

KENYA

AUDITOR-GENERAL'S SUMMARY REPORT ON WATER COMPANIES 2023 - 2024

<https://www.oagkenya.go.ke/2023-2024-county-water-companies-audit-reports/>

ResearchNote[^]
[AGCAGSRWC01]
01 June 2026

Using Report
2023-2024

141 Page Report

87 Water Companies

92% Qualified Opinion!! 5% Adverse!!

Qualified Trend – worsening over three years

IFRS Framework-Public Sector Accounting Standards

Expenditure vs Revenue

Slight Improvement in Own-Source

Non-Revenue Water

Going Concern: 13% Positive; 86% Uncertain; Current Liabilities vs Current Assets; Technical Insolvency; Deficits

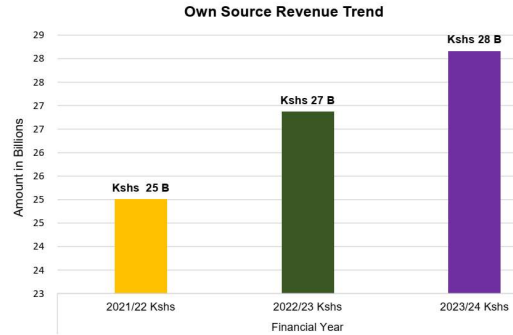
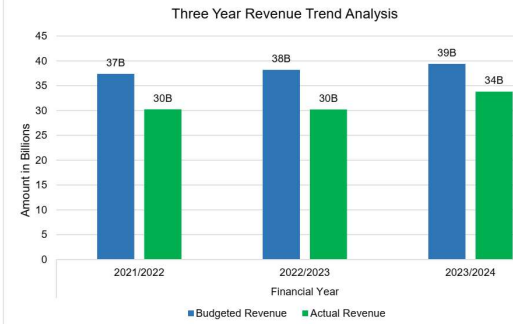
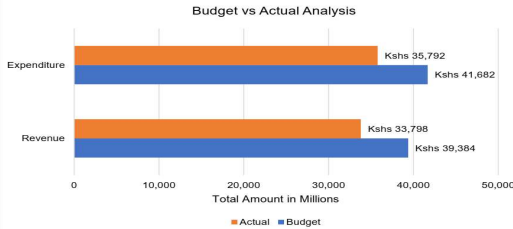
“Implementation of audit recommendations is ineffective.....” Page v Para 4....

OurView: Huge Potential for Capital Markets!! But.....

2.1 Ownership of Water Companies

Section 77 of the Water Act, 2016 provides that a county government shall establish Water Companies which may be a public limited liability company established under the Companies Act, 2015 or other body providing water services as may be approved by the Water Services Regulatory Board. However, review of ownership documentation indicated that nineteen (19) Water Companies did not provide share certificates and details of payment for the shares as detailed in **Appendix 1**.

In the absence of share certificates and details of payment for the shares, the ownership status of these Companies could not be confirmed.

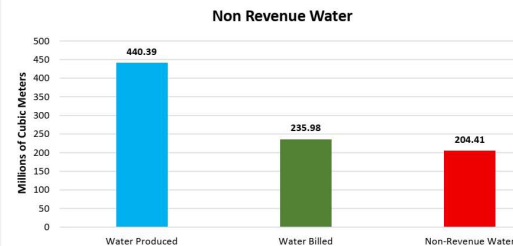


2.4 Use of Outdated Water Tariffs

Section 72(1)(b) of the Water Act, 2016 mandates the Water Services Regulatory Board (WASREB) to evaluate, recommend, and approve water and sewerage tariffs proposed by county water service providers, in accordance with established consumer protection standards. The WASREB Tariff Guidelines further emphasize the importance of adopting realistic tariffs to promote financial sustainability, noting that water companies are expected to operate on a commercially viable basis by recovering the full cost of service provision to prevent infrastructure deterioration and poor service delivery.

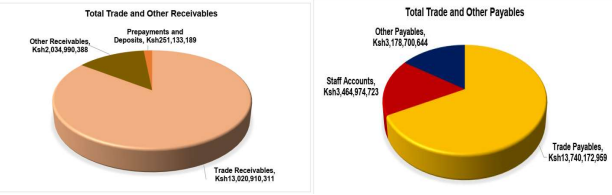
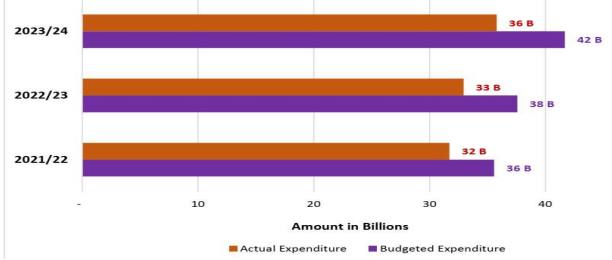
However, review of tariff structures indicated that thirty-eight (38) out of the eighty-seven (87) Water Companies, representing 44%, applied outdated tariffs during the year under review, generating own-source revenue totalling Kshs.3,807,648,691.

The information provided attributed non-implementation of revised tariffs to various administrative and regulatory delays. Continued reliance on outdated tariffs poses a significant risk to the financial viability of these utilities, as it impairs their ability to fully recover operational costs and undermines long-term service delivery sustainability.



The financial statements for the Water Companies were prepared using the International Financial Reporting Standards (IFRS) framework as prescribed by the Public Sector Accounting Standards Board of Kenya (PSASB), in compliance with Section 194 of the Public Finance Management Act, 2012.

Expenditure Trend



2.10 Going Concern Considerations for Water Companies

During the year under review, seventy-five (75) of the eighty-seven (87) water companies or 86% of the companies were faced with material uncertainty with respect to their ability to continue as going concerns. Only twelve (12) water companies or 13% recorded positive working capital positions with no indicators of financial distress, as presented in **Appendix 14**.

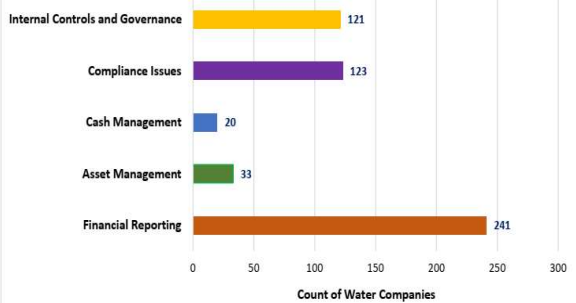
Further analysis revealed that forty-seven (47) Companies, or 54%, had negative working capital positions and, in some cases, recorded deficits, pointing to significant doubt regarding their financial sustainability. These entities reported combined current liabilities of Kshs.19,692,159,901 against current assets of Kshs.12,366,710,313, resulting in a negative working capital of Kshs.7,325,449,588, indicating a state of technical insolvency as detailed in **Appendix 15**. In addition, twenty-eight (28) Companies, or 32%, recorded deficits in their statements of financial performance as detailed in **Appendix 16**.

Table 22: Audit Opinions for Water Companies

Opinion	Number	Percentage (%)
Unmodified	1	1%
Qualified	80	92%
Adverse	4	5%
Disclaimer	2	2%
Total	87	

Financial Year	2021/2022	2022/2023	2023/2024
Unmodified	1	0	1
Qualified	68	73	80
Adverse	9	12	4
Disclaimer	4	2	2
Total	82	87	87

Systemic Issues



Further, the mechanism for follow up on implementation of audit recommendations is ineffective and as such most audit queries recur in subsequent years due to lack of decisive action. Section 204(1)(g) of the Public Finance Management Act, 2012 provides that the Cabinet Secretary for matters relating to finance may apply sanctions to a national government entity that fails to address issues raised by the Auditor-General, to the satisfaction of the Auditor-General.

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