results in a shortfall of twenty-nine (29) staff, indicating a significant level of understaffing.

S/No	Department	Current No	Required Establishment	Variance
1	Administration (MD)	1	1	0
2	Finance	12	15	3
3	Commercial	21	32	11
4	Human Resource	9	13	4
5	Procurement	3	3	0
6	Internal Audit	1	3	2
7	Technical	31	40	9
	Total	78	107	29

This is contrary to Section 76(2) of the Employment Act, 2007 which stipulates that an employer shall notify every vacancy occurring in the establishment, business or work place in a prescribed form giving the following details; (a) the employer's name and full address; (b) details of the vacant post; (c) minimum qualification required of the person seeking to be employed; (d) the place of work; and (e) the type of work, whether casual, permanent or term contract; and (f) such other information as required.

In the circumstances, the operation of the Company may not be optimized.

Management Response

The Company is progressively filling vacant positions based on available financial resources and prioritization of critical roles.

Where immediate hiring is not feasible, the company explores temporary staffing solutions i.e. engaging workers on short term contracts.

Efforts are being made to improve workflow efficiency and task redistribution to mitigate the impact of current gaps.

Committee Observation

The committee observed that the Company is operating with seventy-eight (78) staff against an approved establishment of one hundred and seven (107), resulting in a shortfall of twenty-nine (29) employees, which indicates significant understaffing across key departments.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) - Finance ensures that the water company puts in place all internal control systems such as the Risk Management Strategy as provided under regulation 63 of the Public Finance Management (County Government) regulations, among others, to guide the internal operations of the water company. Further, the County Executive Committee Member (CECM) - Finance to submit evidence of the same to the Auditor General for verification.

7. Non-Deduction of Statutory Contributions from Employee Salaries

The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs. 125,135,089, as disclosed in Note 10 to the financial statements. Analysis of the payroll revealed that statutory deductions which include NHIF/SHA, NSSF, and the Housing Levy were not deducted from the salaries of two (2) employees with personal numbers 051 and 056. Failure to remit statutory deductions exposes the Company to penalties, surcharges and potential legal liabilities, and also disadvantages affected employees in accessing social benefits. This was also contrary to Regulation 23(1)(c) of the Public Finance Management (National Government) Regulations, 2015, which requires an Accounting Officer to be accountable to the National Assembly for maintaining effective systems of internal control and for implementing measures to ensure their effectiveness.

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

Management Response

The two employees in question, Mr. Douglas Mucheru and Ms. Lucy Wanjiru, are retired officers who were seconded from the County Government of Kiambu. Their statutory contributions, including NHIF/SHA, NSSF, and Housing Levy, are already remitted by the County Government.

To avoid double deduction of these statutory contributions, the Company only deducts PAYE from the top-up salary paid by the Company. This ensures that statutory obligations are met while preventing duplication of contributions for seconded staff.

Management confirms that all other employees' statutory deductions are processed in accordance with the law and ensuring compliance with Regulation 23(1)(c) of the Public Finance Management (National Government) Regulations, 2015.

Committee Observation

The committee observed that Statutory deductions including NHIF/SHA, NSSF, and Housing Levy were not effected on the salaries of two (2) employees, contrary to statutory requirements.

Committee Recommendations

The Committee recommends that—

- i. The Accounting Officer to settle the outstanding statutory deductions and provide a detailed status report on the same to the Auditor-General for subsequent reporting within 60 days from the adoption of this report**
- ii. The Accounting Officer adheres to regulation 22(2)(a) of the Public Finance Management (County Government) Regulations, 2015, which provides that the accounting officer to comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided by legislation, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply;**
- iii. The Board of Directors ensures the Water Company adheres to Section 19(4) of Employment Act, Cap.226 in regard to remittance of employee remuneration deductions in accordance with the time period specified by the relevant bodies, failure to which the provisions of section 87 of the Employment Act on penalties for offences may apply;**
- iv. The County Executive Committee Member in charge of water should continuously monitor the financial performance of the water company in line with section 184 of the Public Finance Management Act and report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance; and**
- v. The Auditor-General should review and provide a status update on the implementation of these recommendations and provide a report on this matter in the subsequent audit cycle.**

8. Failure to Deduct Public Procurement Capacity Building Levy

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflects an amount of Kshs. 141,141,840 for general and operations expenses. Review of sampled payment vouchers revealed that Kiambu Water and Sewerage Company Ltd made payments amounting to Kshs. 12,155,031 to various suppliers under public procurement contracts. However, the payments were not subjected to the mandatory Public Procurement Capacity Building Levy totalling Kshs.3,144 as required by Public Procurement Regulatory Authority Circular No. Ref: PPRA/6/5/VOL.II (224) dated 30 August, 2024 which provides that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and procuring entity, at the rate of zero-point xero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

Management Response

Management acknowledges the audit observation regarding failure to deduct the Public Procurement Capacity Building Levy (PPCBL) from payments to suppliers. The omission was inadvertent and arose due to an oversight during the implementation phase of the levy.

The company has taken the following corrective to ensure compliance:

The Company has computed and remitted the Public Procurement Capacity Building Levy (PPCBL) that had been previously omitted for the period beginning September 2024. Internal controls within the procurement and finance functions have been strengthened to ensure that all procurement contracts are subjected to the mandatory levy at the prescribed rate of 0.03% of the contract value (exclusive of applicable taxes).

Procedures have been implemented to ensure timely deduction and remittance of the levy to the Public Procurement Regulatory Authority going forward.

The Management confirms that the Company is now in full compliance with the PPCBL requirements and remains committed to adherence to all applicable procurement laws and regulations.

Committee Observation

The committee observed that the company made payments totaling Kshs. 12,155,031 under public procurement contracts but failed to deduct the mandatory Public Procurement Capacity Building Levy (PPCBL) amounting to Kshs. 3,144, contrary to Public Procurement Regulatory Authority Circular No. Ref: PPRA/6/5/VOL.II (224) dated 30 August 2024.

Committee Recommendations

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

9. Unprocedural Transfer of Asset and Liability Without Novation Agreement

The statement of financial position and Note 21 of the financial statements reflects a balance of Kshs. 309,582,803 in relation to trade and other payables. Included in this balance is Kshs. 30,190,438 in relation to interest payable amount owing to Athi Water Works Development Agency in respect of a loan facility of Kshs. 14,500,000,000. The loan, with a repayment period of 50 years, was originally secured by Athi Water Works Development Agency from the World Bank under the Water and Sanitation Service Improvement Project (WASSIP) for two (2) water dams. Responsibility for repayment of the loan interest was reportedly transferred to Kiambu Water and Sewerage Company. However, no novation deed was provided to support this transfer, and the Company did not provide documentation confirming the formal transfer of the related asset, the dam.

Further, it remains unclear who is currently responsible for repaying the principal loan amount of Kshs. 14,500,000,000. Notably, Kiambu Water and Sewerage Company has not been servicing the interest payments, exposing the Entity to potential penalties and interest accruals liabilities that could have been avoided with proper legal and financial arrangements. This was contrary to Section 72(3) of the Public Finance Management Act, 2012, which provides that a National Government entity shall not loan or transfer assets to any person or organization or permit any person or organization to use assets for purposes other than carrying out the functions of the entity, except in accordance with an Act of Parliament enacted pursuant to Article 227 of the Constitution. The loan amount is also not reported in the financial statements of the company.

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

Management Response

The loan facility of Kshs. 14,500,000,000 was contracted by Athi Water Works Development Agency (AWWDA) on behalf of the National Government under the World Bank-funded Water and Sanitation Service Improvement Project (WASSIP) to finance the construction of water and sanitation infrastructure within the Company's area of jurisdiction.

Upon completion of the project, it was intended that the infrastructure assets, including the two dams, would be transferred to Kiambu Water and Sewerage Company Limited

for operation and maintenance, and that the corresponding loan servicing obligations would subsequently be assumed by the Company.

However, the formal transfer documentation including a novation agreement for the loan obligation and asset transfer deeds has not yet been finalized between the Company, AWWDA, and the County Government of Kiambu.

The Company has not recognized the principal loan amount of Kshs. 14,500,000,000 in its books of account as legal ownership of the assets and the corresponding liability has not been formally transferred. The company only accrues for the interest payable pending regularization of the legal and financial framework

Committee Observation

The committee observed that the principal loan amount of Kshs. 14,500,000,000 has not been recognized in the Company's financial statements, and it remains unclear who bears ultimate responsibility for its repayment.

The lack of formal legal documentation exposes the Company to potential penalties, interest accruals, and uncertainty regarding asset ownership, contrary to Section 72(3) of the Public Finance Management Act, 2012, which restricts asset transfers without proper legal authorization.

The Committee recommends that—

- i. The Governor ensures that the water company secures full ownership of the queried property, plant and equipment and provide a status update to the committee within 60 days of adoption of this report**
- ii. The Accounting Officer should ensure timely submission of documents during the audit process in line with section 9 (1)(e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act, 2015;**
- iii. the Accounting Officer ensures that the water company maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board (PSASB) and the company to carry out a valuation of all its assets and submit the same to the Auditor-General within 60 days from the adoption of this report;**
- iv. The Governor engages the Intergovernmental Relations Technical Committee (IGRTC) to ensure that the process of transfer of all assets and liabilities are completed in a timely manner**

- v. **The Auditor-General to undertake physical verification of all assets of the water company and provide a status report to the Committee within 60 days from the adoption of this report.**

10. Irregularity in Composition and Appointment of Board Members

The statement of profit or loss and other comprehensive income and Note 12 to the financial statements reflects Board expenses totaling Kshs. 6,490,734. Audit review of the composition and schedule of Board meetings held during the year established the following gaps:

- i. The Board comprised nine (9) members instead of the prescribed eleven (11), which is contrary to the Approved board charter.
- ii. All Board meetings failed to meet the quorum of seven (7) members as envisioned under Section 3.3 of the Approved Board Charter. As a result, the validity of decisions and resolutions passed is questionable, exposing the Company to governance disputes and legal challenges.
- iii. Attendance analysis showed that some members missed more than half of the meetings held during the year. This persistent absenteeism compromised the commitment and effectiveness of individual directors, weakened collective decision-making, and diminished the Board's ability to exercise proper oversight over Management.
- iv. The Chairman's term ended in April, 2025, and the Company remained without a substantive Chairperson. This created a leadership vacuum, undermined effective oversight and strategic direction, eroded stakeholder confidence and highlighted weaknesses in succession planning.
- v. The gazette notices for serving members were not provided for audit verification. Further, the review noted the inclusion of an alternate member representing the Chief Officer – Finance and Economic Planning (County Government of Kiambu), as a substantive Board member in the financial statements. In addition, it was noted that an alternate appointed by a member who had retired in February, 2025, continued to attend and chair Board meetings held on 8 May, 2025, 15 May, 2025, and 12 June, 2025, with no explanation provided for this anomaly.
- vi. The Board of Directors who served the Company during the year under review consisted of five (5) directors, of whom four (4) were male and one (1) was female. This composition did not adequately reflect the gender balance envisioned under Article 27(3) of the Constitution of Kenya and Mwongozo.

In the circumstances, Management is in breach of Mwongozo guidelines and the Board charter.

Management Response

The company has now complied with the regulators recommendation that a Water Service Provider (WSP) Board should have a minimum of seven (7) and a maximum of nine (9) directors.

The company has additional three independent board of directors who were appointed on 3rd November 2025 comprising of one female and two males thus factoring in the gender balance as envisioned under Article 27(3) of the Constitution of Kenya and Mwongozo. The company is now fully compliant with WASREB corporate governance.

To avoid the gap in chairmanship the board of directors present on a board meeting held on 8th May 2025 reached into a consensus and appointed Isaac Ndiritu to hold the vacant office of the chairman in an acting capacity so as the operations of the company are no affected.

Following the appointment of the new board of directors Isaac Njiiri Ndirangu has been appointed as an alternate director by the incumbent Chief Officer Water, Environment, Natural Resources, energy and climate change

Committee Observation

The committee observed that the Board comprised nine (9) members instead of the prescribed eleven (11) as per the Approved Board Charter. Additionally, gender representation was skewed, with four (4) males and one (1) female director, falling short of the gender balance requirements under Article 27(3) of the Constitution of Kenya and Mwongozo guidelines.

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**
- ii. The Board and the accounting officer to make deliberate efforts progressively in the endeavor to comply with Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.**

11. Failure to Convene Annual General Meeting (AGM)

During the year under review, it was noted that the Company did not hold an Annual General Meeting (AGM) which is contrary to the Company Act, 2015, Section 310

which provides that, every Public Company shall hold a general meeting within six months from and including the day following its accounting reference date in each year whether it holds other meeting during the year.

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

Management Response

The delay in convening the AGM was occasioned by the absence of a fully constituted Board of Directors during the year ended 30 June 2025. During this period, the County Government of Kiambu was in the process of recruiting additional board members to ensure compliance with corporate governance requirements, including the board composition guidelines issued by the Water Services Regulatory Board (WASREB).

Now that the company has fully constituted board, the company will convene the Annual General Meeting within the 2025/2026 financial year to regularize compliance with the Companies Act, 2015.

Committee Observation

The Committee observed that the failure to convene the Annual General Meeting (AGM) during the year under review was primarily due to the absence of a fully constituted Board of Directors, the Committee notes that the delay resulted in non-compliance with Section 310 of the Companies Act, 2015, which requires all public companies to hold an AGM within six months of the accounting reference date.

Committee Recommendations

The Committee recommends-

- i. that the governor ensures timely scheduling and conduct of future AGMs to avoid recurrence of statutory breaches and maintain transparency and accountability to stakeholders; and**
- ii. The Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report**

12. Excessive Non-Revenue Water

During the year under review, the Company produced a total of 3,536,533 cubic meters (m³) of water out of which 2,387,565 cubic meters (m³) of water was sold (billed) to customers. The variance of 1,148,968 cubic meters (m³) represents unaccounted for water being 32% of the total water produced which is 7% above the allowable loss of 25%. This is contrary to the Water Services Regulatory Board (WASREB) Report No.12 of 2012 which requires non-revenue water to be less than 25%. The unaccounted-for water may have resulted into loss of sales estimated at Kshs. 135,137,182, and if the

non-revenue water had been billed, total water and sewer billing would have been Kshs. 476,754,304 instead of Kshs. 341,617,122 now shown.

In the circumstances, Management was in breach of law and additionally there was loss of sales.

Management Response

Non-revenue water is the difference between volume of water produced and volume of water billed i.e., amount of water which is not billed and does not earn revenue to the company. In FY 2425 the company's produced 3,536,533m³ of water and billed 2,387,565m³ from the produced volume. The variance between the two parameters is 1,148, 968m³ is the Non-Revenue Water which is computed as 32% and is 7% more than the set standards by the regulator.

Management of non-revenue water results to increased revenue which improves the financial sustainability of the company resulting to adequate investments in planned infrastructure to improve water services. The following interventions were undertaken in FY2425 by the company to contain water loses.

- ✓ Continuous training and benchmarking with other water companies i.e. the NRW team and other company's staff across board on the strategies to contain NRW.
- ✓ Creation of 3 additional DMAS in the supply areas prone to leaks and bursts. Baseline NRW in the DMAS was computed and several interventions to contain NRW below the regulator's standards. By the close of the last financial year the company had a total of 7 DMAs.
- ✓ Sensitize our consumers through Barraza's, displays in the office and messages to report abnormalities in water distribution such as leaking meters and pipes etc.
- ✓ Undertaking Minimum Night Flows and pressure monitoring to categorize % contribution of the physical and commercial loses in the DMAs.
- ✓ Replacement of old UPVC assorted diameters water supply networks HDPE pipe material networks.
- ✓ Replacement of faulty consumer meters flagged out after every monthly billing cycle.
- ✓ Replacement of mechanical meters with ultrasonic meters for maximum billing for consumers with > 1000m³/day consumption.

- ✓ Replacement of faulty float switches and ball valves to contain overflows from the storage tanks.
- ✓ Continuous mapping of new water connections, new/upgraded water pipelines to existing database using GIS applications to help in decision making.
- ✓ Use of Kobo collect an open-source software to collect data on leaks, burst, faulty consumer meters, leaking consumer meters to help in prioritization and planning of works
- ✓ Use of NRW equipment's earlier donated by AWWDA to detect invisible leaks and test the accuracy of water meters.
- ✓ Unearth illegal connections and surcharging the culprits while awarding the whistle blowers.

Committee Observation

The Committee observed that Kiambu Water and Sewerage Company recorded a Non-Revenue Water (NRW) level of 32% during the year under review, exceeding the allowable threshold of 25% as per Water Services Regulatory Board (WASREB) standards.

Committee Recommendations

The Committee recommends that—

- i. **The Accounting Officer should put in place comprehensive measures to mitigate the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages, among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;**
- ii. **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 in place to reduce cases of theft and illegal connections.**

13. Construction on Land Not Owned by the Entity

The statement of profit or loss and other comprehensive income and Note 13 to the financial statements reflect maintenance expenses amounting to Kshs. 64,636,109, which includes Kshs. 1,583,319 relating to maintenance of buildings. Review of the ledger and physical verification revealed that part of this amount, Kshs. 537,546 paid to Kamkam Limited via cheque number 777, was for the construction of lavatories within the premises occupied by the Company. Further review of the approved revised budget indicated a provision of Kshs. 411,092 for the construction of the lavatories. However, it was established that the land on which the lavatories are being constructed belongs to the Ministry of Health, and the Company does not hold any ownership or lease rights over the property.

This was contrary to Section 68(1) of the Public Finance Management Act, 2012 which requires that “An accounting Officer for a National Government entity, Parliamentary Service Commission and the Judiciary shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the Accounting Officer are used in a way that is - (a) lawful and authorized;”

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

Management Response

The land parcel is owned by the Ministry of Water and irrigation not the Ministry of Health as stated here above. The expenditure was intended to improve sanitary facilities for staff occupying the premises, and was initially budgeted for under maintenance costs.

Provision of water services is explicitly listed as a devolved function under the Fourth Schedule of the Constitution (2010) and thus all functions of the water service providers are under County Government.

Water companies being a devolved function, the company sought for approval from the County Government of Kiambu and the same was approved

Committee Observation

The committee observed that the company incurred Kshs. 537,546 on the construction of lavatories on land not formally owned or leased by the Company.

Committee Recommendations

The Committee recommends that—

- i. The Governor ensures that the water company secures full ownership of the queried land and provide a status update to the committee within 60 days of adoption of this report;**

- ii. **The Accounting Officer should ensure timely submission of documents during the audit process in line with section 9 (1)(e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act, 2015**
- iii. **The Accounting Officer ensures that the water company maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board (PSASB) and the company to carry out a valuation of all its assets and submit the same to the Auditor-General within 60 days from the adoption of this report**
- iv. **The Governor engages the Intergovernmental Relations Technical Committee (IGRTC) to ensure that the process of transfer of all assets and liabilities are completed in a timely manner**
- v. **The Auditor-General to undertake physical verification of all assets of the water company and provide a status report to the Committee within 60 days from the adoption of this report.**

1.5 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR LIMURU WATER & SEWERAGE COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga, EGH, presented written responses before the Committee, to respond to audit queries raised in the report of the Auditor-General on financial statements for Limuru Water and Sewerage Company for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Limuru Water and Sewerage Company for the period under review on the following basis

1. Long outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs. 30,716,638 as disclosed in Note 16(a) to the financial statements. Included in this balance is Kshs. 22,866,068 from 9271 active accounts and Kshs. 26,124,370 from 4495 inactive accounts which have been outstanding for more than 180 days as tabulated in the debtors ageing analysis report. Management did not provide reasons why the debts of active customers were not collected or any measures if any being put in place to pursue the debtors and recover the amounts owed to the Company.

In the circumstances, accuracy and total recoverability of trade and other receivables balance of Kshs. 30,716,638 could not be confirmed.

Management Response

The Company has put the following measures in a bid to recover the outstanding amounts comprising of both active and inactive debts; Writing demand letters to the concerned institutions. Sending constant reminders to the customers. Rapid Result Initiative (RRI) specifically for revenue collection is carried out regularly involving all staff both technical and non-technical. Strict targets on revenue collection given to the zonal officers both on current billings and arrears. Physical visits to customers with long outstanding debts in a bid to recover the debts.

Encouraging part-payment commitments for the long outstanding arrears

Committee Observation

The committee observed that the Company reported trade and other receivables amounting to Kshs. 30,716,638, out of which a significant portion had been outstanding for over 180 days. Receivables from both active accounts (Kshs. 22,866,068) and inactive accounts (Kshs. 26,124,370) had remained uncollected for prolonged periods

Committee Recommendation

The committee recommends that—

- i. The Governor through the Accounting Officer should ensure that Limuru Water 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 the Accounting Officer should within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor-General for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle;**
- iv. The 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.**

2. Lack of Land Ownership Document

The statement of financial position reflects property, plant, and equipment balance of Kshs. 45,564,264 as disclosed in Note 14(b) to the financial statements. Included in this balance is land valued at Kshs. 750,000 owned by the Company in Karambaini as per the asset register. However, ownership records were not provided for audit review.

In the circumstances, the accuracy, completeness and existence of property, plant and equipment balance of Kshs. 45,564,264 could not be confirmed

Management Response

The purchase of Karambaini Land, Title No.I R 365508(LR.No. 145/6/27) commenced in the year 2012 when the company took over Itungi water project. Considering that the water project did not have a water storage tank, there was need to acquire this land on

which the supply tank was to be constructed to improve water supply. The identified ideal land at a high elevation was identified belonging to Mr Peter Karanja Gitau who was willing to sell it to the company. The company carried out valuation of the land through the ministry of Lands and was valued at Kshs 750,000 (Kenya Shillings Seven Hundred Fifty Thousand only)

The company initiated the legal process of purchasing the Land through its Lawyer then Wariuki & Co. Advocate, an agreement was drawn between the said parties i.e Limuru Water & Sewerage Company Ltd and Mr Peter Karanja Gitau

The payment was made to the seller and a copy of title deed was handed over to the company awaiting processing of the title deed for the purchased land.

As the process of land transfer was going on, the land seller reported that the original Title Deed got lost and that he had applied for a replacement. Unfortunately, the seller passed on before the replacement title deed was obtained from the Ministry of Lands. The situation was further exacerbated by the subsequent passing on of the company lawyer who was dealing with the land registration issue prompting the need for appointment of a new lawyer to oversee the process. The succession process has been completed and a certificate of confirmation of grant has been issued awaiting issuance of title deed.

Committee Observation

The committee observed that ownership documents for the said worth kshs 750000 land in Karambaini were not provided for audit review, raising concerns on ownership and existence

Committee Recommendation

The committee recommends that—

- i. Within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters water, engages with the Tana Water Works Development Agency and the IGRTC to ensure the transfer of ownership documents of the donated items is fast tracked and provides status update to the Senate within the same period;**
- ii. The Governor ensures the water company makes budgetary provisions in the Financial Year 2026/2027 for adjudication and valuation of assets to ensure a seamless process in the transfer of assets and provide evidence to the Senate;**
- iii. The Governor ensures that the management of the water company ensures that the valuation of all assets of the water company is fast-tracked and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;**

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

3. Long Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income for the financial year 2024/2025 and 2023/2024 reflects a loss of Kshs. 24,754,238 and Kshs. 16,255,724 respectively. This decreased the revenue reserves from a negative balance of Kshs. 127,686,249 as at 30 June, 2024 to a negative balance of Kshs. 152,440,487.

Further, the Company's current liabilities balance of Kshs. 198,343,269 exceeded its current assets balance of Kshs. 39,286,601 resulting in a negative working capital amounting to Kshs. 159,056,668. This material uncertainty casts significant doubt on the Company's ability to continue as a going concern. The above matters indicate that the Company is technically insolvent and may not be able to meet its current obligations as and when they fall due.

In the circumstances, the continued existence of the Company is dependent on continued financial assistance from the County Government, donors and its creditors.

Management Response

The company has identified the following strategies to improve and address the issues affecting its sustainability and therefore the issue of going concern of the company. With these strategies, the company will improve its performance and be able to meet its financial obligations as and when they fall due.

ii. Tariff Review.

The company applied for tariff review with the regulator (WASREB) since it has been operating on a non-cost recovery tariff for years. This has negatively affected the Company's operations and made it impossible to meet its financial obligations. The main goal of the tariff review is to have an indexed cost recovery tariff to absorb the cost of production that has been rising steadily over time. Once the company has the indexed cost recovery tariff, it will be able to meet its financial obligations and pay the long-standing trade and other payables. The company has made advanced progress towards the tariff review, which is projected to take effect from April 2026.

ii. Pipeline extensions to cover unserved/underserved areas

The company is continuously carrying out extensions to unserved and underserved areas through internal and external funding. This will increase both coverage and revenue thus making it possible for the company to meet its financial obligations as and when they fall due. The end result is that the company will improve the working capital and profitability.

Committee Observation

The committee observed that the financial position indicates that the Company is technically insolvent and faces significant uncertainty regarding its ability to continue as a going concern.

The Company reported consecutive losses of Kshs. 24,754,238 (2024/2025) and Kshs. 16,255,724 (2023/2024), worsening the accumulated deficit to Kshs. 152,440,487. The Company's current liabilities of Kshs. 198,343,269 significantly exceeded its current assets of Kshs. 39,286,601, resulting in a negative working capital of Kshs. 159,056,668

Committee Recommendation

The committee recommends that—

- i. **The Governor of Kiambu 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, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- 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, Cap.412A 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 Corporation including an assessment of the commercial viability of the company in line with the standards set by the Water Services Regulatory Board under section 77(2) of the Water Act, Cap.372, failure to which the provisions of section 147 of the Water Act on penalties for offences shall apply; and**
- v. **The Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability. Additionally,**

the management reviews and regularizes the company's existing assets and have updated assets register that reflect the current financial position. Further, management to determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual receipts on a comparable basis of Kshs.242,720,000 and Kshs.211,788,402 respectively, resulting to an under collection of Kshs.30,931,598 or 13% of the budget. Similarly, the Water Company spent a balance of Kshs.243,343,139 against actual receipts of Kshs.211,788,402 resulting to an over expenditure of Kshs.31,554,737 or 15% of actual receipts.

The over expenditure, particularly on operational costs, directly reduces profitability, making it difficult for the Company to cover its expenses and achieve financial sustainability.

Management Response

The Company had budgeted Revenue of Kshs. 242,720,000 but realized an actual Collection of Kshs. 211,788,402 leading to a budget deficit of Kshs. 30,931,598 (13%). This was attributed to the following reasons;

The Company had been operating on a non-cost recovery tariff thus not in a position to break even. The company is awaiting gazettelement of the reviewed tariff which is expected to be implemented from April 2026. The tariff will be indexed and will take into account actual cost of water production and inflation.

The Company had projected revenue collection from Sewer of Kshs 38,482,500 This was however not realized since company did not realize the projected connections. The low connectivity is attributed to fact that the newly constructed sewer lines are areas that are predominately served by community water project. The company has however enhanced customer engagement in these areas in an effort to increase connectivity.

Increase in prices of commodities and inflation led to increase in the total expenditure. For example, increase in cost of electricity from Kshs. 53,282,706 to Kshs. 66,430,845 as a result of increase in cost of electricity bills and increase in cost of chemicals from 1.8m to 3.1m

The company had expected to gain additional revenue from the water supply after completion of Tilisi Water Transmission Pipeline. The project was however not

completed within the reporting period as anticipated due to delays in acquisition of wayleaves from KeNHA

The Company had anticipated to complete construction of reticulation network within Rironi and Gatimu areas within the financial year. This was however not realized leading to lower than anticipated connections. It is however worth noting that the construction of reticulation network in Rironi is now at advanced stage and more than 500 household connections realized

Committee Observation

The committee observed the Company recorded an under-collection of revenue amounting to Kshs. 30,931,598 (13%) compared to the approved budget, indicating shortfalls in revenue performance

The Company incurred total expenditure of Kshs. 243,343,139 against actual receipts of Kshs. 211,788,402, resulting in an over-expenditure of Kshs. 31,554,737 (15%), contrary to prudent financial management practices;

Committee Recommendation

The Committee recommends that—

- i. The Governor ensures that the Accounting Officer ensures strict compliance with section 149(2) (h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standards Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. The Governor ensures that the Accounting Officer complies with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

Other Matter

1. Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the

status during audit of the Limuru Water and Sewerage Company Limited in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Long Outstanding Trade and Other Payables
2	2023/2024	Failure to Disclose Water Inventory
3	2023/2024	Long Outstanding Trade and Other Receivables
4	2023/2024	Material Uncertainty Related to Going Concern
5	2023/2024	Excessive Non-Revenue Water
6	2023-2024	Unsustainable Wage Bill

Management Response

Issues responded as on going and captured in this management response include:

- i) *Long outstanding Trade and other payables*
- ii) *Long outstanding Trade and other Receivables*
- iii) *Material uncertainty in Relation to Going Concern*
- iv) *Excessive Non-Revenue Water*
- v) *Unsustainable Wage Bill*

No.2 – Failure to Disclose Water Inventory addressed.

The company didn't have ways of establishing water inventory in its system as most of the water transmission and distribution network had not been fully mapped. However, this was well noted and management came up with a way of measuring, valuing and disclosing volume of water in the treatment plants, reservoirs and distribution systems in the subsequent periods

Committee Observation

The Committee observed that the query remains unresolved as the management of Limuru Water Company did not take action to address the queries raised in the report of the Auditor-General for the financial year 2024/2025

Committee Recommendation

The committee recommends that—

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

recommended such as the removal of the accounting officer, reduction in rank; and

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

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

1. Non-Revenue Water

During the year under review, the Company produced a total of 2,139,886 cubic meters (M³) of water at a cost of Kshs.115 per M³ resulting to Kshs. 246,086,890 out of which only 1,368,598 M³ equivalent to Kshs. 157,388,770 was billed to customers. The balance of 771,288 M³ equivalent to Kshs. 88,698,120 represents unaccounted for water being 36% of the total volume of water produced which is 11% points above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) Guidelines. The unaccounted-for water may have resulted into loss of sales estimated at Kshs. 88,698,120 worth of water as tabulated below;

Month	Produced Vol.(m3)	Billed Vol. (m3)	NRW (m3)	Vol. NRW (%)	Ratio
July	159,788	106,122	53,666	33.6%	
August	191,195	115,672	75,523	39.5%	
September	200,132	129,714	70,418	35.2%	
October	196,704	125,944	70,760	36.0%	
November	166,676	107,939	58,737	35.2%	
December	181,055	99,911	81,144	44.8%	
January	198,789	131,389	67,400	33.9%	
February	192,018	127,023	64,995	33.8%	
March	187,268	122,028	65,240	34.8%	
April	156,867	101,744	55,123	35.1%	
May	155,436	98,473	56,963	36.6%	
June	153,958	102,639	51,319	33.3%	
Total Vol.(m3)	2,139,886	1,368,598	771,288	36.0%	
Rate in Kshs.	115	115	115		
Total in Kshs.	246,086,890	157,388,770	88,698,120	36.0%	

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

Management Response

The Company reported a Non – Revenue water of **36%** during the Financial Year **2024-2025**. The high Non-revenue water was attributed to both commercial and physical losses. The identified commercial losses are low meter accuracies, meter-stuck and possible unauthorized consumptions. On the other hand, the physical losses experienced during the Financial Year were majorly attributed to leakages in water transmission pipelines and overflows in the tanks.

In an effort to reduce the non-revenue water to the recommended level of below 25%, the Company is undertaking the following interventions:

Customer mapping – The company has introduced the use of GIS tools to map out all our customers (both active and inactive). This has helped in identifying the number of customers connected to each water line and comparing this with the water supplied through the line, the company is able to make informed decision on homesteads that may be consuming water illegally.

Achievement:

Mapping of Active Customers	–	100% complete
Mapping of Inactive Customers	–	85% complete

Improved metering – The company operationalized the meter testing bench during the financial year 2024-2025. Following this mile stone achievement, the company has now increased the frequency of meter testing. This has enabled the company detect and replace in good time those meters that are under-registering flows. Further, the company has developed specifications for high quality water meters and has ensured that all connections are metered. To reduce the possibility of installation of meter by-passes, the company has commenced relocation of consumer meters to as close to the water main as possible (a distance of 3m from the main). This makes surveillance of the installations by the zonal officers easier.

Achievement:

<i>Consumer Meters Tested</i>	-	617
<i>Bulk/ DMA Meters Tested</i>	-	28
<i>Meters Replaced</i>	-	384
<i>Meters Serviced</i>	-	261

Rehabilitation of dilapidated network – The company adopted the use of High-Density Polyethylene Pipes which have outstanding qualities such as fatigue resistance, corrosion and deposit resistance, eco-friendliness, an extended service life and ease of installation.

Achievement: Replacement of the old low quality PVC Pipe in Kijabe that was characterized with occasion bursts – 4.4km. Replacement of a section RVA Line prone to frequent bursts – 0.3km. Rerouting of Thigio pipeline that had high NRW - 0.6km

Active Leak Detection – The utility has acquired several modern NRW equipment such as pressure and data loggers and portable Ultrasonic Flow Meters to assist in identification of invisible underground leaks which are the highest contributor of physical water losses. Technical staff have been trained on the use of this equipment which are essential in ensuring minimal levels of water leakages in the network.

Further, through the mapped network, the company is now able to easily locate pipelines and expeditiously execute the repair works.

Achievement: Mapping of Water Pipelines by 70%. Use of Leak detection equipment in our main lines and isolated DMAs to detect underground leakages.

Committee Observation

The committee observed that the Company reported Non-Revenue Water (NRW) of 36%, which exceeds the allowable threshold of 25% set by WASREB, resulting in non-compliance with regulatory requirements.

The unaccounted-for water amounted to 771,288 m³ valued at approximately Kshs. 88,698,120, representing significant revenue loss

Committee Recommendation

The committee recommends that

- i. The Accounting Officer should put in place comprehensive measures to mitigate on the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;**
- ii. 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**

2. Non-Adherence to Regularity and Integrity on Recruitment of Persons Living with Disabilities

Review of the Company's Human Resource data revealed that the Company has employed eighty- eight (88) members of staff. However, the Company does not have any employee living with disability contrary to the Persons Disability Act of 2025 which requires 5% statutory employment quota mandated for persons with disabilities inclusion.

Management Response

Management acknowledges the observation on non-adherence to the Persons Disability Act, 2025 regarding recruitment of persons living with disabilities. The variance arose mainly due to low application and limited disclosure of disability status by candidates, which affected compliance levels. Management is taking corrective measures including strengthening outreach to disability organizations, enhancing data capture during recruitment, and reviewing recruitment guidelines to ensure progressive compliance with the Act. Management is committed to ensuring full adherence to the Persons Disability Act 2025 and integrating disability mainstreaming in all future recruitment exercises.

Committee Observation

The committee observed that the Company had a total workforce of eighty-eight (88) employees, with no representation of persons living with disabilities, this was contrary to the Persons with Disabilities Act, 2025, which requires at least 5% of the workforce to comprise persons with disabilities

Committee Recommendation

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 to make deliberate efforts progressively in the endeavor to comply with Section 21 of Persons with Disability Act, 2025,**

Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.

3. Unsustainable Wage Bill

During the year under audit the Company’s staff costs amounted to Kshs. 79,947,468 which translates to 38% of total revenue of Kshs. 211,788,402. This is higher by 8 percentile points of the recommended ratio of 30% in accordance with the Water Services Regulatory Board (WASREB) guidelines.

In the circumstances, Management was in breach of the law

Management Response

The Company serves a predominantly rural area where customer connections are widely dispersed. In order to extend pipeline coverage and improve access, additional staff were recruited to bridge service gaps and support customers. The increase in coverage is expected to lead to more customer connections and higher revenues, which will in turn enable the Company to absorb staff costs within the required threshold.

Currently, the wage bill remains relatively high as the Company is operating on a non-cost recovery tariff that was last reviewed in 2023 and was due for review in June 2025. The tariff review has been completed and is expected to be implemented in April 2026. It is important to note that the previous tariff cycle coincided with the introduction of new statutory deductions that were compliance-driven rather than affordability-driven, which further contributed to elevated staff costs.

Despite this, staff costs have already reduced from 50% in 2022/2023 to 2023/2024 40% to now currently at 38% by the end of 2024/2025, and management is committed to progressively aligning them with the WASREB-recommended threshold of 30%. Once the revised tariff is implemented, it is expected to strengthen revenue inflows and further support the alignment of the wage bill within acceptable levels.

The company’s previous percentage is on a downwards trend so as to achieve the required threshold of less than 35%. This is as tabulated below,

ACTUAL PERCENTAGE OVER YEARS			
	<i>2022/2023 F. Y</i>	<i>2023/2024 F. Y</i>	<i>2024/2025 F. Y</i>
<i>Revenue</i>	<i>144,516,075</i>	<i>192,939,386</i>	<i>211,788,402</i>
<i>Staff Costs</i>	<i>72,108,525</i>	<i>76,389,986</i>	<i>79,947,468</i>
<i>Percentage</i>	<i>50%</i>	<i>40%</i>	<i>38%</i>

In the interim, management is closely monitoring the wage bill against revenue growth and has instituted measures to contain costs, including optimized staff deployment,

enhanced use of technology, improved revenue collection, and controlled recruitment through natural attrition. These initiatives are expected to gradually absorb the wage bill and enhance long-term financial sustainability.

Committee Observation

The Committee observed that the company's personnel costs represented 38% of the company's annual expenditure, exceeding the 35% ratio recommended by Water Services Regulatory Board (WASREB).

Committee Recommendations

The Committee recommends that-

- i. The Governor ensures that the Accounting Officer develops a staff rationalization plan with specific annual reduction targets to achieve the WASREB benchmark of 35% and report to the Senate and a copy to the Auditor-General within 90 days after adoption of this Report; and**
- ii. The Company ensures progressive compliance to section 3.9 (9) of WASREB corporate Governance Guidelines which limits the wage bill to thirty-five percent (35%) of the total revenue and establish a lean staff complement.**

4. Long Outstanding Trade and Other Payables

The statement of financial position reflects a balance of Kshs. 178,526,769 in respect of trade and other payables as disclosed in Note 23 of the financial statements. Included in this balance is payables totalling Kshs. 135,999,197 which have been outstanding for over 180 days as shown in below;

Name of the Creditor	Amount (Kshs)
KPLC	53,380,875
Water Services Regulatory Board (WASREB)	36,146,842
Athi Water Services Board	29,215,454
Water Resource Authority	5,892,982
Office of the Auditor-General	2,552,000
Canon Security Services	1,321,271
Lianli Investment Company Limited	3,771,920
Federation of Kenya Employers	132,850
Peter K. Supeyo Hydrologist	160,000
Thika Water and Sewerage Company	2,663,670
WASCO	213,833
WASPA	547,500
Total	135,999,197

The respective balances keep increasing yearly due to levies and other charges. No explanation was provided for failure to settle the long outstanding bills and regulatory fees.

Further, review of documents provided for audit revealed that an amount of Kshs. 11,991,072 was deducted in respect to pension but not remitted. The non-remittance of staff deductions may attract penalties and interest from the receiving institutions and deny the staff of the Company respective services and benefits.

In the circumstances, Management was in breach of the law

Management Response

Management acknowledges the finding and wishes to respond as follows:

The company has been operating on non-cost recovery tariff over the years which has negatively affected the company operations and therefore unable to meet its financial obligations. The Company submitted an application for tariff review to the regulator (WASREB) with an aim of obtaining an indexed cost recovery tariff to absorb cost of production that has continually risen over time. Once the company acquires the indexed cost recovery tariff, it will be in a position to meet its financial obligations and be able to pay the long outstanding trade and other payables.

The company has made advanced progress towards tariff review and is projected to be implemented as from April 2026. Documentary evidence for the tariff review progress is as annexed

The company is carrying out pipeline extensions to new and underserved areas through internally generated funds and assistance from the County Government of Kiambu and National Government. Increase in coverage will lead to improved revenue and hence the company will be able to pay the long outstanding trade and other payables.

Committee Observation

The committee observed that a substantial portion of the Company's payables amounting to Kshs. 135,999,197 has remained outstanding for over 180 days, including statutory and regulatory obligations. The continued accumulation of these balances exposes the Company to penalties, interest charges, and reputational risk.

Further, the Committee noted with concern the non-remittance of pension deductions amounting to Kshs. 11,991,072, which is a serious breach of statutory requirements and undermines employees' rights to their benefits

Committee Recommendation

The committee recommends that

- i. the Governor to ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report;
- ii. 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 report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance; and
- iii. within sixty (60) days of the adoption of this report, the Accounting Officer engage the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.

5. Irregular Appointment of Staff on Acting Capacity

Review of the Company Human Resource records revealed that the Managing Director of the Company has been in acting capacity for one year nine months having been appointed on 29 December, 2023 to date. Further, the officer has acted for periods longer than six months and as stipulated in the Company's Human Resources Manual. No explanation was provided as to why the officer is still acting contrary to Section 4.1.3 and 4.1.4 of the Human Resource Policies and Procedure Manuals 2022.

In the circumstances, Management was in breach of law

Management Response

The position of Managing Director fell vacant on 30th March 2024 following the retirement of the then Managing Director. Consequently, the Board of Directors commenced the recruitment process by placing an advert on print media on 9th April 2024 with application submission deadline of 30th April 2024. Upon review of the candidates by the adhoc Committee of the board, it was noted that the advert was discriminatory since it only specified on candidates with prior experience in the water sector. Subsequently, the matter was brought up in the full board meeting held on 28th November 2024 and was resolved that the position be re-advertised to accommodate candidates from diverse sectors. The County Government of Kiambu issued concurrence on the same. The re- advertisement ran on 10th December 2024 on the local dailies with application submission deadline of 27th December 2024

According to the Articles and Memorandum of Association, the County Government through the CECM in charge of Water Affairs is required to give concurrence before issuance of an appointment letter to the successful candidate.

Following the full Board meeting held on 13th February 2025, members approved the successful candidate, and a request for concurrence was accordingly submitted to the County Government prior to issuance of the appointment letter. The concurrence from the County Government of Kiambu is still awaited

With regard to the acting capacity, the Board in its meeting held on 28th November 2024 resolved that the Acting Managing Director continues to serve until a substantive Managing Director is appointed

Committee Observations

The Committee Observed that the Managing Director of the Company has been serving in an acting capacity since 29th December 2023, totalling one year and nine months exceeding the six-month limit stipulated in the Company's Human Resource Policies and Procedure Manual

Committee Recommendations

The Committee recommends that the Board of Directors to expeditiously follow up to secure and ensure the necessary concurrence and issue the substantive appointment letter without further delay.

1.6 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR RUIRU-JUJA WATER & SEWERAGE COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga presented written responses before the Committee to respond to audit queries raised in the report of the Auditor-General on financial statements for Ruiru – Juja for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Ruiru – Juja water and sewerage company for the period under review on the following basis-

1. Long Outstanding Debtors

The statement of financial position reflects trade and other receivables balance of Kshs.637,791,037 as disclosed in Note 21 to the financial statements. Audit review established that included in this balance was Kshs.102,097,378 owed by customers for more than 120 days. The existence of long-outstanding debts raises doubts on the recoverability of these amounts and indicates non-compliance with the requirement to enforce timely collection of revenue. The prolonged outstanding receivables also expose the Company to risk of revenue loss and material misstatement of financial statements.

Further, Note 21(a) to the financial statements indicates that provision for doubtful receivables increase by Kshs.15,884,888 or 92% from Kshs.17,214,705 (2023-2024) to Kshs.33,099,593. However, the increase was not charged to the statement of financial performance. In addition, included in the trade and other receivables balance of Kshs.637,791,037 is an amount of Kshs.1,232,057 which was not supported by review.

The accuracy and existence of the staff receivables balances of Kshs.1,232,057 could not be ascertained.

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

Management Response

The management agree that Ksh 102,097,378 has been outstanding for more than 120 days. Collection efficiency for the year 2024/25 dropped from 90% to 82% reported in the previous year leading to increase in outstanding debt. One of the reasons attributing to this increase is taking over of Githurai area from Nairobi Water. This area was initially billed under a lower tariff compared to the company tariff. It took time for the

customer to get used to the tariff and the company could not enforce the disconnections right away as it gave the customer time to adopt. Currently the area has started paying their bills very well. The company has put in place various measures in the current financial year. These included engagement of a team of 24 casual employees in May 2025 under Water Sector Trust Fund (WSTF) grant programme whose target was to do mass disconnections for customers whose account balances have been outstanding for more than 3 months. This has assisted in improvement of collection efficiency from an average of 82% in year 2024-2025 to an average of 92% by end of December 2025.

The collection efficiency has now improved as shown in the table below:

Bill Month	Billed Amount	Collection Month	Month by	Collection Efficiency
Jun-25	188,372,755	Jul-25	182,825,996.00	97%
Jul-25	178,536,426	Aug-25	159,180,054.00	89%
Aug-25	205,250,368	Sep-25	209,487,536.00	102%
Sep-25	192,751,170	Oct-25	171,615,531.00	89%
Oct-25	206,773,960	Nov-25	181,658,954.00	88%
Nov-25	192,399,045	Dec-25	169,871,176.00	88%
TOTAL	1,164,083,724		1,074,639,247	92%

The management will continue to employ more strategies to ensure the revenue collection efficiency target of 95% or more is achieved and maintained.

(b) The amount of kshs 1,236,057 relates to imprests not surrendered and staff advances balances as at 30th June 2025. It is worth noting imprests not surrendered were within seven days surrender timeline. These imprests were subsequently surrendered in the first week of July 2025. The breakdown is as follows

Staff Imprests	1,065,400
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Staff Advances	170,657
Total	1,236,057

Committee Observation

The Committee observed that the company recorded long-outstanding debtors totaling Kshs. 102,097,378, representing amounts overdue for more than 120 days which raises concerns over recoverability and compliance with revenue collection requirements.

Committee Recommendations

The Committee recommends that-

- i. The Governor through the Accounting Officer should ensure that Kiambu Water and Sewerage 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 the Accounting Officer should within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor-General for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle**
- iv. The 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**
- 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.**

2. Fully Depreciation Assets

The statement of financial position reflects property, plant and equipment total balance of Kshs.483,205,684 as disclosed in Note 18 to financial statements. Included in the schedule of assets are computers and civil works Kshs.8,531,181 and Kshs.32,223,481 that were fully depreciated and are still in use. However, no revaluation had been done to reflect their current and true economic value of assets as at 30 June, 2025.

Management Response

The fully depreciated assets value of Ksh 8,531,181 relates to fully depreciated computers and equipment that became fully depreciated in the financial year 2024/2025. The company policy stipulates that we conduct revaluation of assets after every five (5) years. The last revaluation was in the year 2022 and the next one will be done in the year 2027. Attached is an extract of company's finance policy on revaluation (Annex 2)

The fully depreciated assets value of Ksh 32,223,481 relate to the value of fully depreciated water infrastructure. This represents dilapidated PVC water networks done between year 2007 and 2014 which are no longer in use. The water network has over time been upgraded and replaced. The management will remove this figure from the books in the current financial year.

The statement of financial position reflects intangible assets balance of Kshs.37,533,908 as disclosed in Note 19 to the financial statements. However, the intangible assets that costed Kshs.376,768 were fully amortized. No revaluation had been done to reflect their true economic value of assets as at 30 June, 2025.

In the circumstances, the accuracy and completeness of the intangible assets balance of Kshs.37,533,908 could not be confirmed.

The intangible asset whose initial cost was Ksh 376,768 and has been fully depreciated relates to acquisition cost of Sage-Pastel Accounting package in 2017. The company acquired an ERP in 2023 and this has rendered Sage-Patel package obsolete. The management will remove this figure from the books in the current financial year.

Committee Observation

The committee observed that fully depreciated assets were still in use or obsolete infrastructure and should be promptly adjusted or removed from the books to reflect true economic value. This ensures the financial statements present an accurate and fair view of the company's asset base.

Committee Recommendations

The Committee recommends that-

- i. **The Governor should ensure that the Company puts in place an asset management policy within 60 days of the adoption of this report to guide on the valuation, amortization, depreciation of assets**
- ii. **The Governor to make budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;**
- iii. **The Governor should ensure that the valuation of all assets is done and the valuation report is submitted to the Auditor-General for verification within 60 days of the adoption of this report;**
- iv. **The Accounting Officer responsible for the Municipality should prepare and submit an updated assets register to the Auditor-General for verification. Auditor-General should provide a status update on the matter in the subsequent audit cycle; and**
- v. **The board of the Municipality should prepare a depreciation and amortization policy within 60 days of the adoption of this report and submit to the Auditor- General for verification and the Auditor General should provide a status update on the matter in the subsequent audit cycle.**

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Ruiru-Juja Water and Sewerage Company Limited Management in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
14.	2023/2024	Unvalued Property, Plant and Equipment
15.	2023/2024	Unaccounted for Non-Revenue Water
16.	2023/2024	Non-Compliance with the One -Third Rule Basic Salary
17.	2023/2024	Irregularities in Board Composition and Management
18.	2023/2024	Non-Compliance with Statutory Meeting Frequency by the Audit Committee

Management Response

The company endeavors to resolve all audit issues by Office of Auditor General

- (1) Revaluation of water and sewer infrastructure class of property, plant and equipment is not necessary since water infrastructure developed between 2007 and 2014 got dilapidated and has since been replaced. The cost will be removed from the books.
- (2) Unaccounted for non-revenue water minimization strategies have continuously been put in place to lower non-revenue water to acceptable levels. As at February 2026 the NRW is at 42%.
- (3) The payroll over deductions were caused by the introduction of affordable housing levy (AHL), Social Health Insurance Fund (SHIF) and new rates of National Social Security Fund (NSSF). These affected the net pay as these levies and additional contributions were not in place when loans were taken.
- (4) The management has communicated the issue of Board appointment as highlighted by the office of the Auditor General to the county Government and is currently addressing them. The board has 6 members and the process of recruiting the 7th one is in progress and the interview for the position has already been done.
- (5) The Board held two full board meeting to discuss and approve company policies. As such it was agreed that since policies approval were geared towards improving internal controls, that would act as part of risk and audit committee meetings in financial year 2024/2025. The company will endeavor to hold quarterly meetings for all committees.

Other Information

The Management is responsible for the Other Information set out on page iii to xxvii which comprise of Key Entity Information, the Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on Ruiru Juja Water and Sewerage Company Limited financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material

misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

Committee Observation

The Committee observed that the water company had unresolved prior year matters demonstrating the management's lack of action to implement corrective measures.

Committee Recommendations

The Committee recommends that

- iii. The Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and Committee may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank**
- iv. The Governor ensures the accounting officer submits a detailed status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Unaccounted for Non-Revenue Water (NRW)

The statement of profit or loss and other comprehensive income, as disclosed in Note 6 to the financial statements reflects an amount of Kshs.1,861,986,240 in respect of water sales for the year ended 30 June, 2025. During the year under review, the Company produced a total of 24,453,600 cubic metres of water. However, only 11,929,353 cubic metres were billed to customers. The unbilled volume of 12,524,247 cubic metres, representing 51% of the total water produced, with a sale value of Kshs.1,628,152,110 (at an average price of Kshs.130 per cubic metre), constitutes Non-Revenue Water (NRW). This level of NRW is significantly above the allowable limit of 25% provided in Schedule E of the Water Services Regulatory Board (WASREB) guidelines.

The Company significantly exceeded the allowable NRW loss of 25% by 26% or approximately Kshs.1,628,152,110 which if not addressed will negatively impact on the Company's profitability and its long-term sustainability. The significant increase in NRW occurred despite major repair and upgrade done during the year under review which undermines the Company's profitability and threatens its long-term financial sustainability.

In the circumstances, the Company was in contravention of schedule E of Water Service Regulatory Board (WASREB) guidelines.

Management Response

During the year under review, there was an increase in water production volumes, which positively contributed to improved water supply services across the service areas. However, this growth coincided with a decline in the Non-Revenue Water (NRW) performance ratio, largely due to system losses associated with supplying water through the existing aged infrastructure in previously underserved areas. Additional factors contributing to increased water losses included unaccounted-for volumes used during the testing and flushing of the newly commissioned Githurai water system, as well as apparent losses from unregistered and unmetered connections implemented under the same contract during the transition phase.

Furthermore, a total of **326,426 m³** of unaccounted but authorized water was recorded. These volumes were utilized for essential operational purposes, including backwashing of water treatment filters, cleaning of treatment facilities, and service provision to the sub-county fire engine and the company's sewage flushing truck, as detailed in the table below.

UNIVERSAL NON-REVENUE WATER 2024-25 F/Y						
MONT H	TOTAL ABSTRAC TION(M ³)	UNBILLED AUTHOURIS ED (M ³)	SUPPLIED VOLUMES (M ³)	BILLED VOLUME (M ³)	VOLUMES LOST (M ³)	NRW %
Jul-24	1,808,964	32,625	1,776,339	838,027	938,312	53%
Aug-24	1,915,730	27,358	1,888,372	887,721	1,000,651	53%
Sep-24	1,913,104	27,661	1,885,443	1,022,398	863,045	46%
Oct-24	1,856,596	27,244	1,829,352	1,040,504	788,848	43%
Nov-24	1,964,922	26,506	1,938,416	1,004,436	933,980	48%
Dec-24	2,098,238	25,456	2,072,782	881,085	1,191,697	57%

Jan-25	2,051,454	27,291	2,024,164	1,100,841	923,323	46%
Feb-25	2,046,980	24,794	2,022,186	1,024,462	997,724	49%
Mar-25	2,066,700	26,987	2,039,712	994,156	1,045,556	51%
Apr-25	2,163,807	25,616	2,138,192	992,109	1,146,083	54%
May-25	2,345,611	29,374	2,316,238	1,047,904	1,268,334	55%
Jun-25	2,335,598	25,515	2,310,083	1,095,710	1,214,373	53%
	24,567,704	326,426	24,241,278	11,929,353	12,311,925	50.8%

Management acknowledges the findings and confirms that targeted, structured, and data-driven corrective measures have been instituted to address both physical and commercial losses. The interventions were designed to strengthen operational controls, enhance accountability, and improve system efficiency. The actions undertaken includes but are not limited to the following:

1. **Establishment of District Metered Areas (DMAs) and sub-DMA's units**
To enhance monitoring precision and accountability, Management established 23 District Metered Areas (DMAs) and is in the process of establishing 140 no. Sub-DMAs. This zoning framework will greatly assist in providing a structured approach of improved water balance analysis, targeted loss reduction interventions, and improved performance tracking.
2. **Step Test of sub-DMAs with abnormal daily flows (Active Leakage & Illegal Detection):** step testing of sub-DMAs exhibiting abnormal daily flows has been undertaken to actively detect leakages and illegal connections. Through the use of ultrasonic flow meters and systematic valve isolation, management has successfully identified illegal connections, detected abnormal night flows, confirmed hidden transmission losses, and flagged the some sub-DMAs for pipeline replacement due to persistently high abnormal flows. This exercise will be intensified and sustained across other areas as part of a continuous NRW reduction strategy.

3. **High consumer meter replacement (Commercial Loss Control):** A major activity has been ongoing for meter replacement commencing with MDUs which are registering below 6 units per month. So far more than 2,000 meters have been replaced. The exercise shall continue after acquiring Water Fund financed meters that is currently under procurement. This is expected to improve billed volumes, increase revenue and reduce commercial losses.
4. **Consumer meter relocation:** Consumer meter relocation has been progressively implemented as a loss containment measure aimed at improving meter accessibility and minimizing commercial losses occurring within customer premises. The exercise has been primarily focused in Kahawa Sukari, where over 500 connections have been relocated against a target of 802. This intervention has resulted in reduced internal tampering, improved meter reading efficiency, and a significant decline in illegal incidents.
5. **Continuous customer and Community Engagement**
The Company intensified stakeholder engagement through awareness campaigns and structured customer interactions aimed at promoting responsible water use and timely reporting of leaks. This initiative supports shared accountability in safeguarding water resources and infrastructure.
6. **Customer Identification Survey (CIS)-** Customer Account Verification and Compliance Enforcement will be undertaken through structured household verification visits aimed at identifying unregistered or unknown connections, as well as dormant or terminated accounts involved in unauthorized consumption, through a comprehensive Customer Identification Survey (CIS). Appropriate corrective measures, including account regularization or disconnection, will be implemented to curb commercial losses and enhance billing integrity. The exercise will commence upon completion of the procurement process for a consultant firm and is fully financed by the Water Sector Trust Fund.-Attached is advert for CIS programme (Annex 3A).

Also attached is the detailed NRW reduction plan (Annex 3B)

These strategies have enabled a reduction of NRW ratio to 42% by the end of February 2026. Management remains committed to continuous improvement in NRW management through strengthened internal controls, data analytics, and operation

Committee Observation

The committee observed that the company recorded Non-Revenue Water (NRW) representing 51% of total water produced in FY 2024/25 which significantly exceeds the allowable NRW limit of 25% under Schedule E of the Water Services Regulatory Board (WASREB) guidelines.

Committee Recommendations

The Committee recommends that—

- i. The Accounting Officer should put in place comprehensive measures to mitigate the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages, among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;**
- ii. 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 in place to reduce cases of theft and illegal connections**

2. Non-Compliance with the One-Third of Basic Salary Rule

Audit review of the Company's payroll records established that deductions for fifteen (15) staff members exceeded the allowable two-thirds limit during the period under review. This contravenes the Employment Act requirements. Excessive deductions reduce employees' net pay below the statutory minimum, potentially leading to employee hardship, undermines employee welfare and exposes the Company to legal and industrial relations risks.

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

Management Response

It is worth noting that introduction of affordable housing levy (AHL), Social Health Insurance Fund (SHIF) and new National Social Security Fund (NSSF) rates affected the net pay as these levies and additional contributions were not in place when loans were taken.

However, it's worth noting that 8 of the said 15 staff were on disciplinary processes and only qualified for half salary because they were under suspension. These are:

1. RJWS148 Fredrick Ngugi Kariuki
2. RJWS193 Isaac Mutahi Kabungo

3. RJWS226 David Njeru
4. RJWS221 Nicholas Munene Murigi
5. RJWS46 Robert Maina Nyawira
6. RJWS181 Joyce Wangari Njeri
7. RJWS150 Simon Kinja Njambi
8. RJWS83 Martin Wanjihia Njubi

However, the company shall endeavor to control payroll deductions to avoid over deductions in future.

Committee Observation

The Committee observed that 15 employees per month were drawing net salary of less than one third of their basic salary contrary to section 19(3) of the Employment Act, 2007.

Committee Recommendation

The Committee recommends that the Company progressively adheres to the provisions of to Section 19(3) of the Employment Act, Cap.226 which stipulates that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of the basic pay, failure to which the provisions of section 87 of the Employment Act on penalties for offences may apply.

3. Non-Compliance with Minimum Requirement on Employee Ethnic Balance

Audit review of the staff establishment of the Water Company revealed that out of a total number of 340 employees, more than 74 percent were drawn from a single ethnic community. This contravenes the Constitutional and statutory requirements for inclusivity, equity, and fair representation of Kenya's diverse communities in public service, the County Governments Act, and the National Cohesion and Integration Act.

The overrepresentation of one ethnic group undermines the principles of diversity and inclusivity, potentially leading to inequality, and public mistrust in the Company's human resource practices.

Management Response

It is worth noting that the company operates in an area where majority of people come from one tribe and the company has over years, recruited many people from other tribes.

The number now stands at 59 and the company will endeavor to ensure ethnicity balance during future recruitment process

Committee Observations

The Committee observed that the query remains unresolved as 59% of the total employees, comprised of staff from one dominant ethnic community, thus there was no ethnic diversity among the company employees.

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 to make deliberate efforts progressively in the endeavour to comply with Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff.**

4. Irregularities in Board Composition and Management

Review of the Board meeting minutes for both the full Board and its sub-committees at Ruiru–Juja Water and Sewerage Company Limited as well as disclosure on page v of the financial statements, revealed the Board comprised only six (6) members contrary to Mwongozo requirements of 7–9 members. The gender rule was also not adhered to as the Board had only one (1) female member against five (5) male members, falling short of the Constitutional two-thirds gender principle.

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

Management Response

The county Government of Kiambu is addressing all the issues raised on Board constitution. Recruitment is ongoing since the advert for one director was placed in Daily Nation newspaper on 5th December 2025. Attached is extract of the advert (Annex 6)

The interviews have already been done.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information

reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Committee Observation

The Committee observed that the Board of Ruiru–Juja Water and Sewerage Company Limited was composed of only six (6) members during the year under review, falling short of the Mwongozo requirement of 7–9 members. The Board also did not comply with the two-thirds gender principle as prescribed under Article 27(3) of the Constitution of Kenya, having only one (1) female member against five (5) male members.

Committee Recommendations

The Committee recommends that

- i. The water company adheres to Chapter 1 paragraph 1.13 (1) and (2) of the Mwongozo Code of Governance for State Corporations of 2015, and sanction governance audit, and failure to which failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**
- ii. 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**
- iii. The Board and the accounting officer to make deliberate efforts progressively in the endeavor to comply with Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.**

1.7 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THIKA WATER & SEWERAGE COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga, EGH presented written responses before the Committee, to respond to audit queries raised in the report of the Auditor-General on financial statements for Thika Water and Sewerage Company for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Thika Water and Sewerage Company for the period under review on the following basis

1. Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.234,160,321 as disclosed in Note 43 to the financial statements. Review of records provided revealed the following;

1.1. Unsupported and Long-Term Outstanding Payables

The statement of financial position reflects long term liabilities of balance of Kshs.218,014,348 that has been outstanding for more than three years as per ageing analysis disclosed in Note 43 to the financial statements. The balance representing 48% of trade and other payables includes long outstanding other payables to defunct Municipal Council of Thika being conservancy fee balance of Kshs.48,502,827 and administrative fee to defunct Athi Water Services Board balance of Kshs.169,511,521.

Management did not provide supporting documents detailing their nature and the reasons why the amount has been outstanding for several years.

Management Response

These monies emanated from refuse collection on behalf of the defunct Thika Municipal, formerly a function of the department from which it was established. The company has proposed to offset the outstanding debt against the water bill owed by the County Government of Kiambu.

The Kshs 169,511,521 arose from lease fees that were payable to the defunct Athi Water Services Board (AWSB) by THIWASCO for use of the water production and distribution infrastructure under the service provision agreement (SPA). By then AWSB were the licensed operators under the Water Act 2002. The enactment of the Water Act 2016 provided for the transfer of the infrastructure to WSPs such as THIWASCO.

THIWASCO on its part has historically undertaken continuous maintenance of these assets on the understanding that AWSB, the previous operator, would reimburse them for this expenditure.

Having developed the infrastructure on behalf of AWSB, THIWASCO proposed through a letter to offset the administrative fees against development expenditure over the years.

The matter of transfer of asset is an ongoing process where the defunct Water Service Boards and now Water Works Development Agency are required to transfer the assets to county governments, as mandated by Kenya's devolution laws. This process includes the transfer of associated debts and financial obligations. The transfer is a gradual process that is still in progress with the Government.

Committee Observations

The Committee observed that long-term payables of Kshs.218,014,348 outstanding for over three years, representing 48% of trade and other payables.

Committee Recommendations

The Committee recommends that-

- i. The Governor to ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report;**
- ii. 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 report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance**
- iii. Within sixty (60) days of the adoption of this report, the Accounting Officer engage the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.**

1.2. Increase in Trade and Other Payables

The statement of financial position and Note 43 to the financial statements revealed total trade and other payables balance of Ksh.234,160,312, compared to a balance of Kshs.220,172,726 reported in 2023/2024 financial year representing an increase of Ksh.13,987,586 or 6%. The increase in total payables was primarily driven by trade creditors, which rose by 44%, indicating unpaid supplier invoices. Revenue received in advance dropped to nil, suggesting prior-year receipts were fully recognized as income during the year.

Employee and other payables slightly decreased, though the balances remain significant, highlighting the need for close monitoring of payroll-related liabilities and statutory remittances. The continuous increase in trade and other payables indicates that the Company has not been settling debts as they fall due casting out on the validity of the long outstanding trade and other payables balance.

In the circumstances, the accuracy and completeness of the trade and payables balance of Kshs.234,160,321 could not be confirmed. The Company is exposed to loss of funds through fines and penalties.

Management Responses

- a) The High trade payables rose by 44% is as a result of unpaid invoices received towards and after the balance sheet date that related to the period as at June 30th 2025 which are annexed below.
- b) Revenue received in advance dropped to nil; this was not dropped instead it was reported under Refundable Deposits and Prepayments as provided for in the template.
- c) Employee Payables comprise deductions arising from the June 2025 payroll cycle, which was processed at the close of the financial period. Consequently, all statutory and other payroll deductions disclosed as payables as at 30 June 2025 were subsequently remitted in the following month.
Additionally, this balance includes accrued gratuity, accrued retiree benefits, and payments due to casual workers as at 30 June 2025.
- d) Other Payables, comprises of accrued regulators levy and WRA charges as at June 30th 2025. For WRA revised charges came into effect in April 2025.
We state that the company has been settling dues as and when they fall due and within the timelines guided by the various contracts.

Committee Observations

The Committee observed that trade and other payables of Kshs.234,160,312, up from Kshs.220,172,726 in 2023/2024, representing a 6% increase.

Committee Recommendations

The Committee recommends that-

- i. the Governor to ensures the water company makes budgetary provision to clear part of the outstanding payables in the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report;
- ii. 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 report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance; and

- iii. within sixty (60) days of the adoption of this report, the Accounting Officer engage the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.

2. Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.457,030.349 as disclosed in Note 29 to the financial statements. However, review of records provided for audit revealed the following;

2.1 Long Outstanding and Unsupported Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.457,030.349 as disclosed in Note 29 to the financial statements. However, review of the trade and other receivables documents submitted for audit and as disclosed under Note 29 to the financial statements revealed that trade and other receivables totaling Kshs.491,610,069 had been outstanding for more than ninety-one (91) days.

Management Responses

The Company wishes to confirm that a comprehensive and active debt recovery mechanism is in place to ensure the recoverability of all outstanding trade receivables, including the Kshs. 491,610,069 noted as over 91 days past due.

The specific strategies and measures currently implemented are as follows:

- Disconnection of water supply for all delinquent accounts in line with the approved disconnection schedule and procedure.
- Sending of automated monthly SMS reminders to customers with outstanding balances to encourage prompt payment.
- Operation of a dedicated Debt Control Unit tasked with monitoring, follow-up and coordination of all debt recovery activities.
- Deployment of a field Inspection and Disconnection Team that physically disconnects non- paying customers from the main supply line.

- Acceptance and formalization of part-payment agreements for customers who commit to clearing their arrears over an agreed period, with such arrangements fully institutionalized in the Credit Control Policy.

- Issuance of formal demand letters to customers with significant or prolonged arrears prior to escalation.
- Referral of chronic defaulters to the Water Tribunal Court for legal enforcement and recovery where other measures have been exhausted.

Committee Observations

The Committee observed that audit review indicated that Kshs.491,610,069 had been outstanding for more than 91 days.

Committee Recommendations

The Committee recommends that-

- The Governor, through the Accounting Officer, should ensure that THIWASCO 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**
- 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**
- The Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submits 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;**
- 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**
- 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.**

2.2 Misclassification of Trade and Other Receivables

Included in the receivables balance of Kshs.457,030.349 is amount of Kshs.20,113,146 relating to deposits and prepayments out of which Kshs.6,777,201 relating to a payment made on 17 July, 2025 to CFAO Motors Kenya Limited, for delivery of a single cabin pick up instead of being classified under trade and other payables.

Management Responses

The above anomaly was noted and corrected through a journal entry and presented correctly in the revised financial statements submitted during the management letter stage. Disclosure as payables was correctly presented while the error was on prepayments instead of work in progress. Below is the journal as corrected.

Committee Observations

The Committee observed that Kshs.6,777,201 amount was incorrectly classified under trade and other receivables instead of payables.

Committee Recommendations

The Committee recommends that-

- i. The Accounting Officer should comply with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records, failure to which provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply;**
- ii. The Accounting Officer should strengthen internal audit controls and ensure proper record keeping**
- iii. The Accounting Officer should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements**

2.4 Staff Receivables

Included in the trade and other receivables balance of Kshs.10,792,225, is Kshs.6,522,727 in respect to staff receivables. Review of documents submitted for audit revealed that this balance was as a result of funds advanced to various members of staff during the year under review. However, this balance includes Kshs.4,186,880 which had been outstanding for more than one hundred and fifty (150) days, and no repayments were recorded during this period. In addition, some of the staff members with outstanding debts are alleged to have been dismissed, but their specific details including follow up reports by the Company were not provided for audit review.

Management did not also provide evidence of measures taken or strategies put in place taken to ensure collection of the outstanding amounts.

Management Responses

This related to advances to officers in form of recoverable salary advance and imprests.

Management has issued letters to the officers already left the company while others we commit to effect recovery from the pay cycle.

STAFF RECEIVABLES			
	Customer	Balance	Reason/measures
1	STA001 (cashiers' shortage)	1,734,923.00	This relates to the dismissed staff
2	STA1744 (CATHERINE MUTHONI GICHEHA)	874,234.54	Dismissed staff; Demand letter sent to her.
3	C74 (DANIEL THURI GICHUHI)	80,000.00	left the company, follow up done
4	C138 (David Gathethe Kimani)	33,333.34	left the company, follow up done
5	STA1498 (EMILY NYAMBURA NJOROGE)	2,799.40	Has been recovered from payroll
6	STA1062 (FELISTA WANJIRU KAMAU)	2,563.80	Has been recovered from payroll
7	C149 (Felix Ngisore Nyambuto)	60,000.00	left the company, follow up done
8	C109 (IBRAHIM KIRURI KAMAU)	20,833.31	Repaid in full
9	000001 (Ignatius Kimathi)	126,260.14	Imprest fully accounted
10	STA1491 (IRENE MUTHONI MBURU)	4,166.67	Has been recovered from payroll
11	STA1543 (MARGARET WANJIKU MURITU)	201,414.34	Dismissed staff; Demand letter sent to her.
12	STA1554 (MICHAEL NJOROGE MWAURA)	377,499.63	Dismissed staff; Demand letter sent to Him.
13	000013 (Peter Kamau)	20,000.00	Imprest fully accounted
14	STA1708 (RUTH NDUNGE NZILU)	628,858.69	Dismissed staff; Demand letter sent to her.
15	C34 (SUSAN NJERI)	19,993.00	Imprest fully accounted

	MBURU)		
	Total	4,186,879.8	
		6	

Committee Observations

The Committee observed that trade and other receivables balance of Kshs.10,792,225 included Kshs.6,522,727 in staff receivables, of which Kshs.4,186,880 had been outstanding for more than 150 days. These mainly relate to recoverable salary advances and imprests, with several amounts owed by staff who have since left or been dismissed.

Committee Recommendations

The Committee recommends that the Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, submit the outstanding amount. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle

2.5 Long Outstanding Staff Debtors

Included in the above trade and other receivables balance is Kshs.4,773,974 in respect to staff receivables. Review of supporting documents revealed that the above balance had been outstanding since the financial year 2017/2018. Further, details of specific transactions amounting to the above balance were not provided for audit. It was not clear why staff debtors were captured as a separate item from staff receivables, showing a possibility of double reporting in trade and other receivables.

In addition, note 29 to the financial statements reflects provision for doubtful staff debtors of the above amount in full, however, Board approval minutes for the same were not provided for review.

Management Responses

This is debt owed by former employees which was a result of misappropriation and has remained outstanding from 2017/18 to date. The employees were dismissed administratively and the matter reported with the DCI. In addition, the company has issued demand letter to the employees demanding them to settle the owed amount. The provision of such for doubtful staff debtors, is an accounting treatment in line with IFRS 9 on Impairment of debtors which is the process of recognizing expected losses from customers who may not pay their outstanding debts. The board approval had not been sought since it's not a write-off instead it's a provision.

The matter however is currently at DPP's office.

Committee Observations

The Committee observed that the trade and other receivables include staff debtors of Kshs.4,773,974, outstanding since the 2017/2018 financial year could not be verified by the specific transactions

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' schedule to the Auditor-General for verification;**
- ii. the Accounting Officer should within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor general for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle;**
- iii. the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and**
- iv. 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.**

3. Unsupported Grants Income – County Government of Kiambu

The statement of profit or loss and other comprehensive income and Note 7 to the financial statements reflects an amount of Kshs.12,726,790 in respect of grants income. as disclosed in Note 7 to the financial statements. Review of documents submitted for audit revealed that the funds were received from the County Government of Kiambu for execution of delegated assignments such as beautification of Mama Ngina Garden, rehabilitation of Kiandutu drainage system, rehabilitation of Witeithie drainage system, rehabilitation of Ngoingwa drainage system and rehabilitation of Kamenu drainage system. However, Management did not provide any signed agreements between Thika Water and Sewerage Company Limited and the County Government of Kiambu, hence the audit could not confirm the scope and terms of engagement, specific obligations of both Thika Water and Sewerage Company Limited and the County Government of Kiambu and the total funds to be disbursed and the specific timelines.

Further, a detailed breakdown of specific projects/assignments to be undertaken and the funds allocated to each project, specified timelines and conditions for each project/assignment, preconditions to contract signing, funds disbursement, fund use, project monitoring and project closure and implementation status reports showing how the funds were expensed and the balance was not provided for audit verification. Management did not provide Board approval minutes and progress reports for the projects/assignments undertaken during the year.

In addition, review of documents submitted for audit revealed that the Company made requests for funds to County Government of Kiambu vide letters Ref: TWSC-48/MK/020/605 - Kshs.8,704,140 and TWSC-48/MK/020/604 - Kshs.4,000,000 dated 15 October, 2024 for specific assignments. The funds were disbursed by Kiambu County Government via; P.V Number 1576 – Kshs.8,704,140 and P.V Number 3306 – Kshs.4,000,000.

In the circumstances, the accuracy and regularity of Kshs.12,726,790 in respect of grants income and the funds requested could not be confirmed.

Management Response

The projects executed by the company were as per the directive from the CGK, and Covered under project funding agreement. Letter requesting for funds against the proposed projects was forwarded to the County Government, in return the disbursement of money was channeled through the special purpose account for implementation.

Progress reports are shared with the County Government periodically.

Committee Observations

The Committee observed that the water company provided periodic reports to the county government

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee may recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

4. Unsupported Imprest

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.612,843,258 in respect to general operations expenses as disclosed in Note 12 to

the financial statements. Review of documents submitted for audit revealed that an amount of Kshs.3,814,300 was incurred on staff allowances, while attending (Water and Sewerage Company) WASCO sports outside the office premises. However, Management did not provide imprest warrants used to advance funds to the respective members of staff and approved surrender forms to account fund utilization. In addition, these payments were not recorded in the imprest register as per the above Public Finance Management Regulations.

In addition, imprest applications for funds amounting to Kshs.516,429 were issued to various members of staff to procure goods and services for the Company. However, surrender of the same was done more than seven (7) days after the intended purpose of the funds advanced had been accomplished.

In the circumstances, the accuracy, completeness and regularity of the imprest amount of Kshs.516,429 could not be confirmed.

Management Response

The approved HR policy under clause 9.2 on Per Diem Allowance provides;

“An employee who travels from outside the work station, is required to stay overnight, and makes his arrangements for boarding and lodging shall be paid a non-accountable per diem allowance. The rate of the allowance will be governed by the company’s approved rates”. In this case imprest warrant were not issued instead a non-accountable per diem was provided.

Delays in the retirement of issued imprests have been noted as reported above and an internal memo done to all staff. We commit to continuously enhancing this process by complying with the PFMA-R, which require that imprests be surrendered within seven days of accomplishing the intended purpose for which the funds were advanced. Failure to comply will result in the imposition of recovery measures.

Committee Observations

The Committee observed that the company did not maintain an imprest register during the financial year under review hindering tracking and expensed imprest at the time of issuance, instead of being accounted for upon surrender, raising concerns about proper and timely settlement.

Committee Recommendation

The Committee recommends that the Accounting Officer ensures strict adherence to Regulation 93(1) and (4) (c) of the Public Finance Management (County Governments) Regulations, 2015 in regards to maintenance of an

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

5. Discrepancies in Inventory

Note 28 to the financial statements reflects inventories balance amounting to Kshs.49,816,771. Management provided stock take report for the year ended 30 June, 2025. However, the following observations were made;

- i. Water meters donated by the defunct Athi Water Services Board which are non-functional have no values although they have been included in the inventory.
- ii. Water inventory as at 30 June, 2025 valued at Kshs.582,298 was not stated under what category of stocks though included in the inventories. Further, the physical stock provided did not classify the stock items therefore, it was not possible to confirm the value of the stock provided for audit.

In the circumstances, the valuation and accuracy of Inventory balance of Kshs.49,816,771 could not be confirmed.

Management Response

The meters donated by the defunct Athi Water Services Board as indicated are non-functional and we couldn't establish the value since at the time they were noted, value was not captured on the documents, hence its treated as a disclosure since the meters are physically in our stores. The company however have in view the need to donate them.

Water inventory at the period end is equally made as a disclosure since it didn't have a direct effect on the financial statements, the reason why it's not categorized under any category is informed by the template since it missed out.

Committee Observations

The Committee observed that water meters donated by the defunct Athi Water Services Board were non-functional and included in the inventory without assigned value, and water inventory valued at Kshs.582,298 was recorded without categorization

Committee Recommendations

The Committee recommends that—

- i. **The Governor, through the Accounting Officer, should ensure compliance with regulation 104(1) of the Public Finance Management (County Government) Regulations which states that the accounting**

- officer of a procuring entity to set up an inventory management system which shall be managed by the head of the procurement function, for the purpose of control and managing its inventory, stores; and
- ii. the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee may recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

6. Lack of Budget Approvals

During the year under review, the Board approved an initial budget on 26 March, 2024 and three (3) supplementary budgets, approval for supplementary three (3) being on 5 June, 2025. Approval for the initial budget was three (3) months after the required timeframe. Further, there was no documentary evidence that the County Executive Committee Member responsible for Water approved the budget or submitted it to the County Treasury for approval. Additionally, although the Board approved the budget, there was no evidence provided to confirm that the County Assembly approved it as required.

Further, included in the supplementary 3 budget is receivable grant from Kiambu County Government of Kshs.22,456,092. However, there was no written agreement between the County Government and Thika Water. It is not clear why the income was included in the budget without any agreement.

Management Response

PFM Act Section 129(2) requires the County Executive Committee Member (CECM) for Finance to submit the overall County Budget Estimates to the County Assembly by 30th April.

Therefore, county entities like Thika Water & Sewerage co. Ltd, must submit their internal budgets before this date, typically, between March 1st – April 15th. Thika water submitted the approved budget by 30th March to the County Treasury upon approval by the institutional board where the Chief officer (Water and Finance) sits.

The grant was included in the budget as receivable grant for planning purposes since it was expected within the budgeted period and actually received within the period and reported as such, to execute the activities as planned on drainage rehabilitation in the low-income areas, additionally letters requesting for such grants had been issued with the County Government of Kiambu for action.

Committee Observations

The Committee observed that there was no evidence that the County Executive Committee Member (CECM) responsible for Water approved the budget or submitted it to the County Treasury, nor that the County Assembly approved it as required.

Committee Recommendations

The Committee recommends that—

- i. The Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences may apply;**
- ii. The National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iii. The Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences may apply**
- iv. The Governor ensures that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements**

OTHER MATTERS

1. Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements and Lawfulness and Effectiveness in Use of Public Resources and and Report on Effectiveness of Internal Controls. Review of the status during audit of the Thika Water and Sewerage Company Limited in 2024/2025 revealed that the following matters remained unresolved.

No.	Financial Year	Audit Issue
i.	2023-2024	Unsupported and Long-Term Outstanding Payables
ii.	2023-2024	Unsupported Trade and Other Receivables
iii.	2023-2024	Non-Compliance with Ethnic and Regional Balance
iv.	2023-2024	Employees Earning Less than a Third Basic Pay
v.	2023-2024	Non-Revenue Water
vi.	2023-2024	Delayed Project Completion and Performance (Upgrade of Thika Water Treatment Plant Rehabilitation Phase 1 Works)
vii.	2023-2024	Desludging and Rehabilitation of Sewer Ponds
viii.	2023-2024	Completed Projects and Not in Use
ix.	2023-2024	Land Without Ownership Documents

Management Response

- i. Unsupported and Long-Term Outstanding Payables; On the status, we refer to response above no 1.1.1.
- ii. Unsupported Trade and Other Receivables; On the status, we refer to response above no 2.
- iii. Non-Compliance with Ethnic and Regional Balance; On the status, we refer to response below, no. 8.
- iv. Employees Earning Less than a Third Basic Pay; On the status, we refer to response below, no. 9.
- v. Non-Revenue Water; On the status, we refer to response below, no. 14.
- vi. Delayed Project Completion and Performance (Upgrade of Thika Water Treatment Plant Rehabilitation Phase 1 Works); On the status,

The project has advanced significantly since the audit reference period and is now at 90% completion, having transitioned into the Defects Liability Period (DLP) as 31/10/2025. All core design elements have been thoroughly reviewed and seamlessly incorporated into the broader DANIDA-supported Thika and Githunguri Water Supply and Sanitation initiative, overseen by the Athi Water Works Development Agency (AWWDA). The facility is fully operational and serving its intended purpose,

contributing to enhanced water treatment capacity in the region. Key Achievements and Completed Works:

- Construction of the suction chamber and associated raw water pipelines fully executed.
- Rapid mixing chamber constructed and operational.
- Installation and successful commissioning of all three new raw water pumps, addressing the previously pending deliverable.

No outstanding items remain; the project is deemed substantially complete. Performance and compliance are actively monitored under the one-year DLP, until 31 October 2026, with routine inspections to ensure long-term reliability.

This closure aligns with ongoing regional water infrastructure enhancements, DANIDA partnership which aims to further expand supply and mitigate shortages in Thika. Management commits to timely resolution of any residual DLP items and full handover by the stipulated date.

vii. Desludging and Rehabilitation of Sewer Ponds; On the status,

Action Taken by Management

1. Contractual Obligations and Notification of Default:

Pursuant to provisions of the Public Procurement and Asset Disposal Act (PPADA) and contract terms, THIWASCO issued default notices to the contractor, outlining breaches in timelines and performance. The contractor was granted cure periods to remediate, during which partial progress was made.

2. Performance Bond Invocation:

With deficiencies unaddressed, the Inspection and Acceptance Committee recommended and THIWASCO invoked the performance bond. This secured compensation for delays and ensured project continuity without financial loss to THIWASCO.

3. Contract Termination Process:

Following due process under PPADA and FIDIC conditions, a formal termination notice was issued citing specific breaches (schedule overruns & abandonment of site by Contractor).

4. Completion and Alternative Measures:

Remaining works were quantified, and budgeted to be completed in the Financial Year 2025/2026. So far, the Annual Procurement Plan (APP) and Project Requisitioning for completion of this project have been done through the Electronic Government Procurement System (e-GPS). In addition to completing the terminated contract, this new Contract will also rehabilitate another set of three (3) ponds.

5. Completed Projects and Not in Use; On the status,

The Contract commencement date was 1st April 2024 with a construction period of 6months. The contract end date was 1st October 2024.

The project involved construction of 3.47 km of water pipelines is now complete and in use.

6. Land Without Ownership Documents;

The title deed for the land valued at Kshs.28,596,000 is here in attached.

Thika Water and Sewerage Company Ltd took over some parcels of land from the Defunct Municipal Council as shown below.

Disclosure of the said land parcels had been made in the financial statements as an extension of note No. 20. Pages 30,31 & 32.

Registration of these parcels of land inherited from the defunct Municipal Council of Thika is in progress as per the attached contract extract. Due diligence was conducted and ownership established on the respective parcels. Registration is in progress and is awaiting issuance of the allotment letters to various persons in favor of Thika Water.

Committee Observations

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

Committee Recommendations

The Committee recommends that—

- i. The Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply;**
- ii. The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters; and**
- iii. The Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Diversity, Equity and Inclusion

Based on analysis of the Employee Bio Data 2024–2025, the Company demonstrates compliance in gender equity and youth inclusion, but fails to meet staff ethnic diversity requirements due to significant overrepresentation of one ethnic group (Code 30). While gender balance is satisfactory, leadership representation should be continuously monitored. Further, the age profile indicates a sustainable youth proportion but highlights a need for succession planning as a large share of employees are above thirty-five (35) years. This was contrary to National Youth Policy (2019) recommends that at least 30% of employees be youth (aged 35 years and below).

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

Management Response

The HR Manual referenced below have provided clear guidelines on the recruitment procedure which are in line with the public service manual 2016 and constitution of Kenya 2010 that states; THIWASCO is an equal opportunity employer and will seek to recruit qualified persons for any arising vacancies. THIWASCO does not discriminate in employment opportunities or practices based on age, race, marital status, gender, nationality, sexual orientation, language, colour, religion, political or other opinion, ethnic or social origin, disability, pregnancy or health status. The caliber of staff recruited will be competent individuals who are prepared to meet high standards of performance and demonstrate both integrity and professional skills.

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at THIWASCO will be based on merit, qualifications, and abilities. The policy governs all aspects of employment including selection, job assignment, compensation, discipline, termination, and access to benefits and training. THIWASCO will pay all employees equal remuneration for work of equal value. In chapter 3.1.7 of HR manual also indicates the Rights of Disabled People to have equal employment opportunity.

Most of the staff having been transferred from defunct Municipal Council of Thika in 2009, the management is making deliberate effort under affirmative action policy to ensure regional balance, gender parity, diversity and disability inclusivity in the subsequent recruitments to attain the threshold.

Committee Observations

The Committee observed that the Company Limited complied with gender equity and youth inclusion, but failed to meet ethnic diversity requirements due to overrepresentation of one ethnic group.

Committee Recommendations

The committee recommends that

- i. **The Board and the accounting officer to make deliberate efforts progressively in the endeavor to comply with Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.**
- ii. **The Board and the accounting officer makes 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**

2. Non-Compliance with a Third of Basic Pay Rule

Review of payroll records for the period July, 2024 to June, 2025 revealed that a total of thirty-eight (38) employees had net pay below one-third of their basic salary, in breach of the statutory two-thirds rule. The analysis covered twelve (12) months of payroll data and identified ninety-six (96) instances where total deductions comprising statutory, loan, and voluntary recoveries exceeded the allowable two-thirds limit of basic salary.

In several cases, the non-compliance persisted for multiple consecutive months, indicating that the payroll system lacks an automated compliance control to prevent or flag such breaches. This was contrary to Section 19(3) of the Employment Act, 2007 states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

In the circumstances, Management in breach of the law.

Management Response

Effect of SHA implementation, loss of days and NSSF new rates

- a) **Federation of Kenyan Employers letter dated 24th September 2025 states;** Following the public notice issued by the ministry of health to employers requiring them to register with the social health authority by 30th September 2024 in readiness of the implementation of the social health insurance fund (SHIF), the company implemented the SHA in October 2024. The implementation at the time was a non-deductible contribution hence affected staff net pay since some staff had already committed their salary.
- b) The implementation of NSSF deduction effective February 2025 in line with government directives lead some staff been affected by 1/3 net pay rule.
- c) Absence of duty- Article 19 of employment act 2007 on Deduction of wages

states, (1) Notwithstanding section 17(1), an employer may deduct from the wages of his employee. An amount not exceeding one day's wages in respect of each working day for the whole of which the employee, without leave or other lawful cause, absents himself from the premises of the employer or other place proper and appointed for the performance of his work. The same was implemented to staff who were not in compliance during the period.

Committee Observations

The Committee observed that 38 employees per month were drawing net salary of less than one third of their basic salary contrary to section 19(3) of the Employment Act, 2007.

Committee Recommendations

The Committee recommends that the Company adheres with the provisions of to Section 19(3) of the Employment Act, Cap.226 which stipulates that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of the basic pay, failure to which the provisions of section 87 of the Employment Act on penalties for offences shall apply.

3. Personnel Expenditure Exceeding WASREB Threshold

Examination of the statement of profit or loss and other comprehensive income for the financial year ended 30 June, 2025 revealed that Thika Water and Sewerage Company Limited incurred total operational costs amounting to Kshs.1,156,918,861 of which personnel expenses totaled Kshs.369,690,953. This translates to a personnel cost ratio of 32%, which exceeds the WASREB limit of 30% for very large companies by 2 percentage points, equivalent to approximately Kshs.22,615,295.

The over-expenditure indicates that the Company's personnel costs were higher than allowable under regulatory standards for its size category.

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

Management Response

The company has gradually improved on the particular KPI as exhibited from the approved current tariff where the regulator's required target for the year under audit is 43% which is expected to progressively reduce up to 42% as at the last year of the approved tariff (2025 - 2026). The company however endeavors to align the staff costs KPI as per the regulator's guideline.

The company's actual performance of 32% staff costs thus exceeds the set tariff target by 11%. In addition, the staff cost was 32% of revenue and is within the limit provided for in the PFM Act of 35%.

Committee Observations

The Committee observed that personnel expenses totalled Kshs.369,690,953, representing 32% of total operational costs of Kshs.1,156,918,861 which exceeds the WASREB threshold indicating non-compliance with regulatory limits.

Committee Recommendations

The Committee recommends that the Company adheres with the provisions of regulation 25(1) of the Public Finance management (County Government) Regulations, 2015 which limits the wage bill to thirty-five percent (35%) of the total revenue and establish a lean staff complement.

4. Repeated Award of Contracts to Non-Performing Contractor (Octagon Builders)

Audit review of the 2023/2024 to 2024/2025 procurement and project implementation records revealed that Octagon Builders was awarded a total of five (5) contracts within the two years period.

All five (5) projects were either terminated or remain incomplete beyond their contractual completion dates. Despite this poor performance record, the contractor continued to receive additional awards in subsequent financial years without evidence of a due-diligence review or performance assessment being conducted prior to new contract issuance. This was contrary to Section 151(2) of the Public Procurement and Asset Disposal

Act, 2015 states that the contract implementation team shall be responsible for monitoring the performance of the contractor to ensure that all delivery or performance obligations are met or appropriate action taken by the procuring entity in the event of obligations not being met and ensure that there is right quality and within the time frame, where required.

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

Management Response

M/s Octagon was awarded the contracts as the lowest evaluated bidder in strict compliance with the evaluation criteria set out in the tender documents. The evaluation process was conducted objectively and transparently, strictly in accordance with the criteria disclosed to all bidders at the time of tender invitation.

Notably, the evaluation criteria did not contain any provision restricting bidders from tendering for or being awarded multiple contracts. Consequently, no such limitation could be introduced at the evaluation or award stage, as doing so would have contravened the principle of fairness and transparency. The Evaluation Committee therefore adhered strictly to the published criteria, in line with Section 80(2) of the Public Procurement and Asset Disposal Act, 2015 (Revised Edition 2022), which requires that evaluation and comparison of tenders be conducted strictly in accordance with the procedures and criteria set out in the tender documents, as well as Regulation 30 of the Public Procurement and Asset Disposal Regulations, 2020.

Further, at the time of award, M/s Octagon had no record of poor performance in previously executed and ongoing contracts with the procuring entity or any documented adverse performance history that would warrant disqualification. The firm's financial capacity was duly assessed during the evaluation process and found to be adequate to undertake the contracts. All mandatory, technical, and financial requirements were met.

Accordingly, there was no lawful or factual basis for disqualification, and the award was made in full compliance with the applicable procurement laws, regulations, and the tender conditions.

However, Management has since introduced a provision in the tender documents to limit the award of multiple project contracts to a single contractor going forward. Consequently, the Company terminated the above contracts and retendered the works, which are currently in progress as indicated.

Committee Observations

The Committee observed that Octagon Builders was repeatedly awarded five contracts between 2023/2024 and 2024/2025, despite poor performance, with several projects terminated or incomplete.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures that the water company strictly adheres to the provisions of section of the Public Procurement and Asset Disposal Act,

5. Delay in Project Implementation and Inefficient Escrow Fund Management

Audit confirmed that the Water Sector Trust Fund (WSTF) disbursed an amount of Kshs.16,500,000 to Thika Water and Sewerage Company Ltd (THIWASCO) on 31 May, 2024 as the first tranche of the CLSG II Grant. In compliance with WSTF's letter of 30 April, 2024, THIWASCO began daily transfers to the escrow account in May, 2024, immediately following agreement signing. Bank statements from Family Bank showed an opening escrow balance of Kshs.1,686,666.36 as at 2 August, 2024,

confirming that daily deposits of Kshs.18,333.33 had been remitted from the collection account since May–June, 2024.

However, as at 30 June, 2025, the project had not commenced, and the disbursed project funds remained unutilized in the designated account. This indicates that while THIWASCO complied procedurally with the WSTF directive and CLSG II Manual, there was significant delay in implementation, resulting in idle balances both in the project and escrow accounts.

As a result of delay in utilization of funds as intended, Management may not achieve the intended purpose of funds hence the value for money may not be realized.

Management Response

The delay was not attributable to the company. The first tender was conducted in July 2024, but upon evaluation, it was cancelled as the tendered amount exceeded the approved budget. This was reported to WSTF, and the company subsequently sought approval to re-advertise the tender with a reduced scope of work. This request was granted, and the tender was re-advertised in March 2025.

Upon evaluation of the second tender, the quoted amounts again exceeded the approved budget of Ksh 33,000,000, by Ksh 2,549,608. The company therefore sought consensus with WSTF to co-finance the programme in order to remain within the stipulated timelines. Approval was granted in June 2025, following WSTF's consultation with the World Bank, which provided financial support for the project and coordinated funding for these interventions.

Through ongoing engagement with WSTF, the contract was subsequently extended to October 2025. A further addendum extended the contract to March 2026. These extensions represent important achievements by the company in its efforts to ensure timely project completion.

Committee Observations

The Committee observed that there were delays in the implementation of the CLSG II project, despite THIWASCO receiving Kshs.16,500,000 from WSTF and making daily transfers to the escrow account.

Committee Recommendations

The Committee recommends that-

- i. The Governor of Kiambu County should take keen interest in the management and operations of the water company in line with Article 179(4) of the Constitution; and**

- ii. **The Governor ensures that the Accounting Officer 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, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply**

6. Expired Projects Period

The projects implementation status report shows that ten (10) projects with a total cost of Kshs.167,061,988 were still ongoing despite their contracts having expired in various dates. No requests for their extensions or proof of action taken were provided for review.

In the circumstances, the company is in breach of the contractual provision.

Management Response

The subject projects fall into three distinct categories: Seven (7) Contracts Terminated for contractor non-performance (not "expired") Six (6) Projects Successfully Completed and now under Defects Notification Period. One (1) Project Ongoing with approved extension of time. All projects were managed in accordance with contract procedures. Taking-Over Certificates dated between October-December 2025 demonstrate successful project completion.

Committee Observations

The Committee observed that the audit noted ten projects valued at Kshs.167,061,988 appearing ongoing despite expired contracts, with no documentation of extensions initially provided. Management clarified that seven contracts were terminated due to non-performance, six projects were completed and are under the Defects Notification Period, and one project is ongoing with an approved extension.

Committee Recommendations

The Committee recommends that

The Accounting Officer engages WASREB to fast-track the projects and provide a status update within 60 days from the adoption of this report

7. Non-Revenue Water

Review of revenue records revealed that the Company produced 15,331,819 cubic meters of water out of which 9,965,682 cubic meters was billed to customers. The difference of 5,366,137 cubic meters represents non-revenue water being 34% of the total water produced, which is 9% above the allowable loss of 25% set by WASREB Guidelines. The unaccounted-for water may have resulted in loss of sales estimated at Kshs.268,306,850 at a rate of Kshs.50 per cubic meter.

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

Management Response

Since the previous audit in 2024-25 - (36% NRW), THIWASCO has demonstrated clear, measurable progress—reducing NRW to 34%, lowering NRW volumes and the associated estimated sales losses, and advancing from planning/early-stage actions to more mature, operational control across the core NRW drivers: governance, DMA management, metering accuracy, leak detection and response, enforcement, and pipeline renewal.

The downward trend and supporting evidence indicate stronger controls, improved revenue capture, and more effective management of physical and commercial losses—consistent with the Strategic Plan objective of reducing NRW to 25% by 2029 (SG3).

Committee Observations

The Committee observed that the Non-Revenue Water was at 34% which was way above the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB) guidelines.

Committee Recommendations

The Committee recommends that-

- iv. **The Accounting Officer should put in place comprehensive measures to mitigate the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages, among other measures. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter in the subsequent audit cycle;**
- v. **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**
- vi. **The County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put in place to reduce cases of theft and illegal connections.**

8. Unregistered Parcels of Land

The statement of financial position and as disclosed in Note 20 to the financial statements reflects land valued at Kshs.28,596,000. The balance excludes 19 parcels of land located in different locations. The parcels of land were indicated as owned by the Kiambu County Government. However, land title deeds to prove ownership of the parcels of land were not provided for audit. No reason was provided for failure to have the land in the Company's name contrary to Regulation 132(1) of the Public Finance Management Act, 2015 which states that the Accounting Officer of a County Government entity shall take full responsibility and ensure that proper control systems exist for assets

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

Management Response

The company has contracted the law firm "Nyongesa Nafula Advocates" to undertake the registration and regularization process for all the unregistered parcels of land to ensure that they are formally transferred and registered in the Company's name. The Company is in possession of a valuation report prepared in 2012 and a transfer of asset agreement forwarded by the defunct Municipal Council in 2009 at the time of the Company's formation, which are supporting documents for the ongoing regularization process.

Upon engagement, the Advocate initiated correspondence with the National Land Commission (NLC) and undertook follow-ups requesting the Commission to conduct site inspections on the respective parcels of land as a prerequisite to the issuance of allotment letters. The law firm also requested that NLC communicates suitable dates for the site inspections and has continued to liaise with the County Executive Committee Member (CECM) – Lands, Kiambu County, to ensure that updated survey plans are prepared and submitted to NLC upon issuance.

A meeting was held on 30th April 2025 with the NLC Director, Land Administration, at NLC offices. It was agreed that the site visits to the respective parcels be scheduled at the earliest opportunity. The Advocate subsequently provided NLC with all supporting documents and previous correspondences to facilitate scheduling.

Further engagements culminated in an agreement involving the NLC Director, Land Administration, the Kiambu County Land Administration team, and THIWASCO, that site visits will be conducted on 3rd December 2025, accompanied by the Company's Asset Development Manager.

Following the site inspections, the NLC will prepare formal reports for adoption by the Commission. These reports will facilitate the issuance of allotment letters, after which the Advocate will proceed with the final transfer and registration of the parcels of land in THIWASCO's name.

Management is actively addressing the matter and has put in place measures to ensure full compliance with the Public Finance Management Regulations. The registration process is ongoing and coordinated efforts between the Company, NLC and Kiambu County Government to regularize ownership of all the parcels under review.

Committee Observations

The Committee observed that The Company's financial statements reflect land valued at Kshs.28,596,000. However, 19 parcels of land located in various locations were not registered in the Company's name, and title deeds were not provided for audit.

Committee Recommendation

The Committee recommends that—

- i. Within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters lands, engages with the Ministry of Lands of the National Government and IGRTC to ensure the transfer of ownership documents of land is fast tracked**
- ii. Upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification**

9. Appointment and Composition of the Board Members

The statement of profit or loss and other comprehensive income and as reflected under Note 12 to the financial statements reflect Board expenses amounting to Kshs.14,788,499. Review of Board meeting minutes for both the full Board and sub-committees of the Board revealed the following anomalies: -

- i. Review of Board appointment letters and other provided information revealed that the Board had six (6) Members excluding the Managing Director as opposed to nine (9) Members that is provided for in Mwongozo Par.1.1.**
- ii. The Board Membership has only one female Member contrary to the directive which provide that 1/3 of the membership should be female.**

In the circumstances, the company did comply with the provisions of Mwongozo

Management Response

The recruitment process was duly initiated, and the position advertisements were published in accordance with the approved recruitment procedures.

Following the conclusion of the recruitment process, two additional Directors were successfully hired, one of whom is female, thereby supporting gender balance within the leadership team.

In addition, the Company is currently in the process of recruiting two more Directors, with the requirement that at least one of the positions must be filled by a female candidate to further enhance gender representation.

Observation that the Board previously had only one female member contrary to the requirement that at least one-third of its membership be female, we confirm that corrective action has already been taken. The Board now has two female members, thereby improving gender representation.

Further, the ongoing recruitment process for two additional Board members includes a requirement that at least one of the incoming appointees must be female. Upon completion, this will fully align the Board's composition with the one-third gender requirement.

Management remains committed to upholding all statutory and regulatory requirements and will continue strengthening internal controls to ensure sustained compliance.

Committee Observations

The Committee observed that The Board had six (6) members excluding the Managing Director, instead of the nine (9) members required under Mwongozo

Committee Recommendations

The Board and the accounting officer to make deliberate efforts progressively in the endeavor to comply with Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.

10. Use of Estimates in Billing of Customers

Review of the billing summary report provided by Management, showing the clients for the Company with the history of billing in the year under review revealed that 42,854 clients were being billed using an estimates water consumption rather than use of accurate meter readings. This translated to Kshs.82,538,780 billed using estimated consumption rather than the actual consumption from the customers. Use of estimates may have the Company loose revenues as the clients may have consumed more than what was being estimated.

In the circumstances, the accurate revenue to be generated by the Company could not be confirmed.

Management Response

We wish to clarify that the audit observation contains an inaccuracy regarding the scope and impact of estimated billing. The total number of active billed accounts during the year was 42,854, as fully evidenced in the billing summary report provided to the auditors.

Of these, approximately 11,000 accounts were billed on an estimated basis, due to operational constraints, namely:

- Non-functional meters that stall or fail to record consumption during the reading cycle.
- Restricted access to premises due to locked gates.
- Safety risks to meter readers, such as unrestrained dogs.

In every such case, estimates are conservatively calculated using the customer's own historical average consumption over the preceding three months a widely accepted industry practice that ensures fairness while protecting revenue.

Importantly, these 11,000 estimated accounts represent less than 6% of the total billed volume, with approximately 94% of the billed volume derived from actual meter readings. This clearly demonstrates that the vast majority of the Company's revenue is based on accurate, verifiable consumption data.

Far from being a weakness, this controlled estimation process is essential for revenue protection. In the absence of estimates, the Company would be forced to issue zero bills for water actually supplied in these instances, resulting in significantly greater revenue leakage and undermining the financial sustainability required to maintain and expand services for all customers.

Committee Observation

The Committee observed that the water sales amounting to Kshs. 82,538,780 were calculated using estimated meter readings rather than actual meter readings due to various reasons including faulty meters and inaccessibility of meters

Committee Recommendation

The Committee recommends that within ninety (90) days of the adoption of this report, the Accounting Officer should ensure replacement of all faulty water meters to ensure accurate billing. The Auditor-General to provide a status update on the same to the Senate during the subsequent audit cycle.

11. Lack of Information Communication Technology (ICT) Committee and ICT Internal Control Weakness

During the year under review, the Company did not establish an IT Strategic Committee which is contrary to Section 6.2 of the IT Governance Standard by the ICT Authority of 2019 which requires that all MCDAs establish two (2) ICT governance committees, an IT Strategy Committee to provide strategic advice on ICT initiatives and investments to the Board and an IT Steering Committee to define the IT mission and goals aligned with the strategic direction of the organization. There was no evidence provided to confirm the Committee held any meetings during the year under audit.

Further, there are no service reports available that document any changes made to the system by the vendor. This lack of documentation raises concerns on accountability and the ability to track modifications or updates that may impact system performance.

In the circumstances, the effectiveness of the ICT internal control processes and governance could not be confirmed.

Management Response

During the financial year, management established an IT Steering Committee on 30th April 2025, as part of strengthening ICT governance structures. However, the committee did not convene within the year under review, since the committee was reconstituted towards the end of the financial year.

Committee Observations

The Committee observed that the Company did not establish an IT Strategy Committee during the year under review, contrary to Section 6.2 of the IT Governance Standard by the ICT Authority of 2019, which requires MCDAs to have both an IT Strategy Committee and an IT Steering Committee.

Committee recommendations

The Committee recommends that the Board of Directors ensures that the water company puts in place all internal control systems such as the ICT policy as provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of all the funds. Further, the managements to submit evidence of the same to the Auditor-General for verification.

CHAPTER TWO: MUNICIPALITIES

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

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga, EGH, presented written responses before the Committee, to respond to audit queries raised in the report of the Auditor-General on financial statements for Karuri Municipality for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

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

1. Inaccuracies in the Financial Statements

1.1. Unsupported Prior Year Adjustments

The statement of changes in net assets reflects prior year adjustments for development grants and accumulated surplus amounts of Kshs. 527,851,899 and Kshs. 64,065,875 respectively. Further, Note 24 to the financial statements reflects property, plant and equipment adjustments for various assets totaling Kshs. 469,558,330. However, the adjustments were not supported with journal entry vouchers and detailed analysis as to what the amounts relate to.

Further, the statement of comparison of budget and actual amounts reflects budget carry over final budget amount of Kshs. 157,305,053 which differs with the prior year carry over amount of Kshs. 686,412 resulting to an unexplained variance of Kshs.156,618,641.

Management Response

Management confirms that the approved journal entry records and detailed analysis supporting the adjustments are attached.

Management clarifies that Kshs. 157,305,053 was not received in the current financial year. The expenditure of Kshs. 1,000 was bank charges for the year and the balance of Kshs. 685,412 was retention money that had not been claimed.

Committee Observations

The Committee observed that whereas approved journal entry records and detailed analysis supporting the adjustments were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)I of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

1.2. Inconsistencies in Property, Plant and Equipment

Review of the asset register revealed ten (10) categories of assets ranging from motor vehicles, computers and furniture which had not been valued and have not been included as part of the property, plant and equipment in the financial statements.

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

Management Response

The county in conjunction with IGRTC (Inter Governmental Relations Committee) is currently on the process of finalizing the valuation of the assets for subsequent update of the asset register. The national treasury through the NALM (National Assets & Liabilities Management) is currently training counties to incorporate the assets. Therefore, it was not possible to quantify the value of assets in the Municipality.

Committee Observations

The Committee observed that-

1. valuation of the assets was currently ongoing in conjunction with IGRTC.
2. the National Treasury was training counties to incorporate assets through the National Assets and Liabilities Management.

Committee Recommendations

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Governor in collaboration with IGRTC conclude the valuation of assets for Karuri Municipality and the County Government of Kiambu ensures the transfer of ownership documents of the assets is fast tracked;**
- ii. **the Governor ensures the valuation report is submitted to the Auditor-General for verification during the subsequent audit cycle;**
- iii. **upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and**
- iv. **the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance**

Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

2. Undisclosed Depreciation Method

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects property, plant and equipment depreciation charge of Kshs. 28,537,515. Further, included in Note 24 to the financial statements are depreciation rates for buildings, motor vehicles and road works of 2%, 13% and 5% respectively. However, the method of depreciation adopted was not stated under significant accounting policies in the notes to the financial statements.

In the circumstances, the accuracy and completeness of depreciation charge of Kshs. 28,537,515 could not be confirmed.

Management Response

Management notes the observation and clarifies that the depreciation rates applied in the financial statements were guided by the National Treasury Circular on Accounting Policies issued in 2020, which provides standard depreciation rates for public sector entities. The rates applied are therefore consistent with government guidelines and IPSAS requirements.

Management further undertakes to embed these rates formally within the County's financial manual in the next review to ensure consistency and compliance.

Committee Observations

The Committee observed that during the time of audit management had not stated the method of depreciation applied, however, management submitted that the depreciation rates applied were guided by the National Treasury Circular on Accounting Policies issued in 2020.

Committee Recommendations

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 157,305,053 and Kshs. 686,412 respectively, resulting to an underfunding of Kshs. 156,618,641 or 99% of the budget. Similarly, the statement reflects total expenditure amount of Kshs.1,000 against actual receipts of Kshs. 686,412 resulting to an underutilization of Kshs. 685,412 or 99% of the actual receipts.

The underfunding and underutilization affected the planned activities of the Municipality and may have impacted negatively on service delivery.

Management Response

Management clarifies that Kshs. 157,305,053 was not received in the current financial year. The expenditure of Kshs. 1,000 was bank charges for the year and the balance of Kshs. 685,412 was retention money that had not been claimed.

Committee Observations

The Committee observed that-

1. The Municipality budgeted for Kshs. 157,305,053 and received Kshs. 686,412 resulting in an underfunding of Kshs. 156,618,641 or 99% of the budget.
2. The Municipality expended an amount of Kshs.1,000 against actual receipts of Kshs. 686,412 resulting to an underutilization of Kshs. 685,412 or 99% of the actual receipts.
3. Management clarified that Kshs. 157,305,053 was not received in the current financial year, whereas Kshs 1,000 related to bank charges for the year and the Kshs. 685,412 was retention money that had not been claimed

Committee Recommendations

The Committee recommends that-

- i. **the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
- ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance may apply.**

Other Matter

1. Unresolved Prior Year Matters

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

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Financial Statements
2	2023/2024	Unreconciled Cash and Cash Equivalents
3	2023/2024	Misstatement of Property, Plant and Equipment
4	2023/2024	Ineligible Payments
5	2023/2024	Non-Compliance with Public Sector Accounting Standards Board Reporting Template
6	2023/2024	Lack of Accountability in Retention Money
7	2023/2024	Failure to Provide Annual Revenue Estimates
8	2023/2024	Failure to Conduct an Annual Performance Review of the Integrated Development Plan
9	2023/2024	Irregular Composition of the Board
10	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan
11	2023/2024	Lack of Board and Committee Charter

Managemnt Response

	Financial Year	Audit Issue	Status
1	2023/2024	Inaccuracies in the Financial Statements	The management corrected the inaccuracies in the subsequent financial year
2	2023/2024	Unreconciled Cash and Cash Equivalents	The management corrected the Unreconciled Cash and

			Cash Equivalents in the subsequent financial year
3	2023/2024	Misstatement of Property, Plant and Equipment	The management corrected the Misstatement of Property, Plant and Equipment in the subsequent financial year
4	2023/2024	Ineligible Payments	The management prepare prior year journals to correct the Infrastructure Projects payments in the subsequent financial year
5	2023/2024	Non-Compliance with Public Sector Accounting Standards Board Reporting Template	The management complied with Public Sector Accounting Standards Board Reporting Template in the subsequent financial year
6	2023/2024	Lack of Accountability in Retention Money	The management prepared retention registers for accountability of Retention Monies in the subsequent financial year
7	2023/2024	Failure to Provide Annual Revenue Estimates	The management prepared Annual Revenue Estimates in the subsequent financial year
8	2023/2024	Failure to Conduct an Annual Performance Review of the Integrated Development Plan	The management Conducted an Annual Performance Review of the Integrated Development Plan in the subsequent financial year
9	2023/2024	Irregular Composition of the Board	The management complied with the Composition of the Board in the subsequent financial year

10	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan	The management prepared a Risk Management Policy and Disaster Recovery
11	2023/2024	Lack of Board and Committee Charter	The management is in the process of preparing a Board Charter

The Management is still awaiting recommendations of the County Assembly and Senate CPISFC for Financial Year 2023/24.

Committee Observations

The Committee observed that the query remains unresolved as the Municipality did not take action in resolving some of the queries raised in the report of the Auditor-General for the financial year 2023/24.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and Committee may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**
- ii. The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

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

1. Presentation and Disclosure in the Financial Statements

Review of the financial statements presented for audit revealed that Appendix 1 on progress on follow up of auditor’s recommendations indicate only two (2) issues while the audit report for the financial year 2023/2024 indicated thirteen (13) issues. Further, the amounts disclosed in the financial statements have not been rounded off to the nearest shilling.

In the circumstances, the financial statements do not comply with prescribed Public Sector Accounting Standards Board reporting templates.

Management Response

The management notes the recommendations and will update the progress on follow up on auditor's recommendations to highlight the issues as presented in the signed audit reports to include all the issues captured in the previous audit.

Committee Observations

The Committee observed that the financial statements were not prepared in the format prescribed by the Public Sector Accounting Standards Board reporting templates.

Committee Recommendations

The Committee recommends that-

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

2. Failure to Conduct Annual Performance Review of Integrated Development Plan

The Municipality did not conduct annual performance review of the Integrated Development Plan contrary to Section 42 of the Urban Areas and Cities Act, 2011 that requires the City or Municipal Board to review its Integrated Development Plan annually to assess its performance in accordance with performance management tools set by it.

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

Management Response

The Municipal board reviewed the Integrated Development Plan for FY 2024/2025.

Committee Observations

The Committee observed that as at the time of audit the Municipality did not conduct annual performance review of the Integrated Development Plan contrary to Section 42 of the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that the Governor ensures the Municipal Board conducts annual performance review in line with Section 42 of the Urban Areas and Cities Act, 2011. The Auditor-General to review and verify the Municipality's Integrated Development Plan for FY 2024/2025 and report to the Committee in the subsequent audit cycle.

3. Lack of Board and Committee Charter

The Municipality as per the Urban Areas and Cities Act, 2011 is required to have a Board in place and ensure that the committees of the Board are constituted. However, review of the Municipality records indicated that the Board had not developed or adopted a Board Charter since inception in 2018. Further, the Board had three (3) committees namely technical, planning and oversight, human resources, finance and administration and partnership, audit and risk management committees established to run the affairs of the Board, however, none of the committees had developed a charter that outlines its roles and responsibilities.

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

Management Response

The role, responsibilities and functions of the Board in the governance of the municipality are prescribed in the Municipal charter as per UACA 2011 amended 2019, section 20(1). The municipality is currently in the process of developing the board charter.

Committee Observations

The Committee observed that the query remains unresolved as the Municipality had not developed a board charter and was in the process of developing one.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Board fast tracks the development of the board and committee charter. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle; and
- ii. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government.

4. Non-Funding and Dormancy in Operations of Karuri Municipality

Review of records provided for Karuri Municipality revealed the following;

- i. Whereas the County Government budgeted for funds totaling Kshs. 3,866,300 for Karuri Municipality operations in the County budget, there was no disbursement of the budgeted funds to support the activities of the Municipality. This was contrary to Section 43 of the Urban Areas and Cities Act, 2011 which requires the County Government to fund the Municipality.
- ii. The Municipality did not undertake any activities, projects or operational transactions throughout the financial year under review.
- iii. The Municipality maintained a bank balance of Kshs. 685,411 as at the end of the financial year. The only expenditure recorded was bank charges, indicating lack of programmatic or administrative activity during the year.

In the circumstances, inactivity of the Municipality throughout the year undermines its legally mandated role in Urban/Municipality service delivery, as envisioned in the Urban Areas and Cities Act, 2011.

Management Response

- i. The amount Kshs. 3,866,300 was a budget estimate for recurrent expenditure which was incurred and expensed through the department and reflected in the executive financial statement.
- ii. The development activities for the municipality were pegged on the receipt of the conditional grant which was not disbursed. However, the Municipality utilized its operational budget in the recurrent vote.
- iii. This bank balance relates to the Special Purpose Account for KUSP 1 and there was no KUSP 1 project activity within the year. However, the Municipality utilized its operational budget in the recurrent vote.

Committee Observations

The Committee observed that in the absence of supporting documentation and evidence of municipal activities, the audit query remains unresolved. The inactivity of the Municipality continues to undermine its statutory mandate under the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that-

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

5. Failure to Conduct Citizen Fora

Review of Karuri Municipality operations and records revealed that the Citizen Fora, as mandated by the Urban Areas and Cities Act, 2011 was not conducted during the year under review. The Citizen Fora, which allow residents to deliberate on a variety of important matters, including the provision of services, budget estimates, development plans and National legislation were not convened during the financial year. Management prepared an annual schedule of Citizen Fora for the year under review, however, there was no evidence that the Municipality invited petitions, representations, or feedback from the Citizen Fora, despite the clear requirement in the law for such engagement. In addition, the Board did not receive or respond to any petitions or representations raised by citizens concerning the administration or management of urban affairs within its jurisdiction.

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

Management Response

The Municipality held various citizen foras within the FY 2024/2025, among them was the project prioritization citizen fora.

Committee Observations

The Committee observed that-

1. The Municipality did not provide documentary evidence such as notices, invitations, attendance registers, minutes of meetings, or reports demonstrating that the Citizen Fora were actually convened and conducted in accordance with the requirements of the Urban Areas and Cities Act, 2011.
2. There was no evidence provided to confirm that residents were invited to submit petitions, representations, or feedback to the Municipal Board, nor that such submissions were received, deliberated upon, or responded to by the Board as required under the Act.

Committee Recommendations

The Committee recommends that-

- i. management should ensure that Citizen Fora are regularly convened and properly documented in compliance with the provisions of the Urban Areas and Cities Act, 2011. The Municipality should establish clear procedures for public participation, including issuing public notices, inviting petitions and representations from residents, and maintaining records such as attendance registers, minutes, and reports of deliberations;**
- ii. the Municipal Board should ensure that petitions and representations submitted by residents are formally received, deliberated upon, and responded to, with evidence maintained for accountability and audit purposes. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle.**

6. Failure to Provide Approved Annual Revenue Estimates

Management did not provide an approved annual revenue and expenditure estimates for Karuri Municipality for the financial year ended 30 June, 2025 contrary to Section 45(1) of Urban Areas and Cities Act, 2011 which requires that, three months before the commencement of each financial year, a Board or Town Committee shall cause to be prepared estimates of the revenue and expenditure of a Board or Town Committee for that year. Further, it was not possible to confirm whether Management complied with the process of preparation and submission of annual estimates for approval by the County Assembly as required by law.

In the circumstances, Management was in breach of the law

Management Response

The annual revenue estimates and performance for the municipality were prepared and approved by the board.

Committee Observations

The Committee observed that the matter remains unresolved as Management did not demonstrate compliance with Section 45(1) of the Urban Areas and Cities Act, 2011 regarding the preparation and approval of annual revenue and expenditure estimates for the Municipality.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
- ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance may apply.**

7. Lack of Annual Governance Audit and Performance Evaluation

Review of records of the Municipality relating to Board activities revealed no evidence of the Board having undertaken an annual governance audit during the year under review. The annual governance audit is expected to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder engagement and value enhancement among others.

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

Management Response

Management takes note of the auditor's recommendations and undertakes to carry out the annual governance audit and performance evaluation.

Committee Observations

The Committee observed that the governance audit was not conducted during the financial year under review. However, management committed to undertake an annual governance audit and performance evaluation.

Committee Recommendations

The Committee recommends that the Governor should ensure that the Municipal Board conducts an annual governance audit and performance evaluation in accordance with the provisions of the Urban Areas and Cities Act, 2011. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

8. Lack of Ownership and Valuation Documents

Review of the fixed asset register revealed that it consisted of motor vehicles, office equipment, computers and road works. However, the total value of the assets could not be confirmed given that Management did not include all their costs in the asset register.

Further, review of the motor vehicle log books provided revealed that one of the motor vehicles had been registered with the name of a private Company and not the Municipality.

Further, log book for motor vehicle registration number 22CG331A was not provided for audit review.

In the circumstances, the value and ownership of the assets could not be confirmed.

Management Response

The county in conjunction with IGRTC (Inter Governmental Relations Committee) is currently on the process of finalizing the valuation of the assets for subsequent update of the asset register. The national treasury through the NALM (National Assets & Liabilities Management) is currently training counties to incorporate the assets. Therefore, it was not possible to quantify the value of assets in the Municipality.

The County is in the process of changing the ownership names on the logbook to reflect County Government of Kiambu through the NTSA portal.

Committee Observations

The Committee observed that-

1. valuation of the assets was currently ongoing in conjunction with IGRTC.
2. the National Treasury was training counties to incorporate assets through the National Assets and Liabilities Management.
3. the County is in the process of changing the ownership names on the logbook to reflect County Government of Kiambu through the NTSA portal.

Committee Recommendations

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Governor in collaboration with IGRTC conclude the valuation of assets for Karuri Municipality and the County Government of Kiambu ensures the transfer of ownership documents of the assets and vehicle is fast tracked;**
- ii. **upon completion of the transfer and valuation, the Governor ensures the Accounting Officer prepares an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and**

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

1. Lack of risk Management Policy and Disaster Recovery Plan

Review of the Municipality's records revealed that the Municipality operated without an approved risk management policy and thus had no framework for management of risks. Further, the Municipality did not have a disaster recovery or business continuity plan in place. In the absence of a disaster recovery or business continuity plan, Management lacked a blue print for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted. In addition, there are no mechanisms in place to recover lost data in case of a disaster.

In the circumstances, the effectiveness of the internal controls and management of risks of Karuri Municipality could not be confirmed.

Management Response

The County government developed a risk management policy and disaster recovery plan which serves all the municipalities.

Committee Observations

The Committee observed that Karuri Municipality uses the County Government's risk management policy and disaster recovery plan.

Committee Recommendations

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

2.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIAMBU MUNICIPALITY FOR THE FINANCIAL YEAR 2024/25

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga, EGH, presented written responses before the Committee, to respond to audit queries raised in the report of the Auditor-General on financial statements for Kiambu Municipality for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

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

1. Inaccuracies in the Financial Statements

1.1 Statement of Financial Position

The statement of financial position reflects accumulated deficit of Kshs. 51,736,050. However, the trial balance reflects accumulated surplus of Kshs. 33,074,928 resulting to an unreconciled variance of Kshs. 84,810,978. Further, the statement and as disclosed in Note 24 to the financial statements reflects property, plant and equipment balance of Kshs. 305,400,538. However, the trial balance and Note 24 to the financial statements reflects prior years' depreciation adjustment of Kshs. 48,270,959 which was not supported with an approved journal entry voucher and analysis as to what the amounts relate to.

Management Response

Management confirms that the approved journal entry records and detailed analysis supporting the adjustments are attached.

Committee Observations

The Committee observed that whereas the journal entry records and detailed analysis supporting the adjustments were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer to takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public**

Finance Management Act, Cap.412A on penalties for offences shall apply; and

- ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, 2015, failure to which the Committee may recommend for their investigation and prosecution in line with section 62 (2) of the Public Audit Act, 2015.**

1.2 Statement of Changes in Net Assets

The statement of changes in net assets reflects prior year adjustments of Kshs. 360,580,208, Kshs. 48,270,959, Kshs.17,242,415 and Kshs.12,376,118 which have not been supported with journal entry vouchers and detailed analysis as to what the adjustments relate to. Further, the statement includes prior year adjustments of Kshs. 360,580,208 which differs with the balance of Kshs. 377,822,622 disclosed in Note 40a. In addition, Note 24 to the financial statements includes a total transfer/adjustment of Kshs. 303,498,330 resulting to an unreconciled variance of Kshs. 57,081,878.

Management Response

The prior year adjustments of Kshs. 360,580,208, Kshs. 48,270,959, Kshs. 17,242,415 and Kshs. 12,376,118 have been supported by journal entry vouchers and detailed analysis attached. The difference between Kshs. 377,822,622 and Kshs. 360,580,208 represents payments made in the financial year 2023/2024 for road construction. This amount was expensed in the statement of financial performance rather than being capitalized. It has now been recognized in Note 24. Management clarifies that the Statement of Changes in Net Assets reflects a prior year adjustment (40a & 40b) of Kshs. 360,580,208, while Note 24 to the financial statements as at 30 June 2024 discloses a total transfer/adjustment of Kshs. 303,498,330. The difference of Kshs. 57,081,878 relates to assets that had previously been disclosed in the accounts and, therefore, did not require further disclosure in Note 24. Accordingly, there is no variance between the amounts reported in the Statement of Changes in Net Assets and those disclosed in Note 24, and the treatment is in compliance with IPSAS requirements.

Committee Observation

The Committee observed that-

1. There was a posting error that resulted into the difference between Kshs. 377,822,622 and Kshs. 360,580,208 which represents payments made in the financial year 2023/2024 for road construction. This amount was expensed in the statement of financial performance rather than being capitalized.
2. whereas the journal entry records and detailed analysis supporting the adjustments were provided and verified by the Auditor-General, the submission

was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer to takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences may apply;**
- ii. the Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences may apply;**
- iii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iv. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences may apply;**
- v. the Governor ensures that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements;**
- vi. the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to**

correct the errors in order to reflect the true financial position of the company; and

- vii. the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, 2015, failure to which the Committee may recommend for their investigation and prosecution in line with section 62 (2) of the Public Audit Act, 2015.**

1.3 Understatement of Trade and Other Payables

The statement of financial position and as disclosed in Note 26 to the financial statements reflects Nil balance on trade and other payables. However, during the year under review, Kiambu Municipality paid an amount of Kshs. 12,376,118 for final works carried out. A total amount of Kshs. 39,483,340 had been paid so far to the contractor against the contract sum amount of Kshs. 44,324,726. There was no evidence provided to indicate that the Municipality paid the retention amount to the contractor. Further, the retention amount was not disclosed as a trade payable in the financial statements.

Management Response

Management clarifies that Note 27 and the Statement of Financial Position reflect a nil balance under Trade and Other Payables. Out of the contract sum of Kshs. 44,324,726, payments totaling Kshs. 39,483,340 had been made by 30 June 2025, leaving a balance of Kshs. 4,841,386 as contractual retention. The retention had not fallen due for payment and was therefore not disclosed as a payable. This treatment is consistent with accrual accounting principles under IPSAS, which require recognition of liabilities only when due.

Committee Observations

The Committee observed that there was a non-disclosure of payables amounting to Kshs. 4,841,386 as contractual retention in line with the accrual accounting principles under IPSAS, which require recognition of liabilities only when due.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer to takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public**

Finance Management Act, Cap.412A on penalties for offences may apply; and

- ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, 2015, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62 (2) of the Public Audit Act, 2015.**

1.4 Variance Between Final Budget and County Approved Budget

Review of the statement of comparison of budget and actual amounts for the year and the County's approved budget revealed the following variances;

Description	Final Budget (Kshs.)	Approved Budget (Kshs.)	Variance (Kshs)
Total Receipts	15,832,513	161,052,960	145,220,447
Recurrent Budget	15,000,000	7,000,000	8,000,000
Capital Budget	0	154,052,960	154,052,960

Further, the statement of comparison of budget and actual amounts reflects performance difference under use of goods and services of Kshs. 2,611,107 while a re-computation gives a total of Kshs. 14,987,225 resulting to an unreconciled variance of Kshs. 12,376,118.

Management Response

Management acknowledges the observation. However, the Approved budget figures were an extract of the budgeted allocations for the municipality in the County Executive budget specifically at the Directorate of Municipal Administration and Urban Development. These amounts include the Grant expected to be received within the FY 24/25 but was not, hence could not form part of final budget in the financial statement. The recurrent budget for Kiambu Municipality in the county budget was also expensed through the county treasury and could not also form part of the final budget in the Municipality Financial Statement as it was recognised in the county executive financial statement. The performance difference of Kshs. 2,611,107 was a casting error and should be Kshs. 14,987,225.

Committee Observations

The Committee observed that-

1. The performance difference under use of goods and services of Kshs. 2,611,107 was a casting error and should be Kshs. 14,987,225.

2. The approved budget figures included the grant expected to be received from the county executive within the FY 24/25 but was not disbursed.

Committee Recommendations

The Committee recommends that-

- i. **the Governor takes appropriate administrative action against the municipal manager and officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment and provide evidence of the action taken to the Senate within 60 days of the adoption of this report;**
- ii. **the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government; and**
- iii. **the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor to keep this matter in view and report in the subsequent audit cycle.**

1.5 Undisclosed Additions Under Property, Plant and Equipment

The statement of financial position and as disclosed in Note 24 to the financial statements reflects property, plant and equipment balance of Kshs. 305,400,538. During the year under review, the Municipality paid an amount of Kshs. 12,376,118 in respect of interim payment for certificate number 3 for construction of Light Industrial Park (Garage) and the Posta- Indian Bazaar Road (Phase 3). However, the amount was not disclosed as an addition in the asset's movement schedule.

Further, the amount includes Kshs. 334,490 in respect of 3% withholding tax and Kshs. 222,933 as 2% withholding VAT. The total withholding tax of Kshs. 557,423 was not included in the property, plant and equipment value.

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

Management Response

The management notes the auditor's comment. The PPE will be amended as a prior year adjustment in the 2025/2026 financial statements to capture the withholding tax component.

Committee Observations

The Committee observed that-

1. an amount of Kshs. 12,376,118 paid by the Municipality in respect of interim payment for certificate number 3 for construction of Light Industrial Park (Garage) and the Posta- Indian Bazaar Road (Phase 3) was not disclosed in the asset's movement schedule.
2. withholding tax of Kshs. 557,423 was not included in the property, plant and equipment value.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures that the Accounting Officer to takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Governor ensures that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**
- iii. **the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

2. Undisclosed Depreciation Method

The statement of financial performance and Note 24 to the financial statements reflects depreciation and amortization charge of Kshs. 24,151,126 with applied rates of 10% on water works and open-air markets and 5% on other assets road infrastructure. However, the method of depreciation adopted was not stated under significant accounting policies in the financial statements.

In the circumstances, the accuracy and completeness of the depreciation amount of Kshs. 24,151,126 could not be confirmed.

Management Response

Management notes the observation and clarifies that the depreciation rates applied in the financial statements were guided by the National Treasury Circular on Accounting Policies issued in 2020, which provides standard depreciation rates for public sector entities. The rates applied are therefore consistent with government guidelines and IPSAS requirements.

Management further undertakes to embed these rates formally within the County's financial manual in the next review to ensure consistency and compliance.

Committee Observations

The Committee observed that during the time of audit management had not stated the method of depreciation applied, however, management submitted that the depreciation rates applied were guided by the National Treasury Circular on Accounting Policies issued in 2020.

Committee Recommendations

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total expenditure amount of Kshs. 12,775 against actual receipts of Kshs. 15,832,513 resulting to under absorption of Kshs. 15,819,738 or 99% of the actual receipts.

The underutilization affected the planned activities of the Municipality and may have impacted negatively on service delivery to the public.

Management Response

Management clarifies that Kshs. 15,832,513 was bank balance for the previous financial year that was carried forward to the FY 2024/2025. There were no receipts in the current financial year.

Committee Observations

The Committee observed that the amount of Kshs. 15,832,513 was bank balance for the previous financial year that was carried forward to the FY 2024/2025 and that there were no receipts for the current financial year.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the**

financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and

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

Other Matters

1. Unresolved Prior Year Matters

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

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Financial Statements
2	2023/2024	Failure to Prepare an Asset Register
3	2023/2024	Presentation and Disclosure in the Financial Statements
4	2023/2024	Failure to Maintain a Retention Account
5	2023/2024	Failure to Provide Annual Revenue Estimates
6	2023/2024	Failure to Conduct an Annual Performance Revenue of the Integrated Development Plan
7	2023/2024	Construction of Light Industrial Park (Garage) and the Posta, Indian Bazaar Road (Phase 3)
8	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan
9	2023/2024	Lack of Board and Committee Charter

Management Response

	Financial Year	Audit Issue	Status
1	2023/2024	Inaccuracies in the Financial Statements	The management corrected the inaccuracies in the subsequent financial year
2	2023/2024	Failure to Prepare an Asset Register	The management prepared an Asset Register in the subsequent financial year
3	2023/2024	Presentation and Disclosure in the Financial Statements	The management made presentations and disclosures in the Financial Statements in the subsequent financial year
4	2023/2024	Failure to Maintain a Retention Account	The management maintained a retention account and journals in the subsequent financial year
5	2023/2024	Failure to Provide Annual Revenue Estimates	The management provided annual revenue estimates in the subsequent financial year
6	2023/2024	Failure to Conduct an Annual Performance Review of the Integrated Development Plan	The management conducted an Annual Performance Review of the Integrated Development Plan in the subsequent financial year and was approved through the board meeting
7	2023/2024	Construction of Light Industrial Park (Garage) and the Posta, Indian Bazaar Road (Phase 3)	The management ensured completion of Construction of Light Industrial Park (Garage) and the Posta, Indian Bazaar Road (Phase 3) and the project is in the defect liability period.

8	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan	The management prepared a Risk Management Policy and Disaster Recovery Plan in the subsequent financial year
9	2023/2024	Lack of Board and Committee Charter	The municipality is currently in the process of developing the board charter

The Management is still awaiting recommendations of the County Assembly and Senate CPISFC for Financial Year 2023/24.

Committee Observations

The Committee observed that the query remains unresolved as the Municipality did not take action in resolving some of the queries raised in the report of the Auditor-General for the financial year 2023/24.

Committee Recommendations

The Committee recommends that—

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

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

1. Errors on Presentation and Disclosure in the Financial Statements

Review of the financial statements presented for audit revealed that Appendix 1 on progress on follow up on auditor’s recommendations does not highlight the issues as presented in the 2023/2024 signed audit report but instead gives the title of two issues.

In the circumstances, the financial statements do not comply with the prescribed Public Sector Accounting Standards Board reporting template.

Management Response

The management notes the recommendations and will update the progress on follow up on auditor's recommendations to highlight the issues as presented in the signed audit reports to include all the issues captured in the previous audit.

Committee Observations

The Committee observed that the financial statements were not prepared in the format prescribed by the Public Sector Accounting Standards Board reporting templates.

Committee Recommendations

The Committee recommends that-

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

2. Irregular Construction of Light Industrial Park (Garage) and the Posta, Indian Bazaar Road (Phase 3)

During the year under review, Kiambu Municipality incurred an expenditure of Kshs. 12,376,118 as interim payments for certificate number three (IPC 3) for the establishment and construction of Light Industrial Park (Garage) and the Posta - Indian Bazaar Road (Phase 3) in Kiambu. However, the following anomalies were noted;

- i. The duration of the contract was nine (9) months with an effective date of 10 March, 2022, however, as at the time of audit in August, 2025, there was no evidence that the project was complete. Management did not provide**

evidence of handover of the works by the contractor or certificate of practical completion.

- ii. The contract sum was Kshs. 44,324,726 and as at the time of audit in August, 2025, the contractor had been paid Kshs. 39,483,340. Physical verification carried out in August, 2025 confirmed that the payment made related to works done for an approximately 0.6km road. Included in the contract was construction of a light industrial garage, however, it was confirmed that no works had been carried out delaying service benefits to the citizens of Kiambu.
- iii. Physical verification revealed that a footpath was also constructed, however, the Municipality did not provide any evidence of contract variation deliberations, scope of the works and approval of deviation of works carried out.
- iv. A summary of measured works prepared by the contractor against original Bill of Quantities revealed some works were carried out above the bill of quantities set out as indicated below;

Description of Works	Original BQ Amount (Kshs.)	Total to Date (Kshs.)	Difference (Kshs.)	Difference %
Earthworks	2,276,000	3,035,110	759,110	33
Excavation and Filling of Structures	1,296,000	1,623,150	327,150	25
Shoulder to Carriageway	352,800	863,051	510,251	145
Natural Material - Sub Base and Base	1,862,000	2,142,452	280,452	15
Hand Packed Stone Base	1,305,300	1,539,237	233,937	18
Bituminous Surface Treatments and Surface Dressing	336,000	425,800	89,800	27
Bituminous Mix Bases, Binder Courses and Wearing Course	4,468,800	4,663,600	194,800	4
Concrete Works	428,000	492,650	64,650	15
Road Furniture	1,691,000	2,261,200	570,200	34

Concrete and Paving Blocks	6,457,100	6,679,084	221,984	3
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- v. Performance security was not provided for audit.
- vi. No reason was provided on why the contractor took close to three (3) years to complete a 0.6km road raising concerns of value for money for the project as well as delaying service benefits to the citizens of Kiambu.

In the circumstances, the value for money for the project expenditure totaling Kshs. 39,483,340 could not be confirmed.

Management Response

- I. Though the contract period was initially 9 months, the contract had been extended on numerous times as required by the conditions of contract and signed contract. The project was completed and handed over to the employer on 11th December 2024 after recommendation by the CIT. The latter is supported by Take Over Certificate attached.
- II. The scope of works for the project as per the BoQ attached did not include the construction of a light industrial garage but only the road construction which was done and completed.
- III. The foot path, referred to as NMT was part and parcel of the subject project and not a deviation from the project as evidenced by the attached BoQ
- IV. The contract payments were based on measured works. The indicated quantities in the BoQ are indicative and provisional. The difference in measured quantities and BoQ amounts may be slightly lower or higher from what is provided for in the BoQ. The contract did not exceed the awarded tender sum.
- V. Management notes the auditor’s concerns. The reasons for project delay are as per attached contractor’s request for extension of time.

Committee Observations

The Committee observed that did the Municipality did not provide sufficient supporting documentation to verify the contract extensions, scope clarifications, variation approvals, performance security, and justification for delays in project completion.

Committee Recommendations

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

3. Non-Funding and Dormancy in Operations of Kiambu Municipality

Review of documents provided for Kiambu Municipality for the financial year under review revealed that;

- i. Whereas the County Government budgeted for funds totaling Kshs. 173,093,906 for Kiambu Municipal operations in the County Budget, there were no disbursement to support the activities of the Municipality. This was contrary to Section 43 of the Urban Areas and Cities Act, 2011 which requires the County Government to fund the Municipality.
- ii. The Municipality did not undertake any activities, projects, or operational transactions throughout the financial year except for a pending payment for a prior year project.
- iii. A total of Kshs. 600,000 was issued to the Municipality by the County Government as an Authority to Incur Expenditure (AIE) in the year under review. However, there was no record of this amount being utilized for any administrative or service delivery purposes. Further, the AIE was not supported with returns of expenditure.
- iv. The Municipality maintained a bank and cashbook balance of Kshs. 3,443,620 as at the end of the financial year. However, the only expenditure recorded was bank charges and a payment for a payable amount for prior year works, indicating lack of programmatic or administrative activity during the year.

In the circumstances, inactivity of the Municipality throughout the year undermines its legally mandated role in Urban/Municipality service delivery, as envisioned in the Urban Areas and Cities Act, 2011.

Management Response

- I. The stated amount of Kshs. Kshs.173,093,906 was in part KUSP 2 grant allocation for FY 2024/2025 which had not been disbursed to the municipality from the national government as at the time of the audit and so could not be expensed.
- II. The development activities for the municipality were pegged on the receipt of the conditional grant which was not disbursed. However, the Municipality utilized its operational budget in the recurrent vote.
- III. The amount mentioned was expensed in the budget through the county treasury. The expenditure returns indicating the administrative expenses were submitted to finance department and subsequently to the external auditors for audit.
- IV. This bank balance relates to the Special Purpose Account for KUSP 1 and there was no KUSP 1 project activity within the year. However, the Municipality utilized its operational budget in the recurrent vote as per the attached vote book

Committee Observations

The Committee observed that in the absence of supporting documentation and evidence of municipal activities, the audit query remains unresolved. The inactivity of the Municipality continues to undermine its statutory mandate under the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that-

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

4. Failure to Prepare an Updated Asset Register

Review of the asset register provided revealed that the Municipality had a number of assets such as computers, desktops, TV and a back hoe. However, the asset register did not include the value of the assets and therefore it was not possible to quantify the total value of assets the Municipality had in its possession which could lead to misstatement of the Municipality's property, plant and equipment book value.

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

Management Response

The county in conjunction with IGRTC (Inter Governmental Relations Committee) is currently on the process of finalizing the valuation of the assets for subsequent update of the asset register. The national treasury through the NALM (National Assets & Liabilities Management) is currently training counties to incorporate the assets. Therefore, it was not possible to quantify the value of assets in the Municipality.

Committee Observations

The Committee observed that-

1. valuation of the assets was currently ongoing in conjunction with IGRTC.
2. the National Treasury was training counties to incorporate assets through the National Assets and Liabilities Management.

Committee Recommendations

The Committee recommends that-

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

5. Failure to Provide Approved Annual Revenue and Expenditure Estimates

Management did not provide approved annual revenue and expenditure estimates for Kiambu Municipality for the financial year ended 30 June, 2025 contrary to Section 45(1) of Urban Areas and Cities Act, 2011 which requires that, three months before the commencement of each financial year, a Board or Town Committee shall cause to be prepared estimates of the revenue and expenditure of a Board or Town committee for that year. Further, it was not possible to confirm whether Management complied with the process of preparation and submission of annual estimates for approval by the County Assembly as required by law.

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

Management Response

- The annual revenue estimates and performance for the municipality were prepared and approved by the board.

Committee Observations

The Committee observed that the matter remains unresolved as Management did not demonstrate compliance with Section 45(1) of the Urban Areas and Cities Act, 2011 regarding the preparation and approval of annual revenue and expenditure estimates for the Municipality.

Committee Recommendations

The Committee recommends that-

- i. **the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

6. Failure to Conduct Annual Performance Review of Integrated Development Plan

The Municipality did not conduct annual performance review of the Integrated Development Plan contrary to Section 42 of the Urban Areas and Cities Act, 2011 which requires the City or Municipal Board to review its Integrated Development Plan annually to assess its performance in accordance with performance management tools set by it.

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

Management Response

The Municipal board reviewed the Integrated Development Plan for FY 2024/2025

Committee Observations

The Committee observed that as at the time of audit the Municipality did not conduct annual performance review of the Integrated Development Plan contrary to Section 42 of the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that the Governor ensures the Municipal Board conducts annual performance review in line with Section 42 of the Urban Areas and Cities Act, 2011. The Auditor-General to review and verify the Municipality's Integrated Development Plan for FY 2024/2025 and report to the Committee in the subsequent audit cycle.

7. Failure to Convene the Minimum Threshold of Board Meetings

Review of Board meeting minutes provided for audit revealed that the Board held only one (1) meeting on 11 July, 2024 within the financial year. This was contrary to Section

23 of the Urban Areas and Cities Act, 2011 which recommends that the Board convenes once in every three months which is at least four meetings during the year.

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

Management Response

The municipality held all four (4) quarterly board meetings and attached the minutes.

Committee Observations

The Committee observed that the Board held quarterly board meetings in compliance to Section 23 of the Urban Areas and Cities Act, 2011.

Committee Recommendations

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

8. Lack of Annual Governance Audit and Performance Evaluation

Review of the Municipality's records relating to Board activities revealed no evidence of the Board having undertaken an annual governance audit during the year under review. The audit is expected to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder engagement and value enhancement among others. It was therefore not possible to confirm the level of adherence to applicable laws, rules, regulations and policies of the Municipality.

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

Management Response

Management takes note of the auditor's recommendations and undertakes to carry out the annual governance audit and performance evaluation.

Committee Observations

The Committee observed that the governance audit was not conducted during the financial year under review. However, management committed to undertake an annual governance audit and performance evaluation.

Committee Recommendations

The Committee recommends that the Governor should ensure that the Municipal Board conducts an annual governance audit and performance evaluation in accordance with the provisions of the Urban Areas and Cities Act, 2011. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

9. Lack of Board and Committee Charter

The Municipality as per the Urban Areas and Cities Act, 2011 is required to have a Board in place and ensure that the committees of the Board are constituted. However, review of the Board records indicated that the Board had not developed or adopted a Board Charter since inception in 2018. Further, the Board had four (4) committees established to run the affairs of the Board, however, none of the committees had developed a charter that outlines its roles and responsibilities. In addition, the committees did not meet within the year under review.

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

Management Response

The role, responsibilities and functions of the Board in the governance of the municipality are prescribed in the Municipal charter as per UACA 2011 amended 2019, section 20(1). The municipality is currently in the process of developing the board charter.

Committee Observations

The Committee observed that the query remains unresolved as the Municipality had not developed a board charter and was in the process of developing one.

Committee Recommendations

The Committee recommends that—

- i. the Governor ensures that the Board fast tracks the development of the board and committee charter. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle; and**
- ii. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

1. Lack of Risk Management Policy and Disaster Recovery Plan

Review of the Municipality's records revealed that the Municipality operated without an approved risk management policy and thus had no framework for management of risks. Further, the Municipality did not have a disaster recovery or business continuity plan in place. In the absence of a disaster recovery or business continuity plan,

Management lacked a blue print for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted. In addition, there were no mechanisms in place to recover lost data in case of a disaster.

In the circumstances, the effectiveness of the internal controls and management of risks of Kiambu Municipality could not be confirmed.

Management Response

The County government developed a risk management policy which serves all the municipalities.

Committee Observations

The Committee observed that Kiambu Municipality uses the County Government's risk management policy and disaster recovery plan.

Committee Recommendations

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

2.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIKUYU MUNICIPALITY FOR THE FINANCIAL YEAR 2024/25

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga, EGH, presented written responses before the Committee, to respond to audit queries raised in the report of the Auditor-General on financial statements for Kikuyu Municipality for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

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

1. Inaccuracies in the Financial Statements

1.1 Unsupported Prior Year Adjustments

The statement of changes in net assets reflects prior year adjustments for development grants, cumulative depreciation and accumulated surplus amounts of Kshs. 1,164,719,858, Kshs. 89,523,379 and Kshs. 42,905,711 respectively. Further, Note 24 to the financial statements reflects property, plants and equipment adjustments for various assets totaling Kshs. 935,821,986. However, the adjustments were not supported with approved journal entry vouchers and detailed analysis as to what the balances relate to.

Management Response

Management confirms that the approved journal entry records and detailed analysis supporting the adjustments are attached.

Committee Observation

The Committee observed that whereas the journal entry records and detailed analysis supporting the adjustments were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer to takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public**

Finance Management Act, Cap.412A on penalties for offences shall apply; and

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

1.2 Non-Disclosure of County Approved Budget

The statement of comparison of budget and actual amounts reflects original receipt and expenditure budget of Kshs. 984,162 and Kshs. 15,000 respectively. However, review of the County approved budget revealed development and recurrent budget amounts of Kshs. 262,157,063 and Kshs. 4,380,500 which were omitted from the statement. Further, the statement does not include performance difference on use of goods and services of Kshs. 2,200.

Management Response

Management acknowledges the observation. However, the Approved budget figures were an extract of the budgeted allocations for the municipality in the County Executive budget specifically at the Directorate of Municipal Administration and Urban Development. These amounts include the Grant expected to be received within the FY 24/25 but was not, hence could not form part of final budget in the financial statement. The recurrent budget for Kikuyu Municipality in the county budget was also expensed through the county treasury and could not also form part of the final budget in the Municipality Financial Statement as it was recognised in the county executive financial statement.

Committee Observations

The Committee observed that-

1. the County approved budget revealed development and recurrent budget amounts of Kshs. 262,157,063 and Kshs. 4,380,500 were omitted from the statement.
2. the approved budget figures included the grant expected to be received from the county executive within the FY 24/25 but was not disbursed.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures that the Accounting Officer to takes appropriate administrative action on responsible officers within the Accounts and**

Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

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

1.3 Inaccurate and Incomplete Property, Plant and Equipment

Review of the asset register revealed forty (40) categories of assets ranging from motor vehicles, computers and furniture which had not been valued or included as part of the property, plants and equipment in the financial statements.

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

Management Response

The county in conjunction with IGRTC (Inter Governmental Relations Technical Committee) is currently on the process of finalizing the valuation of the assets for subsequent update of the asset register. The national treasury through the NALM (National Assets & Liabilities Management) is currently training counties to incorporate the assets. Therefore, it was not possible to quantify the value of assets in the Municipality.

Committee Observations

The Committee observed that-

1. valuation of the assets was currently ongoing in conjunction with IGRTC.
2. the National Treasury was training counties to incorporate assets through the National Assets and Liabilities Management.

Committee Recommendations

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor in collaboration with IGRTC conclude the valuation of assets for Kikuyu

Municipality and the County Government of Kiambu ensures the transfer of ownership documents of the assets is fast tracked;

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

2. Undisclosed Depreciation Method

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects depreciation and amortization charge for the year of Kshs. 65,998,093.

Further, included in Note 24 to the financial statements are the depreciation rates for solar lighting and associated works, motor vehicles and road infrastructure of 10%, 12.5% and 5% respectively. However, the method of depreciation adopted was not stated under significant accounting policies in the notes to the financial statements.

In the circumstances, the accuracy and completeness of depreciation charge of Kshs. 65,998,093 could not be confirmed.

Management Response

Management notes the observation and clarifies that the depreciation rates applied in the financial statements were guided by the National Treasury Circular on Accounting Policies issued in 2020, which provides standard depreciation rates for public sector entities. The rates applied are therefore consistent with government guidelines and IPSAS requirements.

Management further undertakes to embed these rates formally within the County's financial manual in the next review to ensure consistency and compliance.

Committee Observations

The Committee observed that during the time of audit management had not stated the method of depreciation applied, however, management submitted that the depreciation rates applied were guided by the National Treasury Circular on Accounting Policies issued in 2020.

Committee Recommendations

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total expenditure amount of Kshs. 12,800 against actual receipts of Kshs. 984,162 resulting to an underutilization of Kshs. 971,362 or 99% of the actual receipts.

The underutilization affected the planned activities of the Municipality and may have impacted negatively on service delivery to the public.

Management Response

Management clarifies that Kshs. 984,162 was not received in the current financial year. The expenditure of Kshs. 12,800 was bank charges for the year.

Committee Observations

The Committee observed that Kshs. 984,162 was not received from the county executive in the current financial year and Kshs. 12,800 related to bank charges for the year.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

Other Matter

1. Unresolved Prior Year Matters

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

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Financial Statements
2	2023/2024	Double Accounting of Infrastructure Projects
3	2023/2024	Misstatement of Property, Plant and Equipment
4	2023/2024	Inaccuracies in Infrastructure Projects Payments
5	2023/2024	Non-Compliance with Public Sector Accounting Standards Board Reporting Template
6	2023/2024	Failure to Conduct an Annual Performance Revenue of the Integrated Development Plan
7	2023/2024	Failure to Provide Annual Revenue Estimates
8	2023/2024	Lack of Supporting Documents for the Appointed Board Members
9	2023/2024	Failure to Convene the Minimum Threshold of Board Meetings
10	2023/2024	Failure to Maintain a Retention Account
11	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan
12	2023/2024	Lack of Board and Committee Charter

Management Response

	Financial Year	Audit Issue	Status
1	2023/2024	Inaccuracies in the Financial Statements	The management corrected the inaccuracies in the subsequent financial year

2	2023/2024	Double Accounting of Infrastructure Projects	The management corrected the Double Accounting of Infrastructure Projects in the subsequent financial year
3	2023/2024	Misstatement of Property, Plant and Equipment	The management corrected the Misstatement of Property, Plant and Equipment in the subsequent financial year
4	2023/2024	Inaccuracies in Infrastructure Projects Payments	The management prepare prior year journals to correct the Infrastructure Projects payments in the subsequent financial year
5	2023/2024	Non-Compliance with Public Sector Accounting Standards Board Reporting Template	The management Complied with Public Sector Accounting Standards Board Reporting Template in the subsequent financial year
6	2023/2024	Failure to Conduct an Annual Performance Review of the Integrated Development Plan	The management Conducted an Annual Performance Review of the Integrated Development Plan in the subsequent financial year
7	2023/2024	Failure to Provide Annual Revenue Estimates	The management prepared Annual Revenue Estimates in the subsequent financial year
8	2023/2024	Lack of Supporting Documents for the Appointed Board Members	Management provided Supporting Documents for the Appointed Board Members in the subsequent financial year
9	2023/2024	Failure to Convene the Minimum Threshold of Board Meetings	Management Convened the Minimum Threshold of

			Board Meetings in the subsequent financial year
10	2023/2024	Failure to Maintain a Retention Account	The management is in the process of opening a Retention Account.
11	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan	The management prepared a Risk Management Policy and Disaster Recovery
12	2023/2024	Lack of Board and Committee Charter	The management is in the process of preparing a Board Charter

The Management is still awaiting recommendations of the County Assembly and Senate CPISFC for Financial Year 2023/24.

Committee Observations

The Committee observed that the query remains unresolved as the Municipality did not take action in resolving some of the queries raised in the report of the Auditor-General for the financial year 2023/24.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and Committee may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**
- ii. **The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters and provide status of actions taken within 60 days of the adoption of this report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

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

1. Presentation and Disclosure in The Financial Statements

Review of the financial statements presented for audit revealed that Appendix 1 on progress on follow up of auditor's recommendations indicates only two (2) issues while the audit report for the financial year ended 30 June, 2024 contains thirteen (13) issues.

Further, the amounts disclosed in the financial statements have not been rounded off to the nearest shilling.

In the circumstances, the financial statements do not comply with prescribed Public Sector Accounting Standards Board reporting template.

Management Response

The management notes the recommendations and will update the progress on follow up on auditor's recommendations to highlight the issues as presented in the signed audit reports to include all the issues captured in the previous audit.

Committee Observations

The Committee observed that the financial statements were not prepared in the format prescribed by the Public Sector Accounting Standards Board reporting templates.

Committee Recommendations

The Committee recommends that—

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

2. Failure to Conduct Annual Performance Review of Integrated Development Plan

The Municipality did not conduct annual performance review of the Integrated Development Plan contrary to Section 42 of the Urban Areas and Cities Act, 2011 that requires the City or Municipal Board to review its Integrated Development Plan annually to assess its performance in accordance with performance management tools set by it.

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

Management Response

The Municipal board reviewed the Integrated Development Plan for FY 2024/2025 as evidenced by the annexed board minutes.

Committee Observation

The Committee observed that as at the time of audit the Municipality did not conduct annual performance review of the Integrated Development Plan contrary to Section 42 of the Urban Areas and Cities Act, 2011.

Committee Recommendation

The Committee recommends that the Governor ensures the Municipal Board conducts annual performance review in line with Section 42 of the Urban Areas and Cities Act, 2011. The Auditor-General to review and verify the Municipality's Integrated Development Plan for FY 2024/2025 and report to the Committee in the subsequent audit cycle.

3. Lack of Board and Committee Charter

The Municipality as per the Urban Areas and Cities Act, 2011 is required to have a Board in place and ensure that the committees of the Board are constituted. However, review of the Municipal records indicated that the Board had not developed or adopted a Board Charter since inception in 2018. Further, the Board had three (3) committees namely technical, planning and oversight, human resources, finance and administration and partnership, audit and risk management committees established to run the affairs of the Board, however, none of the committees had developed a charter that outlines its roles and responsibilities.

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

Management Response

The role, responsibilities and functions of the Board in the governance of the municipality are prescribed in the Municipal charter as per UACA 2011 amended 2019,

section 20(1). The municipality is currently in the process of developing the board charter.

Committee Observations

The Committee observed that the query remains unresolved as the Municipality had not developed a board charter and was in the process of developing one.

Committee Recommendations

The Committee recommends that—

- i. the Governor ensures that the Board fast tracks the development of the board and committee charter. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle; and**
- ii. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government.**

4. Non-Funding and Dormancy in Operations of Kikuyu Municipality

Review of records provided for Kikuyu Municipality revealed the following;

- i. Whereas the County Government budgeted for development and recurrent funds totaling Kshs.262,157,063 and Kshs.4,380,500 respectively for Kikuyu Municipality operations in the County budget, there was no disbursement of the budgeted funds to support the activities of the Municipality. This was contrary to Section 43 of the Urban Areas and Cities Act, 2011 which requires the County Government to fund the Municipality.**
- ii. The Municipality did not undertake any activities, projects, or operational transactions throughout the financial year under review.**
- iii. The Municipality maintained a bank balance of Kshs.971,362 as at the end of the financial year. The only expenditure recorded was bank charges indicating lack of programmatic or administrative activity during the year.**

In the circumstances, inactivity of the Municipality throughout the year undermines its legally mandated role in Urban/Municipality service delivery, as envisioned in the Urban Areas and Cities Act, 2011.

Management Response

- I. The stated amount of Kshs. Kshs. 262,157,063 was in part KUSP 2 grant allocation for FY 2024/2025 which had not been disbursed to the municipality from the national government as at the time of the audit and so could not be expensed. The amount Kshs. 4,380,500 was a budget estimate for recurrent expenditure which was incurred and expensed through the department and reflected in the executive financial statement.**

- II. The development activities for the municipality were pegged on the receipt of the conditional grant which was not disbursed. However, the Municipality utilized its operational budget in the recurrent vote as per the attached vote book. Annexure 5
- III. This bank balance relates to the Special Purpose Account for KUSP 1 and there was no KUSP 1 project activity within the year. However, the Municipality utilized its operational budget in the recurrent vote as per the attached vote book.

Committee Observation

The Committee observed that in the absence of supporting documentation and evidence of municipal activities, the audit query remains unresolved. The inactivity of the Municipality continues to undermine its statutory mandate under the Urban Areas and Cities Act, 2011.

Committee Recommendation

The Committee recommends that-

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

5. Failure to Conduct Citizen Fora

Review of Kikuyu Municipality operations and records revealed that the Citizen Fora, as mandated by the Urban Areas and Cities Act, 2011 was not conducted during the year under review. The Citizen Fora, which allow residents to deliberate on a variety of important matters, including the provision of services, budget estimates, development plans and National legislation were not convened during the financial year. Management prepared an annual schedule of Citizen Fora for the year under review, however, there was no evidence that the Municipality invited petitions, representations, or feedback from the Citizen Fora, despite the clear requirement in the law for such engagement. In addition, the Board did not receive or respond to any petitions or representations raised by citizens concerning the administration or management of urban affairs within its jurisdiction.

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

Management Response

The Municipality held various citizen foras within the FY 2024/2025. Among them was the project prioritization citizen fora.

Committee Observations

The Committee observed that-

1. The Municipality did not provide documentary evidence such as notices, invitations, attendance registers, minutes of meetings, or reports demonstrating that the Citizen Fora were actually convened and conducted in accordance with the requirements of the Urban Areas and Cities Act, 2011.
2. There was no evidence provided to confirm that residents were invited to submit petitions, representations, or feedback to the Municipal Board, nor that such submissions were received, deliberated upon, or responded to by the Board as required under the Act.

Committee Recommendation

The Committee recommends that—

- i. **The management should ensure that Citizen Fora are regularly convened and properly documented in compliance with the provisions of the Urban Areas and Cities Act, 2011. The Municipality should establish clear procedures for public participation, including issuing public notices, inviting petitions and representations from residents, and maintaining records such as attendance registers, minutes, and reports of deliberations; and**
- ii. **the Municipal Board should ensure that petitions and representations submitted by residents are formally received, deliberated upon, and responded to, with evidence maintained for accountability and audit purposes. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle.**

6. Failure to provide Approved Annual Revenue and Expenditure Estimates

Management did not provide an approved annual revenue and expenditure estimates for Kikuyu Municipality for the financial year ended 30 June, 2025 contrary to Section 45(1) of Urban Areas and Cities Act, 2011 which requires that, three months before the commencement of each financial year, a Board or Town Committee shall cause to be prepared estimates of the revenue and expenditure of a Board or Town Committee for that year. Further, it was not possible to confirm whether Management complied with the process of preparation and submission of annual estimates for approval by the County Assembly as required by law.

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

Management Response

The annual revenue estimates and performance for the municipality were prepared and approved by the board.

Committee Observations

The Committee observed that the matter remains unresolved as Management did not demonstrate compliance with Section 45(1) of the Urban Areas and Cities Act, 2011 regarding the preparation and approval of annual revenue and expenditure estimates for the Municipality.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.

7. Lack of Annual Governance Audit and Performance Evaluation

Review of records at the Municipality relating to Board activities revealed no evidence of the Board having undertaken an annual governance audit during the year under review. The annual governance audit is expected to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder engagement and value enhancement among others.

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

Management Response

Management takes note of the auditor's recommendations and undertakes to carry out the annual governance audit and performance evaluation.

Committee Observations

The Committee observed that the governance audit was not conducted during the financial year under review. However, management committed to undertake an annual governance audit and performance evaluation.

Committee Recommendations

The Committee recommends that the Governor should ensure that the Municipal Board conducts an annual governance audit and performance evaluation in accordance with the provisions of the Urban Areas and Cities Act, 2011. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

8. Lack of Ownership and Valuation Documents

Review of the fixed asset register revealed that it consisted of motor vehicles, office equipment, computers and road works. However, the total value of the assets could not be confirmed given that Management did not include all their costs in the asset register.

Further, review of the motor vehicle log books revealed that KCX146A and KCU358L had been registered in the names of two different private limited companies.

Further, motor vehicles registration numbers 22CG268A and KCX146A whose log books were provided, were not traced in the asset register. In addition, the log book for vehicle registration number KCY390Y was not provided.

In the circumstances, the value and ownership of the assets could not be confirmed.

Management Response

The county in conjunction with IGRTC (Inter Governmental Relations Committee) is currently on the process of finalizing the valuation of the assets for subsequent update of the asset register. The national treasury through the NALM (National Assets & Liabilities Management) is currently training counties to incorporate the assets. Therefore, it was not possible to quantify the value of assets in the Municipality.

The County is in the process of changing the ownership names on the logbook to reflect County Government of Kiambu through the NTSA portal

Committee Observations

The Committee observed that-

1. valuation of the assets was currently ongoing in conjunction with IGRTC.
2. the National Treasury was training counties to incorporate assets through the National Assets and Liabilities Management.
3. the County is in the process of changing the ownership names on the logbook to reflect County Government of Kiambu through the NTSA portal.

Committee Recommendations

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor in collaboration with IGRTC conclude the valuation of assets for Kikuyu Municipality and the County Government of Kiambu ensures the transfer of ownership documents of the assets and vehicles is fast tracked;**
- ii. upon completion of the transfer and valuation, the Governor ensures the Accounting Officer prepares an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and**
- iii. the Governor, through the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

1. Lack of Risk Management Policy and Disaster Recovery Plan

Review of the Municipality's records revealed that the Municipality operated without an approved risk management policy and thus had no framework for management of risks. Further, the Municipality did not have a disaster recovery or business continuity plan in place. In the absence of a disaster recovery or business continuity plan, Management lacked a blue print for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted. In addition, there are no mechanisms in place to recover lost data in case of a disaster.

In the circumstances, the effectiveness of the internal controls and management of risks of Kikuyu Municipality could not be confirmed.

Management Response

The County government developed a risk management policy which serves all the municipalities.

Committee Observations

The Committee observed that Kikuyu Municipality uses the County Government's risk management policy and disaster recovery plan.

Committee Recommendations

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

2.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR LIMURU MUNICIPALITY FOR THE FINANCIAL YEAR 2024/25

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga, EGH, presented written responses before the Committee, to respond to audit queries raised in the report of the Auditor-General on financial statements for Limuru Municipality for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

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

1. Inaccuracies in the Financial Statements

1.1 Inconsistencies in Disclosure of Development Grants

The statement of changes in net assets reflects Nil balance for capital grants, however, the statement of financial position reflects capital grant balance of Kshs. 351,717,427 resulting to an unexplained variance of Kshs. 351,717,427. Further, the statement of financial position reflects capital/development funds balance of Kshs. 351,717,427 instead of Kshs. 361,762,474 as per the schedules provided resulting to an unexplained variance of Kshs. 10,045,047.

Management Response

Management takes note that there was an error in the presentation of the statement of changes in net assets where capital/development funds Kshs. 351,717,427 was not presented. It will be rectified in the financial year 2025/2026 financial statement.

The difference between Kshs. 361,762,474 and Kshs. 351,717,427 is due to the fact that Kshs. 10,045,047 was previously treated as an expenditure in the FY 2023/2024. The error has since been corrected.

Committee Observations

The Committee observed that there was an error in the presentation of the statement of changes in net assets where capital/development funds of Kshs. 351,717,427 was not presented and the variance of Kshs. 10,045,047 was treated as an expenditure.

Committee Recommendations

The Committee recommends that-

- i. The Governor, through the Accounting Officer, to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, Cap. 534;**

- ii. **The Governor, through the Accounting Officer should ensure compliance with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply;**
- iii. **The Governor, through the Accounting Officer, should strengthen internal audit controls and ensure proper record keeping; and**
- iv. **The Governor, through the Accounting Officer, should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements.**

1.2 Unsupported Balances and Prior Year Adjustments

The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment balance of Kshs. 304,984,053 which was not supported with approved journal entry vouchers. Further, Note 24 includes additions of road infrastructure of Kshs. 32,222,093 which was not supported with schedules and ledgers.

In addition, the statement of changes in net assets and as disclosed in Note 40(b) to the financial statements reflects prior year adjustment amount of Kshs. 10,045,047 in respect of an erroneous recognition of infrastructure project as an expenditure in the previous financial year. However, the adjustment was not supported with an approved journal entry voucher and infrastructure schedule. Similarly, prior year adjustment disclosed in Note 40(a) of Kshs. 33,788,547 in respect of accumulated depreciation charged in the current financial year was not supported with an approved journal entry voucher.

Management Response

Management confirms that the approved journal entry records and detailed analysis supporting the adjustments are attached.

Committee Observations

The Committee observed that whereas approved journal entry records and detailed analysis supporting the adjustments were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that-

- i. **The Governor, through the Accounting Officer, to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, Cap. 534; and**
- ii. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

1.3 Inaccuracies in Property, Plant and Equipment

The statement of financial position and as disclosed in Note 24 to the financial statements reflects property, plant and equipment balance of Kshs.304,984,053. However, verification of the asset register revealed seven (7) categories of assets ranging from motor vehicles, computers and furniture which have not been valued or included as part of the property, plant and equipment balance.

Management Response

The county in conjunction with IGRTC (Inter Governmental Relations Technical Committee) is currently on the process of finalizing the valuation of the assets for subsequent update of the asset register. The national treasury through the NALM (National Assets & Liabilities Management) is currently training counties to incorporate the assets. Therefore, it was not possible to quantify the value of assets in the Municipality.

Committee Observations

The Committee observed that-

1. valuation of the assets was currently ongoing in conjunction with IGRTC.
2. the National Treasury was training counties to incorporate assets through the National Assets and Liabilities Management.

Committee Recommendations

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Governor in collaboration with IGRTC conclude the valuation of assets for Limuru Municipality and the County Government of Kiambu ensures the transfer of ownership documents of the assets is fast tracked;**

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

1.4 Inconsistencies in Accumulated Surplus

The statement of financial position and statement of changes in net assets reflects accumulated surplus total amount of Kshs. 43,492,828. However, Note 38 to the financial statements on capital risk management reflects accumulated surplus of Kshs. 53,537,875 resulting to a variance of Kshs. 10,045,047.

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

Management Response

Management takes note of the audit observation. The figure Kshs. 53,537,875 was a presentation error in Note 38 of the financial statement and the correct figure in the notes should have been Kshs. 43,492,828 which will be corrected in the FY 2025/2026 financial statements.

Committee Observations

The Committee observed that there was a posting error in the financial statements whereby Kshs. 53,537,875 was erroneously captured as Kshs. 43,492,828.

Committee Recommendations

The Committee recommends that-

- i. The Governor, through the Accounting Officer, to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, Cap. 534;
- ii. The Governor, through the Accounting Officer should ensure compliance with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records

failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply;

- iii. The Governor, through the Accounting Officer, should strengthen internal audit controls and ensure proper record keeping; and**
- iv. The Governor, through the Accounting Officer, should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements.**

2. Non-Disclosure of Approved Budget

The statement of comparison of budget and actual amounts reflects budget carryovers from the previous year of Kshs. 3,240,547 as final budget, omitting development and recurrent approved budget amounts of Kshs. 65,819,107 and Kshs. 3,336,900 respectively as part of the budgeted amount. Further, the statement is not balanced as it does not include budgeted expenditure.

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

Management Response

Management acknowledges the observation. However, the Approved budget figures were an extract of the budgeted allocations for the municipality in the County Executive budget specifically at the Directorate of Municipal Administration and Urban Development. These amounts include the Grant expected to be received within the FY 24/25 but was not, hence could not form part of final budget in the financial statement. The recurrent budget for Limuru Municipality in the county budget was also expensed through the county treasury and could not also form part of the final budget in the Municipality Financial Statement as it was recognised in the county executive financial statement.

Committee Observations

The Committee observed that-

- 1. the development budget of Kshs. 65,819,107 and recurrent approved budget of Kshs. 3,336,900 were omitted from the financial statements.
- 2. the approved budget figures included the grant expected to be received from the county executive within the FY 24/25 but was not disbursed.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer to takes appropriate administrative action on responsible officers within the Accounts and**

Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

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

3. Undisclosed Depreciation Method

The statement of financial performance and Note 24 to the financial statements reflects depreciation and amortization charge of Kshs. 22,989,876 with applied rates of 10% on solar lighting and associated works, 12.5% on motor vehicles and 5% on road infrastructure. However, the method of depreciation adopted was not stated under significant accounting policies in the financial statements.

In the circumstances, the accuracy and completeness of the depreciation charge of Kshs. 22,989,876 could not be confirmed.

Management Response

Management notes the observation and clarifies that the depreciation rates applied in the financial statements were guided by the National Treasury Circular on Accounting Policies issued in 2020, which provides standard depreciation rates for public sector entities. The rates applied are therefore consistent with government guidelines and IPSAS requirements.

Management further undertakes to embed these rates formally within the County's financial manual in the next review to ensure consistency and compliance

Committee Observations

The Committee observed that during the time of audit management had not stated the method of depreciation applied, however, management submitted that the depreciation rates applied were guided by the National Treasury Circular on Accounting Policies issued in 2020.

Committee Recommendations

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects nil expenditure against actual receipts of Kshs. 3,240,547 resulting to an underutilization of Kshs. 3,240,547 or 100% of the actual receipts.

The underutilization affected the planned activities of the Municipality and may have impacted negatively on service delivery to the public.

Management Response

Management clarifies that Kshs. 3,240,547 was not received in the current financial year.

Committee Observations

The Committee observed that there was a 100% underutilization of the budget as the amount of Kshs. 3,240,547 was not disbursed to the Municipality.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

Other Matter

1. Unresolved Prior Year Matters

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

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Financial Statements
2	2023/2024	Misstatement of Property, Plant and Equipment
3	2023/2024	Irregular Payment for Infrastructure Projects
4	2023/2024	Non-compliance with Public Sector Accounting Standards Board Reporting Template
5	2023/2024	Lack of Accountability in Retention Money
6	2023/2024	Failure to Provide Annual Revenue Estimates
7	2023/2024	Failure to Conduct an Annual Performance Review of the Integrated Development Plan
8	2023/2024	Irregular Composition and Lack of Supporting Documents for Board Members
9	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan
10	2023/2024	Lack of Board and Committee Charter

Management Response

	Financial Year	Audit Issue	Status
1	2023/2024	Inaccuracies in the Financial Statements	The management corrected the inaccuracies in the subsequent financial year
2	2023/2024	Misstatement of Property, Plant and Equipment	The management corrected the Misstatement of Property, Plant and Equipment in the subsequent financial year

3	2023/2024	Irregular Payment for Infrastructure Projects	The management prepare prior year journals to correct the Infrastructure Projects payments in the subsequent financial year
4	2023/2024	Non-compliance with Public Sector Accounting Standards Board Reporting Template	The management complied with Public Sector Accounting Standards Board Reporting Template in the subsequent financial year
5	2023/2024	Lack of Accountability in Retention Money	The management prepared retention registers for accountability of Retention Monies in the subsequent financial year
6	2023/2024	Failure to Provide Annual Revenue Estimates	The management prepared Annual Revenue Estimates in the subsequent financial year
7	2023/2024	Failure to Conduct an Annual Performance Review of the Integrated Development Plan	The management Conducted an Annual Performance Review of the Integrated Development Plan in the subsequent financial year
8	2023/2024	Irregular Composition and Lack of Supporting Documents for Board Members	The management complied with the Composition of the Board in the subsequent financial year
9	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan	The management prepared a Risk Management Policy and Disaster Recovery
10	2023/2024	Lack of Board and Committee Charter	The management is in the process of preparing a Board Charter

The Management is still awaiting recommendations of the County Assembly and Senate CPISFC for Financial Year 2023/24.

Committee Observations

The Committee observed that the query remains unresolved as the Municipality did not take action in resolving some of the queries raised in the report of the Auditor-General for the financial year 2023/24.

Committee Recommendations

The Committee recommends that-

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

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

1. Presentation and Disclosure in the Financial Statements

Review of the financial statements presented for audit revealed inconsistencies in the numbering and that the financial statements amounts have not been rounded off to the nearest shilling.

In the circumstances, the financial statements do not comply with prescribed Public Sector Accounting Standards Board reporting template.

Management Response

The management notes that these recommendations were addressed in the resubmitted financial statement at the management letter level.

Committee Observations

The Committee observed that the financial statements were not prepared in the format prescribed by the Public Sector Accounting Standards Board reporting templates.

Committee Recommendations

The Committee recommends that-

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

2. Failure to Conduct Annual Performance Review of Integrated Development Plan

Review of Municipality records provided for audit revealed that there was no evidence provided to confirm that annual performance review of the Integrated Development Plan was conducted contrary to Section 42 of the Urban Areas and Cities Act, 2011 which requires that the City or Municipal Board to review its Integrated Development Plan (IPD) annually to assess its performance in accordance with performance management tools set by it.

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

Management Response

The Municipal board reviewed the Integrated Development Plan for FY 2024/2025.

Committee Observations

The Committee observed that as at the time of audit the Municipality did not conduct annual performance review of the Integrated Development Plan contrary to Section 42 of the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that the Governor ensures the Municipal Board conducts annual performance review in line with Section 42 of the Urban Areas

and Cities Act, 2011. The Auditor-General to review and verify the Municipality's Integrated Development Plan for FY 2024/2025 and report to the Committee in the subsequent audit cycle.

3. Lack of board and Committee Charter

The Municipality as per the Urban Areas and Cities Act, 2011 is required to constitute a Board and the Committees of the Board. However, review of the Board records indicated that the Board had not developed or adopted a Board Charter since inception in 2018. Further, the Board had three (3) committees namely technical, planning and oversight, human resources, finance, administration and partnership and audit and risk management committees established to run the affairs of the Board, however, none of the committees had developed a Charter that outlines its roles and responsibilities.

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

Management Response

The role, responsibilities and functions of the Board in the governance of the municipality are prescribed in the Municipal charter as per UACA 2011 amended 2019, section 20(1). The municipality is currently in the process of developing the board charter.

Committee Observations

The Committee observed that the query remains unresolved as the Municipality had not developed a board charter and was in the process of developing one.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Board fast tracks the development of the board and committee charter. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle; and**
- ii. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government.**

4. Non-Funding and Dormancy in Operations of Limuru Municipality

Review of the Municipality documents provided revealed the following;

- i. Whereas the County Government budgeted for funds totaling Kshs. 3,336,900 for Limuru Municipality operations in the County budget, there was no disbursement of the budgeted funds to support the activities of the Municipality. This was contrary to Section 43 of the Urban Areas and Cities Act, 2011 which requires the County Government to fund the Municipality.**

- ii. The Municipality did not undertake any activities, projects, or operational transactions throughout the financial year under review.
- iii. The Municipality maintained a bank balance of Kshs. 3,240,546 as at the end of the financial year, however, there was no expenditure recorded, indicating lack of programmatic or administrative activity during the year.

In the circumstances, inactivity of the Municipality throughout the year undermines its legally mandated role in Urban/Municipality service delivery, as envisioned in the Urban Areas and Cities Act, 2011.

Management Response

- I. The amount Kshs. 3,336,900 was a budget estimate for recurrent expenditure which was incurred and expensed through the department and reflected in the executive financial statement.
- II. The development activities for the municipality were pegged on the receipt of the conditional grant which was not disbursed. However, the Municipality utilized its operational budget in the recurrent vote as per the attached vote book.
- III. This bank balance relates to the Special Purpose Account for KUSP 1 and there was no KUSP 1 project activity within the year. However, the Municipality utilized its operational budget in the recurrent vote as per the attached vote book.

Committee Observations

The Committee observed that in the absence of supporting documentation and evidence of municipal activities, the audit query remains unresolved. The inactivity of the Municipality continues to undermine its statutory mandate under the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that-

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

5. Failure to Conduct Citizen Fora

Review of Limuru Municipality operations and records revealed that the Citizen Fora, as mandated by the Urban Areas and Cities Act, 2011 was not conducted in the year under review. The Citizen Fora, which allow residents to deliberate on a variety of

important matters, including the provision of services, budget estimates, development plans, and National legislation were not convened during the financial year. Management prepared an annual schedule of Citizen Fora for the year under review, however, there was no evidence that the Municipality invited petitions, representations, or feedback from the Citizen Fora, despite the clear requirement in the law for such engagement. In addition, the Board did not receive or respond to any petitions or representations raised by citizens concerning the administration or management of urban affairs within its jurisdiction.

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

Management Response

The Municipality held various citizen foras within the FY 2024/2025. Among them was the project prioritization citizen fora.

Committee Observations

The Committee observed that-

1. The Municipality did not provide documentary evidence such as notices, invitations, attendance registers, minutes of meetings, or reports demonstrating that the Citizen Fora were actually convened and conducted in accordance with the requirements of the Urban Areas and Cities Act, 2011.
2. There was no evidence provided to confirm that residents were invited to submit petitions, representations, or feedback to the Municipal Board, nor that such submissions were received, deliberated upon, or responded to by the Board as required under the Act.

Committee Recommendations

The Committee recommends that-

- i. **The management should ensure that Citizen Fora are regularly convened and properly documented in compliance with the provisions of the Urban Areas and Cities Act, 2011. The Municipality should establish clear procedures for public participation, including issuing public notices, inviting petitions and representations from residents, and maintaining records such as attendance registers, minutes, and reports of deliberations;**
- ii. **the Municipal Board should ensure that petitions and representations submitted by residents are formally received, deliberated upon, and responded to, with evidence maintained for accountability and audit**

purposes. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle.

6. Failure to Provide Approved Annual Revenue and Expenditure Estimates

Management did not provide an approved annual revenue and expenditure estimates for Limuru Municipality for the financial year ended 30 June, 2025 contrary to Section 45(1) of the Urban Areas and Cities Act, 2011 which requires that, three months before the commencement of each financial year, a Board or Town Committee shall cause to be prepared estimates of the revenue and expenditure of a Board or Town Committee for that year. Further, it was not possible to confirm whether Management complied with the process of preparation and submission of annual estimates for approval by the County Assembly as required by law.

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

Management Response

The annual revenue estimates and performance for the municipality were prepared and approved by the board as per the annual municipal targets.

Committee Observations

The Committee observed that the matter remains unresolved as Management did not demonstrate compliance with Section 45(1) of the Urban Areas and Cities Act, 2011 regarding the preparation and approval of annual revenue and expenditure estimates for the Municipality.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

7. Lack of Annual Governance Audit and Performance Evaluation

Review of records of the Municipality relating to Board activities revealed no evidence of the Board having undertaken an annual governance audit during the year under review. The annual governance audit is expected to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder engagement and value enhancement among others.

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

Management Response

Management takes note of the auditor's recommendations and undertakes to carry out the annual governance audit and performance evaluation.

Committee Observations

The Committee observed that the governance audit was not conducted during the financial year under review. However, management committed to undertake an annual governance audit and performance evaluation.

Committee Recommendations

The Committee recommends that the Governor should ensure that the Municipal Board conducts an annual governance audit and performance evaluation in accordance with the provisions of the Urban Areas and Cities Act, 2011. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

8. Lack of Ownership and Valuation Documents

Review of the fixed asset register revealed that it consisted of a motor vehicle and road works. However, the value of the motor vehicle, lawn mower and hedge trimmer could not be confirmed given that Management did not include their costs in the asset register.

Further, review of the log book for the motor vehicle revealed it was registered in the name of a private limited company.

In addition, vehicle registration number 22CG268A and whose log book was provided, was not traced in the asset register provided.

In the circumstances, the value and ownership of the assets could not be confirmed.

Management Response

The county in conjunction with IGRTC (Inter Governmental Relations Committee) is currently on the process of finalizing the valuation of the assets for subsequent update of the asset register. The national treasury through the NALM (National Assets &

Liabilities Management) is currently training counties to incorporate the assets. Therefore, it was not possible to quantify the value of assets in the Municipality.

The County is in the process of changing the ownership names on the logbook to reflect County Government of Kiambu through the NTSA portal.

Committee Observations

The Committee observed that-

1. valuation of the assets was currently ongoing in conjunction with IGRTC.
2. the National Treasury was training counties to incorporate assets through the National Assets and Liabilities Management.
3. the County is in the process of changing the ownership names on the logbook to reflect County Government of Kiambu through the NTSA portal.

Committee Recommendations

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor in collaboration with IGRTC conclude the valuation of assets for Limuru Municipality and the County Government of Kiambu ensures the transfer of ownership documents of the assets and vehicles is fast tracked;
- ii. upon completion of the transfer and valuation, the Governor ensures the Accounting Officer prepares an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and
- iii. the Governor, through the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

1. Lack of Risk Management Policy and Disaster Recovery Plan

Review of the Municipality's records revealed that the Municipality operated without an approved risk management policy and thus had no framework for management of risks. Further, the Municipality did not have a disaster recovery or business continuity plan in place. In the absence of a disaster recovery or business continuity plan, Management lacked a blue print for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted. In addition, there are no mechanisms in place to recover lost data in case of a disaster.

In the circumstances, the effectiveness of the internal controls and management of risks of Limuru Municipality could not be confirmed.

Management Response

The County government developed a risk management policy which serves all the municipalities.

Committee Observations

The Committee observed that Limuru Municipality uses the County Government's risk management policy and disaster recovery plan.

Committee Recommendations

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

2.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR RUIRU MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga, EGH, presented written responses before the Committee, to respond to audit queries raised in the report of the Auditor-General on financial statements for Ruiru Municipality for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

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

1. Inaccuracies in the Financial Statements

1.1 Unsupported Prior Year Adjustments

The statement of changes in net assets and as disclosed in Note 40a to the financial statements reflects prior year adjustments on capital fund and accumulated surplus balances of Kshs. 1,091,021,820 and Kshs. 176,799,384 respectively. However, the adjustments were not supported with journal vouchers, reconciliations, or detailed movement schedules of the underlying assets.

Management Response

Management takes note of the audit observation. In accordance with the requirements of the International Public Sector Accounting Standards (IPSAS), prior year adjustments were undertaken to correct omissions and misstatements relating to property, plant, and equipment. Specifically, certain assets that had not previously been capitalized were recognized, while other assets were realigned to reflect the correct funding attribution. These retrospective adjustments were necessary to ensure that the financial statements present a true and fair view of the County's financial position and comply with IPSAS disclosure requirements.

Management confirms that the approved journal vouchers, reconciliations and detailed movement schedules of the underlying assets supporting the above adjustments are available for audit verification.

Committee Observations

The Committee observed that whereas the approved journal vouchers, reconciliations and detailed movement schedules of the underlying assets supporting the adjustments were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that-

- i. the Governor, through the Accounting Officer, to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, Cap. 534; and**
- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

1.2 Misstatement of Prior Year Adjustments

The statement of changes in net assets and as disclosed in Note 40a to the financial statements reflects prior year adjustment on capital fund amount of Kshs. 1,091,021,820. However, review of property, plant and equipment movement schedule disclosed in Note 24 to the financial statements reflects transfer/adjustment of Kshs. 858,630,560 resulting to an unexplained variance of Kshs. 232,391,260.

Management Response

During the year, transfers and adjustments amounting to Kshs. 858,630,560.16 were made from donor-funded projects to recognize completed works as capital assets. The closing balance of capitalized donor-funded assets as at 30th June 2025 was Kshs. 1,091,021,820.16, compared to Kshs. 232,391,260.00 as at 30th June 2024. This was previously disclosed in FY 2023-24 audited accounts

Committee Observations

The Committee observed that-

1. during the year transfers and adjustments amounting to Kshs. 858,630,560.16 were made from donor-funded projects to recognize completed works as capital assets.
2. the closing balance of capitalized donor-funded assets as at 30 June 2025 was Kshs. 1,091,021,820.16 compared to Kshs. 232,391,260.00 as at 30 June 2024.

Committee Recommendations

The Committee recommends that-

- i. The Governor, through the Accounting Officer, to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms**

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

- ii. The Governor, through the Accounting Officer should ensure compliance with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply;
- iii. The Governor, through the Accounting Officer, should strengthen internal audit controls and ensure proper record keeping; and
- iv. The Governor, through the Accounting Officer, should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements.

1.3 Misstatement of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 24 to the financial statements reflects property, plant and equipment net book value balance of Kshs. 849,054,826. However, the asset register for the Municipality included six (6) motor vehicles, metallic cabinet, coat hanger, two (2) water dispensers and one (1) Hp laptop which were not accounted for in the financial statements.

Management Response

Management notes the Auditors observation, however wishes to clarify that the items six (6) motor vehicle, metallic cabinet, coat hanger, two (2) water dispenser and one (1) Hp laptop included in the assets register for Ruiru municipality were part of the project and were procured within the specific project's tender sums by the contractors and thus have been included in the net book value of Kshs. 849,054,826 in the financial statement.

Committee Observations

The Committee observed that the six motor vehicles, metallic cabinet, coat hanger, two water dispensers and one HP laptop included in the asset register were procured by contractors within specific project tender sums and that their values were included in the net book value of Kshs. 849,054,826 reflected in the financial statements.

Committee Recommendations

The Committee recommends that the Governor, through the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the

format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

1.4 Variance Between Property, Plant and Equipment and Asset Movement Schedule

The statement of financial position and as disclosed on Note 24 to the financial statements reflects property, plant and equipment balance of Kshs. 849,054,826. However, re-computation of schedules provided for audit revealed the following unexplained variances;

Description	Financial Statements (Kshs.)	Assets Schedule (Kshs.)	Variance (Kshs.)
Accumulated Depreciation	241,966,994	216,440,455	25,526,539
Depreciation for the Year	65,167,610	64,475,980	691,630
Net Book Value for the Year	849,054,826	874,581,364	(25,526,538)

Further, the property, plant and equipment balance of Kshs. 849,054,826 differs with the trial balance amount of Kshs. 1,091,021,820 resulting to an unexplained variance of Kshs. 241,966,994.

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

Management Response

Management takes note of the audit observation. The figures used to recognize assets in the financial statements were correct and the variance was as a result of the provided asset register which was not the end year updated version. The updated Ruiru Municipality asset register was attached whose net book value figure coincide with the PPE figures in the financial statement.

Committee Observations

The Committee observed that the variance between the PPE and the asset movement schedule was as a result of using an outdated asset register which the municipality updated.

Committee Recommendations

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

1.5 Variance Between Final and County Approved Budget

Review of the statement of comparison of budget and actual amounts for the year and the County's approved budget revealed the following inconsistencies;

Description	Final Budget (Kshs.)	County Approved Budget (Kshs.)	Variance (Kshs.)
Total Receipts	4,831,283	506,040,960	501,209,677
Total Expenditure	1,800	7,000,000	6,998,200
Capital Budget	0	499,040,960	499,040,960

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

Management Response

Management acknowledges the observation. However, the Approved budget figures were an extract of the budgeted allocations for the municipality in the County Executive budget specifically and the Directorate of Municipal Administration and Urban Development. These amounts include the Grant expected to be received within the FY 24/25 but were not hence could not form part of final budget in the financial statement. The recurrent budget for Ruiru Municipality in the county budget was also expensed through the county treasury and could not also form part of the final budget in the Municipality Financial Statement as it was recognised in the county executive financial statement.

Committee Observations

The Committee observed that the approved budget figures included the Grant expected to be received within the FY 24/25 but were not hence could not form part of final budget in the financial statement.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures that the Accounting Officer takes appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government; and**
- iii. **the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor to keep this matter in view and report in the subsequent audit cycle.**

2 Undisclosed Depreciation Method

The statement of financial performance and as disclosed in Note 24 to the financial statements reflects depreciation and amortization charge of Kshs.65,167,610. Further, included in Note 24 to the financial statements are depreciation rates of 10% on solar lighting and associated works, 12.5% on motor vehicles and 5% on road infrastructure.

However, the method of depreciation adopted was not stated in the significant accounting policies section.

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

Management Response

Management notes the observation and clarifies that the depreciation rates applied in the financial statements were guided by the National Treasury Circular on Accounting Policies issued in 2020, which provides standard depreciation rates for public sector entities. The rates applied are therefore consistent with government guidelines and IPSAS requirements.

Management further undertakes to embed these rates formally within the County's financial manual in the next review to ensure consistency and compliance.

Committee Observations

The Committee observed that during the time of audit management had not stated the method of depreciation applied, however, management submitted that the depreciation rates applied were guided by the National Treasury Circular on Accounting Policies issued in 2020.

Committee Recommendations

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total expenditure amount of Kshs. 1,800 against actual receipts of Kshs. 4,831,283 resulting to an underutilization of Kshs. 4,829,483 or 99% of the actual receipts.

The underutilization affected the planned activities of the Municipality and may have impacted negatively on service delivery to the public.

Management Response

Management clarifies that Kshs. 4,831,283 was not received in the current financial year. The expenditure of Kshs. 1,800 was bank charges for the year.

Committee Observations

The Committee observed that the budgetary underutilization was as a result of non-disbursement of Kshs. 4,831,283 whereas the Kshs. 1,800 related to bank charges.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.

Other Matter

1. Unresolved Prior Year Matters

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

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Financial Statements
2	2023/2024	Double Accounting of Infrastructure Projects
3	2023/2024	Misstatement of Property, Plant and Equipment
4	2023/2024	Unreconciled Cash and Cash Equivalents
5	2023/2024	Non-Compliance with Public Sector Accounting Standards Board Reporting Template
6	2023/2024	Failure to Maintain a Retention Account
7	2023/2024	Failure to Provide Annual Revenue Estimates
8	2023/2024	Irregular Composition of the Board
9	2023/2024	Lack of Supporting Documents for the Newly Appointed Board Members
10	2023/2024	Failure to Convene the Minimum Threshold of Board Meetings
11	2023/2024	Lack of Risk Management Policy and Disaster Recovery
12	2023/2024	Lack of Board and Committee Charter

Management Response

Management acknowledges the observation. However, the audit issues relating to the municipality were resolved and highlighted in the financial statements under "Progress on Follow up of Auditors Recommendations".

	Financial Year	Audit Issue	Status
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1	2023/2024	Inaccuracies in the Financial Statements	The management corrected the inaccuracies in the subsequent financial year
2	2023/2024	Double Accounting of Infrastructure Projects	The management corrected the Double Accounting of Infrastructure Projects in the subsequent financial year
3	2023/2024	Misstatement of Property, Plant and Equipment	The management corrected the Misstatement of Property, Plant and Equipment in the subsequent financial year
4	2023/2024	Unreconciled Cash and Cash Equivalents	The management corrected the Unreconciled Cash and Cash Equivalents in the subsequent financial year
5	2023/2024	Non-Compliance with Public Sector Accounting Standards Board Reporting Template	The management Complied with Public Sector Accounting Standards Board Reporting Template in the subsequent financial year
6	2023/2024	Failure to Maintain a Retention Account	The management Maintained a Retention Account in the subsequent financial year
7	2023/2024	Failure to Provide Annual Revenue Estimates	The management Provided Annual Revenue Estimates in the subsequent financial year
8	2023/2024	Irregular Composition of the Board	The management complied with the Composition of the Board in the subsequent financial year
9	2023/2024	Lack of Supporting Documents for the Newly Appointed Board Members	The management provided Supporting Documents for the Newly Appointed Board Members in the subsequent financial year

10	2023/2024	Failure to Convene the Minimum Threshold of Board Meetings	The management Convened the Minimum Threshold of Board Meetings in the subsequent financial year
11	2023/2024	Lack of Risk Management Policy and Disaster Recovery	The management prepared a Risk Management Policy and Disaster Recovery
12	2023/2024	Lack of Board and Committee Charter	The management is in the process of preparing a Board Charter

Committee Observations

The Committee observed that the query remains unresolved as the Municipality did not take action in resolving some of the queries raised in the report of the Auditor-General for the financial year 2023/24.

Committee Recommendations

The Committee recommends that-

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

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

1. Non-Compliance with Public Sector Accounting Standards Board Reporting Template

Review of the financial statements presented for audit revealed the following anomalies;

- i. The report of Municipality Manager does not include project performance against actual, programmes implemented and risk management strategies, making use of pictures, tables, pie charts, and graphs.
- ii. The statement of financial performance reflects depreciation and amortization amount of Kshs. 65,167,610. However, the corresponding Note 16a to the financial statements reflects Nil amount resulting to an unexplained variance of Kshs. 65,167,610.
- iii. Appendix 1 on progress on follow up of auditor's recommendation does not highlight the audit observation and only indicates the audit title.
- iv. Section 8 on corporate governance statement includes a sub head on number of Board meetings held and the attendance to those meetings by members. However, the number of meetings attended by members is not included.

In the circumstances, the financial statements do not comply with prescribed Public Sector Accounting Standards Board reporting template.

Management Response

The financial statements were revised to address the noted inaccuracies and resubmitted.

Committee Observations

The Committee observed that the financial statements were not prepared in the format prescribed by the Public Sector Accounting Standards Board reporting templates.

Committee Recommendations

The Committee recommends that-

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

accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements.

2. Non-Funding and Dormancy in Operations of Ruiru Municipality

Review of Ruiru Municipality records provided for audit revealed the following;

- i. Whereas the County Government budgeted for funds totalling Kshs.560,722,432 for Ruiru Municipality operations in the year under review, in the County Budget, there was no substantial disbursement of the budgeted funds to support the activities of the Municipality. This was contrary to Section 43 of the Urban Areas and Cities Act, 2011 which requires the County Government to fund the Municipality.
- ii. The Municipality did not undertake any activities, projects, or operational transactions throughout the financial year except for a pending payment for a prior year project.
- iii. A total of Kshs.600,000 was issued to the Municipality by the County Government as an Authority to Incur Expenditure (AIE) in the year under review. However, there was no record of the amount being utilized for any administrative or service delivery purposes. Further, the AIE was not supported with returns of expenditure.
- iv. The Municipality had a bank and cashbook balance of Kshs.4,829,483 as at the end of the financial year. However, the only expenditure recorded was bank charges, indicating lack of programmatic or administrative activity during the year.

In the circumstances, inactivity of the Municipality throughout the year undermines its legally mandated role in Urban/Municipality service delivery, as envisioned in the Urban Areas and Cities Act, 2011.

Management Response

- I. The stated amount of Kshs. 560,722,432 was in part KUSP 2 grant allocation for FY 2024/2025 which had not been disbursed to the municipality from the national government as at the time of the audit and so could not be expensed.
- II. The development activities for the municipality were pegged on the receipt of the conditional grant which was not disbursed. However, the Municipality utilized its operational budget in the recurrent vote as per the attached vote book.
- III. The amount of Kshs. 600,000 was expensed in the budget through the county treasury. The expenditure returns indicating the administrative expenses were submitted to finance department and subsequently to the external auditors for audit.

- IV. This bank balance of Ksh. 4,829,483 relates to the Special Purpose Account for KUSP 1 and there was no KUSP 1 project activity within the year. However, the Municipality utilized its operational budget in the recurrent vote as per the attached vote book.

Committee Observations

The Committee observed that in the absence of supporting documentation and evidence of municipal activities, the audit query remains unresolved. The inactivity of the Municipality continues to undermine its statutory mandate under the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that-

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

3. Failure to Conduct Citizen Fora

Review of Ruiru Municipality operations and records revealed that the Citizen Fora, as mandated by the Urban Areas and Cities Act, 2011 was not conducted during the year under review. The Citizen Fora, which allows residents to deliberate on a variety of important matters, including the provision of services, budget estimates, development plans, and National legislation were not convened during the financial year. Management prepared an annual schedule of Citizen Fora for the year under review, however, there was no evidence that the Municipality invited petitions, representations, or feedback from the Citizen Fora, despite the clear requirement in the law for such engagement. In addition, the Board did not receive or respond to any petitions or representations raised by citizens concerning the administration or management of urban affairs within its jurisdiction.

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

Management Response

The Municipality held various citizen foras within the FY 2024/2025. Among them was the project prioritization citizen fora.

Committee Observations

The Committee observed that-

1. The Municipality did not provide documentary evidence such as notices, invitations, attendance registers, minutes of meetings, or reports demonstrating that the Citizen Fora were actually convened and conducted in accordance with the requirements of the Urban Areas and Cities Act, 2011.
2. There was no evidence provided to confirm that residents were invited to submit petitions, representations, or feedback to the Municipal Board, nor that such submissions were received.

Committee Recommendations

The Committee recommends that-

- i. **The management should ensure that Citizen Fora are regularly convened and properly documented in compliance with the provisions of the Urban Areas and Cities Act, 2011. The Municipality should establish clear procedures for public participation, including issuing public notices, inviting petitions and representations from residents, and maintaining records such as attendance registers, minutes, and reports of deliberations;**
- ii. **the Municipal Board should ensure that petitions and representations submitted by residents are formally received, deliberated upon, and responded to, with evidence maintained for accountability and audit purposes. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle.**

4. Lack of Ownership Documents and Updated Asset Register

Review of the asset register revealed that the Municipality had several motor vehicles, one (1) skip loader, one (1) fire engine and backhoe, however, the log books for the motor vehicles KCY337A, KCZ176P, KCV114Z, KDA107R, KDB254Q and KDA155L were found to have been registered under different private companies.

Further, motor vehicle registration numbers KDA107R, KDB254Q and KDA155L were not traced in the asset register. In addition, log books for vehicles registration numbers 22CG362A, 22CG272A and 22CG378A were not provided despite the vehicles having been recorded in the asset register.

In the circumstances, the ownership of the assets could not be confirmed.

Management Response

The county in conjunction with IGRTC (Inter Governmental Relations Committee) is currently on the process of finalizing the valuation of the assets for subsequent update of the asset register. The national treasury through the NALM (National Assets &

Liabilities Management) is currently training counties to incorporate the assets. Therefore, it was not possible to quantify the value of assets in the Municipality.

The County is in the process of changing the ownership names on the logbook to reflect County Government of Kiambu through the NTSA portal.

Committee Observations

The Committee observed that-

1. valuation of the assets was currently ongoing in conjunction with IGRTC.
2. the National Treasury was training counties to incorporate assets through the National Assets and Liabilities Management.
3. the County is in the process of changing the ownership names on the logbook to reflect County Government of Kiambu through the NTSA portal.

Committee Recommendations

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Governor in collaboration with IGRTC conclude the valuation of assets for Ruiru Municipality and the County Government of Kiambu ensures the transfer of ownership documents of the assets and vehicles is fast tracked;**
- ii. **upon completion of the transfer and valuation, the Governor ensures the Accounting Officer prepares an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and**
- iii. **the Governor, through the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

5. Lack of Board and Committee Charter

The Municipality as per the Urban Areas and Cities Act, 2011 is required to have a Board in place and ensure that the committees of the Board are constituted. However, review of the Municipal records indicated that the Board had not developed or adopted a Board charter since inception in 2018. Further, the Board had three (3) committees established to run the affairs of the Board, however, none of the committees had

developed a charter that outlines its roles and responsibilities. In addition, the committees did not meet within the year under review.

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

Management Response

The role, responsibilities and functions of the Board in the governance of the municipality are prescribed in the Municipal charter as per UACA 2011 amended 2019, section 20(1). The municipality is currently in the process of developing the board charter.

Committee Observations

The Committee observed that the Municipality was in the process of developing a board charter.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Board fast tracks the development of the board and committee charter. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle; and**
- ii. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government.**

6. Failure to Provide Approved Annual Revenue and Expenditure Estimates

Management did not provide an approved annual revenue and expenditure estimates for Ruiru Municipality for the financial year ended 30 June, 2025 contrary to the requirements of Section 45(1) of the Urban Areas and Cities Act, 2011 which states that, three months before the commencement of each financial year, a Board or Town Committee shall cause to be prepared estimates of the revenue and expenditure of a Board or Town Committee for that year. Further, it was not possible to confirm whether Management complied with the process of preparation and submission of annual estimates for approval by the County Assembly as required by law.

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

Management Response

The annual revenue estimates and performance for the municipality were prepared and approved by the board as per the annual municipal targets.

Committee Observations

The Committee observed that the matter remains unresolved as Management did not demonstrate compliance with Section 45(1) of the Urban Areas and Cities Act, 2011 regarding the preparation and approval of annual revenue and expenditure estimates for the Municipality.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

7. Failure to Conduct Annual Performance Review of Integrated Development Plan

The Municipality did not conduct annual performance review of the Integrated Development Plan contrary to Section 42 of the Urban Areas and Cities Act, 2011 which requires the City or Municipal Board to review its Integrated Development Plan annually to assess its performance in accordance with performance management tools set by it.

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

Management Response

The Municipal board reviewed the Integrated Development Plan for FY 2024/2025.

Committee Observations

The Committee observed that as at the time of audit the Municipality did not conduct annual performance review of the Integrated Development Plan contrary to Section 42 of the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that the Governor ensures the Municipal Board conducts annual performance review in line with Section 42 of the Urban Areas

and Cities Act, 2011. The Auditor-General to review and verify the Municipality's Integrated Development Plan for FY 2024/2025 and report to the Committee in the subsequent audit cycle.

8. Irregular Composition of the Board

Review of Gazette Notice dated 7 February, 2025 revealed that Ruiru Municipality had appointed seven (7) Board Members. However, review of the County Assembly Sectoral Committee on Planning and Urbanization report on vetting of the Ruiru Municipality Board nominees revealed that two (2) Board members gazetted on 7 February, 2025 were not vetted. Further, no information was provided as an indication that four (4) Board Members were nominated by a professional association, private sector, registered association of the informal sector and registered neighborhood association in the area, with the approval of the County Assembly. This was contrary to Section 14 of the Urban Areas and Cities Act, 2011 which requires the Board of a Municipality to comprise nine members of whom four shall be appointed and five elected in the prescribed manner. In addition, review of Board minutes dated 17 July, 2024 revealed that the Board Members held a meeting before being gazetted.

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

Management Response

Management notes that the county assembly report on the vetting and nomination of municipal board members indicates the members were nominated by professional associations, private sector and registered neighborhood associations in their respective municipalities.

Committee Observations

The Committee observed that-

1. the report did not specifically identify or provide documentary evidence demonstrating that the four members gazetted on 7th February 2025 were nominated by the required stakeholder groups, as stipulated under Section 14 of the Urban Areas and Cities Act, 2011.
2. the Management did not address the anomaly where two board members gazetted on 7th February 2025 were not included in the County Assembly vetting report.
3. the Board held a meeting on 17 July 2024 prior to gazettelement, which raises concerns regarding the legality of the Board's constitution.

Committee Recommendations

The Committee recommends that the Governor should ensure that the composition and appointment of the Municipal Board strictly comply with the provisions of Section 14 of the Urban Areas and Cities Act, 2011, including proper nomination by the prescribed stakeholder groups, vetting and approval by the

County Assembly, and formal appointment through gazette before the Board undertakes any official functions. The Auditor-General to keep the matter in view and report during the subsequent audit cycle.

9. Lack of Annual Governance and Performance Evaluation

Review of records relating to Board activities revealed no evidence of the Board having undertaken an annual governance audit during the year under review. The annual governance audit is expected to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder engagement and value enhancement among others.

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

Management Response

Management takes note of the auditor's recommendations and undertakes to carry out the annual governance audit and performance evaluation.

Committee Observations

The Committee observed that the governance audit was not conducted during the financial year under review. However, management committed to undertake an annual governance audit and performance evaluation.

Committee Recommendations

The Committee recommends that the Governor should ensure that the Municipal Board conducts an annual governance audit and performance evaluation in accordance with the provisions of the Urban Areas and Cities Act, 2011. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

1. Lack of Risk Management Policy and Disaster Recovery Plan

Review of the Municipality's records revealed that the Municipality operated without an approved risk management policy and thus had no framework for management of risks. Further, the Municipality did not have a disaster recovery or business continuity plan in place. In the absence of a disaster recovery or business continuity plan,

Management lacked a blue print for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted. In addition, there were no mechanisms in place to recover lost data in case of a disaster.

In the circumstances, the effectiveness of the internal controls and management of risks of Ruiru Municipality could not be confirmed.

Management Response

The County government developed a risk management policy which serves all the municipalities.

Committee Observations

The Committee observed that Ruiru Municipality uses the County Government's risk management policy and disaster recovery plan.

Committee Recommendations

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

2.6. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THIKA MUNICIPALITY FOR THE FINANCIAL YEAR 2024/25

The Governor for Kiambu County, Hon. Dr. Kimani Wamatinga, EGH, presented written responses before the Committee, to respond to audit queries raised in the report of the Auditor-General on financial statements for Thika Municipality for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

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

1. Inaccuracies in the Financial Statements

1.1 Variance Between Final Budget and County Approved Budget

Review of the statement of comparison of budget and actual amounts and the County’s approved budget for the year under review revealed the following inconsistencies;

Description	Final Budget (Kshs.)	Approved Budget (Kshs.)	Variances (Kshs.)
Total Receipts	15,105,768	265,418,200	(250,312,432)
Recurrent Budget	3,600	7,000,000	(6,996,400)
Development Budget	0	258,418,200	(258,418,200)

Management Response

Management acknowledges the observation. However, the Approved budget figures were an extract of the budgeted allocations for the municipality in the County Executive budget specifically and the Directorate of Municipal Administration and Urban Development. These amounts include the Grant expected to be received within the FY 24/25 but were not received hence could not form part of final budget in the financial statement. The recurrent budget for Thika Municipality in the county budget was also expensed through the county treasury and could not also form part of the final budget in the Municipality Financial Statement as it was recognised in the county executive financial statement.

Committee Observations

The Committee observed that the approved budget figures included the Grant expected to be received within the FY 24/25 but were not hence could not form part of final budget in the financial statement. There was no evidence of how the error was corrected.

Committee Recommendations

The Committee recommends that-

- i. the Governor takes administrative action against the municipal manager and officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment and provide evidence of actions taken within 60 days of the adoption of this report;
- ii. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government; and
- iii. the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor to keep this matter in view and report in the subsequent audit cycle.

1.2 Misstatement of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 24 to the financial statements reflects property, plant and equipment (PPE) balance of Kshs. 511,725,000. However, the opening balance used in the PPE movement schedule of Kshs. 421,419,441 differs with the prior year audited balance of Kshs. 111,647,467 resulting to an unreconciled variance of Kshs. 309,771,974.

Management Response

During the preparation of the financial statements for 2024/2025, it was noted that *Other Assets* within Property, Plant and Equipment were misstated in the prior year comparative disclosures. The balances have been restated to align with the audited financial statements.

Impact of Restatement on PPE- Other Assets:

Description	2022/2023 (As Reported)	2022/2023 (Restated)	2023/2024 (As Reported)	2023/2024 (Restated)
Opening Balance (1 July 2022)	–	313,446,160	101,765,297	411,537,272
Additions	101,765,297	96,896,553	9,882,170	9,882,170
Closing Balance	101,765,297	411,537,272	111,647,467	421,419,442

The effect of the restatement was an increase in PPE (Other Assets) of Kshs. 309,771,975 and a corresponding increase in Accumulated Surplus.

Management takes note of the audit observation. In accordance with the requirements of the International Public Sector Accounting Standards (IPSAS), prior year adjustments were undertaken to correct omissions and misstatements relating to property, plant, and equipment. These retrospective adjustments were necessary to ensure that the financial statements present a true and fair view of the County's financial position and comply with IPSAS disclosure requirements. Amendments have been done to the PPE movement schedule to reflect the prior year audited closing balance.

Committee Observations

The Committee observed that that Other Assets within Property, Plant and Equipment were misstated in the prior year comparative disclosures and were restated which resulted in an increase in PPE of Kshs. 309,771,975.

Committee Recommendations

The Committee recommends that-

- i. the Governor takes administrative action against the municipal manager and officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment and provide evidence of actions taken within 60 days of the adoption of this report; and**
- ii. the Governor, through the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

1.3 Misstatement and Unsupported Prior Year Adjustments

The statement of changes in net assets reflects prior year adjustments of Kshs. 675,101,069, Kshs. 117,179,323 and Kshs. 2,364,879 in respect of capital/development grants, depreciation adjustment and prior period retention payable respectively and as disclosed in Note 40(a), 40(c) and 40(d) to the financial statements. However, the adjustments were not supported with approved journal entry vouchers, reconciliations, detailed movement schedules of the underlying assets and a schedule for the retention payable.

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

Management Response

Management confirms that the approved journal entry records and detailed analysis supporting the adjustments are attached.

Committee Observations

The Committee observed that whereas the approved journal vouchers, reconciliations and detailed movement schedules of the underlying assets supporting the adjustments were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that-

- i. the Governor takes administrative action against the municipal manager and officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment and provide evidence of actions taken within 60 days of the adoption of this report; and**
- ii. the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

2. Undisclosed Depreciation Method

The statement of financial performance reflects depreciation charge for the year of Kshs. 46,196,746 and while the corresponding Note 24 to the financial statements also includes an adjustment of depreciation of Kshs.117,179,323 with applied rates of 10% on solar lighting and associated works, 12.5% on motor vehicles and 5% on road infrastructure. However, the method of depreciation adopted was not stated under significant accounting policies in the notes to the financial statements.

In the circumstances, the accuracy and completeness of depreciation charge of Kshs. 46,196,746 could not be confirmed.

Management Response

Management notes the observation and clarifies that the depreciation rates applied in the financial statements were guided by the National Treasury Circular on Accounting Policies issued in 2020, which provides standard depreciation rates for public sector entities. The rates applied are therefore consistent with government guidelines and IPSAS requirements.

Management further undertakes to embed these rates formally within the County's financial manual in the next review to ensure consistency and compliance.

Committee Observations

The Committee observed that during the time of audit management had not stated the method of depreciation applied, however, management submitted that the depreciation rates applied were guided by the National Treasury Circular on Accounting Policies issued in 2020.

Committee Recommendations

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total expenditure amount of Kshs. 3,600 against actual receipts of Kshs. 15,105,768 resulting to under absorption of Kshs. 15,102,168 or 99% of the actual receipts.

The underutilization affected the planned activities of the Municipality and may have impacted negatively on service delivery to the public.

Management Response

Management clarifies that Kshs. 15,102,168 was not received in the current financial year. The expenditure of Kshs. 3,600 was bank charges for the year.

Committee Observations

The Committee observed that the budgetary underutilization was as a result of non-disbursement of Kshs. 15,102,168 whereas Kshs. 3,600 was bank charges for the year.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.

Other Matter

1. Unresolved Prior Year Matters

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

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Financial Statements
2	2023/2024	Misstatement of Property, Plant and Equipment
3	2023/2024	Irregular Accounting of Payment for Infrastructure Projects
4	2023/2024	Non-Compliance with Public Sector Accounting Standards Board Reporting Template –
5	2023/2024	Lack of Accountability in Retention Money
6	2023/2024	Failure to Provide Annual Revenue Estimates
7	2023/2024	Failure to Conduct an Annual Performance Review of the Integrated Development Plan
8	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan
9	2023/2024	Lack of Board and Committee Charter

Management Response

	Financial Year	Audit Issue	Status
1	2023/2024	Inaccuracies in the Financial Statements	The management corrected the inaccuracies in the subsequent financial year
2	2023/2024	Misstatement of Property, Plant and Equipment	The management corrected the Misstatement of Property, Plant and Equipment in the subsequent financial year
3	2023/2024	Irregular Accounting of Payment for Infrastructure Projects	The management prepare prior year journals to correct the Infrastructure Projects payments in the subsequent financial year
4	2023/2024	Non-Compliance with Public Sector Accounting Standards Board Reporting Template	The management Complied with Public Sector Accounting Standards Board Reporting Template in the subsequent financial year
5	2023/2024	Lack of Accountability in Retention Money	The management prepared retention registers for accountability of Retention Monies in the subsequent financial year
6	2023/2024	Failure to Provide Annual Revenue Estimates	The management prepared Annual Revenue Estimates in the subsequent financial year
7	2023/2024	Failure to Conduct an Annual Performance Review of the Integrated Development Plan	The management Conducted an Annual Performance Review of the Integrated Development Plan in the subsequent financial year

8	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan	The management prepared a Risk Management Policy and Disaster Recovery
9	2023/2024	Lack of Board and Committee Charter	The management is in the process of preparing a Board Charter

The Management is still awaiting recommendations of the County Assembly and Senate CPISFC for Financial Year 2023/24.

Committee Observations

The Committee observed that the query remains unresolved as the Municipality did not take action in resolving some of the queries raised in the report of the Auditor-General for the financial year 2023/24.

Committee Recommendations

The Committee recommends that-

- i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and administrative sanctions may be recommended such as the removal of the accounting officer, reduction in rank; and**
- ii. **The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters to the Senate within 60 days of the adoption of this report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

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

1. Errors on Presentation and Disclosure in the Financial Statements

Review of the financial statements presented for audit revealed the following anomalies;

- i. The report of the Municipality Manager on page xiii does not include the following details:
 - a) The budget performance against actual amounts for the current year and for cumulative to-date based on programmes.
 - b) Physical progress based on outputs, outcomes and impacts since the establishment of the Municipality.
 - c) Comment on each of the programmes implemented by the Municipality and how they have been achieved.
 - d) Value-for-money achievements.
 - e) List of the implementation challenges of strategic objectives for the Municipality and the entity's future outlook.
 - f) Key risk management strategies.
- ii. Environmental and sustainability reporting has not included a report on market place practices and corporate social responsibility/community engagements.
- iii. The statement of comparison of budget and actual amounts for the year ended 30 June, 2025 does not contain budget notes.

In the circumstances, the financial statements do not comply with prescribed Public Sector Accounting Standards Board reporting template.

Management Response

The financial statements were revised to address the noted inaccuracies and resubmitted.

Committee Observations

The Committee observed that the financial statements were not prepared in the format prescribed by the Public Sector Accounting Standards Board reporting templates.

Committee Recommendations

The Committee recommends that-

- i. **the Governor takes administrative action against the municipal manager and officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment and provide evidence of actions taken within 60 days of the adoption of this report;**

- ii. **The Governor, through the Accounting Officer should ensure compliance with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records failure to which provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply;**
- iii. **The Governor, through the Accounting Officer, should strengthen internal audit controls and ensure proper record keeping; and**
- iv. **The Governor, through the Accounting Officer, should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements.**

2. Failure to Conduct Annual Performance Review of Integrated Development Plan

The Municipality did not conduct annual performance review of the Integrated Development Plan contrary to Section 42 of the Urban Areas and Cities Act, 2011 that requires the City or Municipal Board to review its Integrated Development Plan annually to assess its performance in accordance with performance management tools set by it.

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

Management Response

The Municipal board reviewed the Integrated Development Plan for FY 2024/2025 as evidenced by the annexed board minutes.

Committee Observations

The Committee observed that as at the time of audit the Municipality did not conduct annual performance review of the Integrated Development Plan contrary to Section 42 of the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that the Governor ensures the Municipal Board conducts annual performance review in line with Section 42 of the Urban Areas and Cities Act, 2011. The Auditor-General to review and verify the Municipality's Integrated Development Plan for FY 2024/2025 and report to the Committee in the subsequent audit cycle.

3. Lack of Board and Committee Charter

The Municipality as per the Urban Areas and Cities Act, 2011 is required to have a Board in place and ensure that the committees of the Board are constituted. However, review of the Municipal records indicated that the Board had not developed or adopted a Board Charter since inception in 2018.

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

Management Response

The role, responsibilities and functions of the Board in the governance of the municipality are prescribed in the Municipal charter as per UACA 2011 amended 2019, section 20(1). The municipality is currently in the process of developing the board charter.

Committee Observations

The Committee observed that the Municipality was in the process of developing a board charter.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Board fast tracks the development of the board and committee charter. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle; and**
- ii. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government.**

4. Lack of Accountability for Retention Money

Management did not maintain a retention account. The Municipality relied on its main bank account with a balance of Kshs. 15,102,168 as at 30 June, 2025 for all operations. As a result, the amounts owed to contractors in form of retention money which is included in the cash and cash equivalents balance could not be confirmed.

In the circumstances, the existence and completeness of the retention money could not be confirmed.

Management Response

Management takes note of the audit observation. The retention account for the 2nd phase of KUSP has been requested for operation. The retention register was however properly maintained and accounted for in the existing account.

Committee Observations

The Committee observed that-

1. management did not maintain a separate account for retention money for contractors but instead combined the money with operational funds which made it difficult to account for the retention money.
2. Management has requested for a retention account for the 2nd phase of KUSP.

Committee Recommendations

The Committee recommends that-

- i. **The Governor should within 60 days of the adoption of this report operationalize the retention account for contractors to ensure accountability. The Auditor-General to verify and report to the Committee of the operationalization of the account; and**
- ii. **The Governor, through the Accounting Officer, to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, Cap. 534.**

5. Non-Funding and Dormancy in Operations of Thika Municipality

Review of records provided for Thika Municipality revealed the following;

- i. Whereas the County Government budgeted for funds totaling Kshs. 265,418,200 for Thika Municipality operations in the financial year ended 30 June, 2025 in the County Budget, there was no disbursement of the budgeted funds to support the activities of Thika Municipality. This was contrary to Section 43 of the Urban Areas and Cities Act, 2011 which requires the County Government to fund the Municipality.
- ii. The Municipality did not undertake any activities, projects, or operational transactions throughout the financial year.
- iii. The Municipality maintained a bank balance of Kshs. 15,102,168 as at the end of the financial year. However, the only expenditure recorded was bank charges, indicating lack of programmatic or administrative activity during the year.

In the circumstances, inactivity of the Municipality throughout the year undermines its legally mandated role in Urban/Municipality service delivery, as envisioned in the Urban Areas and Cities Act, 2011.

Management Response

- I. The stated amount of Kshs. Kshs. 265,418,200 was in part KUSP 2 grant allocation for FY 2024/2025 which had not been disbursed to the municipality

from the national government as at the time of the audit and so could not be expensed.

- II. The development activities for the municipality were pegged on the receipt of the conditional grant which was not disbursed. However, the Municipality utilized its operational budget in the recurrent vote as per the attached vote book.
- III. This bank balance relates to the Special Purpose Account for KUSP 1 and there was no KUSP 1 project activity within the year. However, the Municipality utilized its operational budget in the recurrent vote as per the attached vote book.

Committee Observations

The Committee observed that in the absence of supporting documentation and evidence of municipal activities, the audit query remains unresolved. The inactivity of the Municipality continues to undermine its statutory mandate under the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that-

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

6. Failure to Conduct Citizen Fora

Review of Thika Municipality operations and records revealed that the Citizen Fora, as mandated by the Urban Areas and Cities Act, 2011, was not conducted during the year under review. The Citizen Fora, which allows residents to deliberate on a variety of important matters, including the provision of services, budget estimates, development plans, and National legislation was not convened during the financial year. Management prepared an annual schedule of Citizen Fora for the year under review, however, there was no evidence that the Municipality invited petitions, representations, or feedback from the Citizen Fora, despite the clear requirement in the law for such engagement. Further, the Board did not receive or respond to any petitions or representations raised by citizens concerning the administration or management of urban affairs within its jurisdiction.

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

Management Response

The Municipality held various citizen foras within the FY 2024/2025. Among them was the project prioritization citizen fora.

Committee Observations

The Committee observed that-

1. The Municipality did not provide documentary evidence such as notices, invitations, attendance registers, minutes of meetings, or reports demonstrating that the Citizen Fora were actually convened and conducted in accordance with the requirements of the Urban Areas and Cities Act, 2011.
2. There was no evidence provided to confirm that residents were invited to submit petitions, representations, or feedback to the Municipal Board, nor that such submissions were received.

Committee Recommendations

The Committee recommends that-

- i. **The management should ensure that Citizen Fora are regularly convened and properly documented in compliance with the provisions of the Urban Areas and Cities Act, 2011. The Municipality should establish clear procedures for public participation, including issuing public notices, inviting petitions and representations from residents, and maintaining records such as attendance registers, minutes, and reports of deliberations;**
- ii. **the Municipal Board should ensure that petitions and representations submitted by residents are formally received, deliberated upon, and responded to, with evidence maintained for accountability and audit purposes. The Auditor-General to keep the matter in view and report to the Committee in the subsequent audit cycle.**

7. Failure to Provide Approved Annual Revenue and Expenditure Estimates

Management did not provide an approved annual revenue and expenditure estimates for Thika Municipality for the financial year ended 30 June, 2025 contrary to Section 45(1) of Urban Areas and Cities Act, 2011 which requires that, three months before the commencement of each financial year, a Board or Town Committee shall cause to be prepared estimates of the revenue and expenditure of a Board or Town Committee for that year. Further, it was not possible to confirm whether Management complied with the process of preparation and submission of annual estimates for approval by the County Assembly as required by law.

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

Management Response

The annual revenue estimates and performance for the municipality were prepared and approved by the board as per the annual municipal targets attached.

Committee Observations

The Committee observed that the matter remains unresolved as Management did not demonstrate compliance with Section 45(1) of the Urban Areas and Cities Act, 2011 regarding the preparation and approval of annual revenue and expenditure estimates for the Municipality.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.

8. Lack of Annual Governance Audit and Performance Evaluation

Review of records at the Municipality relating to Board activities revealed no evidence of the Board having undertaken an annual governance audit during the year under review. The annual governance audit is expected to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder engagement and value enhancement among others.

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

Management Response

Management takes note of the auditor's recommendations and undertakes to carry out the annual governance audit and performance evaluation.

Committee Observations

The Committee observed that the governance audit was not conducted during the financial year under review. However, management committed to undertake an annual governance audit and performance evaluation.

Committee Recommendations

The Committee recommends that the Governor should ensure that the Municipal Board conducts an annual governance audit and performance evaluation in accordance with the provisions of the Urban Areas and Cities Act, 2011. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

9. Lack of Ownership and Valuation Documents

Review of the fixed asset register revealed that it consisted of motor vehicles, workshop and garden equipment and road works. However, the total value of the assets could not be confirmed given that Management did not include all the asset costs in the asset register. Further, review of the motor vehicle log books provided revealed vehicles with registration numbers KDA107R, KDB254Q and KDA155L had been registered using three (3) different private limited companies.

Further, vehicle registration numbers 22CG268A and 22CG271A whose log books were provided, were not traced in the asset register provided. In addition, log book for vehicles registration numbers 22CG275A, 22CG271A and 22CG266A were not provided.

In the circumstances, the value and ownership of assets could not be confirmed.

Management Response

The county in conjunction with IGRTC (Inter Governmental Relations Committee) is currently on the process of finalizing the valuation of the assets for subsequent update of the asset register. The national treasury through the NALM (National Assets & Liabilities Management) is currently training counties to incorporate the assets. Therefore, it was not possible to quantify the value of assets in the Municipality.

The County is in the process of changing the ownership names on the logbook to reflect County Government of Kiambu through the NTSA portal.

Committee Observations

The Committee observed that-

1. valuation of the assets was currently ongoing in conjunction with IGRTC.
2. the National Treasury was training counties to incorporate assets through the National Assets and Liabilities Management.

3. the County is in the process of changing the ownership names on the logbook to reflect County Government of Kiambu through the NTSA portal.

Committee Recommendations

The Committee observed that-

- i. within sixty (60) days of the adoption of this report, the Governor in collaboration with IGRTC conclude the valuation of assets for Thika Municipality and the County Government of Kiambu ensures the transfer of ownership documents of the assets and vehicles is fast tracked;
- ii. upon completion of the transfer and valuation, the Governor ensures the Accounting Officer prepares an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and
- iii. the Governor, through the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

1. Lack of Risk Management Policy and Disaster Recovery Plan

Review of the Municipality's records revealed that the Municipality operated without an approved risk management policy and thus had no framework for management of risks. Further, the Municipality did not have a disaster recovery or business continuity plan in place. In the absence of a disaster recovery or business continuity plan, Management lacked a blue print for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted. In addition, there are no mechanisms in place to recover lost data in case of a disaster.

In the circumstances, the effectiveness of the internal controls and management of risks of Thika Municipality could not be confirmed.

Management Response

The County government developed a risk management policy and disaster recovery plan which serves all the municipalities.

Committee Observations

The Committee observed that Thika Municipality uses the County Government's risk management policy and disaster recovery plan.

Committee Recommendations

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

CHAPTER THREE: HOPISTALS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIAMBU HOSPITALS FOR THE FINANCIAL YEAR 2024/2025

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 Kiambu 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. Gatundu Level 5 Hospital,
2. Igegania Sub-County Hospital,
3. Karuri Level 4 Hospital,
4. Kigumo Level 4 Hospital - Kiambu County,
5. Kihara Sub County Hospital, Lari Hospital,
6. Lusigetti Sub- County Hospital,
7. Nyathuna Level 4 Hospital
8. Ruiru Sub-County Hospital,
9. Tigoni Sub County Hospital,
10. Wangige Sub County Hospital,
11. Kiambu County Referral Hospital,
12. Thika Level 5 Hospital

Committee Observations

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

Committee Recommendations

The Committee recommends that-

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

CHAPTER FOUR: FUNDS

4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIAMBU FUNDS FOR THE FINANCIAL YEAR 2024/2025

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 funds in Kiambu 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-

Committee Observations

1. Kiambu County Executive Emergency Fund,
2. Kiambu County Alcoholic Drinks Control Fund,
3. Kiambu County Climate Change Fund,
4. Kiambu County Executive Bursary Fund,
5. Kiambu County Fif Fund,
6. Kiambu County Jiinue Fund,
7. County Government of Kiambu Receiver of Revenue,
8. County Revenue Fund-County Government of Kiambu

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

Committee Recommendations

The Committee recommends that-

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

ANNEXTURES

Minutes of the Committee



13TH PARLIAMENT 5TH SESSION

MINUTES OF THE FIFTY THIRD SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON MONDAY, 30TH 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 (1st July-, 2024 to 30th June, 2025)-

1. Kajido County

- I. Oloolaiser Water and Sewerage Company Limited
- II. Nol-Turesh Loitokiok Water and Sanitation Company Limited
- III. Olkejuado Water and Sewerage Company Limited
- IV. Kajiado 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. Kajiado County Emergency Fund
- X. Kajiado County Alcoholic Drinks Control Fund
- XI. Kajiado County Climate Change Fund
- XII. Kajiado County Disability Mainstreaming Fund
- XIII. Kajiado County Education Bursary Grants and Scholarship Fund
- XIV. Kajiado County Youth and Women Enterprise Fund
- XV. Kajiado 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. Igegania 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. Kiamberemwingi 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.)