Rt. Hon. Speaker

Recommended for approval for tabling.

REPUBLIC OF KENYA

THE SENATE

THIRTEENTH PARLIAMENT - THIRD SESSION

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF THE FOLLOWING COUNTY WATER SERVICE PROVIDERS FOR THE FINANCIAL YEAR 2018/2019 (1st JULY, 2018 TO 30th JUNE, 2019):

NO.	WATER COMPANY	COUNTY
1.	BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED	BUSIA
2.	ITEN-TAMBACH WATER AND SEWERAGE COMPANY LIMITED	ELGEYO-MARAKWET
3.	KIRINYAGA WATER AND SANITATION COMPANY LIMITED	KIRINYAGA
4.	MALINDI WATER AND SEWERAGE COMPANY LIMITED	KILIFI
5.	MANDERA WATER AND SEWERAGE COMPANY LIMITED	MANDERA
6.	MIGORI WATER AND SANITATION COMPANY LIMITED	MIGORI
7.	MOMBASA WATER AND SANITATION COMPANY LIMITED	MOMBASA
8.	NANYUKI WATER AND SANITATION COMPANY LIMITED	LAIKIPIA
9.	NITHI WATER AND SANITATION COMPANY LIMITED	THARAKA NITHI

VOLUME IV

Clerk's Chambers
The Senate
P.O. Box 41842-00100
Nairobi

April, 2024

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ACRONYMS/ABBREVIATIONS

CBK	- Central Bank of Kenya
COB	- Controller of Budget
COG	- Council of Governors
DPP	- Director of Public Prosecution
EACC	- Ethics and Anti-Corruption Commission
GAAP	- Generally Accepted Accounting Principles
IFMIS	- Integrated Financial Management Information System
KRA	- Kenya Revenue Authority
IGRTC	- Intergovernmental Relation Technical Committee
NHIF	- National Health Insurance Fund
NRW	- Non-Revenue Water
NSSF	- National Social Security Fund
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
TNT	- The National Treasury
WASREB	- Water Services Regulatory Board
WRA	- Water Resources Authority
WSP	- Water Service Provider

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 management of the organization 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. **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 by physical losses such as leakages, bursts, and overflows through the existing old and dilapidated water supply network, and commercial losses due to metering anomalies and illegal connections.
6. **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.
7. **Accountability** – This refers to the assurance that an individual or a group will be held responsible for their actions or inactions.

PREFACE

Hon. Speaker,

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. 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) Pursuant to Article 96(3) of the Constitution, to exercise oversight over national revenue allocated to the county governments; and
b) examine the reports and accounts of county public investments; and
c) examine the reports, if any, of the Auditor-General on the county public investments; and
d) To exercise oversight over county public investments.

COMMITTEE MEMBERSHIP

Hon. Speaker,

The membership of the Committee comprises of the following Senators-

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**
3. Sen. William Kipkemoi Kisang, MP
4. Sen. Paul Karungo Thangwa, MP
5. Sen. Miraj Abdillahi Abdulrahman, MP
6. Sen. Eddy Gicheru Oketch, MP
7. Sen. Hamida Kibwana Ali, MP
8. Sen. Maureen Tabitha Mutinda, MP

COMMITTEE SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant III
4. Mr. Godfrey Nyaga - Clerk Assistant III
5. Mr. Kennedy Owuoth - Fiscal Analyst
6. Mr. Andrew Nyairo - Legal counsel
7. Ms. Lucy Radoli - Legal counsel
8. Mr. Sharon Rotino - Research Officer
9. Ms. Linet Aseka - Research Officer III
10. Ms. Raisa Mwithi - Research Officer III
11. Mr. Martin Mulandi - Research Officer III
12. Mr. Josphat Ng'enoh - Media Relations officer.
13. Ms. Winfred Ocholla - Audio officer
14. Mr. Patrick Ngenoh - Procurement officer
15. Mr. Josphat Ng'enoh - Media Relations Officer.
16. Mr. John Pere - Serjent-at-arms

ESTABLISHMENT OF THE COMMITTEE

Hon. Speaker,

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.

Hon. Speaker,

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 the water companies for the Financial year 2018/2019 (1st July, 2018 to 30th June, 2019) as the primary documents for the investigations. The Committee invited the Governors as the Chief Executive Officers of their respective County Governments pursuant to Article 179(4) as witnesses to respond to the audit queries raised in the reports under consideration.

The Committee received both written and oral evidences from the Governors in response to the various audit queries raised by the Auditor-General in the reports under consideration on various dates. The Committee considered and concluded its inquiry onto the reports of the Auditor-General on the Financial Operations of the water companies for the Financial Year 2018/2019.

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

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

CHAPTER ONE is a record of the audit queries raised in the report of the Auditor-General for Busia Water and Sewerage Company Limited for the Financial Year 2018/19 and observations and recommendations of the Committee on each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for Iten-Tambach Water and Sewerage Company Limited for the Financial Year 2018/19 and observations and recommendations of the Committee on each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for Kirinyaga Water and Sanitation Company Limited for the Financial Year 2018/19 and observations and recommendations of the Committee on each audit query.

CHAPTER FOUR is a record of the audit queries raised in the report of the Auditor-General for Malindi Water Supply and Sewerage Company Limited for the Financial Year 2018/19 and observations and recommendations of the Committee on each audit query.

CHAPTER FIVE is a record of the audit queries raised in the report of the Auditor-General for Mandera Water and Sewerage Company Limited for the Financial Year 2018/19 and observations and recommendations of the Committee on each audit query.

CHAPTER SIX is a record of the audit queries raised in the report of the Auditor-General for Migori Water and Sanitation Company Limited for the Financial Year 2018/19 and observations and recommendations of the Committee on each audit query.

CHAPTER SEVEN is a record of the audit queries raised in the report of the Auditor-General for Mombasa Water and Sanitation Company Limited for the Financial Year 2018/19 and observations and recommendations of the Committee on each audit query.

CHAPTER EIGHT is a record of the audit queries raised in the report of the Auditor-General for Nanyuki Water and Sanitation Company Limited for the Financial Year 2018/19 and observations and recommendations of the Committee on each audit query.

CHAPTER NINE is a record of the audit queries raised in the report of the Auditor-General for Nithi Water and Sanitation Company Limited for the Financial Year 2018/19 and observations and recommendations of the Committee on each audit query.

GENERAL OBSERVATIONS

1. **Non-Revenue Water (NRW)** – The Committee observed that majority of Water Companies had very high levels of Non-Revenue Water, way above the recommended sector benchmark of 25% as prescribed by the Water Services Regulatory Board (WASREB). This was mostly attributed to dilapidated infrastructure (physical losses) and inaccurate meter reading and billing, and illegal connections (commercial losses). Some companies such as Nithi Water and Sanitation Company Limited had levels of Non-Revenue Water as high as 71% in the Financial Year 2018/19.
2. **Bookkeeping, Preparation & Accuracy of the Financial Statements** - The Committee observed that there were inaccuracies and errors in regards to the preparation and presentation of financial statements in almost all Water Companies. Further, the Accountants,and the Managing Directors faced challenges in submitting supporting documents to the auditors on time contrary to section 62 of the Public Audit Act, Cap.412B making the accountability and audit process difficult. The delays in preparation of complete financial statements indicating lack of requisite competencies and experiences in the water companies.
3. **Compliance to Reporting Standards and Accuracy of the Financial Statements** - The Committee observed that Accountants experienced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) reporting framework in preparation of financial statements. Additionally, the Committee observed that the Public Sector Accounting Standards Board (PSASB) reviews the IPSAS periodically to take into account emerging issues and conform to best accounting practices. The Committee found that some Water companies experienced challenges in the application of these standards while preparing financial statements as evidenced by the audit queries.
4. **Ethnic Inclusivity** – The Committee observed that many water companies were non-compliant with section 7 (1) and (2) of the National Cohesion and Integration Act, Cap.7N which provides, "*all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its establishment from the same ethnic community*" and Section 65(1) (e) of County Government Act, Cap.265 which provides, "*The need to ensure that at least 30% of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County*". Some companies such as Iten-Tambach Water and

Sewerage Company Limited had all 45 (100%) of their staff originating from the same ethnic community.

5. **Material Uncertainty in Relation to Going Concern** – The Committee observed that quite a number of water companies reported negative working capital during the period under review. Therefore, the companies were unable to meet their short-term financial obligations as they fell due and relied on financial support from the County Executive or development partners raising concerns on their sustainability.
6. **Non-remittance of statutory deductions** – The Committee observed that various water companies had continuously failed to remit statutory deductions to various institutions such as Kenya Revenue Authority, National Health Insurance Fund, National Social Security Fund, and pension schemes which is a violation of the law especially the Retirement Benefits Act, Cap.197, the Pensions Act, Cap.189 and the Income Tax Act, Cap.470 which led to continued accrual of interest and penalties.
7. **Budgetary Control and Performance** – The Committee observed that a number of water companies had weaknesses in executing their budgets and did not adhere to the approved budget ceilings set for programs. Water Companies either over-utilized or under-utilized the appropriated funds. In some instances, funds were re-allocated to items that were not budgeted for and without prior approval by the Board of Directors. In addition, water companies experienced high revenue shortfalls and unrealistic budgets.
8. **Non-transfer of assets and liabilities** – The Committee observed that most water companies had not fully transferred all assets and liabilities from the defunct councils and Regional Water Works Development Agencies as is required by the Water Act, Cap.372. In this regard, such water companies did not reflect their correct financial position within their books of account.
9. **Breach of various provisions of the law** – The Committee observed that there was non-compliance with the provisions of the Public Finance Management Act, Cap. 412A, Public Audit Act, Public Finance Management (County Government) Regulations, 2015, the Water Act, the Companies Act, Cap.486, the Income Tax Act (Cap. 470), 1974, the Retirement Benefits Act, 1997, the Pensions Act, the County Government Act, the Accountants Act, Cap.531 and Water Service Regulatory Board (WASREB) guidelines.
10. **Unclear ownership of assets** – The Committee observed that most of the water companies had disputes with regard to the ownership of the assets.

11. **Lack of an updated fixed asset register** – The Committee observed that water companies had not updated their asset registers exposing assets of the water company to risk of loss, waste and misuse. The Committee further noted that the National Treasury issued a cirular no. 5/2020 of 25th February 2020 on the preparation of asset registers for entities in County Governments.
12. **Multiple Levies** – The Committee observed that County Water Service Providers were subjected to multiple water sector levies including-
    i. A 4% regulatory levy on billed revenue, paid to the Water Services Regulatory Board (WASREB);
    ii. Water User Charges of Kshs. 5 per cubic metre of water consumed exclusive of donation sold, paid to Water Resources Authority (WRA);
    iii. A further 5% of the Water User Charges as Conservation fees paid to WRA; and
    iv. Effluent discharge fees which are 80% of Kshs. 0.3 per cubic metre of water sold, paid to WRA.

    These levies negatively affected the Water Companies' financial viability thus, putting them at risk of an inability to continue and operate as a going concern. The Committee further noted that these levies were consequently transferred to the consumers through the increment of water prices.

GENERAL RECOMMENDATIONS

The Committee recommends that-

1. The Board and the accounting officers of the water companies to put in place comprehensive measures to mitigate Non-Revenue Water (physical and commercial losses) including the application of Geographical Information System (GIS) for receiving real-time data in the detection of bursts and leakages, installation of smart meters for accurate billing, replacement of the dilapidated infrastructure and development of institutional anti-corruption policies and enforcement measures to prevent illegal connections among other measures. In addition, the management should disclose the proportions of both the physical and commercial losses in percentage in their reporting.
2. The Board and the accounting officer to ensure proper record keeping and provide all the supporing documents to the Auditor-General in accordance with section 9(1)(e) of the Public Audit Act during the time of audit and adhere to the Accountants Act, failure to which the committee shall invoke section 62 of the Public Audit Act.
3. The Board of Directors in consultation with the Public Sector Accounting Standards Board conducts continuous capacity building on financial reporting standards for finance officers in the water companies and the management, to improve the quality of reporting and enhance compliance. The board to ensure that the accountants have requisite competency and experience in finanacial management as is required by the Accountants Act. In addition, the accounting officer to ensure compliance with the financial reporting template of the National Treasury. This will strengthen maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditor-General by the Water Companies.
4. 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 to establish a diversity policy with the aim of complying with the law. This will be reviewed in the subsequent audit period.
5. The Board, Accounting Officers and the County Governments to put in place strategic and innovative measures for recovery and to boost the financial health of the water companies for self-sustainability. Additionally, they should review

and regularize their existing assets indicating the service provider agreements before transition from the defunct councils and have updated assets registers that reflect the current financial position, determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB). 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 Governors 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. The County Governments, the Board and the accounting officers shall ensure timely remittance of statutory deductions to the relevant institutions to avoid the accrual of interest and penalties that will further increase the companies' liabilities. The accounting officer should comply with the provisions of the Income Tax Act, the Retirement Benefits Act, the Pensions Act. The Board should provide a plan and commitment for the repayment of the outstanding statutory deductions, failure to which the committee will recommend appropriate enforcement measures to be taken.
7. The Board and accounting officers should prepare realistic budgets and revenue projections to prevent issues of revenue shortfalls which have negative implications on the companies' service delivery. In the process of preparing the budget, the board should consider the previous budgetary allocation and if the current budget is to increase, it should be reasonable. In addition, the board should seek the necessary approval by forwarding the budget estimates to the County Executive Committee member for water, who shall then forward it to the County Treasury as required by the law. Further, the water companies should automate their billing systems.
8. The Council of Governors 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.
9. The Board and accounting officers of the water companies to strictly adhere to the relevant laws such as 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, failure to which penalties for non-compliance will be sanctioned.

10. The Governors should engage the Inter-Governmental Relations Technical Committee (IGRTC) and the relevant Regional Water Works Development Agencies 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.
11. The Board of Directors and the managing director should ensure the water companies have updated fixed asset registers pursuant to 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.
12. The Ministry of Water, Sanitation and Irrigation should review the existing policies and regulations related to levies of water companies with the aim of streamlining and harmonizing them.

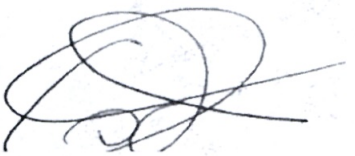
ACKNOWLEDGEMENT

Hon. Speaker,

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

Hon. Speaker,

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: .....

29/4/2024

DATE: .....

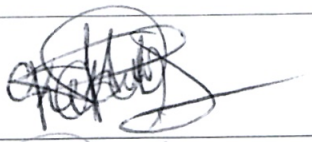
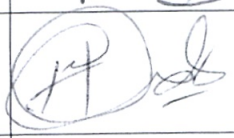
HON. SEN. GODFREY ATIENO OSOTSI, MP
CHAIRPERSON

ADOPTION OF THE REPORT OF THE SENATE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF NINE COUNTY WATER SERVICE PROVIDERS FOR THE FINANCIAL YEAR 2018/2019

NO.	WATER COMPANY	COUNTY
1.	BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED	BUSIA
2.	ITEN-TAMBACH WATER AND SEWERAGE COMPANY LIMITED	ELGEYO-MARAKWET
3.	KIRINYAGA WATER AND SANITATION COMPANY LIMITED	KIRINYAGA
4.	MALINDI WATER AND SEWERAGE COMPANY LIMITED	KILIFI
5.	MANDERA WATER AND SEWERAGE COMPANY LIMITED	MANDERA
6.	MIGORI WATER AND SANITATION COMPANY LIMITED	MIGORI
7.	MOMBASA WATER AND SANITATION COMPANY LIMITED	MOMBASA
8.	NANYUKI WATER AND SANITATION COMPANY LIMITED	LAIKIPIA
9.	NITHI WATER AND SANITATION COMPANY LIMITED	THARAKA NITHI

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, MP (***Chairperson***)	
2.	Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP (***Vice-Chairperson***)	
3.	Sen. William Kipkemoi Kisang, MP	
4.	Sen. Paul Karungo Thangwa, MP	

5.	Sen. Miraj Abdillahi Abdulrahman, MP	
6.	Sen Eddy Gicheru Oketch, MP	
7.	Sen. Hamida Kibwana Ali, MP	
8.	Sen. Maureen Tabitha Mutinda, MP	

CHAPTER ONE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BUSIA WATER AND SEWERAGE COMPANY LIMITED FOR THE FINANCIAL YEAR 2018/2019

The Governor of Busia County, Hon. Dr. Paul Nyongesa Otuoma E.G.H, appeared before the Committee on Thursday 8th June, 2023 to respond (under oath) to audit queries raised in the report of the Auditor-General on Financial Statements for Busia Water and Sewerage Company Limited (BUWASSCO) for the Financial Year 2018/2019. He was accompanied by-

i). Mr. Arthur Odera - Deputy Governor
ii). Ms. Topister Wanyama - CECM Finance
iii). Mr. Erick Nakitari - MD BUWASSCO
iv). Mr. Gypsum Wajala - Chief Officer – Finance

The Busia Water and Sewerage Company Limited is wholly owned by the County Government of Busia.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of Busia Water and Sewerage Company Limited for the period under review on the following basis –

1.0 Inaccuracies in the statement of Cash Flows

Review of the statement of cash flow revealed inaccuracies in changes in working capital as shown below.

Items	Opening Balance Kshs.	Closing Balance Kshs.	Correct Movement Kshs.	Changes Used in FS Kshs.
Creditors	54,683,074	64,560,804	9,877,730	10,258,537
Debtors	48,886,923	57,047,701	8,160,778	8,277,947
Net Cash from			1,699,223	1,962,861

Operating Activities				

Consequently, the statement of cash flows is not well presented.

Management Response

The management would like to state that it is in agreement with the audit observations. There was misreporting due to an arithmetic error. The cash flow statements have since been amended. The error was noted and corrected. The corrections will be reported in the current reporting period. The Company has since established an internal audit department for reviewing reports on quarterly basis to mitigate against such errors.

Committee Observations

The committee observed that the query remains unresolved because there were inaccuracies in the changes in working capital within the company's statement of cash flow at the time of audit and, although the error was corrected, the same is yet to be included in the financial statements of the subsequent year (2022/2023).

Committee Recommendations

The Committee recommends that-

i). **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;**

ii). **the Accounting Officer should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should prioritize investments in technology and processes aimed at minimizing inaccuracies during preparation of financial statements; and**

iii). **the Accounting Officer to take appropriate administrative action on the officers within the Accounts and Finance department who failed to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, 2008.**

2.0 Inaccuracies in property, Plant and Equipment

The statement of financial position and as disclosed in Note 15 to the financial statements reflects property, plant and equipment balance of Kshs 968,727 as at 30 June,

2020. The balance excluded undetermined value of Land and building. Further, the service provision agreement signed between Lake Victoria North Water Service Board and the Company on hand over of assets and liabilities did not specify the land sizes and valuation on which various water schemes under Busia water Company operate from and land ownership documents were not provided.

Management Response

The management would like to state that it is in agreement with the audit observations. The value of land and buildings were excluded from the financial statement because Lake Victoria North Water Works Development Authority (LVNWWDA) is yet to transfer the ownership to the County Government of Busia.

The Company has since received the asset register (Dansal Report) of the assets under custody of Lake Victoria North Water Works Development Authority (LVNWWDA).

Committee Observations

The Committee observed that the query remains unresolved as—

i). the process of transfer of land and buildings owned by Lake Victoria North Water Works Development Authority (LVNWWDA) to the Busia County Government was incomplete as at the time of audit.

ii). the service provision agreement signed between Lake Victoria North Water Service Board and the company, on hand over of assets and liabilities, did not specify the land sizes and valuation on which various water schemes under the company operate. A valuation report has since been submitted to the Auditor-General.

Committee Recommendations

The Committee recommends that-

i). the Governor should engage The Intergovernmental Relations Technical Committee (IGRTC) to ensure that the process of transfer of all assets and liabilities is completed in a timely manner;

ii). the Board of Directors and the Governor of the company to engage Lake Victoria North Water Works Development Authority (LVNWWDA) with the aim of completing the transfer of ownership and the Auditor-General to provide a status update on the same within 60 days of the adoption of this report; and

iii). **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, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act.**

3.0 Unsupported inventories

The statement of financial position reflects inventories of balance of Kshs. 458,726. However, this balance was not supported with the end of year stock count records. Further, there were no stores ledger cards maintained to confirm stock movements during the year under review and valuation of balance as at 30 June, 2019.

Consequently, the accuracy and completeness of the inventories balance of Kshs. 458,726 as at 30 June, 2019 could not be confirmed.

Management Response

The management would like to state that we are in agreement with the audit observations that the balance was not supported with the end of year stock count records. Stock taking was done, however, at the time of the audit the stock count records had been misplaced and therefore could not be traced for verification. The Company has since provided stock count records and stores ledger cards for audit verification. Going forward the Company is in the process of developing a record control policy as a mitigation measure to guide on how documents should be handled.

Committee Observations

The Committee observed that the management failed to provide the end of year stock count records and stores ledger cards to support the inventories balance amounting to Kshs. 458,726 for audit verification contrary to section 9(1)(e) of the Public Audit Act and to the Committee during their appearance on Thursday, 8th June, 2023, therefore, the query remains unresolved.

Committee Recommendations

The Committee recommends that the Director of Public Prosecutions to direct an investigation into the possible contravention of the Public Audit Act, Cap.412B by the Accounting Officer and where in the Director of Public Prosecutions' assessment, criminal culpability arises, to institute criminal proceedings against the Accounting Officer.

4.0 Unsupported balance brought forward for customer deposits

The statement of financial position and as disclosed under Note 16 to the financial statements reflects trade and other payables balance of Kshs. 64,560,804. Included in this balance is a brought forward amount of Kshs. 8,016,255 for customers' deposits which were not supported with schedules.

Consequently, the accuracy and completeness of the trade and other payables balance of Kshs. 64,560,804 as at 30 June, 2019 could not be confirmed.

Management Response

The management is in agreement with the audit observations. A reconciliation of the deposit built up to the financial year 2018 is provided for audit verification. New deposits are currently tracked every year.

The amount of customer deposits balance brought forward of Kshs 8,016,255 includes the amounts from the defunct Kakamega-Busia Water Supply and by extension National Water whose documentation cannot be traced. We supported the deposits of the periods July 2016-june 2017, July 2017 and June 2018 and balancing figure is attributed to defunct Kakamega – Busia Water.

Total customer deposits	**8,016,255**
Deposits for period July 2016-june 2017	1,682,720
Deposits for period July 2017-June 2018	1352550
Deposit from Previous Kakamega	4,980,985
Total deposits	**8,016,255**

Committee Observations

The Committee observed that the query remains unresolved as-

i). schedules to support the customer deposits brought forward balance of Kshs. 8,016,255 were not submitted to the Auditor-General in contravention of section 9(1)(e) of the Public Audit Act.

ii). some of the customer deposit schedules could not be traced as they were inherited from the defunct Kakamega-Busia Water Supply.

Committee Recommendations

The committee recommends that-

i). **the Accounting Officer provides a complete schedule to support the customer deposits balance of Kshs. 8,016,255 to the Auditor-General for verification within 60 days from the adoption of this report. Furthermore, where originals could not be traced, the Accounting Officer to undertake reconstruction of the necessary financial documents to support the aforementioned amount;**

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, Cap.412B; and**

iii). **the Governor should engage The Intergovernmental Relations Technical Committee (IGRTC) to ensure that the process of transfer of all assets and liabilities, including supporting documents, is completed in a timely manner.**

5.0 Unsupported receivable and prepayments

The statement of financial position and as disclosed in Note 12 to the financial statements reflects receivables and prepayments of Kshs. 57,047,701. However, the debtors' ledger and aging analysis were not provided for audit.

Consequently, the accuracy and completeness of receivables and prepayment balance of Kshs. 57,047,701 could not be confirmed.

Management Response

The management is in agreement with the audit findings that aging analysis had not been provided. The management has since provided supporting schedules for receivables and prepayments as at 30th June 2019 of Kshs. 57,047,701 for audit verification. Management is currently disclosing the ageing analysis.

Committee Observations

The Committee observed that the management submitted the supporting schedules in respect of the receivables and prepayments balance of Kshs. 57,047,701 but not the aging analysis of the same.

Committee Recommendations

The Committee recommends that-

i). **the Accounting Officer to submit an ageing analysis for verification by the Auditor-General within 60 days from the adoption of this report;**

ii). **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; and**

iii). **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, Cap.412B.**

6.0 Material Uncertainty in Relation to Going Concern

During the year under review, the Company recorded a net loss of Kshs. 4,741,914 as compared to Kshs. 12,377,308 posted in the year 2017/2018, resulting in accumulated losses of Kshs. 676,831 as 30 June, 2019. Further, the current liabilities balance of Kshs. 64,560,804, exceeded the current assets balance of Kshs. 63,015,246 resulting to a negative working capital of Kshs. 1,545,558 as at 30 June, 2019. In addition, the receivables increased from Kshs. 48,886,923 in 2017/2018 financial year to Kshs. 57,047,701 as at 30 June ,2019. The debtor's balance of Kshs 57,047,701 also surpassed the year's sales of Kshs. 42,718,135.

Management Response

The management wishes to state that from the financial statements, the receivables are on the upward growth and the loses are on a downward trend. Additionally, the financial statement has been prepared in accrual basis in accordance with International Financial Reporting Standards (IFRS) with the understanding that the company will continue to receive financial support from the County Government of Busia and other Development

partners such Water Sector Trust Fund, as the Company works towards self-sustainability.

Committee Observations

The Committee observed that the query remains unresolved as-

i). the company operated under a negative working capital of Kshs. 1,545,558 during the period under review had a total accumulated loss of Kshs. 676,831 as at 30th June 2019; and

ii). the company's receivables increased from Kshs. 48,886,923 in 2017/2018 to Kshs. 57,047,701 as at 30 June, 2019. Further, the debtor's balance of Kshs 57,047,701 surpassed the year's sales of Kshs. 42,718,135.

Committee Recommendations

The Committee recommends that-

i). the Governor of Busia 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 in regard to the financial and non-financial status of the water company in line with section 166 of the Public Finance Management Act;

iii). the County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act and regularly report to the Governor through the County Executive Committee in line with Article 179 (6) of the Constitution;

iv). the County Treasury should undertake annual reporting on County 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;

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); and

vi). **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.**

7.0 Unbalance Budget

The statement of comparative budget and actual amounts reflects financial receipts budget of Kshs. 65,151,495 against a final expenditure budget of Kshs. 101,112,872 resulting to a budget deficit of Kshs.35,961,377. It is not clear how the board approved an unbalanced budget and how the budget deficit would be financed.

In addition, the statement of comparative budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs. 65,151,495 and Kshs. 57,232,782 respectively resulting to under-realization of Kshs. 7,918,713 or 12% of the budget. Similarly, the Company incurred expenditure of Kshs. 62,966,344 against a final expenditure budget of Kshs. 101,112,872 resulting to an under-expenditure of Kshs. 38,146,528 or 38% of the budget

Comparative budget and actual amount reflect final receipts budget of Kshs 65,151,495 against a final expenditure budget of Kshs 101,112,872 resulting to a deficit budget of Kshs 35,961,377

Management Response

The management agrees with audit observation of unbalanced budget which was as a result of not disclosing project grants from the County Government of Busia and other development partners. The company has since corrected the error and developing balanced budgets.

Committee Observations

The Committee observed that the query remains unresolved as-

i). the management failed to disclose project grants from the County Government of Busia and other development partners within the Company's financial statements resulting in an unbalanced budget during the period under review. However, in the subsequent financial years the company prepared balanced budgets; and

ii). the water company had a revenue shortfall of Kshs. 7,918,713 or 12% of the budget and an under-expenditure of Kshs. 38,146,528 or 38% of the budget.

Committee Recommendations

The Committee recommends that-

i). the Accounting Officer adheres to Section 42(1) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures; and

ii). the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs and connection of more customers and automation to address revenue leakages. The Auditor-General to confirm the effectiveness of the mitigating measures put in place by the water company and report in the subsequent audit cycle.

REPORT ON LAWFULNESS AND EFFCTIVENSS IN USE OF PUBLIC RESOURCE

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—

1.0 Non-Revenue water

During the year under review, the Company produced 1,111,770 cubic meter (m^3) of water valued at Kshs 50,029,650 out of which 408,954m^3 was distributed to consumers. The balance of 702,816 m^3 or 63% of water produced during the year under review, valued at Kshs. 31,626,720 represent non -revenue water which is 38% above the allowable water loss limit of 25% as per the Water Service Regulatory Board guidelines. The NRW of 38% may have resulted in loss of water sales estimated at Kshs 12,507,413.

The significant level of non-revenue water is an indication of inefficiencies and lack of effectiveness in the use of public resources and, may negatively impact negatively on the Company's profitability and its long-term sustainability.

Management Response

The management wishes to state that it is in agreement with the Auditor's observation that the non -revenue water (NRW) is above the allowable water loss limit of 25% as per the Water Service Regulatory Board guidelines. The high NRW is as a result of:

i). Old and dilapidated water infrastructure which requires a lot of financial investment before they can be efficiently utilized.

ii). Frequent Bursts and leaks which remain a routine challenge on a month-to-month basis.

iii). Stuck and defective water meters which require replacement and frequent meter servicing exercises.

iv). Unmetered, illegal and meter by-passes by some of our customers which increases the volumes of water being lost on a month-to-month basis

The company's strategy is to invest more in metering its consumers, repair kit and monitoring of its pipeline network so as to reduce the NRW and improve on revenue generation.

The management has embarked on projects which are expected to significantly reduce non-revenue water to the Water Sector Regulation Board (WASREB) sector bench mark of 25%. These include:

- **New billing system and Smart meter reading** - the company through support of Kenya Towns Sustainable Water Supply and Sanitation Program and Lake Victoria North Water Works Agencies is currently implementing an Enterprise Resource Planning (E.R.P) & Customer Relation Management (CRM) system. This will enhance reduction in commercial non-revenue water since meter reading is going to be done using smart phones which will be GPS enabled.
- **Increase metering ratio**- WASREB requires all Water Service Providers (WSP) to be at 100% metering ratio. The Company has been able to write proposals to partners including Kenya Market Trust (KMT). The partner has come in hand and supported the Company with 300 cold water meters which are already installed and 400 meters have been delivered to the company and are currently being installed. The partner has also trained the Company staff on best practices of NRW management. Metering is key in reduction of commercial NRW for the company to be able to attain the set benchmark of 25%.
- **Smart metering-** The company has also engaged other experts and partners i.e. Liason, Go soft Africa and Pay go team who are currently carrying out pilots on

smart metering in a bid to cut down on NRW. This is being realized through trainings, data analysis, and installation of smart metering technologies.

Committee Observations

The Committee observed that the query remains unresolved as the Non-Revenue water for the company was at 63% which was 38% above the sector benchmark of 25% as set out in WASREB guidelines. However, the water company has made some efforts to reduce the NRW arising from commercial and physical losses.

Committee Recommendations

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 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.**

2.0 Non-Compliance with the law on Fiscal Responsibility-Wage bill

Review of the personnel emoluments revealed that the staff cost of Ksh 26,529,937 was forty- six percent (46%) of the total revenue amount Kshs. 57,232,782. This was contrary to section 25(1)(b) of the Public Finance Management (County Government) Regulations, 2015 which limits the wage bill to thirty -five percent (35%) of the total revenue.

Consequently, the Company was in breach of Law.

Management Response

The management wishes to state that it is in agreement with the Auditor's observation that the wage bill is above thirty -five percent (35%) of the total revenue. This is attributed to the high non-revenue water which reduces the revenue. Additionally, the

complexity of the current water supply systems involving pumping and full water treatment requires more staff.

The management would like to state that the company is improving its revenue base by –

1. Reduction of non-revenue water
2. Engaging other water sector development agencies which include the County Government of Busia, Lake Victoria North Water Works Development Agency, Ministry of water, Water Sector Trust Fund among others to provide funds for development and implementation of economically viable water projects that will increase the company's revenue base.
3. Application of tariff review.

These improvements in revenue generation will ensure that staff costs are reduced to the required sector benchmark of 35%.

Committee Observations

The Committee observed that the query remains unresolved as the company incurred an expenditure of Kshs. 26,529,937 (about 46% of the company's total revenue),. on compensation of employees during the year under review in contravention of section 25(1)(b) of the Public Finance Management (County Government) Regulations, 2015 which limits the wage bill to thirty-five percent (35%) of the total revenue.

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.

REPORT ON EFFECTIVENSS OF INTERNAL CONTROL, RISK MANAGEMENT, AND GOVERNANCE

Pursuant to section 7(1)(a) of the Public Audit Act, based on the audit procedures performed by the Auditor-General, the internal control, risk management and governance were not effective—

Lack of a Board Charter

During the year under review, the Board operated without a board charter contrary to Mwongozo Code of Governance for State Corporation which requires the Board of Directors to develop, adopt and periodically review a Board charter. The Board charter is critical in defining the roles, responsibilities and functions of the Board.

In the absence of the Board charter, the board may not be able to execute its mandate effectively.

Management Response

The management stated that they agreed with the Audit observation and that the Board charter was later developed and availed for audit verification.

Committee Observations

The Committee observed that –

i). the Board operated without a board charter in place during the year under review; and

ii). the management has since developed a Board charter and provided a copy of the same to the Auditor-General for verification. Following the auditor's satisfaction with the submission, the matter is resolved.

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 shall recommend for their investigation and prosecution in line with section 62 (2) of the Public Audit Act, Cap.412B.

CHAPTER TWO

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ITEN-TAMBACH WATER AND SEWERAGE COMPANY LIMITED FOR THE FINANCIAL YEAR 2018/2019

The Governor of Elgeyo-Marakwet County, Hon. Wisley Rotich, appeared before the Committee on Tuesday, 1st August, 2023 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statements for Iten-Tambach Water and sewerage Company (ITWASCO) Limited for the Financial Year 2018/2019. He was accompanied by –

i). Mr. Alphanus Tanui - CECM Finance and Economic Planning
ii). Mr. Jason Lagat - CECM Water and Environment
iii). Mr. Fredrick Linyewa - Chairperson ITWASCO
iv). Mr. Paul Yator - Managing Director ITWASCO
v). Mr. Jeremiah Kigen - CFM, ITWASCO

Iten-Tambach Water and Sewerage Company Limited is wholly owned by County Government of Elgeyo-Marakwet.

REPORT ON THE FINANCIAL STATEMENTS.

The Auditor-General rendered a **qualified opinion** on the financial statements of Iten-Tambach Water and Sewerage Company Limited for the financial year 2018/2019 on the following basis-

1.0 Undisclosed Land

The statement of financial position reflects property, plant and equipment with an aggregate historical value of Kshs. 5,430,721 which include a building valued at Kshs. 1,391,841 as disclosed in Note 7 (a) to the financial statements. However, the balance does not include the value of the plot of land measuring one (1) acre on which the building stands.

In view of the omission, the property, plant and equipment balance totalling Kshs. 5,430,721 as at 30 June, 2019 is not fairly stated.

Management Response

Management concurs with the findings that the value of land had not been disclosed in the financial statement. This was because the company had no title of ownership of the land. Therefore, the company was not able to proceed with valuation and recognize the same in its books.

This parcel of Land belongs to Sirikwa County Council as evidenced by the attached searches certificate, it was reserved for Iten primary under parcel No. 404 of which four other government institutions including ITWASCO were later included.

The process of subdividing the parcel is on course and the County Government Department of water and Company are making follow-ups with a view to resolving this matter once and for all.

Committee Observations

The Committee observed that the query remains unresolved as the water company had no title deed for the said piece of land and had not included the land measuring 1 acre on which the building stands in its financial statements.

Committee Recommendations

The Committee recommends that -

i). **the Governor ensures that the water company secures full ownership of the queried piece of land and provide status update to the committee within 60 days of adoption of this report;**
ii). **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;**
iii). **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; and**
iv). **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.**

2.0 Unconfirmed Payable Provision and Accruals

The statement of financial position reflects payables, provisions and accruals totaling Kshs. 21,456,077 as further disclosed in Note 12 to the financial statements. The balance includes regulatory levies totaling Kshs. 14,918,620 out of which Kshs. 1, 0694,910 relate to 2017/2018 and earlier financial year's records on the levies indicated that they were owed to Rift Valley Water Services Board. Management did not explain the failure to pay the levies which may attract penalties.

Further, the reported balance was higher by Kshs 7,440,137 from the sum of Kshs. 7,478,483 reported as owed by the company in the books of agency. No explanation was provided by management for the anomaly. In the circumstances, the accuracy and validity of the regulatory levies balance totaling Kshs 21,456,077 as of 30 June 2019 could not be confirmed.

Management Response

Management concurs with the findings that the figures of regulatory levies vary with the balance of Rift Valley Water Services Board, it came to their realisation that, with the operationalization of the Water Act 2016 and the transfer of the ownership of Water Service Providers to County Government this necessitated that there would be no more payment to the Water Service Board.

As at 20th September 2016 the gazette of the Water Act 2016, their records reflected that they owed the Water Service Board Kshs 7,473,591, which almost in agreement with amount reflected by the Water Board as the amount owed by the company.

It therefore, implies that the company recognized a liability amount of Kshs 6,116,678, which ought not to be reflected in their books

As a corrective measure, the company was going to pass Journal entries in the 2022/2023 Financial year which are due by way of prior year adjustment.

In order to address the outstanding Kshs. 7,478,483. Which mainly accrued during the formative stages of the company and due to liquidity challenges, the management sought for a write off of the levies from the Agency so as to clear the debts from the company's books as per MIN 270:2022/2023 dated 28th March 2023.

Committee Observations

The Committee observed that the query remains unresolved as the balance of Kshs. 7,478,483 owed to former Rift Valley Water Services Board now Central Rift Valley Water Works Development Agency, remains unsettled though the management has provided correspondences on request for write off by the Agency.

Committee Recommendations

The Committee recommends that the Governor of Elgeyo-Marakwet County engages the Central Rift Valley Water Works Development Agency to agree on a repayment plan for the trade and other payables balance of Kshs. 7,478,483 and file a report on the same with the Auditor-General for verification within 60 days from the adoption of this report. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.

Other Matters

1.0 Budgetary Control and performance

The statement of comparison of budget and actual amounts indicates that the company's budgeted revenue totaled Kshs. 28,200,000 and actual revenue totaled Kshs. 28,568,492 resulting in revenue surplus of Kshs 368,492. The budgeted recurrent expenditure totaled Kshs 29,813,190 against Kshs. 24,864,856 resulting in under expenditure of Kshs. 4,948,334 or 16.5%. The capital expenditure budget was Kshs. 2,130,000 against Kshs. 112,206 spent resulting in Under-expenditure of Kshs. 2,017,794.

Management Response

Management stated that their major under expenditure is the regulatory levy which had a variance between budgeted and actual to Kshs 4,183,710 equivalents to 93% which was majorly due to lack of funds.

The majority of the expenditure had a variance between 0-9 % which is within acceptable ranges.

Committee Observations

The Committee observed that the query remains unresolved because the company had a revenue surplus of Kshs. 368,492, an under expenditure of Kshs. 4,948,334 on the recurrent expenditure and Kshs. 112,206 of the capital expenditure.

Committee Recommendations

The Committee recommends that –

i). **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures; and**

ii). **the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs, connection of more customers and automation to address revenue leakages. The Auditor-General to confirm the effectiveness of the mitigating measures put in the water company and report in the subsequent audit cycle.**

2.0 Unresolved Prior Year Issues

The audit report for the year ended 30 June, 2018 highlighted several unsatisfactory issues among the unconfirmed balances, Non- Revenue Water, and irregularities in use of resources. The report of management on progress made in resolving the issues, which is attached to the financial statements for the year under review, indicates that all the matters had not been resolved as at 30 June, 2019. No explanation has been provided for delay in resolving the issues.

Management Response

Management stated that the prior year issue had not been fully resolved. It added that most of those issues were progressively resolved due to cash flow challenges which makes it difficult to meet minimum compliance requirements.

Currently, the company had requested some waiver on pending levies owed to Rift Valley Water Services Board, also pursuing the issue of land ownership and necessary adjustment had also been made on the subsequent financial statement to correct accounting matters raised.

The company stated that it was committed to resolve those issues with the little resources available in cooperation with the County Government of Elgeyo-Marakwet.

Committee Observations

The Committee observed that the queries raised in the previous audit reports have not been addressed by management constituting material and persistent breach of the applicable laws and guidelines.

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; 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.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCE

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-

1.0 Non-revenue Water

The statement of comprehensive income indicates that revenue from sale of water totalled Kshs.25, 905,988 in the year under review. However, water production records indicate that the company produced 978,721 cubic meters of water out of which only 645,489 cubic meters of water was billed to consumers. The unbilled balance of 313,192 cubic meters designated as Non- Revenue Water equivalent to 32% of the total volume produced and had a value of Kshs 8,289,879 at the average selling price of Kshs 26.469 per cubic meter charged by company to its customers.

At 32%, the NRW was seven (7) percentage points above the allowable loss of 25% of the total production prescribed in the guideline published by the Water Services Regulatory Board (WASREB). Therefore, a significant amount of water produced by the Company was lost before it was billed, or a large number of consumers were able to access the company's water without paying for it. This indicates that the company's

water distribution system is inefficient and could, if not rectified, pose a major risk to the sustainability of the Company's operations.

Management Response

Management stated that during the year Iten Tambach Water and Sewerage Co. Ltd (ITWASCO) produced 978,721 cubic meters (m3) of water. However, out of this volume, only 645,489 m3 was billed to customers. The balance of 313,192 m3 or approximately 32% of total volume represented Unaccounted for Water (UFW) which is 7% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines.

One of the targets of the company among others was to reduce the Non-Revenue Water (NRW) to an acceptable level. In the year under review, this was reduced from 42% as was reported in the previous year to 32%; this was managed under limited available resources in the year. The company is therefore still committed to reducing this by employing more resources to work on the challenges contributing to the high level of unaccounted for water. The measures include: -

i). Proposals to Water Trust Fund to finance purchase of water meters through Urban Project Concept to reduce unmetered connections and replace faulty meters.
ii). The company in collaboration with the County Government of Elgeyo-Marakwet has increased the number of metered connections and is planning to purchase more water meters to reduce NRW.
iii). The Company has put in place a system through a company managed hotline numbers for the public to report any leakage, bursts, illegal connections and self-reconnections.
iv). In addition to maintaining the line, the patroller team of pipefitter's repairs reported leakages, bursts and assists in eliminating illegal connections and reconnections promptly whenever identified and reported.
v). Previous installation of 200 consumer meters which was funded by the County Government of Elgeyo-Marakwet reducing on flat rate charges.
vi). Also, through support of the County Government, master meters have been installed in each zone to accurately report and monitor water produced and distributed.
vii). Effective Meter Reading: - Meters are read using a smartphone on site and uploaded automatically into a billing database. The database then runs checks

to identify anomalies that would suggest an erroneous reading. The smartphone is also used to take a photograph of the meter when it is read, which enables anomalies to be resolved without a further site visit, but also provides a means to check that the meter has been actually read. This system provides an effective means of monitoring both consumption and meter readers performance.

viii). Establishment of District Metered Areas (DMAs): - Creating DMAs has been long established as a key tool to manage leakages through reconciling DMA flows by comparing the monthly water balance with the leakage assessment; and Provision of appropriate incentives to customers and staff who report illegal connections.

Committee Observations

The Committee observed that –

i). the Non-Revenue Water stood at 32%, which was above the sector benchmark of 25% set by the Water Services Regulatory Board (WASREB) guidelines. This high level of Non-Revenue Water has largely contributed to the Company's revenue shortfall as well as the material uncertainty relating to a going concern; and

ii). the management of the water company listed measures to address the Non-Revenue Water losses. These measures include, active leak detection, and repair, and termination of cut-off accounts from the mains to curb illegal reconnections among others.

Committee Recommendations

The Committee recommends that –

i). the company should put into place additional comprehensive measures to further mitigate the Non-Revenue Water. These measures include 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;

ii). the Auditor-General should review the implementation of the measures put in place by the management to mitigate the matter and provide a report on this matter in the subsequent audit cycle; and

iii). **the Governor should collaborate with EACC to ensure that pre-emptive measures are put into place to reduce the cases of theft and illegal connections.**

2.0 Delay in Collection of Trade Receivables

Examination of records on trade receivables revealed totalling Kshs. 1,335,018 which had been outstanding for more than two months. Failure to collect the debts contravened regulation 60 of the model Water Services Regulations, 2007 which provides that accounts receivable shall not be more than two (2) months of monthly billing for any consumer's account.

Management has not provided evidence of the measures taken to ensure that the long outstanding debts are recovered.

Management Response

Management stated that bills totaling to Kshs 1,335,018 had been outstanding for more than two months as reported. Forming a major part of the bills were government (County and National) institutions which had not settled their bills.

The company had already implemented billing software where they are no longer handling cash in the office and are collecting through their banking institution and M-Pesa pay bill.

Also, debt recovery policy had been finalized and they were implementing.

Committee Observations

The Committee observed that –

i). management failed to provide the basis of provision for doubtful debts of Kshs. 1,335,018; and

ii). management acknowledged that the company did not have a system that could provide a debtors aging analysis during the audit period, however, the company has since installed a new billing software system which is capable of performing a debtors aging analysis.

Committee Recommendations

The Committee recommends that –

i). **the management performs an aging analysis on the long outstanding receivables and with the Board's approval, write off the irrecoverable debts in line with the PFM (County Government) Regulation;**

ii). **the management ensures implementation of the Enterprise Resource Planning (ERP) system and its use in performing periodic debtors aging analysis;**

iii). **the management ensures strict compliance with the provisions on losses and write-offs stipulated under the PFM (County Governments) Regulations; and**

iv). **the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 9(1)(e) of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit.**

3.0 Lack of Ethnic Diversity

An audit review of personnel records indicated as at 30 June 2020, the water company had a staff establishment of seven (7) permanent staff, two (2) officers on contract and 36 (thirty-six) temporary employees all of whom were from the same ethnic community. This was contrary to Section 7 of the National Cohesion and Integration Act, 2008 which requires all public entities to represent the diversity of the people of Kenya in their staff establishments.

Management is therefore in breach of law

Management Response

Management stated that the seven staff members were employed to permanent terms in the year 2013. And up to date the company had not employed any staff in permanent terms. The company established and developed the company's Human Resource Manual on 16th October 2015 which will be used as a guide on employment. It added on that they would be contented to have a multicultural society at the company as they strive forward to excel. They are also in agreement that one third diversity rule promotes

national unity and assured the Committee that they shall abide by the regulations in their subsequent recruitments to address this issue.

Committee Observations

The Committee observed that the query remains unresolved as all the 49 employees in the company were from the dominant ethnic community in the County.

Committee Recommendations

The Committee recommends that –

i). **the County Executive should comply with section7(1) and 2 of the National Cohesion and Integrity Act, Cap. 7E states that *(1) All public establishment shall seek to represent the diversity of people of Kenya in employment of staff. (2) No public establishment shall have more than one third of its employees from same ethnic group;* and**

ii). **the Board and the accounting officer makes 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.**

CHAPTER THREE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIRINYAGA WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2018/2019

The Governor for Kirinyaga County, Hon. Anne Waiguru, EGH, OGW, appeared before the Committee on Tuesday, 16th May, 2023 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kirinyaga Water and Sanitation Company Limited (KIRIWASCO) for the financial year 2018/2019. The Governor was accompanied by:

i). Mrs. Jacqueline Njogu	-	CECM Finance
ii). Mr. James Kihia	-	Chairman
iii). Mrs. Jane Murage	-	Ag. Finance Manager KIRIWASCO
iv). CPA Edward Nyaga	-	Chief Officer Finance
v). Mr. Carilns Otieno	-	Chief Officer Planning and Procurement
vi). Mr. Peter Murimi	-	Chief Officer Water

The Kirinyaga Water and Sanitation Company is wholly owned by the County Government of Kirinyaga.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of Kirinyaga Water and Sanitation Company Limited for the period under review on the following basis—

1.0. Presentation of the Financial Statements

The financial statements reflect the following anomalies:

i). The statement of profit and loss and other comprehensive income refers to both the finance cost and taxation at Note 19. However, the Notes to the financial statements reflect finance cost at Note 19 and taxation at Note 20. In addition, Note 20 is not referenced in the statement of financial position.

ii). The other income balances reflected in Note 10 to the financial statements have not been totaled contrary to the format prescribed in the Public Sector Accounting Standards Board (PSASB) reporting template issued in June, 2019.

iii). Water reconnection fees and short-term loan are both denoted under Note 9(e) to the financial statements in the statement of profit and loss and other comprehensive income and statement of financial position. However, the two are reflected in Note 9(e) and Note 9(c) respectively.

iv). Contrary to International Public Sector Accounting Standard (IPSAS) No 1, the table of contents to the financial statements denotes the title to the statement of financial position to be 'for the year ended 30 June, 2019' instead of 'as at 30 June, 2019'.

v). Some of the balances reflected in the financial statements contain decimal points contrary to normal practice that rounds off each balance to the nearest whole number.

The statement of profit and loss and other comprehensive income reflects a nil comparative balance for Water Regulatory Board levies comparative balances. However, Note 15 to the audited 2017/2018 financial statements had reflected a balance of Kshs. 13,215,744 in respect to the item.

In view of these issues, the presentation of the financial statements is incorrect and does not comply with the format prescribed by the PSASB.

Management Response

i). We have aligned Note 19- finance cost & note 20 as taxation and they are correctly referenced in the finance statement 2018/19.

ii). Note 10- other incomes balances have been totaled accordingly. Note 9(c) and note 9 (e) have been aligned accordingly.

iii). Table of contents to the financial statements has been aligned appropriately as at 30th June 2019.

iv). The balances figure in the Financial statement has been reported as a whole number as per the auditors advise in the revised financial statement.

On page 42 in the Financial statement note 18, Ksh. 13,215,744 was presented as water Regulatory board levies in year 2017/18. However, in the statement of profit and loss and other comprehensive income of the FY 2017/2018 Ksh. 13,215,744 was classified under operation and maintenance cost, therefore leading to a nil balance under water regulatory levy vote.

Committee Observations

The Committee observed that the company failed to reference financial statements as well as to comply with the Public Sector Accounting Standards Board (PSASB) reporting template. The management corrected the errors within the financial statement of the subsequent financial year.

Committee Recommendations

The Committee recommends that-

i). **the Accounting Officer should comply with section 149(2) of the Public Finance Management Act, Cap. 412A with regard to preparation and management of financial and accounting records;**

ii). **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; and**

iii). **the Auditor-General reviews the financial statement of the next financial year to ensure that the errors were corrected and report back to the Committee during the next audit cycle.**

2.0 Unconfirmed Balance

2.0.1 Water Sales

The statement of profit and loss and other comprehensive income reflects water sales revenue totaling Kshs. 147,455,763 for the year under review, as further disclosed in Note 9(d) to the financial statements. However, analysis of the monthly billings indicated that the total billings during the year amounted to Kshs. 148,465,566. Therefore, the reported revenue is short by Kshs. 1,009,803. Further, examination of the M-Pesa statements provided for audit indicated that water sales worth Kshs. 310,020 were not posted to the ledger.

As a result of these anomalies, accuracy and completeness of the revenue totaling Kshs. 147,455,763 reported in the financial statements could not be confirmed.

Management Responses

The correct monthly billed amounted to ksh. 147,455,763 and not Kshs. 148,465,566. As per the company billing system as explained in the table below:

Months	Consumption M^3	Extracted Billing from the system (Kshs)	OAG Data as per the audit finding (Kshs)
Jul-18	171,628	10,211,561	10,914,530
Aug-18	190,234	11,493,201	11,523,366
Sep-18	188,014	11,315,515	11,362,660
Oct-18	201,793	12,183,335	12,226,835
Nov-18	200,886	12,059,675	12,069,985
Dec-18	203,123	12,009,008	12,009,558
Jan-19	204,807	12,420,796	12,476,221
Feb-19	247,056	14,942,021	14,965,771
Mar-19	221,167	13,425,291	13,446,776
Apr-19	202,718	12,501,551	12,516,631
May-19	197,306	12,272,128	12,313,603
Jun-19	200,043	12,621,681	12,639,630
TOTALS	**2,428,775**	**147,455,763**	**148,465,566**

From Mpesa statement the system could not upload payment made to nonexistent account hence causing the variance due to unuploaded payments through mpesa. The variance of kshs. 310,490 comprises of Kshs. 187,793 which was as result of payment made to erroneous account and ksh. 122,697 which was as a result of reversal made to the wrong paybill account as analyzed below:

MPESA PAYMENTS from 1st JULY 2018 TO 30th JUNE 2019

Month	Amounts received through Mpesa	Amount uploaded in the billing system	Variance	Erroneous Receipts	Reversals
Jul-18	2,743,357	2,724,682	18,675	18,675	-
Aug-18	2,627,426	2,605,786	21,640	21,640	-
Sep-18	2,815,732	2,815,664	16,640	68	16,572
Oct-18	2,907,194	2,870,128	107,066	37,066	70,000
Nov-18	2,684,554	2,677,999	6,555	6,555	-
Dec-18	3,081,666	3,069,891	11,775	11,775	-
Jan-19	2,666,137	2,654,462	18,675	11,675	7,000
Feb-19	2,948,065	2,940,750	7,315	7,315	-
Mar-19	4,538,530	4,516,017	37,974	22,513	15,402
Apr-19	3,878,037	3,855,465	24,583	22,572	2,011
May-19	3,701,152	3,687,978	24,181	13,174	11,007
Jun-19	3,673,140	3,658,375	15,470	14,765	705
Total	**38,264,990**	**38,077,197**	**310,490**	**187,793**	**122,697**

Committee Observations

The Committee observed that –

i). the company had a revenue shortfall Kshs. 1,009,803 related to water sales. This query remains unresolved; and

ii). The necessary reconciliations for the balance of Kshs. 310,020 relating to Mpesa payments were done.

Committee Recommendations

The Committee recommends that-

i). **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures; and**

ii). **the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs and connection of more customers and automation to address revenue leakages. The Auditor-General to confirm the effectiveness of the mitigating measures put in place by the water company and report in the subsequent audit cycle.**

2.0.2 Comparative Government of Kenya Grants

The statement of comparison of budget and actual amounts for the year under review reflects a nil difference between budgeted and actual Government of Kenya (GOK) grants. However, the statement reflects receipts totaling Kshs. 172,824 in respect to the item. Consequently, the deficit of Kshs. 11,259,776 reflected in the statement, being the shortfall of revenue over expenditure, is overstated by Kshs. 172,824 and is therefore not fairly stated.

Management Responses

The statement of comparison of budget and actuals of Government Of Kenya grant have been corrected.

Committee Observations

The Committee observed that the necessary reconciliations in relation to the overstatement of shortfall of revenue of Kshs. 172,824 were done within the financial statements of the subsequent year. The matter therefore remains resolved.

Committee Recommendations

The Committee recommends that-

i). **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; and**

ii). **the Auditor-General reviews the financial statements of the next financial year to ensure that the reconciliations were made and report back to the Senate during the next audit cycle.**

2.0.3 Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents totaling Kshs. 19,013,615 and a comparative balance of Kshs. 21,795,081 for the account, as further disclosed in Note 6 to the financial statements. However, the comparative 2017/2018 savings account's balance totaling Kshs. 849,632 is incorrectly reflected as a current account balance.

As a result, the comparative balance for cash and cash equivalents is not fairly stated.

Management Responses

For the FY 2017/2018 under cash and cash equivalent the equity current account balance of Kshs. 849,632 was erroneously posted under KRep bank closing balance. This was rectified in the subsequent FY 2018/2019 financial statement.

Committee Observations

The Committee observed that the query remains unresolved as –

i). the Company had incorrect statements of financial position with a variance between the cash and cash equivalents totaling Kshs. 19,013,615 and a comparative balance of Kshs. 21,795,081; and

ii). the comparative 2017/2018 savings account's balance totaling Kshs. 849,632 is incorrectly reflected as a current account balance.

Committee Recommendations

The Committee recommends that-

i). **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; and**

ii). **the Auditor-General reviews the financial statements of the next financial year to ensure that the reconciliations were done and report back to the Committee during the next audit cycle.**

2.0.4 Directors Costs

Note 13 to the financial statements reflects Kshs. 6,293,606 in respect to Directors' costs. However, records on expenditures totaling Kshs. 1,610,120, spent on Directors' activities, including invitation letters, the registers and Board minutes, were not provided for audit review.

In the circumstance, the accuracy and propriety of the directors' costs totaling Kshs. 1,610,120 reflected in the financial statements could not be confirmed.

Management Responses

Supporting documents including invitations letters, attendance register, extract of board minutes, signed schedules, payment vouchers, notices to meeting among others supporting the entire Kshs. 6,293, 606 has since been provided.

Committee Observations

The Committee observed that whereas the management provided the supporting documents for the expenditure of Kshs. 1,610,120 on Directors activities to the Auditor-General for verification, the submission was made outside the timelines contemplated under the Public Audit Act and constitutes an offence under section 62(2) of the Act.

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, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act; and**

ii). **Noting the mitigation measures taken by the management, the Committee recommends that the query be marked as resolved.**

2.0.5 Staff Loans

The statement of financial position reflects receivables totaling Kshs. 124,686,843, as at 30 June, 2019, as further reflected in Note 4 to the financial statements. The balance includes loans totaling Kshs. 170,114 advanced to four (4) members of staff to purchase laptops. However, personnel records indicated that the officers were no longer employed by the Company. Further, there was no record of efforts made by Management to recover the advances.

In addition, the approved loan application forms, and records on how the laptops were procured, and the basis on which the loans were advanced, were not provided for audit review.

In view of these issues, the receivable's balance totaling Kshs. 124,686,843 as at 30 June, 2019 may not be wholly recoverable.

Management Response

The laptops were bought between April 2008 and May 2008 through a loan advanced to the staff which was to be recovered from their salary. However, the said staff left the organization between December 2008 and November 2010 before the full amount was recovered.

The company in 2019 after the company was under new management governance structure and since then we initiated the recovery process as per the attached demand letter.

We have instituted legal process to recover against them.

Committee Observations

The Committee observed that the query remains unresolved as the company advanced Kshs. 170,114 to four (4) members of staff to purchase laptops and the said staff left the institution before the full amount was recovered.

Committee Recommendations

The Committee recommends that the Managing Director of the water company takes immediate measures to fully recover the Kshs. 170,114 with interest within 60 days from the adoption of this report failure to which, the Board of Directors shall ensure the same is recovered from the Accounting Officer of the water company.

2.0.6 Short-Term Loan

The statement of financial position as at 30 June, 2019 reflects Kshs. 147,518 in respect of a short-term loan, as further reflected in Note 9(c) to the financial statements. However, the loans ledger was not presented for audit review and as a result, the accuracy of the balance could not be confirmed.

Management Response

The Accounting Officer submitted the loan ledgers for audit review.

Committee Observations

The Committee observed that whereas the management submitted the loans ledger to support the short-term loan of Kshs. 147,518 the submission was made outside the timelines contemplated under the Public Audit Act and constitutes an offence under section 62(2) of the Act.

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, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act; and**

ii). Noting the mitigation measures taken by the management, the Committee recommends that the query be marked as resolved.

2.0.7 Prior Year Adjustments

The statement of changes in equity for the year under review reflects prior year adjustments totaling Kshs. 1,169,632. However, the adjustments should have been made against the respective audit components in the year the misstatements occurred and the comparative balances restated in the year under review, as required by International Accounting Standard No.8 - Changes in Accounting Estimates and Errors.

Therefore, the prior year adjustments totaling Kshs. 1,169,632 are not fairly stated.

Management Response

After transition from manual/excel to sage accounting system in the year 2018/2019 it was noted there were errors in positing of ledgers which warranted prior year adjustment of Kshs. 1,169,632 in the FY 2018/2019.

Committee Observations

The Committee observed that the query remains unresolved as the water company had made the necessary adjustments in the financial statement of the subsequent year however, the same was yet to be reviewed by the Auditor-General.

Committee Recommendations

The Committee recommends that the Auditor-General follows up the matter to confirm if the correct accounting adjustments were made in the Post Audit Financial Statements.

Other Matter

1.0 Budget Control and Performance

1.1 Revenue

The statement of comparison of budget and actual amounts reflects an approved revenue budget totaling Kshs. 178,000,000 and actual revenue totaling Kshs. 169,850,748 resulting in a net revenue shortfall of Kshs. 8,149,252.

Management Response

During the year 2018/2019, there were massive roads upgrade in Kirinyaga County to tarmac status which caused destruction of water infrastructure in the following areas: Kagumo Zone, Kamuiru zone, Mugaya zone, Mutitu zone, Kianjege Zone, Kirimunge zone, Kiaga Zone, Ngaru route, Kabonge zone Kiania route and Kiburu, Mukangu zone which disrupted water supply. Which resulted to temporary termination of **2,106** number of accounts hence resulting to short fall of revenue.

Committee Observations

The Committee observed that the company had a revenue shortfall of Kshs. 8,149,252 in the year under review which was attributed to destruction of water infrastructure.

Committee Recommendations

The Committee recommends that –

i). **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures; and**

ii). **the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs and connection of more customers and automation to address revenue leakages. The Auditor-General to confirm the effectiveness of the mitigating measures put in place by the water company and report in the subsequent audit cycle.**

Expenditure

The statement of comparison of budget and actual amounts reflects an approved expenditure budget of Kshs. 157,969,689 and actual expenditure of Kshs. 169,229,465 resulting to a net over-expenditure of Kshs. 11,259,776 comprised of an over-expenditure of Kshs. 23,189,059 on five (5) items and under-expenditure of Kshs. 11,929,283 on four (4) items.

The net under-expenditure indicates that some of the activities and services budgeted for under the five items may not have been implemented or completed.

Management Response

Over expenditure of Kshs. 11,259,776 represents 7.12%, which is within the stipulated range of between 0% and 10% as per the Public finance management Act 2012.

Committee Observations

The Committee observed that the query remains unresolved as company had an over-expenditure of Kshs. 11,259,776 during the year under review.

Committee Recommendations

The Committee recommends that –

i). **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures; and**

ii). **the Board of Directors should institute proper and realistic budget planning. The Auditor-General to confirm the effectiveness of the mitigating measures put in place by the water company and report in the subsequent audit cycle.**

1.2 Unbalanced Budget

The statement of comparison of budget and actual amounts reflects Kshs. 178,000,000 and Kshs. 157,969,689 in respect of approved revenue and expenditure budgets respectively resulting to a budget deficit of Kshs. 20,030,311. No explanation was provided for the preparation and approval of a deficit budget contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officers to prepare balanced budgets.

Further, no records were provided for audit to confirm that the over-expenditure totaling Kshs. 23,189,059 was approved by the Accounting Officer, as required by Regulation 43(2) of the Public Finance Management Act (County Governments) Regulations, 2015.

Management Response

The variance of Kshs. 20,030,311. Was due to omission done in statement of comparison of budget and actual in minor investment totaling to Ksh. 9,672,500 and

payment of creditors of Kshs. 10,357,811. The statement of comparison of budget and actual amount for the period ended 30th June 2019 has since been revised and the budget is now balanced at Kshs. 178,000,000

Committee Observations

The Committee observed that the water company had made the necessary adjustments to balance the budget in the Post-Audit financial statement however, the same was yet to be reviewed by the Auditor-General.

Committee Recommendations

The Committee recommends that the Committee recommends that the Auditor-General follows up the matter to confirm if the correct accounting adjustments were made in the Post Audit Financial Statements.

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-

1.0 Non-Revenue Water

Examination of water production records indicated that the Company produced 6,166,164 cubic meters (m^3) of water during the year under review. However, only 2,428,775 cubic meters (m^3) or 39 % of the volume produced was billed to customers. Therefore, the balance totalling 3,737,389m^3 or 61% of the production represented Non-Revenue Water (NRW). The NRW was 36 percentage points above the allowable loss of 25% prescribed in Schedule E of the Water Services Regulatory Board (WASREB) guidelines.

As a result, of the total production for the year totalling to 6,166,164 cubic meters (m^3), only 1,541,541m^3 or 25% with potential revenue amounting to Kshs. 87,266,636 at the Company's average selling price of Kshs.56.61 per cubic meter was allowable loss. The balance totalling 2,195,848 m^3 or 36% with an estimated sale value of Kshs. 124,306,955 was non-allowable loss. Therefore, both allowable and unallowable NRW may have resulted in a loss of income totalling Kshs. 211,573,591.

The large volume of NRW indicated that the Company's water distribution system was inefficient, or water supplies accessed by a significant number of residents of the County were not metered and paid for. In addition to being a hindrance to profitability, the perennial NRW losses may cause the operations of the Company not to be sustainable.

Management Response

NRW is caused by physical losses and commercial losses. Physical losses are caused by old dilapidated infrastructure that has caused high operational costs in repair of bursts and leaks of water. For instance, Githioro water supply system was constructed in 1940, with a design population of 2500 people. Currently, the system is serving more than 12,000 people, which is beyond its design capacity. Commercial losses are caused by faulty meters, illegal connections and destruction of roads and other infrastructure developments in the county. The company has taken the following measures in NRW reduction:

1. The company developed Non- Revenue Water reduction plan which has been implemented in the FY 2019/2020 to date.
2. The company has shifted from Upvc pipes to HDPE pipes. this is because HDPE pipes are more durable and elastic than Upvc pipes. further, the company is carrying out gradual rehabilitation of old water supply networks, replacing the old Unplasticized polyvinyl chloride (PVC) pipes with High Density Polyethylene (HDPE) pipes.
3. The company through Tana Water Works Development Agency has procured two ultrasonic flow meters which are helping in detecting areas of water loss.
4. Introduced Metering of production units which has improved accuracy in water production.
5. Mapping of reticulation networks and connections which has enhance real-time monitoring of leak detection/bursts and consumer connections.
6. Having 100% metering ratio.
7. Conversion of all class B meters to class C consumer meters to improve on accuracy.
8. Unearth all illegal connections and bypasses.

In the current financial year, 2022/2023 the NRW is at 56% as compared to the FY 2018/2019 which was at 61% as analyzed below:

FY	PRODUCTION(M^3)	BILLED(M^3)	UNBILLED(M^3)	NRW %
2018/2019	6,166,164	2,428,775	3,737,389	61%
2019/2020	6,258,432	2,491,820	3,766,612	60%
2020/2021	6,722,945	2,701,482	4,021,463	60%
2021/2022	6,341,903	2,613,686	3,728,217	59%
2022/2023	5,685,203	2,477,585	3,207,618.	56%

Committee Observations

The Committee observed that-

i). the Non-Revenue Water for the year under review stood at 61% (Kshs. 211,573,591 or 3,737,389m^3), which was way above the sector benchmark of 25% as prescribed by the Water Service Regulatory Board (WASREB) guidelines; and

ii). Non-Revenue Water was attributed to both physical losses (old dilapidated infrastructure) and commercial losses are caused by faulty meters, illegal connections and destruction of roads and other infrastructure developments in the county.

Committee Recommendations

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 of Kirinyaga County 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.**

2.0.1 Leave Allowance

Records on leave allowances reflected payments totaling Kshs. 106,500 paid to ten (10) employees. However, analysis of the payroll data indicated that the employees were entitled to allowances totaling Kshs. 43,500 only, resulting to an over-payment of Kshs. 63,000. In the circumstance, the regularity of the overpayment could not be confirmed.

Further, personnel records reflected budget provisions for leave allowance totaling Kshs. 4,934,037 payables to staff in lieu of leave not taken. However, the provisions were made contrary to Chapter 10.2.1 of the Company's Human Resource Policy Manual which forbids the accrual of annual leave days and prescribes that these be expended within the year they fall due, or be forfeited.

Therefore, Management's action in setting aside the allowances may have breached the Company's own policy on annual leave for staff.

Management Response

The erroneous payment of Ksh. 63,000 was fully recovered from the employee salary.

The provision of Kshs. 4,934,037 for leave allowance was noted not to be in line with the policy. The provision was corrected in the FY 2019/2020. During the period of provision there was no staff was paid hence no money was lost.

Committee Observations

The Committee observed that –

i). the company had fully recovered the overpayment of leave allowance of Kshs. 63,000 to employees; and

ii). The company made a provision of Kshs. 4,934,037 to be paid to staff in lieu of leave not taken contrary to the company's Human Resource Policy Manual. However, the company noted the anomaly and no payment was made during the period under review.

Committee Recommendations

Noting the mitigation measures taken by the management, the Committee recommends that the matter be marked as resolved.

2.0.2 Mileage Allowance

Records on Board expenses indicated that mileage allowances totaling Kshs. 584,814 were paid to two senior executives of the Company at Kshs.40, Kshs.140 and Kshs. 93,145 per month. Out of the total sum paid, Kshs. 332,568 was paid to one of the executives for six months. However, Section 6.9 of the Company's Human Resource Policy and Procedures Manual provides that each executive is entitled to mileage allowances payable at Kshs. 30,000 per month and so the payment that should have amounted to Kshs. 180,000 over the six-month period was overpaid by Kshs. 152,568.

In addition, the payments totaling Kshs. 584,814 were not subjected to Pay-As-You Earn (PAYE) tax contrary to the Kenya Revenue Authority (KRA) circular reference 1005/1 dated 1 March, 2017 which classified mileage allowances as employment income on which PAYE was chargeable. The omission was not only irregular but could result in the Company being penalized for failure to adhere to tax laws.

Management Response

The payment to senior executive were paid as per the Human resource manual clause 6.9. Mileage allowance and applicable AA Rate.

Committee Observations

The Committee observed that the query remains unresolved as-

i). There was an over-payment of Kshs. 152,568 on mileage allowance for two senior officers of the company contrary to section 6.9 of the Company's Human Resource Policy and Procedures Manual provides that each executive is entitled to mileage allowances payable at Kshs. 30,000 per month and so the payment that should have amounted to Kshs. 180,000 over the six-month period; and

ii). Payments totaling Kshs. 584,814 were not subjected to Pay-As-You Earn (PAYE) tax contrary to the Kenya Revenue Authority (KRA) circular reference 1005/1 dated 1st March, 2017 which classified mileage allowances as employment income on which PAYE was chargeable.

Committee Recommendations

The Committee recommends that –

i). **the Accounting Officer to recover the overpayment of Kshs. 152,568 from the two senior executives within 60 days of the adoption of this report failure to which the Accounting Officer shall be surcharged for the overpayment;**

ii). **the Accounting Officer adheres to the provisions of the Income Tax Act, Cap.470 on remittance of statutory deductions; and**

iii). **the Accounting Officer adheres to regulation 22(2)(a) of the Public Finance Management (County Government) Regulations, 2015, which provide that the accounting officer to comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided by legislation.**

3.0 Failure to Surrender Imprests

Note 4 to the financial statements for the year under review reflects Kshs. 124,686,843 in respect to receivables as at 30 June, 2019. The receivables balance includes un-surrendered imprests totaling Kshs. 8,825,713 outstanding since 2011. Failure to recover the imprests contravened Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which requires holders of temporary imprests to account or surrender them within seven (7) working days after returning to the duty station.

In the circumstance, Management may have breached the law on administration of imprests.

Management Response

The staff debtors balance of Ksh. 8,825,713.00 are amounts from the year 2011 to 2019. The amount of unsurrendered imprest was occasioned by instability of management, and uncompounded when the company management was taken over by regulator WASREB. When the company was taken over the management instituted measures to account for the unsurrendered imprests. Currently the old outstanding imprest have reduced to Ksh. 1,544,338.

Committee Observations

The Committee observed that the query remains unresolved as there were un-surrendered imprests totaling Kshs. 8,825,713 outstanding since 2011, which contravened regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which requires holders of temporary imprests to account or surrender them within seven (7) working days after returning to the duty station.

Committee Recommendations

The Committee recommends that –

i). **the Accounting Officer to take immediate action to recover the unsurrendered imprests amounting to Kshs. 8,825,713 from the defaulting officer with interest at the prevailing Central Bank rate failure to which the Accounting Officer commits an offence under regulation 93 of the Public Finance Management (County Governments) Regulations, 2015; and**

ii). **The Accounting Officer ensures strict adherence to regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015, which requires holders of temporary imprests to account or surrender them within seven (7) working days after returning to the duty station.**

4.0 Lack of Ethnic Diversity

The Company's staff establishment at the time of the audit was comprised of 157 staff, out of whom three (3) were recruited during the year under review. However, the three were from the ethnic community dominant in the County contrary to Section 65(1) (e) of the County Governments Act, 2012 which requires that at least 30% of vacant posts at entry level to be filled by candidates who are not from the dominant community in the County.

Management Response

During the year under review the COMPANY BOARD advertised for various positions in Kirinyaga Water and sanitation company website and newspaper of national circulation clearly indicating that the Company is an equal opportunity employer and received responses from interested applicants.

However, most of the applicants were from the dominant community resulting in employment of large population from the same communities.

It also important to note that most of the staff in the Company were inherited from National Water which had a staff establishment that was dominated by the local ethnic community in the Company.

The Company Respects Section 65 1(e) of the County Government Act, 2012 and is working towards meeting the legal requirement for diversity. Currently the Company it's at 3% and undertake to improve despite the recruitment challenges.

Committee Observations

The Committee observed that the company had failed to comply with section 65(1)(e) of the County Governments Act, 2012 which requires that at least 30% of vacant posts at entry level to be filled by candidates who are not from the dominant community in the County.

Committee Recommendations

The Committee recommends that –

i). **the Board and the accounting officer makes 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 employment of staff.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1)(a) of the Public Audit Act, based on the audit procedures performed by the Auditor-General, the internal control, risk management and governance were not effective—

1.0 Lack Information and Communication Technology Policy

Audit review of the Information Technology Communication (ICT) activities indicated that the Company had not set policies to guide its use of ICT resources. The policy would address among other important issues, acquisition of resources, data security, business continuity and disaster recovery procedures among other matters.

Management Response

Currently the company has an approved ICT policy which comprises Security policy, Environmental policy and IT Continuity Plan, Disaster Recovery Plan and Risk Assessment Policy.

Committee Observations

The Committee observed that the company did not have an approved policy on ICT and risk management during the time of audit.

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 Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012, and 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 managements to submit evidence of the same to the Auditor-General for verification.

2.0 Lack of a Fixed Assets Register

Contrary to Section 149(2) of the Public Finance Management Act, 2012, the Company did not maintain an asset register for its property, plant and equipment valued at Kshs. 84,446,338 as at 30 June, 2019.

In the circumstance, the Company was in breach of the law and its fixed assets were not managed in an accountable and effective way.

Management Response

The Company has a fixed asset register.

The fixed asset register include asset acquired since 2006.Assets such as Land, water infrastructure, vehicles among others which previously belong to other entities such as National Government's Ministry of Water have not been transferred to the company and as such cannot be included in Fixed Asset Register.

Committee Observations

The Committee observed that the query remains unresolved as the water company did not have an up-to-date fixed asset register as required by Section 149(2) of the Public Finance Management Act.

Committee Recommendations

The Committee recommends that 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).

CHAPTER FOUR

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MALINDI WATER SUPPLY AND SEWERAGE COMPANY LIMITED FOR THE FINANCIAL YEAR 2018/2019

The Governor of Kilifi County Hon. Gideon Maitha Mung'aro, OGW, appeared before the Committee on Thursday, 27th April, 2023 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statement for Malindi Water and Sewerage Company Limited for the year ended 30th June, 2019. He was accompanied by-

i). Mrs. Yaye Shosi Ahmed	- CECM- Finance Economic Planning
ii). Mr. Omar Said Omar	- CECM – Water
iii). Mr. Isaac Chibule	- Ag. Managing Director
iv). Mr. Ezekiah Nguma Mwarua	- County Chief Officer –Water

The Malindi Water and Sewerage Company Limited is wholly owned by the Kilifi County Government.

REPORT ON FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Malindi Water and Sewerage Company Limited for the financial year 2019/2020 on the following basis -

1. Non-Disclosure of Material Threat Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.10, 044,658. This resulted to a cumulative retained deficit of Kshs. 358, 794,307. In addition, the statement of financial position reflects total current liabilities of Kshs.624, 459,102 which exceeds the total current assets balance of Kshs.231, 851,690 resulting to a negative working capital of Kshs.392, 607,412. As previously reported, this is an indication that the Company is experiencing financial difficulties in settling financial obligations as and when they may fall due. The Company is therefore, technically insolvent and its survival is dependent on continued financial support from the County Government and its creditors.

Management Response

The management has disclosed this uncertainty due to negative working cash flow on page XII on major risks facing the Company on note under negative working capital in the financial statement and an annex on the same was provided. The management has put the following strategies to mitigate this trend;

i). Increase water coverage in the area to increase revenue base through the on-going Network Expansion and Efficiency Improvement Initiatives. Evidence of the same was attached.
ii). Applied for a cost-effective tariff. An annex on No objection on tariff application was provided.
iii). Undertake efficient measures like further reduction of water loss (non-revenue water loss) through NRW interventions in progress. Evidence of the same was provided.
iv). Address the historical debt issue with the Coast Water Works Development Agency with a possibility of write off.
v). The Company is currently undertaking Utility Turn Around program on performance improvement. Evidence of the same was provided.

Committee Observations

The Committee observed that the query remains unresolved as –

i). the Accounting Officer failed to disclose threat to going concern in the financial statements;
ii). the total accumulated loss stood at Kshs. 358,794,307 and the negative working capital at Kshs. 392,607,412 as at 30th June 2019; and
iii). the company's survival was dependent on creditors and the County Government; and
iv). mitigating measures put in place by the Company to reverse the undesirable financial position were inadequate.

Committee Recommendations

The Committee recommends that –

i). the Governor of Kilifi 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 ensure that the financial statements prepared adhere to IPSAS 1 on presentation of financial statements specifically on the disclosure requirement for the notes on material uncertainty in relation to going concern;**

iii). **the Accounting Officer should prepare and submit quarterly reports 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;**

iv). **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;**

v). **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; and**

vi). **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).**

2. Inaccuracies in the Financial Statements

A review of the financial statements for the year ended 30 June, 2019 revealed that the statement of comparison of budget and actual amounts reflects actual investment expenditure (acquisition of assets) of Kshs. 13,573,070 while the corresponding Notes 14 and 15 respectively, reflect nil additions to property, plant and equipment and intangible assets additions of Kshs. 2,838,769, resulting to an un-reconciled or explained difference of Kshs. 10,734,301.

Further, the statement of profit or loss and other comprehensive income reflects amortization of intangible assets of Kshs. 567,754 while the re-computed figure is Kshs. 946,256 resulting to unexplained and unreconciled variance of Kshs. 378,502.

In addition, the statement of comparison of budget and actual amounts reflects total actual expenditure of Kshs. 504,953,310 while the statement of profit or loss and other comprehensive income reflects actual expenditure of Kshs. 330,454,178, resulting to unreconciled and unexplained variance of Kshs. 174,449,132.

In the circumstances, the accuracy, completeness and validity of the financial statements for the year ended 30 June, 2019 could not be confirmed.

Management Response

The management indicated that the intangible assets amounting to Kshs.2,838,769 were separately disclosed in note 15 to the notes while the fixed assets acquired amounting to Kshs. 10,734,301 were disclosed and included in the assets register compiled by the Consultant, MS Leyson Agency, in the revaluation report prepared as at 20 June 2019 under item revaluation.

The management added that they would put a disclosure on the assets added for the year 2018/19 in the financial year 2022/23 as that could not be added to the already signed financial statements.

Further, the management indicated that the useful life of the intangible asset at a cost of Kshs. 2,838,769 was taken to be for 5 years hence amortized equally for five years resulting to Kshs. 567,754 each year.

The total expenditure of Kshs. 504,953,310 was computed as below

Total Operating Expenses	330,454,178
Add Cost of water	161,493,817
Add assets acquired	13,573,070
Less Amortization	(567,754)
Total Actual Expenditure	504,953,310

Committee Observations

The Committee observed that the query remains unresolved as–

i). the Accounting Officer failed to make the appropriate disclosure in the notes to the financial statement of the value of tangible assets acquired during the period under review;

ii). the Accounting Officer did not provide an adequate explanation for the variance of Kshs. 378,502 between the amortization value of intangible assets of Kshs. 567,754 and the re-computed figure of Kshs. 946,256; and

iii). the Accounting Officer did not explain the variance between the total actual expenditure of Kshs. 504,953,310 as reflected in the budget and the actual expenditure of Kshs. 330,454,178 as reflected in the statement of profit or loss and other comprehensive income.

Committee Recommendations

The Committee recommends that –

i). **the Accounting Officer should comply with section 149(2) of the Public Finance Management Act and section 47(2) of the Public Audit Act in the preparation and management of financial and accounting records;**

ii). **the Accounting Officer should ensure that the value of the tangible assets acquired in the year under review is disclosed in the financial statements subsequent audit cycle (financial year 2022/23). The Auditor-General to review the matter and provide a status update in the subsequent audit cycle;**

iii). **the Accounting Officer should, within 60 days of the adoption of this report, ensure that the amortization figures and the actual expense balances are reconciled. The Auditor-General to review the matter and provide a status update in the subsequent audit cycle;**

iv). **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping;**

v). **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; and**

vi). **the Accounting Officer to take administrative disciplinary 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.**

3. Unsupported Property, Plant and Equipment

As disclosed in Note 14 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.549,470,431. The balance includes transfers/adjustments of Kshs.18,313,354 to plant and machinery relating to four (4) projects whose certificates of completion as well as handing over reports were not availed for audit review.

Further, Management carried out a revaluation that was completed on 20 June, 2019. However, details of what is owned by Coast Water Works Development Agency and the Company together with their ownership documents were not availed for audit review.

In addition, assets purchased during the year valued at Kshs. 13,622,724 were not depreciated with an amount of Kshs. 1,820,895 contrary to the Company's depreciation policy.

Consequently, the accuracy, valuation and ownership of property, plant and equipment balance of Kshs.549,470,431 reflected in the statement of assets and liabilities as at 30 June, 2019 could not be confirmed.

Management Response

The management indicated that the projects amounting to Kshs. 18,313,354 were done in house and the projects included in the register of assets at a cost price. In their submission, they also included copies of the project concept reports, Certificate of completion and handover reports, a comprehensive asset register with its values as revalued by the independent consultant and the ownership documents.

The management also indicated that the Assets acquired in the year amounting to Kshs. 13,622,724 were considered at cost value in the register, less the appropriate depreciation amount.

Committee Observations

The Committee observed that whereas the certificate of completion, the handover reports, ownership documents and a comprehensive asset register with its values as revalued by the independent consultant were provided to the Auditor-General for verification and the query marked as resolved, the submission was done outside the timelines contemplated under the Public Audit Act and constitutes an offense under section 62(2).

Committee Recommendations

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, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62 (2) of the Public Audit Act.

4. Inaccuracies in Trade and Other Receivables

As disclosed in Note 18 to the financial statements, the statement of financial position reflects trade and other receivables balance of Kshs. 192,531,563. However, the supporting schedules reflected a balance of Kshs. 205,212,040 resulting to unreconciled variance of Kshs. 12,680,477.

Consequently, the accuracy completeness and validity of trade and other receivable balance of Kshs. 192,531,563 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

Management Response

The management indicated that the difference was because of ineligible receivables that had been reconciled before the final signing of the financial statement and attached a schedule showing the variance. They further indicated that the ineligible billing referred to billing after 30 June 2019 adding that currently all billing in the same months were computed and posted in the same year.

Committee Observations

The Committee observed that the query remains unresolved as –

i). trade and other receivables balance of Kshs. 192,531,563 as reflected in the financial statements varied from the balance of Kshs. 205,212,040 as reflected in the supporting scheduled leading to an unexplained variance of Kshs. 12,680,477; and

ii). management indicated that the variance was as a result of ineligible billing that were done after 30th June 2019 but the supporting schedule for the ineligible billing was no provided for audit review.

Committee Recommendations

The Committee recommends that –

i). **the Accounting Officer should comply with section 149(2) of the Public Finance Management Act and section 47(2) of the Public Audit Act in the preparation and management of financial and accounting records;**

ii). **the Accounting Officer should, within 30 days of the adoption of this report, undertake the necessary reconciliation of the trade and other receivables balances as reflected in the financial statements and the supporting schedule and submits evidence of the Auditor-General for verification. Auditor-General to provide a status update of the same in the subsequent audit cycle;**

iii). **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping;**

iv). **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; and**

v). **the Accounting Officer to take administrative disciplinary 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. Unsupported Non-Current Receivables

As disclosed in Note 16 to the financial statements, the statement of financial position reflects non-current receivables comparative balance of Kshs. 57,134,125 in respect of debtors' balances inherited from Coast Water Works Development Agency at the inception of the Company. Note 28 of the financial statements reflects non-current payables of the same amount being debt balance inherited from Coast Water Works Development Agency at the inception of the Company. However, no documentary evidence was provided for audit review in support of this balance.

Further, the statement reflects nil non-current receivables balance with a disclosure in Note 16 that the same have been reclassified under trade and other receivables. However, Note 18 to the financial statements reflects trade and other receivables balance of Kshs. 192,531,563 which has decreased by Kshs. 357,950 from the previous year's balance of Kshs. 192,889,513 without reclassifications.

Consequently, the accuracy, completeness and validity of non-current receivables balance as at 30 June, 2019 could not be confirmed.

Management Response

The management provided a list of non-current receivable of Kshs. 57,134,125 appearing as note 16 to the financial statement and debt in note 18 that was to be received by the Company and paid to the Coast Water Services Board who were operating the water area before the inception of the Company.

The management also submitted that the Non-current receivables referred to all debtors in the database, inclusive of the debt prior to the inception of the Company and that the total debt reduced by 357,950 in the year.

Further, they indicated that they had reported the non-current receivable to show how much debt was accrued before the inception and that the total debt stood at Kshs. 192,531,563.

Committee Observations

The Committee observed that the query remains unresolved as –

i). the supporting document submitted to the Auditor-General at the time of Audit was voluminous and that the auditor had not concluded its review as at the date of the meeting; and

ii). the Accounting Officer failed to submit the documents at the time during the audit process contrary to the provisions of section 9(1)(e) of the Public Audit Act.

Committee Recommendations

The Committee recommends that –

i). the Auditor-General verifies the documentation submitted by the management in response to the issues raised in the query and provide a status update on the matter in the subsequent audit cycle; 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, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62 (2) of the Public Audit Act.

6.Unsupported Share Capital Receivable

As previously reported and disclosed in Note 19 to the financial statements, the statement of financial position reflects authorized share capital of Kshs.5,000,000 divided into 5,000 shares of Kshs.1,000 each, all issued to County Government of Kilifi but which had not been paid for as at 30 June, 2019.

ln the circumstances, the validity of share capital of balance of Kshs.5,000,000 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

Management Response

The Management indicated that the County Government of Kilifi had not yet paid for the shares to the Company and that they had engaged the County Government through the County Secretary for quick settlement of the matter. They provided as evidence, a reminder letter to the County Government for the payment.

Committee Observations

The Committee observed that the query remains unresolved as –

i). the share certificate, as evidence of payment for shares, was not availed for audit as the shares were not paid for; and
ii). the County Government was in breach of the Memorandum and Articles of Association.

Committee Recommendations

i). within 60 days of the adoption of this report, the Governor of Kilifi County should ensure that the County Government of Kilifi firms up the ownership of the water company in line with section 72(1) and (3) of the Water Act, Cap 372 by making the necessary payment for the share capital in line with the Company's Memorandum and Articles of Association and submit the Share Certificate as evidence of payment to the Auditor-General for verification; and

ii). the Accounting Officer should, within 60 days of the adoption of this report, submit to the Auditor-General a copy of the CR-12 for verification. The Auditor-General to review the matter and provide a status update in the subsequent audit cycle.

7. Unsupported Customer Deposits Receivable

As disclosed in Note 20 to the financial statements, the statement of financial position reflects customer deposits receivable balance of Kshs.8,443,600 being deposits for the existing customers which were taken over from Coast Water Works Development Agency when the Company was incorporated. However, as previously reported, no schedule was provided, for audit review, to support the balance. Consequently, the accuracy and validity of customer deposits receivable balance ofKshs.8,443,600 as at 30 June, 2019 could not be ascertained.

Management Response

The management provided a schedule of the Customer Deposits as at the inception of the Company.

Committee Observations

The Committee observed that the query remains unresolved as –

i). the Accounting Officer submitted the Schedule of Customer Deposits for customers inherited from Coast Water Works Development Agency but due to its voluminous nature, the Auditor-General had not concluded the audit review of the same as at the time of the meeting; and

ii). the Accounting Officer failed to submit the schedule at the time during the audit process contrary to the provisions of section 9(1)(e) of the Public Audit Act.

Committee Recommendations

The Committee recommends that –

i). the Auditor-General concludes the review of the customer schedule and provides a status update of the matter in the subsequent audit cycle; 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, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62 (2) of the Public Audit Act.

8.0 Trade and Other Payables

As disclosed in Note 29 to the financial statements, the statement of financial position reflects trade and other payables balance of Kshs.506,029,445. The following observations were made:

8.1 Trade Payables

Included in the balance is trade payables balance of Kshs. 452,394,283 due to Coast Water Works Development Agency. However, records and financial statements for Coast Water Works Development Agency as at 30 June, 2019 reflect an amount of Kshs. 531,332,877 as due from the Company, resulting to an unreconciled variance of Kshs. 78,938,594. Further, included in this balance is Kshs. 3,734,863 in respect of tax payable whose supporting schedule was not provided for audit review.

Consequently, the accuracy, completeness and validity of trade and other payables balance of Kshs. 506,029,445 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

Management Response

The management acknowledged that there existed differences arising from recognition of payment made by the water company. Further, a consultant reconciliation report was submitted for scrutiny. They further indicated that Coast Water Works Development Agency should undertake the issuance of credit note on the same. The management also indicated that the current bills and payments were all reconciling. The management further stated that the cited differences were cutting across all the water Companies in Malindi, Kilifi, Mombasa, Taita Taveta and Kwale counties as per the submitted Consultant report. An assessment report indicating that the balance of Kshs. 3,734,863 referred to a tax obligation which arose out of an assessment done to the water company was submitted for scrutiny.

Committee Observations

The Committee observed that the query remains unresolved as –

i). the water company and Coast Water Works Development Agency were yet to reconcile the loan balances of Kshs. 452,394,283 as reflected in the financial statements of the water company and Kshs. Kshs. 531,332,877 as reflected in the financial statements of Coast Water Works Development Agency that led to a variance of Kshs. 78,938,594, hence the amount due to the Coast Water Works Development Agency could not be ascertained; and

ii). there was no evidence of any attempts to clear the tax obligations, noting that non-payment could lead to an accumulation of interest and penalties.

Committee Recommendations

The Committee recommends that –

i). **the Governor of Kilifi County should, within 60 days of the adoption of this report, engage Coast Water Works Development Agency for reconciliation of the loan balance and provide evidence of the same to the Auditor-General for verification. The Auditor-General to provide a status update in the subsequent audit cycle;**

ii). **the Accounting Officer should ensure strict compliance with regulation 22(2)(a) of the Public Finance (County Governments) Regulations, 2015 which provides that an Accounting Officer shall comply with any tax, levy, duty, pension, commitments and audit commitments; and**

iii). **the Accounting Officer should engage the Kenya Revenue Authority and agree on a payment plan and submit the same to the Auditor-General for verification. Auditor-General to monitor the matter and provide a status update on compliance with the plan in the subsequent audit cycle.**

8.2 Unsupported Reclassification of Non-Current Payables

The comparative for Note 28 to the financial statements reflects non-current payables balance of Kshs. 57,134,125 as at 30 June, 2019. This is in respect of creditors' balances inherited from Coast Water Works Development Agency at the inception of the Company. The comparative for Note 16 to the financial statements indicates non-current receivables of the same amount as the credit balance inherited by the Company from Coast Water Works Development Agency at the inception of the Company. However, no documentary evidence was provided for audit review in support of this figure.

Further, non-current payables balance for the current year is nil with a disclosure in Note 28 that non-current payables have been reclassified under trade and other payables. However, Note 29 to the financial statements reflects trade and other receivables balance of Kshs. 506,029,445 as at 30 June, 2019 and which has gone down by Kshs. 3,195,891 from the previous year's balance of Kshs. 509,225,336.

Therefore, the reclassified non- current payables amount of Kshs. 57,134,125 in these financial statements could not be ascertained.

Management Response

The management attached the schedule of the non-current payables amounting to Kshs. 57,134,125 and indicated that the said figure was included in Trade and other payables of Kshs. 506,029,445. They added that the amount was being reported separately to show how much was the payables due to Coast Water Works Agency at the inception of the Company and that the same year the payables reduced by Kshs. 3,195,891
In future, the management committed to disclose the said payables as footnotes appropriately.

Committee Observations

The Committee observed that the query remains unresolved as the document submitted to explain the reclassification was voluminous and the Auditor-General needed more time to conclude the verification process.

Committee Recommendations

The Committee recommends that –

i). **the Auditor-General concludes the review of the supporting documents on the matter of reclassification of non-current trade payables and provide a status update of the matter in the subsequent audit cycle; 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, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62 (2) of the Public Audit Act.**

9. inaccuracies in Bank and Cash Balances

As disclosed in Note 22 to the financial statements, the statement of financial position reflects cash and bank balance of Kshs. 17,658,611. Included in this balance is operations bank account balance of Kshs. 7,686,177. However, the supporting bank reconciliation statement as at 30 June, 2019 reflects reconciled cashbook balance of Kshs. 1,513,623.76, resulting to an unreconciled variance of Kshs. 6,172,553.24.
As a result, the accuracy and completeness of the cash and bank balance of Kshs. 17,658,611 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed

Management Response

The management provided the following-

i). a bank certificate showing the closing balance of Kshs. 7,686,177; and

ii). the cash book showing a balance of Kshs. 1,513,623.76.

The management attached unpresented cheques explaining the referred variance of Kshs. 6,172,553.24, showing date they matured.

Committee Observations

The Committee observed that the reconciliation documents were not provided at the time of audit but were later provided and verified by the Auditor-Generaland thus the matter was considered resolved.

Committee Recommendations

The Committee recommends that the Accounting Officer to ensure timely submission of documents during the audit process pursuant to the provisions of section 9 (1) (e) of the Public Audit Act, 2015, failure to which the Committee shall recommend for their investigation and prosecution in line section 62 (2) of the Public Audit Act, 2015.

Other 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. 563,391,183 and Kshs. 481,903,337 respectively resulting to an under-funding of Kshs. 81,487,846 or 14% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs. 526,452,858 and Kshs. 504,953,310 respectively resulting to an under expenditure of Kshs. 21,499,548 or 4% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The management disclosed that water company majorly relied on revenues generated from sale of water and that closure of business by major clients such as hotels during the financial year under review adversely affected their revenues, hence underfunding. Further, they indicated that they operated on reduced revenues leading to reduced actual expenditure. The management committed to increasing the water coverage that would raise the revenue base and avoid over reliance on one type of customer category.

Committee Observations

The Committee observed that the query remains unresolved as the Company registered an under-funding of Kshs. 81,487,846 or 14% of the budget and an under expenditure of Kshs. 21,499,548 or 4% of the budget which could have had an adverse impact on service delivery and the company's plans.

Committee Recommendations

The Committee recommends that –

i). **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures;**

ii). **the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs, connection of more customers and automation to address revenue leakages. The Auditor-General to confirm the effectiveness of the mitigating measures put in the water company and report in the subsequent audit cycle.**

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1112Vo\.1(44) of 25 June, 2019.

Management Response

The management did not provide any response to this query.

Committee Observations

The Committee Observed that the management failed to provide information on the remedial measures taken to resolve the prior year and the matter remained unresolved.

Committee Recommendations

The Committee recommends that 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; and 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 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 Non-Revenue Water Guidelines

During the financial year under review, the Company produced a total of 6,817,236 cubic meters (M^3) of water. However, out of this volume, only 4,917,099 cubic meters (M^3) of water was billed to customers as consumed. The balance of 1,900,137 M^3 which is approximately 28% of water produced represented unaccounted for water (UFW). The UFW of 28% was over and above the allowable loss of 25% by 3% according to Water Services Regulatory Board (WASREB) guidelines. The non-allowable unaccounted-for water of 204,517 M^3 or 3% may have resulted in loss of sales estimated at Kshs. 18,803,293 at a rate of Kshs. 91.94 per cubic meter. No explanations have been rendered for the high NRW and measures being put in place to comply with guidelines. Consequently, the Company is in breach of the guidelines.

Management Response

In their response, the management considered the 28% unaccounted for water loss as substantial despite being below the national average of 41%. To mitigate the Non-Revenue Water, the management indicated that they had partnered with development

agencies to help bring down the loss to allowable sector benchmark of 25% as it was a capital-intensive undertaking.

The management provided a list of proposed measures to tackle Non-Revenue Water and it included the following-

i). Replace the old and dilapidated AC lines.
ii). Zone the service area into District Metering Areas
iii). Undertake Customer Identification.
iv). Termination of Long time cut offs which are suspected as sources of illegal consumption of water
v). Increase in area of coverage for new areas to uptake the lost water.

Committee Observations

The Committee observed that the query remains unresolved as –

i). the Non-Revenue Water stood at 28%, that is three percentage points above the sector benchmark of 25% as prescribed by the Water Service Regulatory Board (WASREB) guidelines; and
ii). the measures to curb the Non-Revenue Water provided by the Accounting Officer were inadequate.

Committee Recommendations

The Committee recommends that –

i).the Accounting Officer should put in place comprehensive measures to mitigate on the Non-Revenue Water. The measures should indicate how both physical and commercial losses will be mitigated. 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 of Kajiado County 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.Irregular Staff Training Expenses

As disclosed in Note 10 to the financial statements, the statement of profit and loss and comprehensive income for the reflects a balance of Kshs. 329,886,424 in respect of administration costs which includes a balance of Kshs. 1,860,159 under staff training expenses. However, the training work plan and training needs assessment were not provided for audit review.

Consequently, the validity and propriety of the expenditure of Kshs. 1,860,159 on staff training for the year ended 30 June, 2019 could not be confirmed.

Management Response

The management provided the training work plan and training needs assessment schedule for scrutiny and indicated that trainees were nominated by Heads of Department to the Human Resources Manager and incorporated in the financial years' budget in the budget committee.

Committee Observations

The Committee observed that the query remains unresolved as the Accounting Officer did not submit the training work plan and the training needs assessment schedule for the financial year under review for audit verification.

Committee Recommendations

The Committee recommends that –

i). **the Accounting Officer should ensure strict compliance with the provisions of the HR Manual and submit the training work plan and the training needs assessment schedule for the financial year under review to the Auditor-General for verification. The Auditor-General to review the matter and provide an update on the matter in the subsequent audit cycle; and**

ii). **the Accounting Officer should ensure timely submission of documents during the audit process pursuant to the provisions of section 9 (1) (e) of the Public Audit Act, 2015, failure to which the Committee shall recommend for their investigation and prosecution in line section 62 (2) of the Public Audit Act, 2015.**

3.Non-Remittance of Retirement Benefits Obligations

Note 33 to the financial statements reflects retirement benefits obligations balance of Kshs. 72,515,460. Records provided for audit review indicated that the Company cumulatively held pension contributions amounting to Kshs. 90,467,524 but remitted only Kshs. 17,952,064, leaving a balance of Kshs. 72,515,460 as at the end of the year. However, the Management has not justified the non-remittance of the deductions, contrary to Section 53A (1) of the Retirement Benefits Act, 1997 revised in 2017 that requires an employer to remit employee's pension emoluments within fifteen days of the deduction. Further, non-remittance of the funds attracts an interest of 3% of the amount payable. However, the management has not provided for the possible interest or penalty of 3% in these financial statements.

Consequently, the Management is in breach of the law.

Management Response

The management entered into a payment plan agreement with the retirement benefits fund managers for the period there was non-remittance due to the non-cost recovery tariff by then. They expressed their commitment to the repayment plan and that they were in discussion with the fund manager on the interest upon full remittance of the pension. The management also submitted that the arrangement shall be held until the remittance were paid in full. A correspondence with the fund manager on the remittances of the pensions was provided for scrutiny.

Committee Observations

The Committee observed that whereas the management provided evidence of compliance with the agreed payment schedule as was verified by the Auditor-General and the query considered resolved, the submission was made outside the timelines contemplated outside the timelines under the Public Audit Act and constitutes an offence under section 62(2).

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 shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act, 412B.

4.0 Delayed Projects

4.1 Construction of a Hybrid Decentralized Treatment Facility

Review of the Company's records revealed that the Company awarded a contract for construction of a hybrid decentralized treatment facility to a firm at a contract price of Kshs. 6,885,048.07. The works commenced on 10 August, 2017 with the expected completion date of 31 May, 2019. The Company made an advance payment of Kshs. 1,994,468 on 3 May, 2019 for works certified under Interim Certificate one (1) of 27 April, 2019 for Kshs.2,437,402. However, physical verification of the project in the month of December, 2019 revealed that the project had stalled at foundation level. Documentary evidence to confirm termination of the contract, in line with Clause 18.1 of the contract agreement which stated that 'the employer of the contractor may terminate the contract if the other party causes a fundamental breach of the contract and includes the contractor stopping work for thirty (30) days continuously without reasonable cause or authority from the employer's representative' was not provided for audit review.

Further, the performance bond of Kshs. 688,504, being 10% of the contract price which was issued by the contractor expired on 16 April, 2019 and had not been renewed. This is contrary to Section 142(2) of the Public Procurement and Asset Disposal Act, 2015 which states that 'in case the contract is not fully or well executed, the performance security shall unconditionally be fully seized by the procuring entity as compensation without prejudice to other penalties provided for by the Act'.

In the circumstances, the residents of Kilifi County did not get value for money totalling Kshs. 1,994,468 spent on the project for the year ended 30 June, 2019 and the Management was in breach of the law.

Management Response

The management admitted that the project had stalled because of the floods that occurred during the construction phase and the subsequent changes on the technology used in the treatment facility. The management indicated that they terminated the the contract and provided a correspondence in support of the same. Since the project stalled due to an act of God, the management submitted that clause 18.1 was not executed. However, a site meeting was called to evaluate the works done and evidence of the same was provided.

Committee Observations

The Committee observed that

i). whereas the evidence of contract termination was provided, the submission was made outside the timelines contemplated outside the timelines under the Public Audit Act and constitutes an offence under section 62(2);

ii). the contract was terminated following circumstances that were beyond the control of the water company and the contractor and therefore execution of the performance bond would not have been.

The query was marked as resolved.

Committee Recommendations

The Committee recommends that the Accounting Officer to ensure timely submission of documents during the audit process pursuant to the provisions of section 9 (1) (e) of the Public Audit Act, 2015, failure to which the Committee shall recommend for their investigation and prosecution in line section 62 (2) of the Public Audit Act, 2015.

4.2 Installation of Decentralized Treatment Facility

Audit review of available records indicated that the Company entered into a contract with a firm for installation of decentralized treatment facility equipment at a contract price of Kshs. 11,485,000. The project commenced on 4 August, 2018 and was supposed to be completed by 31 July, 2019. However, the following observations were made:

i). The contractor was paid Kshs. 4,594,000 on 1 February, 2019, being advance payment of forty percent (40%) of the contract sum, contrary to Kenya recognized the Public Procurement and Asset Disposal act, 2015 which states that 'Under exceptional circumstances advance payment may be granted and shall not exceed twenty per cent (20 %) of the price of the tender and shall be paid upon submission by the successful tenderer to the procuring entity of an advance payment security equivalent to the advance itself and that security shall be given by a reputable bank or any authorized financial institution issued by a corresponding bank in Kenya recognized by the Central Bank of Kenya, in case the successful tenderer is a foreigner'. the advance payment security was not provided for audit review.

ii). During physical verification on 3 December, 2019, it was noted that no work had been undertaken despite the advance payment of Kshs. 4,594,000 made on 1 February 2019, a delay of eleven (11) months.

iii). The performance bond of Kshs. 1,148,500 issued by the contractor expired on 23 April, 2019 but had not been renewed at the time of the audit inspection. Thus, the project could not be executed, contrary to Section 142 (2) of the Public Procurement and Asset Disposal Act, 2015 which provides that 'in case the contract is not fully or well executed, the performance security shall unconditionally be fully seized by the procuring entity as compensation without prejudice to other penalties provided for by the Act'.

In the circumstances, the residents of the County did not get value for money totaling to Kshs. 4,594,000 spent on the project for the year ended 30 June, 2019 and the Management was in breach of the law.

Management Response

The management indicated that the contract was for construct, install and commission within 105 days, which necessitated importation of the machinery hence the agreed arrangement to pay 40% of the contract. Evidential support of this submission was provided.

Upon realization that the project could not be executed, the management submitted that they had an all-parties site engagement before execution of the performance bond and

a resolution to terminate the contract and refund the monies paid less what had been done and washed away was made.

The management also indicated that the imported machine was taken over by the financier and that the difference of the monies refunded to the financier from Malindi Water and Sewerage Company. The management attached evidence of the same

Committee Observations

The Committee observed that the query remains unresolved as –

i). there was irregular payment of the advance pay without any evidence of exceptional circumstances to warrant the advance payment; and
ii). there was no explanation given on why no work had been undertaken despite the advance payment of Kshs. 4,594,000 made on 1 February 2019, a delay of eleven (11) months; and
iii). there was no evidence of execution of the performance bond following failure by the tenderer to complete the project.

Committee Recommendations

The Committee recommends that –

i).the Accounting Officer should ensure strict compliance with the Public Procurement and Assets Disposal Act, 2015;
ii).the Accounting Officer should, within 60 days of the adoption of this report, submit evidence of execution of the performance bond to the Auditor-General for audit verification;
iii).the Ethics and Anti-Corruption Commission to commence investigations into possible loss of funds and the circumstances that led to payment of the advance payment of Kshs. 4,594,000 despite there being no work done and recommend prosecutions where officers are found culpable.

5.Irregular Directors' Emoluments

Review of records revealed that an amount of Kshs. 1,725,133 was paid as sitting allowances to Board Members for attending meetings. However, minutes of the meetings were not provided for audit review, contrary to the Code of Governance for State Corporations Paragraph 8 (e) which provides that 'minutes for every Board or committee meeting and resolutions highlighted must be drawn'.

Consequently, the propriety and validity of directors' emoluments of Kshs. 1,725,133 for the year ended 30 June, 2019 could not be ascertained.

Management Response

The management provided the Minutes of the Directors meeting.

Committee Observations

The Committee observed that the whereas the management provided the Minutes of the Directors meeting as was verified by the Auditor-General and the query considered resolved, the submission was made outside the timelines contemplated outside the timelines under the Public Audit Act and constitutes an offence under section 62(2).

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 shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act, 412B.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1)(a) of the Public Audit Act, based on the audit procedures performed by the Auditor-General, the internal control, risk management and governance were not effective—

Long outstanding receivables

Included in the receivables balance is Kshs. 137,852,599 which had been outstanding for more than 120 days. However, the entity is yet to develop a debtor's collection strategy on how to improve efficiency in collections or recoveries of the debts.

In the circumstances, it has not been possible to confirm existence of effective debt collection measures at the Company.

Management Response

The management indicated that it had put in place a new Debt Recovery Unit to assist in the debt recovery as demonstrated in the provided organogram. The management also provided a Debt Management Policy it had developed to address the recovery. The management further submitted that the strategy in the policy was to have the debt assigned to individual staff members of the debt recovery unit for close monitoring of the recovery process.

The management submitted that the company maintained a revenue collection efficiency of 96.5% and provided the Billing and Collection Efficiency ratio for scrutiny.

Committee Observations

The Committee observed that the query remains unresolved –

i) a debtors schedule was not provided for audit;
ii) the water company had developed a Debt Management Policy that was yet to verified by the Auditor-General; and
iii) the debt recovery measures put in place were inadequate.

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 comprehensive measures for recovery of the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place and provide a status update on the matter in the subsequent audit cycle; and
iv) the Accounting Officer should undertake a detailed analysis of its long outstanding trade receivables and with the Board's approval, write off

the irrecoverable debts in line with section 150 of the Public Finance Management Act and regulation 150(1) of the Public Finance Management (County Governments) Regulations, 2015.

CHAPTER FIVE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MANDERA WATER AND SEWERAGE COMPANY LIMITED FOR THE FINANCIAL YEAR 2018/2019

The Governor of Mandera County, Hon. Mohamed Khalif, EGH, appeared before the Committee on Tuesday, 25th July, 2023 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statement for Mandera Water and Sewerage Company for the Financial Year 2018/2019. He was accompanied by-

i). Mr. Billow Hassan - County Secretary
ii). Mr. Ibrahim M. Adan - CEC Finance
iii). Mr. Hussein Somo - County Attorney
iv). Mr. Kassim H. Abdinoor - MD MANDWASCO

The Mandera Water and Sewerage Company is wholly owned by the Mandera County Government.

REPORT ON FINANCIAL STATEMENTS

The Auditor-General rendered an **adverse opinion** on the financial statements of Mandera Water and Sewerage Company for the period under review on the following basis.

1.0 Presentation of the Financial Statements

1. The financial statements contain the following anomalies:
   i). Operational, asset and liabilities balances brought forward from previous years have not been reflected in the financial statements for the year under review in spite of the Company having been in existence since the year 2002. No explanation has been provided for the omission.
   ii). The statement of comparison of budget and actual amounts does not reflect adjustments made on budgeted items in the supplementary budget for the year under review. Further, the statement does not provide explanations on material variances between actual and budgeted items.
   iii). Reports required to be presented along the financial statements, including Management discussions and analysis, reviews of the Company's performance for the financial year under the review, corporate governance

statement, corporate social responsibility and sustainability statement and disclosures on projects implemented by the Company, have not been included in the financial statements

In view of these issues, the presentation of the financial statements for the year ended 30 June, 2019 does not conform to the format prescribed by the Public Sector Accounting Standards Board (PSASB) and IPSAS.

Management Response

The management submitted that financial statements were prepared in accordance with the official financial reporting template issued by the Public Sector Accounting Standard Board (PSASB) for the financial year 2018-2019. However, as the auditor acknowledged balances brought forward were not presented.

The reason for the non-disclosure of the opening balances is that the company was dormant during the period from 2013 to 2018 and did not prepare any financial reports. This was as a result of lack of proper management and a Board of Directors in place as disclosed in the chairman's statements on page V of the Annual Report.

Further, to ensure the residents of Mandera continued to enjoy supply of water for their daily needs, the function of the company was tasked with the county department of Water Services through a letter from the County Director Water, Environment, Energy and Natural Resources during the dormancy period. A new management team and Board of Directors were appointed to rectify the situation in August 2018.

The Company did not have a supplementary budget during the year under review. The company, however, had a budgeted sales estimate of Kshs. 8,552,505 for the year, comprising of Kshs. 7,952,505 for water sales and Kshs. 600,000 for other income in the form of; connection fees, reconnection fees, and penalties as shown in the statement of comparison of budget and actual amounts on page 5 of the Financial Statements.

Chair, it is true that there were variances between the budgeted amounts and the actual figures for the year. The budget was intended to be funded through sales revenue, grants from the County Government of Mandera, and Donor Funds. However, the company faced challenges in attaining the projected sales target as a result of prolonged and persistent devastating drought experienced during the year under review which significantly affected water production level. As a result, the company was unable to collect the full projected revenue from sales.

Mr. Chair, it is true that the management discussions and analysis were not included in the company's financial statements for the FY 2018/2019. During the review period, our staff capacity was limited. However, we have taken proactive measures to address this by conducting adequate recruitment and extensive staff trainings on financial statement preparation and presentation, aiming to enhance our overall performance in financial reporting.

Chair, it is important to note that the management discussions and analysis reports are non-financial in nature and do not directly impact the company's financial performance. Their purpose is to provide additional context, explanation, and insights into the financial statements, enabling stakeholders to gain a deeper understanding of our operations, strategies, and performance.

Explanations and analysis of the financial statements, the company's performance, corporate social responsibility, and sustainability statements have been provided under the Chairman's Statements and the report of the Chief Executive Officer (CEO) on page V and VI of the Financial Statements. Details of projects implemented in the year under review have also been provided for your perusal.

Despite these considerations, we remain fully committed to upholding the highest standards of financial reporting. We are confident that our efforts in preparing the management discussions and analysis, along with other key sections of the financial reports, will contribute to a more comprehensive and informative financial reporting process.

Committee Observations

The Committee observed that-

i). operational, assets and liabilities balances brought forward from previous years had not been reflected in the financial statements as the company had been dormant from 2013 until 2018, as was confirmed by the Auditor-General;

ii). the company did not have a supplementary budget in the financial year under review; and

iii). other reports required to be presented along the financial statements were not included in the financial statements contrary to the financial reporting

template issued by the Public Sector Accounting Standards Board (PSASB).

Committee Recommendations

The committee recommends that –

i). **the Accounting Officer ensures that the necessary adjustments are made within the required timelines;**
ii). **the Accounting Officer adheres to section 149(2) of the Public Finance Management Act, 2012 with regard to preparation and management of financial and accounting records;**
iii). **the Accounting Officer should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should prioritize investments in technology and processes aimed at minimizing inaccuracies during preparation of financial statement; and**
iv). **the Auditor- General to follow up on the mitigation measures proposed by the management and give a status report on the same in the next audit cycle.**

2.0 Unconfirmed Balances

The financial statements reflect several account balances for which sufficient and appropriate records were not provided for audit, as highlighted in the following paragraphs:

2.1 Water Sales Revenue

The statement of profit and loss and other comprehensive income indicates that sales for the year totaled Kshs. 7,346,510 as further disclosed in Note 6 to the financial statements. However, the revenue schedule provided for audit review did not indicate invoice numbers and the respective invoice dispatch registers. As a result, the number and values of monthly bills issued by the Company to its customers could not be confirmed. Further, examination of the billing reports and other supporting documents indicated that no meters were installed on the Company's water pumps. Therefore, the volume of water extracted and sold by the Company during the period under review could not be confirmed. In view of these issues, the measurement and completeness of the water sales for the year under review totaling Kshs. 7,346,510 reported in the statement of profit and loss and other comprehensive income could not be confirmed.

Management Response

It is true that the revenue schedule provided for audit review did not include invoice numbers and the respective invoice dispatch registers as highlighted by the auditor. The company was at a revival and formation stage and a new management was just constituted after a long period of dormancy, and therefore, lacked human resource and financial capacity to undertake its operations. To address these challenges, we have taken significant steps towards automation of the revenue system. Consumers now receive their invoices via short text messages (SMS, *873*051#) through our automated system. Furthermore, the system includes a consumer interface that allows customers to lodge grievances and have them addressed promptly and appropriately.

MANDWASCO Maji Apps is available for download from the playstore. This user-friendly application serves as a communication platform for both customers and company staff, facilitating efficient and effective engagement. The implementation of automation has significantly improved consumer engagement and overall operational efficiency.

During the year under review, the company did not meter its water supply system because of numerous issues including; old and inefficient system, blocked water distribution systems, and damaged pipelines during the tarmacking of the Mandera town roads. The company had a flat rate billing system that was communicated to the consumers through village committees engaged during the year under review through public participation.

Committee Observations

The Committee observed that the query remains unresolved as-

i). The company did not meter its water supply systems during the year under review but used a flat rate billing system during the period under review; and

ii). Mandera Water and Sewerage Company was in the process of automating their revenue systems.

Committee Recommendations

The Committee recommends that –

i).the Governor ensures that all the connected customers have smart meters and that billing is done as per consumer numbers and not a flat rate; and

ii). **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 enable the company receive real-time data on leaks in pipes and monitor maintenance.**

2.2 County Government Grants

The statement of profit and loss and other comprehensive income reflects grants from the County Government of Mandera totaling **Kshs. 37,010,483** as further disclosed in Note 8 to the financial statements. However, the balances were not supported with ledger records. As a result, their measurement and validity could not be confirmed.

Management Response

The Management reported that during the year under review the company received total grants of Kshs. 90,000,000. The figure of Kshs. 37,010,483 that was disclosed in Note 8 to the financial statements was utilized for payment of Operations and Maintenance costs as declared in the Statement of Comprehensive Income during the reviewed year. A schedule supporting this grant has been provided for your review.

Committee Observations

The Committee observed that whereas the water company submitted to the Auditor-General, for verification, records to support the grants of Kshs. 37,010,483 the supporting documents were submitted to the Auditor-General outside the contemplated timelines in the Public Audit Act. This 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) (e) of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act.

2.3 Equity and Capital Grants

The statement of financial position reflects members' equity totaling Kshs. 28,959,668 and capital grants totaling Kshs. 117,106,002 as further disclosed in Note 18 and Note 21 to the financial statements respectively. However, ledger records on the balances

were not provided for audit review and as a result, the accuracy, validity and completeness of the two balances could not be confirmed.

Management Response

The management submitted that the disclosed amount of Kshs. 28,959,668 is the member's equity in form of assets. The amount of Kshs. 117,106,002 disclosed in Notes 21 of the Financial Statements encompasses Kshs. 90,000,000 grants received from the county executive of Mandera out of which Kshs. 52,989,517 was capitalized in the statement of Financial Position during the year under review, Kshs. 19,299,110 received from Water Sector Trust Fund that was used to fund the Urban Project Concept (UPC 7th Call) Project in Mandera town, and Kshs. 44,817,348 is the estimated value of the assets transferred from Northern Service Board to the company as shown in the attached Service Provision Agreement.

Committee Observations

The Committee observed that the water company provided the ledgers to support the members' equity and capital grants balances of Kshs. 28,959,668 and Kshs. 117,106,002 to the Auditor-General for verification. Thus, the Committee recommended that the query be marked as resolved. However, the Committee observes that the supporting documents were submitted to the Auditor-General outside the contemplated timelines in the Public Audit Act. This 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)(e) of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act.

2.4 Fixed Assets

The statement of financial position reflects property, plant and equipment totaling Kshs. 81,241,859 as at 30 June, 2019. However, examination of records on the assets revealed the following anomalies-

2.4.1 Valuation of Assets

The Chairman's Statement at Page V of the Annual report indicates that the Company

was established through the Water Act in 2002, registered by the defunct Mandera County Council under the Companies Act in 2007 and thereafter transferred to the County Executive of Mandera as prescribed by the Water Act, 2016. The Statement further indicates that the Company was not operational from 2013 up to August, 2018 when it was revived and a new Management team appointed.

However, no disclosure has been provided in the financial statements on how the diminution in value of the Company assets during the dormancy period was accounted for in the books of the Company; and how the opening property, plant and equipment balance totaling Kshs. 65,522,125 as at 1 July, 2018 was arrived at.

Management Response

The management submitted that all County Governments and County Government entities are yet to receive any assets and liabilities from the Transition Authority (TA) and the Intergovernmental Relations Technical Committee (IGRTC) who were mandated to value and handover the assets and liabilities from the defunct authorities.

Further, to determine the value of our assets handed over from Northern Water Services through the Service Provision Agreement, the company used market rates as a foundational basis and used it to come up with Kshs. 65,522,125 as at 1 July, 2018 as opening balances to prepare our financial statements.

Committee Observations

The Committee observed that-

i). there was no disclosure provided in the financial statements on how the diminution in value of the Company assets during the dormancy period was accounted for in the books of the Company; and how the opening property, plant and equipment balance totaling Kshs. 65,522,125 as at 1 July, 2018 was arrived at;

ii). the process of transfer of the water company's assets and liabilities from the defunct local authorities to the County Government was not completed. However, Northern Water Services handed assets over to the company and the company used market rates to determine their value, which resulted in the opening balance of Kshs. 65,522,125; and

iii). lack of a complete asset register may expose assets of the water company, such as vehicles, land, to theft, losses, wastage and misuse.

Committee Recommendations

The committee recommends that –

i). **the Accounting Officer carry out a valuation of all its assets within 60 days of the adoption of this report;**
ii). **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 submit the same to the Auditor-General within 60 days from the adoption of this report;**
iii). **the Governor engages the Intergovernmental Relations Technical Committee (IGRTC) to ensure that the process of transfer of all assets and liabilities is completed in a timely manner; and**
iv). **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.**

2.4.2 Additions in the Year Under Review

The statement of cash flows reflects investing activities on property, plant and equipment totaling Kshs. 57,783,289 but Note 14 to the financial statements reflects investment in fixed assets totaling Kshs. 81,241,859 made during the year under review. The variance totaling Kshs. 23,458,570 between the two balances has not been explained or reconciled.

In addition, financing activities in the statement of cash flows include properties valued at Kshs. 843,427 inherited from the Northern Water Services Board. However, the balance has not been explained. Further, review of records on the assets indicated that the properties were not registered in the Company's name.

Management Response

The company acquired Property Plant and Equipment of Kshs. 57,783,289 in the year under review as shown in the cash flow statements on page 4 of the financial statements and not Kshs. 81,241,859 as observed by the Auditor. The amount of Kshs. 81,241,859 is the netbook value of the entire assets of the company as at 30th June 2019 and not the acquisitions for the year under review. The amount of Kshs. 23,458,570 is the difference

between the netbook value of Kshs. 81,241,859 and acquisitions for the year of Kshs. 57,783,289.

Committee Observations

The Committee observed that –

i). the variance totaling Kshs. 23,458,570 between the two balances was explained by the management to be the difference between the netbook value of the entire assets of the company and the acquisitions of the company for the year under review; and

ii). properties valued at Kshs. 843,427 inherited from the Northern Water Services Board were not explained and a review of the assets records of the company showed that the assets were not registered in the company's name.

Committee Recommendations

The committee recommends that –

i). the Accounting Officer to carry out a valuation of all its assets within 60 days of the adoption of this report;

ii). the Governor engages the Intergovernmental Relations Technical Committee (IGRTC) to ensure that the process of transfer of all assets and liabilities is completed in a timely manner; and

iii). 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.

2.4.3 Freehold Land

Included in the property, plant and equipment balance totaling Kshs. 81,241,859 as at 30 June 2019 is freehold land of an undisclosed size valued at Kshs. 4,500,000. However, the Company did not have in its possession ownership documents for the land.

In view of these issues, the accuracy of the valuation of the property, plant and equipment balance totaling Kshs. 81,241,859, and ownership of the plot of land by the Company as at 30 June, 2019, could not be confirmed.

Management Response

All County Governments and County Government entities are yet to receive any assets and liabilities from the Transition Authority (TA) and the Intergovernmental Relations Technical Committee (IGRTC) who were mandated to value and handover the assets and liabilities from the defunct authorities. Chair, the company had applied for the ownership document for freehold land from the County department of Lands and Housing and at the time of the audit, we were still following up the documents. The ownership documents have since been received and is available for audit review.

Committee Observations

The Committee observed that –

i). the management failed to provide ownership documents for freehold land of an undisclosed size valued at Kshs. 4,500,000 during the audit period as the company was yet to receive the aforementioned documents from Transition Authority (TA) and the Intergovernmental Relations Technical Committee (IGRTC); and

ii). the documents have since been provided and submitted to the Auditor-General for verification thus the matter was resolved.

Committee Recommendations

The Committee recommends, noting the mitigation measures taken by the water company, the matter be marked as resolved.

Other Matters

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted and actual amounts on comparable basis totalling Kshs. 101,244,623 and Kshs. 98,331,828 respectively resulting to under-funding by Kshs. 2,912,795 equivalent to 3% of the budget. Therefore, the Company largely met its expenditure targets for the year under review.

Management Response

It is true that there were variances between the budgeted amounts and the actual figures for the year. The budget was intended to be funded through sales revenue, grants from the County Government of Mandera, and Donor Funds. However, the company faced

challenges in attaining the projected sales target as a result of prolonged and persistent devastating drought experienced which significantly affected the company's water production level. As a result, the company was unable to collect the full expected revenue from sales. It is worth noting that in the year under review, the actual revenue budget attained of Kshs. 98,331,828 was fully absorbed at an absorption rate of 95% as shown in the statement of comparison of budget and actual amounts on page 5 of the financial statements.

Committee Observations

The Committee observed that the budget was under-funded by Kshs. 2,912,795 (3% of the budget) as a result of under-collection of revenue due to persistent drought experienced in the year under review which significantly affected the company's water production level thus affecting the revenue from sales.

Committee Recommendations

i). **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures; and**

ii). **the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs and connection of more customers and automation to address revenue leakages. The Auditor-General to confirm the effectiveness of the mitigating measures put in place by the water company and report in the subsequent audit cycle.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1)(a) of the Public Audit Act, based on the audit procedures performed by the Auditor-General, the internal control, risk management and governance were not effective –

1.0 Lack of Human Resource Policy

The Company's draft human resource policy had not been approved by the Board by the end of the financial year under review. As a result, policies and procedures for effective

management of the Company's human resource were not properly established. No satisfactory reason was provided by Management for the anomaly.

Management Response

Mr. Chairman, it is true that the company's draft Human Resource policy was not approved at the time of the audit. However, the company was using the National Public Service Human Resource Manual and policies to ensure effective management of its human capital. Chair, the company has since approved its Human Resource Policy and its available for review.

Committee Observations

The Committee observed that the company's draft Human Resource policy was not approved at the time of the audit, however the company has since approved its Human Resource Policy, as was verified by the Auditor-General, thus the matter was resolved.

Committee Recommendations

The Committee recommends that, noting the mitigation measures taken by the water company, the matter be marked as resolved.

2.0 Lack of Fixed Assets Register

Management did not maintain a register on the Company's fixed assets contrary to Regulation 136 (1) of the Public Finance Management Regulations, 2015 which requires each Accounting Officer to maintain a register of assets under his or her control or possession, as prescribed by the relevant laws.

Management Response

Mr. Chairman, the Company provided a schedule of assets for audit. The company has since successfully established an automated asset register system. The automation of the asset register has improved efficiency, accuracy, and overall management of the company's assets. This system enables us to effectively track, record, and monitor our assets, ensuring better control and visibility.

Committee Observations

The Committee observed that-

i). the Company did not maintain a register on the Company's fixed assets as at the time of audit;

ii). the management has since provided a schedule of assets to the Auditor-General which was verified; and

iii). the company has also automated their asset register system.

Committee Recommendations

The Committee recommends that –

i). the company to carry out a valuation of all its assets within 60 days of the adoption of this report;

ii). 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 submit the same to the Auditor-General within 60 days from the adoption of this report; and

iii). 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.

CHAPTER SIX

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MIGORI WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2018/2019

The Governor of Migori County, Hon. (Dr.) Ochilo George Mbogo Oyacko appeared before the Committee on Tuesday 25th April 2023 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statements for Migori Water and Sanitation Company (MIWASCO) Limited for the Financial Year 2018/2019. He was accompanied by-

i). Mr. Christopher O. Rusana - CECM, Water
ii). Mr. Phidale Castro Ouma - Chief Officer, Water
iii). Mr. Jacob Maroe - MD, MIWASCO

The Migori Water and Sanitation Company Limited is wholly owned by the County Government of Migori.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements for Migori Water and Sanitation Company Limited for the financial year 2018/2019 on the following basis –

1. Unsupported Trade and Other Payables

As disclosed in Note 21 to the financial statements, the statement of financial position reflects a balance of Kshs.. 40,352,721 under trade and other payables as at 30 June 2019. Review of the balance revealed that age analysis of the creditors was not provided for audit, and therefore it was not possible to ascertain the duration of the outstanding balances. However, the ledger account for Kshs.. 4,402,504 consisting of leave allowance, board allowance and gratuity arrears was not provided for audit while supporting documents for payables amounting Kshs.. 7,970,200 were not provided for audit review.

Further, the balance includes salary arrears balance of Kshs.. 8,064,234 equivalents to fourteen months of net pay of employees which has increase from Kshs.. 4,662,506 reported in the financial year 2017/2018 by Kshs.. 3,401,238 to Kshs.. 8,064,234 as at 30 June 2019. No explanation was given for non-payment of the salary arrears.

In circumstances, the accuracy and completeness of the trade and other payables balance of Kshs. 40,352,721 could not be confirmed.

Management response

The management noted the auditor's observation and provided aging analysis for the trade payables amounting Kshs.. 40,352,721 and Schedules supporting the board allowances, leave allowances and gratuity arrears of Kshs. 4,402,504.
Further, the Company was facing financial constraints over the years and in particular in the financial year 2018/2019 necessitated by lack of water due to power disconnection at the main intakes, that made it difficult to pay salaries, and other creditors. However, the company had worked on modalities with the County Government of Migori to ensure there is no power disconnections by KPLC in ensuring timely payment of electricity bill.

Committee Observations

The Committee observed that -

i). management provided the aging analysis for the trade and other payables balance;
ii). the supporting documents for payables amounting to Kshs. 7,970,200 was not provided; and
iii). the current status of settling of the outstanding salary arrears of Kshs.. 8,064,234 was not provided.

Committee Recommendations

The Committee recommends that -

i). the Governor ensures that Migori County provide a conditional grant to the water Company to settle the salary arrears of Kshs. 8,064,234 and report to the committee within 60 days of adoption of this report;
ii). within 60 days of the adoption of this report, the water company should engage their creditors and agree on a repayment plan 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;
iii). the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 9(1)(e) 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; and

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, 2012 and report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance.**

2. Unsupported water sales

The statement of comprehensive income reflects revenue of Kshs.. 15,769,344 underwater sales, which represents the total amount of customer billings for the financial year 2018/2019 for water consumption. However, an analysis of the individual customers' account billed were not provided for audit review and therefore, it was not possible to ascertain if all the customers were billed accurately and continuously during the year.

In the circumstances, the accuracy and completeness of water sales income of Kshs.. 15,769,344 could not be confirmed.

Management response

The management has noted the auditor's observation and provided the schedules of monthly billing for each customer for FY 2018/2019 for review.

Committee Observations

The committee observed that individual customers' account billed were not provided for audit review and therefore, it was not possible to ascertain if all the customers were billed accurately and continuously during the year.

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, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Act; and**

ii). **the Auditor-General should review the implementation of the measures put in place by the management to mitigate the matter and provide a report on this matter in the subsequent audit cycle.**

3. Un-updated Ownership of the Company

As disclosed in Note 18 to the financial statements, the statements of financial position reflect a balance of Kshs.. 100,000 in respect of issued capital as at 30 June 2019. The issued capital is divided into 5,000 shares of Kshs.. 20 each. The shares were previously issued to the defunct local authorities, but later taken over by the County Government of Migori during the advent of devolution. However, these shares still remain in the name of the defunct local authorities and have not been officially transferred to the County Government of Migori. Consequently, the ownership of the issued capital of Kshs. 100,000 could not be confirmed.

Management responses

The management noted the auditor's observation and stated that the County Government has taken up the matter through the office of the county attorney to ensure that legal procedures of transferring the shares are concluded.

Committee Observations

The Committee observed that the shares had not been transferred to County Government of Migori since the advent of devolution and therefore the ownership of the capital issued of Kshs. 100,000 could not be confirmed.

Committee Recommendations

The Committee recommends that-

i). **the Governor takes immediate measures to ensure that MIWASCO is fully owned by the Migori County Government and registered in line with the law;**

ii). **the Governor of Migori County should ensure that the County Government of Migori firms up the ownership of the water company in line with section 72 (1) and (3) of the Water Act, Cap.372 by making the necessary payment for the share capital in line with the Company's Memorandum and Articles of Association and submit the Share Certificate as evidence of payment to the Auditor-General for verification; and**

iii). **the Managing Director to provide copies of share certificates, as well as, an updated CR12 in accordance with the Companies Act, 2015, to the Auditor-General within 60 days from the adoption of this report.**

Emphasis of Matter

Material Uncertainty in Relation to Going Concern

I draw attention to Note 1(Y) in the summary of significant accounting policies ongoing concern, in which the management has disclosed that the company made a loss of Kshs. 13,994,952 during the current financial year, compared to a loss of Kshs. 11,247,880 in the previous year. This depleted the revenue reserve from negative Kshs. 20,453,877 as at 30 June 2018 to a negative of Kshs. 34,448,829 as reflected on the statement of financial position as at 30 June 2019. Further, total current liabilities of Kshs. 55,039,814 exceeded total current assets of Kshs. 34,584,069 resulting in a negative working capital of Kshs. 20,455,745 as at 30 June 2019.
Management has however disclosed that through continuous support from the county government of Migori, they believe that the company would remain a going concern.

Management responses

The management has noted the auditor's observation and wish to state that the current administration has put in place the recovery strategy of the company by:

i). Recruiting a new board of directors to spearhead the management of the company to operate according to laid down regulations.
ii). The current administration has increased budgetary electricity allocation to the company and subsequently paid electricity bills for the last eight months, so that water treatment works continuously operate without disruption.
iii). Ensuring water treatment chemicals are procured and availed to the company in time
iv). The newly appointed County Executive Committee Member (water and energy) has improved working relationship with various partners and government agencies e.g. Water Sector Trust fund (WSTF), WASREB, LVSWWDA to collectively improve the company's performance.
v). Through the above-mentioned partnership, the company is expecting an increase in customer connectivity by, 4500 new connections and thereby increase the company's revenue base by the end of this year.

vi). Thus, with the improved revenue collection, the company shall prepare a payment plan with creditors, agencies and staff in an effort to reduce blotted trade payable.

vii). The department of water has supported the company in buying fittings for repair and rehabilitation of lines at a cost of 2.0 million, which shall further improve service delivery and revenue collection.

viii). The company is in the process of mapping out new customers'/ customer registration and carrying out client identification survey and client satisfactory survey which will further improve service delivery.

ix). The company has embarked on an aggressive media campaign to inform the public on the ongoing restructuring and reforms by the company

Committee Observations

The Committee observed that the company registered an operating loss of Kshs.. 13,994,952 during the current financial year, compared to a loss of Kshs. 11,247,880 in the previous year.

Committee Recommendations

The Committee recommends that-

i). the Governor of Migori 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 in regard to the financial and non-financial status of the water company in line with section 166 of the Public Finance Management Act;

iii). the County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act, and regularly report to the Governor through the County Executive Committee in line with Article 179 (6) of the Constitution;

iv). the County Treasury should undertake annual reporting on County 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; and

v). **the company should put in place mitigating measures to address the physical and commercial water losses in order to reduce the high level of Non-Revenue Water to boost the financial health of the company. Furthermore, the Auditor-General should ascertain the efficacy of the measures taken and report in the subsequent audit cycle.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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. Recruitment of staff

Review of the Company's payroll for the month of March 2019 revealed that eighteen (18) new staff were recruited during the year under review. However, documents supporting the recruitment process such as vacancy advertisements, shortlisting and interview reports were not provided for audit review.

Under the circumstances, it has not been possible to ascertain whether the employees were recruited competitively in accordance with the law on ethnic balance and the Company's procedures.

Management response

The management noted the auditor's observation and stated that the company is undergoing restructuring by appointing new board of directors who will ensure adherence to the company human resource policy and Public Finance Management Act (PFMA act 2012) in recruitment of personnel.

Committee Observations

The Committee observed that the company had not developed human resource policy and did not adhere to the public finance act in recruitment of the personnel.

Committee Recommendations

The Committee recommends that -

i). **the Board of Directors ensures that the water company puts in place all internal control systems such as the Internal Audit Committee as**

provided under section 155 (5) of the Public Finance Management Act, and 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 the water company and submit evidence of the same to the Auditor-General for verification within 60 days from the adoption of this report; and

ii). **the Company adhere to section 65 of the County Governments Act which provides for open and transparent recruitment process of public servants.**

2. Non-Remittances of Statutory Deductions

As disclosed in Note 21 to the financial statement of financial position reflects Trade and Other Payables balance of Kshs.. 40,352,721 which includes employee's statutory deduction amounting to Kshs.. 2,782,152, Kshs.. 456,000 and Kshs.. 370,200 in respect of Pay as You Earn, NSSF and NHIF deductions respectively that had not been remitted to the relevant bodies and were outstanding for more than forty-eight months by 30th June 2019. Non-remittance of statutory deductions is a breach of law, which may attract heavy penalties and interest for non-compliance.

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

Management response

The management has noted the auditor's observation and stated that non-payment of statutory deductions was necessitated by the company undergoing financial constraints in the period under review due to non-operation of the company caused by majorly frequent electricity disconnection. However, the company had made strides in paying arrears and statutory obligations, as demonstrated in the schedule. Moving forward, as the company stabilizes, we will clear the remaining arrears of PAYE and NSSF and for NHIF we are up-to-date in remittances.

Committee Observations

The committee observed that –

i). NSSF Payment Order indicated a balance of Kshs.. 55,200 due on 30 April 2023;

ii). debt payment instalment agreement executed with KRA on 23 November 2020 with arrears to be completed on 15-10-2022. Latest KRA Tax Invoice not provided; and

iii). acknowledgement and feedback by NHIF on application for waiver on 18 August 2020 not provided.

Committee Recommendations

The Committee recommends that –

i). 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;

ii). the Accounting Officer to engage the NSSF, NHIF and KRA with the aim of formulating a payment agreement 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;

iii). the Board of Directors ensures the Water Company adheres to Section 19 (4) of Employment Act in regard to remittance of employee remuneration deductions in accordance with the time period specified by the relevant bodies;

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 this recommendation and provide a report on this matter in the subsequent audit cycle.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1)(a) of the Public Audit Act, based on the audit procedures performed by the Auditor-General, the internal control, risk management and governance were not effective-

Unaccounted for water

During the year under review, the company produced 619,325 cubic meters of water out of which 216,402 cubic meters or approximately 35% of the volume represents non-revenue water (NRW), which is 10% over the sector benchmark of 25% in accordance with water services regulatory board guidelines.
The significance level of non-revenue water has a negative impact on the company's financial performance and its ability to sustain services. This is also an indication of lack of efficiency and effectiveness in the use of public resources. No evidence was provided of any effort by the company to address the situation.

Management response

The management noted the auditor's observation and stated that the company experienced a lot of water loss through destruction of main lines due to ongoing road construction works and busts in the distribution lines, faulty and non-functioning customer meters, estimate production due to faulty master meters at treatment plant.
However, current administration had taken initiative of buying pipes and fittings for quick repairs of busts/leakages for the company. In addition, a technical staff from department of water have been seconded to the company to assist the technical department in line patrol and spearhead technical office and Enforcing the Migori County water act 2021 that enforces order on road work constructors to repair the damaged water structures during construction works. The company is carrying out customer identification survey to weed out illegal connections. There is also an increase in budget allocation for pipeline and related infrastructure.

Committee Observations

The Committee observed that –

i). the NRW of the company during the financial year 2018/2019 stood at 30% against the allowable loss of 25% as prescribed by Water Services Regulatory Board (WASREB) Guidelines. This has been attributed to by physical losses

such as leakages, bursts, and overflows through the existing old and dilapidated water supply network, and commercial losses due to metering anomalies and illegal connections;

ii). The management of the water company listed measures to address the Non-Revenue Water losses; and

iii). This high level of Non-Revenue Water has largely contributed to the Company's revenue shortfall, as well as the material uncertainty relating to a going concern.

Committee Recommendations

The Committee recommends that-

i). the company should put into place comprehensive measures to mitigate the Non-Revenue Water. These measures include 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;

ii). the Governor should collaborate with EACC to ensure that pre-emptive measures are put into place to reduce the cases of theft and illegal connections; and

iii). the Auditor-General should review the implementation of the measures put in place by the management to mitigate the matter and provide a report on this matter in the subsequent audit cycle.

CHAPTER SEVEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MOMBASA WATER SUPPLY AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2018/2019

The Governor of Mombasa County, Hon. Abdullswamad Sherrif Nassir, appeared before the Committee on Thursday 22nd June, 2023 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statement for Mombasa Water Supply and Sanitation Company Limited (MOWASCCO) for the Financial Year 2018/2019. He was accompanied by-

i). Mr. Evans Oanda	-	CECM Finance
ii). Mrs. Emilly Achieng	-	CECM Water
iii). Mr. Abdurahim Farah	-	MD MOWASCCO
iv). Mr. Kinyai Laban	-	GM MOWASSCO

The Mombasa Water Supply and Sanitation Company Limited is wholly owned by the County Government of Mombasa.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of Mombasa Water Supply and Sanitation Company Limited for the financial year 2018/2019 on the following basis –

1.0 Inaccuracies in the Financial Statements

i). Note 10 to the financial statements for the year ended 30 June 2019 reflects trade payables opening balance of Kshs. 1,140,938,555. However, this amount differs with the audited opening balance of Kshs. 1,140,952,495, resulting to unexplained nor reconciled variance of Kshs. 13,940.

ii). Note 10 to the financial statements reflects bank overdraft opening balance of Kshs. 5,214,552 which is different from the audited balance of Kshs. 5,199,489 for the year 2017/2018, resulting to unreconciled nor explained variance of Kshs. 15,063.

Consequently, the accuracy and completeness of trade payables he banks overdraft balance of Kshs. 1,167,085,364 Kshs. 1,312,175 as at 30 June 2019 could not be confirmed.

Management Response

The Kshs 13,940 was withholding tax, it was as a result of a payment to a supplier where when posted in the system, it updated the bank with the whole amount and the trade payables with the amount less the withholding tax.

Trade payables balance had been understated by Kshs. 13,940. They have since been restated to correct balance of Kshs. 1,140,938,555.

Bank overdraft for year 2017/18 was restated to correct balance of Kshs. 5,214,552. See note 10 of the audited financial statement for the year 2018/2019.

Committee Observations

The Committee observed that there were unexplained variances of Kshs. 13,940 and Kshs. 15,063 in the opening balances for trade payables and bank overdrafts respectively, within the company's financial statements during the financial year under review. The management restated the error and provided evidence of the same to the Auditor-General for verification hence the query is resolved.

Committee Recommendations

The Committee recommends that-

i). the Accounting Officer adheres to section 149(2)(b) of the Public Finance Management Act and section 47(2) of the Public Audit Act in the preparation and management of financial and accounting records;

ii). the Accounting Officer should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should prioritize investments in technology and processes aimed at minimizing inaccuracies during preparation of financial statement;

iii). the Accounting Officer should strengthen internal audit controls and ensure proper record keeping; and

iv). the Accounting Officer to take appropriate administrative action on the officers within the Accounts and Finance department who failed to keep complete financial records in accordance with their terms and conditions of

appointment or employment and as required by the Accountants Act, Cap. 531.

2.0 Material uncertainty related to Going Concern

During the year under review, the Company incurred a loss of Kshs. 78,986,653 (2017-2018 Loss – Kshs.78,758,246.) which brought its accumulated loss to Kshs.1,941,890,250 as at 30 June 2019 (2017-2018 Kshs.1,862,903,577). Further, the current liabilities of Kshs. 1,671,143,805 exceed current assets of Kshs.206,087,102 by Kshs.1,465,056,703, an indication that the Company is technically insolvent.

The financial statements have been prepared on a going concern basis on the assumption that the company will continue to receive financial support from the County Government and its creditors.

Management Response

In order to address the problem of going concern, the company has to increase water sales and also reduce NRW. The management has therefore embarked on the following;

i). **Partnering with Development partners for infrastructure development and capacity building to improve efficiency and increase water supply-** the company is currently being funded by the world bank to rehabilitate and expand water pipelines which is expected to be complete by December 2023. After rehabilitation we are expecting to reduce NRW through water loss from 50% to 39%. This will consequently increase our revenue by approximately ksh 64,000,000 Further through funding from the development partners, World Bank (WB) and French Development Agency (AFD) water supply to Mombasa will drastically improve in more than three folds after the completion of Mwache Dam and Mwache Water Treatment Plant by December 2026. The designed volume to Mombasa is 180,000m3 per day. This volume translates to 64,800,000m3 of water annually which translates to 3,272,400,000 increase in revenue.

ii). **Formation of a NRW unit -** A fully and operational unit has been formed and in the new developed organizational structure. The unit has identified the equipment and good required and procurement process initiated and contract signed awaiting delivery.

iii). **Procurement of Bulk meters and Consumer meters -** For the last three years the company have procured and installed 3,000 consumer meters mainly replacement of non-working meters and installed 1500 new

connection through various projects. Bulk meters were installed at Boundary of the County to accurately measure the bulk supply from the sources.

iv). **Customer Identification Survey (CIS) -** The company is undertaking Customer Identification Survey (CIS) to identify customers with illegalities and also clean up the customer database. Management attached customer identification survey reports

v). **Implementation of ERP -** The company have implemented ERP, this will improve the process of the company and mainly on Meter management and reduce the commercial NRW. Management submitted the SPA contract

vi). Currently the company has over 50% faulty meters while contributes to NRW water, we are however expecting 10,000 meters from development partners which when installed will greatly reduce water loss.

vii). **Purchase of Smart Meters -** The company with the partnership with the County Government of Mombasa has initiated the process of asset financing from National Bank towards the purchase of 10,000 smart meters that will go along to reducing NRW as the company will be reading water bills on actuals.

Committee Observations

The Committee observed that the query remains unresolved as –

i). the water company incurred a loss of Kshs. 78,986,653 during the year under review, bringing its accumulated loss to Kshs. 1,941,890,250 as at 30th June 2019; and

ii). the water company operated with a negative working capital of Kshs. 1,465,056,703 which indicated that the company was technically insolvent, meaning that its survival was dependent on continued support from the County Government.

Committee Recommendations

The Committee recommends that –

i). the Governor of Mombasa 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 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;

iii). **the CECM in charge of matters relating to water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act, and regularly report to the Governor through the County Executive Committee in line with Article 179(6) of the Constitution;**

iv). **the County Treasury should undertake annual reporting on County 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; 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).**

3.0 Unsupported Bank and cash balance

The statement of financial position reflects cash and cash equivalents balance of Kshs. 11,409,068 as at 30 June 2019. Included in this balance is Kshs. 2,862,042 is in respect to Posta Pay Account whose supporting confirmation certificate of bank balance, bank statements and cash book were not availed for audit review.

Consequently, the accuracy and completeness of the bank and cash balance of Kshs. 11,409,068 as at 30 June 2019 could not be confirmed.

Management response

The bank reconciliation and the bank statements are hereby attached. We are following up with the bank to get the bank certificate.

Committee Observations

The Committee observed that the management submitted to the Auditor-General for verification all documents required to support a balance of Kshs. 2,862,042 in respect to Posta Pay Account. However, the certificate of bank balance was not submitted as the company was yet to receive it from the bank. The query therefore remains unresolved.

Committee Recommendations

The Committee recommends that –

i). **the Board of Directors to take administrative action against the current Managing Director of the water company for failing to provide the certificate of bank balance and ensure the same is submitted to the Auditor-General for verification with 60 days from the adoption of this report; 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, Cap. 412B, failure to which the Committee shall be constrained to recommend investigation and prosecution of the relevant officers in line with section 62(2) of the Public Audit Act.**

4.0 Inaccuracies in Property, Plant and Equipment

The statement of financial position and disclosed in note 5 to the financial statements reflects property, plant and equipment balance of Kshs. 47,597,973 as at 30 June 2019. Included in the property, plant and equipment balance is an amount of Kshs. 3,328,129 in respect of computer software which was not disclosed as an intangible asset in line with paragraph 1.54 of international accounting standard I on presentation of financial statements. Further, however, the assets lack asset tag numbers for ease of identification and verification.

Consequently, the accuracy and completeness of property, plant and equipment balance of Kshs. 47,597,793 as at 30 June 2019 could not be ascertained.

Management Response

i). the management has noted the omission and this has been corrected in the subsequent financial year 2019/2020, The computer software was captured as an intangible asset in the subsequent years (2019/2020 financial statements); and

ii). the asset tagging is done in phases due to the cost involved, Management had done the first phase and completed valuation of our company vehicles awaiting tagging.

Committee Observations

The Committee observed that -

i). the water company did not disclose computer software as an intangible asset in line with IAS I on presentation of financial statements but corrected the error in the financial statement of the subsequent year; and

ii). the assets of the company lacked asset tag numbers. However, as was stated by the management and confirmed by the Auditor-General, the assets were being tagged in phases and the process is still ongoing. This query remains unresolved.

Committee Recommendations

The Committee recommends that –

i). **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act and section 47(2) of the Public Audit Act with regard to preparation and management of financial and accounting records;**

ii). **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;**

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**

iv). **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.**

5.0 Unreconciled Trade and Other Payables

The statement of financial position and disclosed in Note 10 to the financial statements for the year ended 30 June 2019 reflects trade payables balance of Kshs. 1,167,085,364. Included in this balance is Kshs. 1,090,623,672 or 93.42% of the trade payable which has been outstanding for more than 90 days. Further, included in the trade payables balance is Kshs. 1,043,458,982.82 which relates to amount owed to Coast Water Works Development Agency. Although support invoices for the balance were provided for audit review, the Agency, records indicated a debt balance of Kshs. 1,381,172,143.86 resulting to a variance of Kshs. 337,713,161.04 which has not been explained nor reconciled.

Consequently, the accuracy and completeness of trade and other payables balance of Kshs. 1,671,477,884 as at 30 June 2019 could not be confirmed.

Management Response

i). the company has faced cash flow challenges on high cost of operations and a lower water tariff that is below full cost recovery resulting in monthly cash deficit. This has largely explained its inability to meet its obligations as and when they fall due.

ii). the company is in the process of reconciling the variance see attached reconciliation done.

Committee Observations

The Committee observed that the query remains unresolved as –

i). The water company had a trade and other payables balance of Ksh. 1,090,623,672 which had been outstanding for more than 90 days; and

ii). The amount recorded in the company's financial statement (Kshs. 1,043,458,982.82) in regards to payables owed to Coast Water Works Development Agency differed from the records of the Agency (Kshs. 1,381,172,143.86) by an amount of Kshs. 337,713,161.04. This variance was not reconciled or explained.

Committee Recommendations

The Committee recommends that –

i). the Accounting Officer undertakes the necessary reconciliations of the trade payables balances and determine what is owed to the Coast Water Works Development Agency. The Auditor-General to provide a status update of the same in the subsequent audit cycle; and

ii). the Governor of Mombasa County engages the Coast Water Works Development Agency and the respective creditors to agree on a repayment plan for the trade and other payables balance of Kshs. 1,090,623,672 and file a report on the same with the Auditor-General for verification within 60 days of the adoption of this report. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.

Other Matters

1.0 Budget Analysis and Performance

1.1 Revenue Budget

The Company had a budgeted revenue of Kshs. 867,017,909 in the year ending 30 June 2019 but ended up collecting Kshs.706,537,975 or 81% resulting to under collection of Kshs.160,479,934 or 19% as analyzed below.

S/No	Item	Budgeted Amount (Kshs.)	Actual Income (Kshs.)	Revenue Shortfall (Kshs.)	Revenue over collection (Kshs.)	%
1	Water sales	739,111,895	572,631,256	166,480,639	-	**23**
2	Sewer Sales	127,465,678	133,272,528	-	5,806,850	**5**
3	Other income	440,335	634,191	-	193,856	**44**
	Total	**867,017,909**	**706,537,975**	**160,479,934**	**6,000,706**	**19**

The net under collection of Kshs. 160,479,934 may be as a result of over budgeting or poor revenue collection by the Company. There is need for management to come up with a strategy for meeting the revenue targets including instituting stringent internal controls on the revenue billing and collection methods.

Management Response

The under collection of 166,480,369 was due to underproduction of water supply during the financial year 2018-2019, the budgeted volume of water was 14,400,000m^3 whereas the actual volume received from the Bulk supplier was 11,283,460m^3. This resulted in shortfall of 3,116,540m^3. Which translate to an under absorption of Kshs. 62,330,800.

Committee Observations

The Committee observed that the query remains unresolved as the company had a revenue shortfall amounting to 160,479,934 (19% of the budget) as a result of unrealistic budgeting and poor planning.

Committee Recommendations

The Committee recommends that-

i). **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures; and**

ii). **the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs and connection of more customers and automation to address revenue leakages. The Auditor-General to confirm the effectiveness of the mitigating measures put in place by the water company and report in the subsequent audit cycle.**

1.2 Expenditure Budget

The Company had a total expenditure budget of Kshs. 877,504,729 in the year ending 30 June 2019 whereas its actual expenditure was Kshs. 789,870,773 or 90% resulting to net under-absorption of Kshs. 87,633,956 or 10% of the total expenditure budget as summarized below.

S/No	Item	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Over Absorption (Kshs.)	Under / Over Absorption (%)
1	Purchase of Bulk Water	288,000,000	225,669,200	62,330,800	-	22
2	Operation and Maintenance	55,055,661	38,563,601	16,492,060	-	30

3	Administration Costs	57,518,025	85,147,801	-	27,629,776	48
4	Staff Costs	410,081,158	368,164,592	41,916,566	-	10
5	Legal and Professional	3,610,000	5,895,242	-	2,285,242	63
6	Transport & Travelling	25,950,164	22,359,014	3,591,150	-	14
7	Directors Expenses	7,290,000	1,359,780	5,930,220	-	81
8	Advertising & Publicity	2,700,000	5,711,486	-	3,011,486	112
9	Depreciation	7,299,721	7,482,864	-	183,143	3
10	Bad Debts	20,000,000	25,465,378	-	5,465,378	27
11	Fines and Penalties	0	39,750	-	39,750	100
	Total expenditure	**877,504,729**	**785,524,628**	**130,594,875**	**38,614,775**	**10**

The table above indicates that the Company incurred expenditure of Kshs. 38,614,775 over and above the budget contrary to section 149(1) of the Public Finance Management Act, Cap. 412A, which states that an accounting officer is accountable for ensuring that the resources under which the officer is designated and used in a way that is—

(a) lawful and authorized; and

(b) effective, efficient, economical and transparent.

Further, the Company under absorbed the budget by Kshs. 126,050,477 or 14% which materially affects water supply and sanitization to the residents of Mombasa. The management needs to ensure that the budget making process is realistic by setting achievable targets.

Management Response

i). The over expenditure on administration costs was as a result of increase of rate of regulatory levy paid to WASREB from 1% to 4%. This explains the increase in administration cost over and above budget of Kshs 27,629,776. Also, during the year under review the company purchased more assets hence increase of depreciation over and above what was budgeted for.

ii). The under absorption of the budget was mainly as a result of over budgeting for water purchases from Coast Water. Also, the company finances its projects and operations from own revenue generation. With revenue generated below budget, the company did not execute some of its planned activities for the year. Further, prudent cost reduction measures implemented and matching costs to revenue realized amounted to savings of 14% of operations budget/ expenditure.

Committee Observations

The Committee observed that the query remains unresolved as –

i). the company failed to absorb 10% or Kshs. 87,633,956 of its budget at the end of the financial year which may have negatively impacted service delivery to the public; and

ii). the company had an over-expenditure of Kshs. 38,614,775 in the year under review.

Committee Recommendations

The Committee recommends that –

i). the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures;

ii). the Accounting Officer ensures that the water company strictly adheres to the budget items within the company's budget; and

iii). the Board of Directors should institute proper and realistic budget planning as well as measures to improve revenue generation. The Auditor-General to confirm the effectiveness of the mitigating measures put in place by the water company and report in the subsequent audit cycle.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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 basis of conclusion that public resources were not applied lawfully and in an effective way-

1.0 Non-revenue Water

During the year under review, the Company purchased a total of 11,283,460 cubic meters of water, out of which only 5,639,843 cubic meters or 50% were billed to customers at Kshs. 572,631,256. The balance of 5,643,617 cubic meters or approximately 50% represented non-revenue which is 25 % over and above the 25% set by Water Services Regulatory Board guidelines. The non-revenue water of 5,643,617 cubic meters or 50% may have resulted to a loss of 2,822,752 cubic metres of water sales estimated at Kshs. 286,594,010.56 based on an estimated distribution rate of Kshs.101.53 per cubic meter.

The significant level of non-revenue water is an indication of inefficiency and ineffectiveness in the use of water and public resources and may negatively impact on the company's profitability and its ability to sustain services in the long run.

Management Response

The company has embarked on the following strategies to reduce Non-Revenue Water (NRW).

i). **Partnering with development partners for infrastructure development and capacity building to improve efficiency and increase water supply-** the company is currently being funded by the world bank to rehabilitate and expand water pipelines which is expected to be complete by December 2023. After rehabilitation we are expecting to reduce NRW through water loss from 50% to 39%. This will consequently increase our revenue by approximately Kshs. 64,000,000.

ii). **Formation of a NRW unit -** A fully and operational unit have been formed and in the new developed organizational structure.The unit have identified the equipment and good required and procurement process initiated and contract signed awaiting delivery.

iii). **Procurement of Bulk meters and Consumer meters** - For the last three years the company have procured and installed 3,000 consumer meters mainly replacement of non-working meters and installed 1500 new connection through various projects. Bulk meters were installed at Boundary of the County to accurately measure the bulk supply from the sources.

iv). **Customer Identification Survey (CIS)** - The company is undertaking Customer Identification Survey (CIS) to identify customers with illegalities and also clean up the customer database.

v). **Implementation of ERP** - The company have implemented ERP, this will improve the process of the company and mainly on Meter management and reduce the commercial NRW.

vi). Currently the company has over 50% faulty meters while contributes to nrw water, we are however expecting 10,000 meters from development partners which when installed will greatly reduce water loss.

vii). **Purchase of Smart Meters** - The company with the partnership with the County Government of Mombasa has initiated the process of asset financing from National Bank towards the purchase of 10,000 smart meters that will go along to reducing NRW as the company will be reading water bills on actuals

Committee Observations

The Committee observed that the query remains unresolved –

i). the Non-Revenue Water of Mombasa Water Supply and Sanitation Company Limited during the financial year 2018/2019 stood at 50% (5,643,617m^3 or Kshs. 572,996,434.01) against the recommended sector benchmark of 25% as prescribed by Water Services Regulatory Board (WASREB) Guidelines. This was attributed to physical losses such as leakages, bursts, and overflows through the existing old and dilapidated water supply network, and commercial losses due to metering anomalies and illegal connections; and

ii). this high level of Non-Revenue Water has largely contributed to the Company's revenue shortfall.

Committee Recommendations

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 dilapidated

infrastructure 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 of Mombasa County 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.**

2.0 Non-Remittance of Payroll deductions

Note 10 to the financial statements for the year ended 30 June, 2019 reflects other payables of Kshs 142,230,834, out of which Kshs 100,539,651 is in respect of unremitted and overdue pension deductions. This is contrary to section 53A(1) of the Retirement Benefits Authority Act which requires an employer who has made deductions from the employee emoluments for remittance to the scheme and fails to remit the deductions within fifteen (15) days, the scheme may institute a legal proceeding for recovery.

Consequently, the management is in breach of the law.

Management Response

The company has faced cash flow challenges on high cost of operations and a lower water tariff that is below full cost recovery resulting in monthly cash deficit. This has largely explained its inability to meet its obligations as and when due.

Management has greatly improved on ensuring current monthly contributions for all the pension schemes of employees are remitted since 2020.

For the accrued arrears, which form the significant part of the Kshs. 100,539,651, management has been in active discussions with the pension schemes for agreements on payments plans. This includes joint reconciliation forums between the company and the pension schemes to ensure the reported payables are accurate and representative.

Committee Observations

The Committee observed that the query remains unresolved as the water company failed to remit pension deductions totaling to Kshs. 100,539,651 in the financial year under review in contravention of section 53A(1) of the Retirement Benefits Act.

Committee Recommendations

The Committee recommends that –

i). **the Accounting Officer engages the relevant pension schemes of the long outstanding trade payables with the aim of developing a payment plan in order to clear the outstanding balances and provide a status update on the same to the Senate within 60 days from the adoption of this report;**

ii). **the Accounting Officer adheres to Section 22(2)(a) of the Public Finance Management (County Government) Regulations, 2015, which provide that the accounting officer to comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided by legislation; and**

iii). **the Board of Directors ensures that the water company adheres to the Retirement Benefits Act, 1997 and the Pension Act, 1942, with regard to the remittance of statutory deductions and payment of pension.**

3.0Acting Allowances

The company paid acting allowances of Kshs. 2,801,478, out of which Kshs. 993,238.90 was paid to fourteen (14) members of staff who were in acting capacity for more than six (6) months. This was contrary to section 5.2 of the Company's Revised Human Resource Policies and Procedures Manual, 2011 which states that 'acting appointment shall automatically lapse after six (6) months.

Consequently, the management is in breach of the human resource policies and procedures.

Management Response

The company did not have a substantive Board of Directors to approve replacement of exiting employees or confirmation of those in acting capacities. This explains why employees acted longer than the six-month period for continuity of business and were

remunerated for such added responsibilities. Going forward and with the Board in place, adherence to provisions of our policies has been enhanced.

Currently there are no acting positions and if arise they act not more than six (6) months.

Committee Observations

The Committee observed that the company made payments totalling to Kshs. 993,238.90 to 14 members of staff who were in acting capacity for more than six (6) months, contrary to paragraph 5.2 of the Company's Revised Human Resource Policies and Procedures Manual, 2011.

Committee Recommendations

The Committee recommends that the Board of Directors ensures that the water company strictly adheres to the provisions of paragraph 5.2 of the Company's Revised Human Resource Policies and Procedures Manual, 2011 in regards to serving duration of members of staff appointed in acting capacity.

CHAPTER EIGHT

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NANYUKI WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2018/2019

The Governor of Laikipia County Hon. Joshua Wakahora Irungu, EGH appeared before the Committee on Thursday 21st September, 2023 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statements for Nanyuki Water and Sanitation Company (NAWASCO) Limited for the Financial Year 2018/2019. He was accompanied by-

i). Mrs. Leah Njeri	- CECM Water and Sanitation
ii). Mr. Wachira Gacheri	- CECM Finance and Economic Planning
iii). Mr. Kennedy Gitonga	- MD Nanyuki Water
iv). Mrs. Phoebe Karimi	- Internal Auditor Nanyuki Water

The Nanyuki Water and Sanitation Company Limited is wholly owned by the County Government of Laikipia.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements for Nanyuki Water and Sanitation Company Limited for the financial year 2018/2019 on the following basis—

1.1 Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs. 202,974,399 as at 30th June 2019. The balance excludes the value of assets inherited from the defunct municipal council of Nanyuki by Northern Water Services Board of Kshs. 230,715,019. The assets were written off in the financial statements for financial year 2015/2016. However, management did not provide the approvals for the write off from Northern Water Services Board for audit review. Further, ownership documents for all parcels of land owned by the company were not provided for audit review.

Management Response

The inherited assets from defunct Nanyuki Municipal Council by Northern Water Services Board were excluded from the Financial Statements following the advice given

by the Auditor-General in his opinion for the year ended 30th June 2015 since the assets had been leased to the company on operating lease basis and the company was paying 4.5% lease fees to the lessor.

The company is an agent of County Government of Laikipia. During its inception, the defunct Nanyuki Municipal council transferred assets to Northern Water Services Board, and the same asset were leased to the company on 21st November 2006 through a deed of surrender.

Following the devolution of water services to the counties in 2013 and subsequent enactment of Water Act 2016, Nanyuki Water and Sanitation Company is currently under Central Rift Valley Water Works Development Agency (CRVWWDA). The latter, initiated a framework on transfer of assets to county Government of Laikipia in line with section 69 (1) (2) and (3) of the Water Act 2016. This process is still on- going.

Committee Observations

The Committee observed that query remains unresolved because the water company had not transferred assets they inherited from Nanyuki Municipal Council by Northern Water Services Board but was in the process of transferring the assets to the County Government of Laikipia.

Committee Recommendations

The Committee recommends that –

i). the Governor ensures that the water company secures full ownership of the queried property, plant and equipment and provide status update to the Committee within 60 days of adoption of this report;

ii). 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;

iii). 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; and

iv). **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.**

1.2 Inaccuracies in Consumer Deposits

The statement of financial position reflects consumer deposits balance of Ksh. 28,094,518 as at 30th June 2019. However, the bank account held at Equity bank in respect of the consumer deposits reflects a balance of kshs. 78,753, resulting in unreconciled difference of Kshs. 28,015,765. Further, the board authorized management to spend an amount of Kshs. 20,476,476 from the consumers' deposits account for the construction of the company's offices and development of water extension to Nturukuma and Nkando areas. However, management had not refunded the consumer deposits by the close of the financial year. Consequently, the accuracy and completeness of the consumer deposits balance of Kshs. 28,094,518 as at 30th June 2019 could not be confirmed.

Management Response

Included in the closing balance is Kshs. 9,400,000 that the company inherited from the defunct Nanyuki Municipal Council at its inception and despite the fact that this amount was not remitted to the company.

On 15th July 2015, the management sought approval from the Board of directors to utilize customers' deposits totaling to Kshs 20,476,476 for the following purposes: -

1. **Water supply improvement in Nturukuma and Nkando** areas targeting approximately 6000 households. The breakdown is as follows: -

	Item	Cost in Kshs.
1.	Borehole-Drilling & Equipping (depth 210m, yield 70m^3/hr, casing size 8inch	5,558,426
2.	Solarization - 18kw	1,993,803
3.	Elevated Steel tank -108m^3 capacity,15m High	5,305,126

2. **Office block** - Construction of offices (407m^2) at a cost of Kshs. 7,619,121 on the land allocated by County Government of Laikipia.

The approval was granted on the following conditions:

- Prompt refunds of customer deposits
- To reimburse the full amount within 36 months

As at 30th June 2021, the company had reimbursed Kshs 12 million to the deposit account.

Committee Observations

The Committee observed that the query remains unresolved as the Company had utilized Kshs. 20,476,476 from the customer deposit account and was supposed to pay within 36 months however at the time of audit only Kshs. 12,000,000 had been reimbursed and the balance is outstanding.

Committee Recommendations

The Committee recommends that –

i). **The Board of the Company to come up with a payment plan to reimburse the outstanding balance within 12 months of the adoption of this report and the Auditor-General to review the status of adherence to the repayment plan by the water company and provide a status update in the subsequent audit cycle;**

ii). **The Board of Directors should put in place a Customer Deposits Management Policy to guide on access, utilization and refund the money within specified timelines. Further, the Accounting Officer should ensure that there is full disclosure to the water company's customers on the utilization of the deposits; and**

iii). **The Accounting Officer should ensure that all customer deposits are deposited in a fixed/call account whose access to the management is limited and where the accrued interests can be used to offset the bank charges. The Accounting Officer to submit evidence of the same to the Auditor-General within 60 days of the adoption of this report for verification.**

1.3 Provision for Bad and Doubtful debts

The statement of financial position trade and other receivables had a balance of Kshs. 320,349,051 as at 30th June 2019. Included in this balance is an amount of Kshs. 206,441,148 in respect of debts inherited from defunct Municipal Council of Nanyuki and which has remained outstanding over a long time. Although the recoverability of these debts is uncertain, the provision of bad and doubtful debts of Kshs. 111,556,504

made in the financial statements against the outstanding debts management has not demonstrated efforts made to recover the debts.

Consequently, the recoverability of the trade and other receivables amount of Kshs. 206,441,148 in respect of debts inherited from the defunct Municipal Council of Nanyuki could not be confirmed.

Management Response

The company inherited debtors amounting to Kshs. 206,441,148 from the defunct Nanyuki Municipal Council at inception. The breakdown is as below;

Category	**Total**	**Collectable**	**Provisions**
Government Institution/Entities	59,169,982	59,169,982	-
Domestic Consumers	96,666,148	25,520,903	71,145,245
Commercial Consumers	17,869,886	8,410,567	9,459,319
Public primary & Day Secondary Schools	32,735,132	2,129,768	30,605,364
Total	**206,441,148**	**95,231,220**	**111,209,928**

The above demonstrates why the provision of Kshs. 111,209,928 is considered adequate.

Committee Observations

The Committee observed that the total debts inherited from the Nanyuki Municipal Council amounts to Kshs. 206,441,148 and whereas the company made a provision for bad debts of Kshs. 111,209,928, management has not demonstrated any efforts made to recover the difference of Kshs. 95,231,220. The query therefore remains unresolved.

Committee Recommendations

The Committee recommends that 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 regulation 150 of the Public Finance Management (County Governments) Regulations, 2015.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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

Review of documents provided for audit revealed that the company produced 4,358,732 cubic meters of water during the year out of which 2,795,954 cubic meters billed to consumers. The balance of 1,562,778 cubic meters or approximately 36% of the total volume produced valued at Kshs 12,688,260 represented Non-Revenue Water (NRW) which is 11% above the allowable loss of 25% provided by the Water Services Regulatory Board (WASREB) guidelines. The NRW of 36% may have resulted in loss of water sales estimated at Ksh. 65,517,815.

The significant level of Non-Revenue Water is an indication of inefficiency and lack of effectiveness in the use of public water resources and, may negatively impact on the Company's profitability and its long-term sustainability

Management Response

The company has assessed factors that caused high NRW that is above 25% in addition to evaluation of water balance component based on International Water Association Standards (IWA) and water balance table. 63.8% of overall NRW was as a result of real losses attributed to the following;

2.2 Real Losses

1. **Poor condition of parts of water distribution network infrastructure**

NAWASCO operates water supply infrastructure installed between 1963 and 1980 consisting of old and dilapidated pipelines made of materials such as galvanized iron, cast iron and uPVC making it easy for bursts and leaks to occur. This is in addition to old leaking concrete water storage tanks that are more than 50 years. Weak pipe materials such as cast-iron pipes adopted in 1970s are still in the system. These pipes are susceptible to leaks and bursts.

2. **Vandalism and destruction**

Vandalism and destruction of intake works and raw water mains by herders and wildlife in Mt. Kenya forest especially during the dry season (January to March and August to September) when herders migrate to the forest in search of pasture and water.

3. **Network Damage by Other Service Providers**

Damage caused during construction of infrastructure such as roads, power line, communication lines(cables).

2.3 Apparent Losses

Metering Components Inaccuracies

- Inaccurate master and consumer meters contributed to 36.2% of the overall NRW during the period.
- As at FY 2018/2019, we had 8,545 consumer meters that were more than eight (8) years old hence under registering.

2.4 Mitigation to reduce NRW during the period

1. **Water Network Infrastructure**

- Undertook an NRW water audit and developed an NRW reduction strategy with support of WASREB, KMT and SNV.
- Upgrade and rehabilitation of pipeline network to HDPE in Majengo, Thingithu and Asian quarters totaling to 65 Kms of assorted pipe sizes
- Repair of two leaking water storage tanks (Katheri and Kanyoni).
- Capacity building of operations and maintenance team. sixteen of staff were trained at KEWI on best practices on repairs and maintenance of water systems.

2. **Vandalism and Destruction of Water system**

- collaborated with KFS, KWS and Community forest associations (CFAs) to sensitize the herders on the need to desist from damaging and vandalizing of water infrastructure.

3. **Damage of water systems by other service providers.**

- Geo-referenced all water and sewerage infrastructure using GIS and created an online access link (**url: https://www.nawascogis.co.ke**)
- Collaborative agreements defining responsibilities and liabilities in case of damage to water and sewerage system during construction.
- Continuous installation of pipeline markers along water pipelines.

4. **Metering Component Inaccuracies**

- Developed customer meter replacement and management policy.
- Identified all meters due for replacement and developed a replacement schedule in order of priority.
- Acquired an Ultrasonic Flow Meter (UFM) for calibration of both master and customer meters.
- Replaced 933 faulty and aged meters with AMR enabled ones.
- Serviced 4,200 stopped, under-registering and over-registering customer meters.
- Sealing of all customer meters with tamper proof seals

NRW being an expensive undertaking, the company is exploring innovative win-win Public Private Partnership with National Government, investors and development partners for improved service delivery.

Committee Observations

The Committee observed that the query remains unresolved as the Non-Revenue water for the company was at 36% which was 11% above the sector benchmark of 25% as set out in WASREB guidelines. However, the water company has made some efforts to reduce the NRW arising from commercial and physical losses.

Committee Recommendations

The Committee recommends that The Auditor-General to review the measures put in place with a view to assessing their effectiveness in reducing NRW and report in the subsequent audit cycle.

CHAPTER NINE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NITHI WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2018/2019

The Governor for Tharaka Nithi County, Hon. Muthomi Njuki, appeared before the Committee on Tuesday, 25th July, 2023 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nithi Water and Sanitation Company ltd for the financial year 2018/2019. The Governor was accompanied by:

i). Mr. Njue Njaai	- CECM Water
ii). Mr. Laban Mwaniki	- Managing Director
iii). Mrs. Loise Mutua	- Chief Officer Water and Irrigation
iv). Mrs. Irine Kithaka	- Commercial manager
v). Mr. Nduaii .E K	- Director Accounts
vi). Mr. Erick Munene	- Internal auditor
vii). Mrs. Gloryfine Kathure	- Technical Manager

Nithi Water and Sanitation Company Limited Company is wholly owned by the Tharaka-Nithi County Government.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **a qualified opinion** on the financial statements of Nithi Water and Sanitation Company Limited for the period under review on the following basis—

1. Budgetary control and performance

The statement of comparison of budget and actual amounts reliefs budgeted revenue and actual on comparable basis of Kshs. 161,540,722 and Kshs. 109,868,906 respectively resulting to an under-funding of Kshs. 51,671,816 or 32% of the budget. Similarly, the Company spent a total of Kshs. 73,391,186 against an approved budget of Kshs. 157,781,212 resulting to an under-expenditure of Kshs. 84,390,026 or 53% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Tharaka Nithi County.

Management response

Revenue

The big revenue variances resulted from recognizing Kshs. 80,559,786 being grants from water fund and Tharaka Nithi County to implement projects under J6P I programme. The company only received Kshs. 41,049,583 during the financial year hence a variance of shs. 39,510,203.

Expenditure

Although we recognized the money for the projects in the budget, we never spent the amount during the year since it was received on 27th June 2019.

Committee Observations

The Committee observed that the statement of comparison of budget and actual amounts reliefs budgeted revenue and actual on comparable basis of Kshs. 161,540,722 and Kshs. 109,868,906 respectively resulting to an under-funding of Kshs. 51,671,816 or 32% of the budget. Similarly, the Company spent a total of Kshs. 73,391,186 against an approved budget of Kshs. 157,781,212 resulting to an under-expenditure of Kshs. 84,390,026 or 53% of the budget.

Committee Recommendations

The Committee recommends that –

i). **the accounting officer to adhere to Section 42(1) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures; and**

ii). **the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs and connection of more customers and automation to address revenue leakages. The Auditor-General to confirm the effectiveness of the mitigating measures put in place by the water company and report in the subsequent audit cycle.**

2. Non-Revenue Water

During the year under review, the Company produced a total of 4,135,980 cubic meters of water out of which, only 1,200,903 cubic meters representing 29% of the production

was billed to customers. The balance of 2,929,077 cubic meters or 71% of the water produced, with an estimated sales value of Kshs.155, 823, 968 represents Non-Revenue Water (NRW). This is in excess of the allowable loss of 25% provided under Schedule E of the Water Service Regulatory Board (WASREB) Guidelines. The significant level of non-revenue water may impact negatively on the Company's profitability and could erode sustainability of its operations.

Management response

Non-revenue water is a major challenge in collection of revenue in Nithi Water & Sanitation Co. Ltd. A raft of measures have been put in place to reduce the figure gradually.

Committee Observations

The Committee observed that the Non-Revenue Water was 71% or an estimated value of Kshs.155, 823, 968, which is 46% above the allowable 25% prescribed by the Water Service Regulatory Board (WASREB) Guidelines.

Committee Recommendations

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 of Tharaka-Nithi County 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.**

3. Lack of Risk Management Policy and IT Control Environment

The Company does not have an approved Risk Management Policy including Disaster Recovery Policy, Business Continuity Policy or Plan, ICT Strategic Plan and ICT

Management Policy in place. This is contrary to section 655(3)(a)(2) of the Company's Act, 2015 which requires Companies to give a description of the principal risks and uncertainty facing it and Section 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to ensure that the entity develops risk management strategies which include fraud prevention mechanisms and develop a system of risk management and internal control that builds robust business operations.

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

Management response

The company was in the process of developing the policies. As at now the company has a Risk Management policy together with ICT policy.

Committee Observations

The Committee observed that the Company did not have an approved Risk Management Policy including Disaster Recovery Policy, Business Continuity Policy or Plan, ICT Strategic Plan and ICT Management Policy in place contrary to section 655(3)(a)(2) of the Company's Act, 2015 and Section 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.

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 Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012, and 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 managements to submit evidence of the same to the Auditor-General for verification.

APPENDICES

ANNEX I: MINUTES OF THE COMMITTEE



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE EIGHTY SIXTH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE COUNTY EXECUTIVE OF BUSIA TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENT OF THE BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED FOR FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021 HELD ON THURSDAY, 27TH JULY, 2023 AT THE SHIMBA HILLS HALL, FIRST FLOOR, KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) AT 9.30 A.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**
3. Sen. William Kipkemoi Kisang, MP - Member
4. Sen. Eddy Gicheru Oketch, MP - Member
5. Sen. Hamida Kibwana Ali, MP - Member
6. Sen. Maureen Tabitha Mutinda, MP - Member
7. Sen. Miraj Abdillahi Abdulrahman, MP - Member

ABSENT WITH APOLOGY

8. Sen. Paul Karungo Thangwa, MP - Member

IN ATTENDANCE

1. Sen. Okiyah Omtatah, MP - Senator Busia County
2. Sen. Edwin Sifuna, MP - Senator Nairobi County

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant III

4. Mr. Godfrey Nyaga	- Clerk Assistant III
5. CPA Kennedy Owuoth	- Fiscal Analyst
6. Ms. Raisa Mwithi	- Researcher officer
7. Mr. Kataa Matano	- Researcher officer
8. Mr. Andrew Nyairo	- Legal counsel
9. Ms. Winfred Ocholla	- Audio officer
10. Mr. Josphat Ng'enoh	- Media Relations Officer.
11. Mr. John Pere	- Serjeant-At-arms
12. Mr. Holifield Murimi	- Attachee

IN ATTENDANCE

A. COUNTY EXECUTIVE OF BUSIA

1. Hon. Dr. Paul Otuoma	- Governor
2. Mr. Arthur Odera	- Deputy Governor, CECM Water
3. Ms. Topister Wanyama	- CECM Finance
4. Mr. Erick Nakitari	- MD BUWASSCO
5. Mr. Gypsum WAjala	- Chief Officer – Finance
6. Hon. Dr. Bonface Erute	- Chairperson CPAIC
7. Hon. David Karani	- CPAIC Member
8. Mrs. Margret Wanyama	- Director Liason
9. Mr. Dancan Kwena	- Revenue Officer
10. Mrs. Miriam Okumu	- Accounts Assistant
11. Mr. Elijah Mwaro	- Ag. County Secretary
12. Mr. Alphonce Okwera	- Clerk Asst. CPAIC

B. OFFICE OF THE AUDITOR GENERAL

1. Mr. Fred Abugah	- Ag. Director, Audit
2. Mr. Mark Gachanja	- Liaison officer
3. Mr. Patrick Kimani	- Principal Auditor

C. ETHICS AND ANTI-CORRUPTION COMMISSION

Mr. Patrick Kinoti	- Liaison Officer, EACC

MIN NO. SEN/CPICSF/518/2023 PRAYER

The meeting was called to order by the Chairperson at thirty minutes past nine O'clock followed by a word of prayer.

MIN NO. SEN/CPICSF/519/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Maureen Tabitha Mutinda, MP and seconded by Sen. William Kipkemoi Kisang, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Administration of Oath of Witness and Tabling of Documents;
4. Meeting with the County Executive of Busia to consider Reports of the Auditor-General on the Financial Statements of the Busia Water and Sewerage Services Company Limited for Financial Years 2018/2019, 2019/2020 and 2020/2021;
5. Any Other Business; and
6. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/520/2023 ADMINISTRATION OF OATH OF WITNESS AND TABLING OF DOCUMENTS

The Governor of Busia County took Oath of Witness and tabled the Management responses and supporting documents for the audit reports of Busia Water and Sewerage Services Company Limited for the Financial Years 2018/19, 2019/20 and 2020/21.

MIN. NO. SEN/CPICSF/521/2023 MEETING WITH COUNTY EXECUTIVE BUSIA TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED FOR THE FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021

The Following queries were interrogated for the Financial Year 2020/2021

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
1. Lack of Fixed Assets Register	i. The Accounting Officer did not provide a fixed asset register audit review. ii. Land and buildings of an undetermined value were	The Committee observed that the Accounting Officer failed to – i. provide an updated fixed Asset Register for

	captured in the company's asset movement schedule as reflected in note 12 to the financial statement.	audit review at the time of audit. ii. Provide the value of land and building in the company's asset movement schedule. The Committee directed the Accounting Officer to ensure that the water company carries out a valuation of all its assets within 60 days from the date of the meeting and submit an updated fixed asset register to the Committee and the Auditor-General for audit review. The Committee to review the matter in the subsequent audit cycle. **Query remains unresolved.**
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES		
1. Lack of Legal Instruments	The ownership status of the water company could not be confirmed as the Accounting Officer failed to provide the certificate of share capital and Memoranda and Articles of Association for audit review.	The Committee observed that management did not provide copies of share certificates, memorandum of Association and Articles of Association for audit review at the time of audit. However, the documents were later provided and an examination of the same revealed that the water company was yet to be fully owned by the County Government of Busia. The Committee directed that within 60 days from the date of the meeting, the Governor of Busia County to ensure that the water company is full owned by the County Government of Busia in line with the Water Act, 2016 and Water Services Regulatory Board (WASREB) guidelines. The Committee to review the matter in the subsequent audit cycles. **Query remains unresolved.**

2. Non – Revenue Water	The water company's Non-Revenue Water stood at 67%, that is 42 percentage points above the sector benchmark of 25% as per the WASREB guidelines.	The Committee observed that the Non-Revenue Water was very high and that the mitigating measures taken by the water company were inadequate. The Committee directed the Governor to put in place comprehensive mitigating measures to address both the physical and the commercial losses. The measures to include replacement of the old, dilapidated pipes and installation of smart meters and deployment of GIS systems to detect bursts real-time among others. The Auditor-General to review the measures put in place to ascertain their effectiveness and provide a status update in the subsequent audit cycle. **Query remains unresolved.**

The Following queries were interrogated for the Financial Year 2019/2020

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
1. Property, Plant, and Equipment	i. The Accounting Officer did not provide a updated fixed asset register for audit review. ii. The assets movement schedule as disclosed in note 13 to the financial statements did not include the value of land and buildings. iii. The Service Provision Agreement between the water company and the Lake Victoria North Water Works Development Agency (LVNWWDA) did not specify the land sizes and valuation on which the various water scheme under which the water company operate from.	The Committee observed that the Accounting Officer failed to – i. provide an updated fixed Asset Register for audit review at the time of audit. ii. Provide the value of land and building in the company's asset movement schedule. The Committee further observed that some of the company's assets were yet to be handed over to the water company by the LVNWWDA. The Committee directed that i. within 60 days from the date of the meeting, the Governor and the Board

		of Director to engage LVNWWDA and ensure that the water company takes full ownership of all its assets; ii. the Accountin Officer to maintain an updated affixed asset register in the format prescribed by the Public Sector Accounting Standards Board; and iii. The Auditor-General to review the matter and provide a status update in the subsequent audit cycle. **Query remains unresolved.**

The Following queries were interrogated for the Financial Year 2018/2019

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
2. Material Uncertainty in Relation to Going Concern	The water company had a negative working capital of Kshs. 1,545,558 as its current liabilities of Kshs 64,560,804 exceeded its current assets of Kshs. 63,015,246. The debtors balance Kshs. 57,047,701 surpassed the years sales of Kshs. 42,718,135	The Committee observed that the water company was technically insolvent that its existence was dependent on allocations from the County Government and its creditors. The Committee further observed that measures put in place by the water company to reserve the undesirable financial position were inadequate. The Committee directed the Governor to ensure that the management of the water company, within 60 days from the date of the meeting, puts in place strategic and innovative measures for the recovery and boosting the financial health of the water company for self-

		sustainability, and file a report with the committee and the Auditor-General. The Auditor-General to review the matter and provide a status update in the subsequent audit cycle. **Query remains unresolved.**

Interventions and Resolutions

Having considered the issues raised by the Office of the Auditor General on the Financial Statements of Busia Water and Sewerage services Company Limited for the Financial Years under review, the Committee resolved as follows;

i). The Governor to take keen interest on the management and operations of Busia Water and Sewerage services Company Limited in line with article 179 of the Constitution;

ii). The Governor, within 60 days from the date of the meeting, takes immediate steps to ensure that Busia Water Company is fully owned by the County Government in line with the Water Act, 2016, the Water Services Regulatory Board (WASREB) guidelines and any other guiding laws.

iii). The Governor to constitute the Board of Directors of the Water Company in line with the Water Act, 2016 and regulation 10 of Water Services Regulations, 2021. once the Board is properly constituted it should regularize the appointment of the Managing Director in line with Regulation 11 of the Water Services Regulations, 2021. Further, the Governor to introduce of performance contracting for all employees to improve productivity;

iv). The management to maintain an updated Asset Register in the format prescribed by National Treasury and the provisions of Section 136 (1) of the Public Finance Management (County Government) Regulations, 2015 and a copy of the same submitted to the committee within 60 days from the date of the meeting;

v). The Committee noted that Non-Revenue Water stood at 67 percent for the year under review, that is, 42 percentage points above the recommended sector benchmark of 25 percent as required by Water Services Regulatory board guidelines. The County Government of Busia, within 60 days from the date of the meeting, to put in place a comprehensive plan on how to tackle the high Non-

Revenue Water, clearly indicating how both physical and commercial losses will be addressed and a report to be filed with the Committee. Further, the Office of the Auditor-General to verify the measures and report on their effectiveness in the next audit cycle;

vi). The County Government of Busia, within 14 days from the date of the meeting, to provide a debtors' schedule to the committee and Office of the Auditor-General; and

vii). The Committee observed that the water company reported a negative working capital in the financial year under review indicating that it was unable to meet its short term and long-term obligations as they fall due thus relying on financial support from the County Executive. The County Government and management sustainability and, within 60 days from the date of the meeting, puts in place strategic and innovative measures for the recovery and boosting the financial health of the water company for self-sustainability, and file a report with the committee and Office of the Auditor-General.

MIN. NO. SEN/CPICSF/522/2023 ANY OTHER BUSINESS

The secretariat was directed to obtain the report by the Busia County Assembly's County Public Accounts and Investments Committee on the consideration of the audit reports of the water company for information.

MIN. NO. SEN/CPICSF/523/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at twenty minutes to one o'clock in the afternoon. The next meeting would be held on Monday, 31st, July, 2023 at 9:30 am.

11/4/2024

SIGNED: ..... DATE: .....

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE NINETIETH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE COUNTY EXECUTIVE OF ELGEYO MARAKWET TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENT OF ITEN - TAMBACH WATER AND SEWERAGE COMPANY LIMITED FOR FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021 HELD ON TUESDAY, 1ST AUGUST, 2023 IN THE SMALL DINNING, NEW WING, MAIN PARLIAMENT AT 11.00 A.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**
3. Sen. Ledama Olekina, MP - A friend of the Committee
4. Sen. William Kipkemoi Kisang, MP - Member
5. Sen. Paul Karungo Thangwa, MP - Member
6. Sen. Eddy Gicheru Oketch, MP - Member
7. Sen. Miraj Abdillahi Abdulrahman, MP - Member
8. Sen. Maureen Tabitha Mutinda, MP - Member

ABSENT WITH APOLOGY

9. Sen. Hamida Kibwana Ali, MP - Member

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant III
4. Mr. Godfrey Nyaga - Clerk Assistant III
5. CPA Kennedy Owuoth - Fiscal Analyst
6. Ms. Raisa Mwithi - Researcher officer
7. Mr. Kataa Matano - Researcher officer

8. Mr. Andrew Nyairo	- Legal counsel
9. Ms. Winfred Ocholla	- Audio officer
10. Mr. Josphat Ng'enoh	- Media Relations Officer.
11. Mr. James Ngusya	- Serjeant-At-arms

IN ATTENDANCE

A. ELGEYO/MARAKWET COUNTY EXECUTIVE

1. Hon. Wisley Rotich	- Governor
2. Mr. Jason Lagat	- CECM Water
3. Mr. Fredrick Linyewa	- Chair ITWASCO
4. Mr. Alphanus Tanui	- CECM Finance
5. Mr. Paul Yator	- MD ITWASCO
6. Mr. Jeremiah Kigen	- CFM ITWASCO
7. Mr. Henry Ego	- Communications officer

B. OFFICE OF THE AUDITOR GENERAL

1. Mr. Mark Gachanja	- Liaison officer
2. Mr. Bonface Ong'wen	- NRRO

C. THE NATIONAL TREASURY

Dr. Jackson Ndungu	- Liaison Officer

D. ETHICS AND ANTI-CORRUPTION COMMISSION

Mr. Patrick Kinoti	- Liaison Officer

MIN NO. SEN/CPICSF/542/2023 PRAYER

The meeting was called to order by the Chairperson at ten minutes one O'clock followed by a word of prayer.

MIN NO. SEN/CPICSF/543/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Eddy Gicheru Oketch, MP and seconded by Sen. Maureen Tabitha Mutinda, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Administration of oath of witness and Tabling of Documents;

4. Meeting with the County Executive of Elgeyo Marakwet to consider Reports of the Auditor-General on the Financial Statements of the Iten - Tambach Water and Sewerage Company Limited for Financial Years 2018/2019, 2019/2020 and 2020/2021;
5. Any Other Business; and
6. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/544/2023 ADMINISTRATION OF OATH OF WITNESS AND TABLING OF DOCUMENTS

The Governor of Elgeyo Marakwet County took Oath of Witness and tabled the Management responses and supporting documents for the audit reports of Iten - Tambach Water and Sewerage Company Limited for the Financial Years 2018/19, 2019/20 and 2020/21.

MIN. NO. SEN/CPICSF/545/2023 MEETING WITH THE COUNTY EXECUTIVE OF ELGEYO MARAKWET TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE ITEN – TAMBACH WATER AND SEWERAGE COMPANY LIMITED FOR THE FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021

The Following queries were interrogated for the Financial Year 2020/2021

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
1. Non – Revenue Water	The Non-Revenue Water for the company was 32%, that is 7 percentage points above the sector benchmark as per the Water Services Regulatory Boars (WASREB).	The Committee observed that the company's Non-Revenue Water exceeded the sector benchmark threshold and that the mitigating measures put in place by the water company to address the matter were inadequate. The Committee directed the Governor to ensure that within 60

		days from the date of the meeting, the water puts in place comprehensive measures to mitigate the Non-Revenue Water that is, both the physical and commercial losses. The measures to include replace of old dilapidated pipes, installation of smart metres and application of GIS systems to track bursts and leakages real-time among other measures. **Query remains unresolved.**
2. Non-Disclosure of Value and Ownership of Land	i. Non-disclosure in financial statements of value of land which the water company buildings are built. ii. Failure to provide ownership documents for the said land.	The Committee observed that – i. the value of land on which the buildings are built was not disclosed in the financial statements. ii. The water did not have a title deed for the said piece of land. The Committee directed the Governor to finalize on the process of acquiring full ownership of the said piece of land **within 30 days** from the date of the meeting and submit a copy of the same to the Auditor-General for verification. The Accounting Officer to maintain an updated and accurate fixed asset register and submit evidence of the same to the Auditor-General within **30 days** from the date of the meeting for verification. Auditor-General to provide a status update on the matter in the subsequent audit cycle. **Query remains unresolved.**
3. Trade Receivables	The trade receivables increased by Kshs. 4,625,822 from a balance of Kshs. 22,895,027 in the 2019/2020 financial year to Kshs. 27,520,849 in 2020/2021 financial year. No explanation was given for increase and failure	The Committee observed that was an unexplained increase in the trade receivables and that the water company had not demonstrated any efforts to recover the debts. Further the water company had not provided a debtors schedule for audit review

	to collect the debts. Kshs. 18,136,387 had been outstanding for more than 180 days.	The Committee directed that within 30 days from the date of the meeting, the Accounting Officer to put in place comprehensive debt recovery measures to recover money owed to the company and submit evidence of the same to the Auditor-General for audit review. The Committee also directed the Governor to ensure that the water company puts in place a debt management policy and submit the same to the Auditor-General within 3 days from the date of the meeting for audit review. **Query remains unresolved.**

The Following queries were interrogated for the Financial Year 2019/20

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
3. Lack of Service Provision Agreement	The Company did not have an operating licence.	The Committee observed that the water company had obtained an operating licence from the Water Services Regulatory Boad. **Query was marked as resolved.**

Interventions and Resolutions

Having considered the issues raised by the Auditor-General on the Financial Statements of Iten - Tambach Water and Sanitation Company Limited for Financial Years under review, the Committee directed as follows -

i). The Committee noted that the Non-Revenue Water stood at 32% that is 7 percentage points above the sector benchmark of 25% as per the Water Services Regulatory Board (WASREB) guidelines. The Committee, within 60 days from the date of the meeting, directed the County Government to put in place clear

and actionable measures on how the water company intends to tackle the high Non-Revenue Water, clearly indicating how both physical and commercial losses will be addressed and a report on the same to be filed with the committee and the Office of the Auditor-General to verify the measures and report on their effectiveness in the subsequent audit cycle;

ii). Noting that the County Government was not in possession of ownership documents of a parcel of land hosting the water company and other public facilities and that the status had remained the same for over 10 years, the Committee, within 30 days from the date of the meeting, directed the County Government to obtain the relevant ownership documents of the said land and submit evidence of the same to the Office of the Auditor-General for varication. Further, the Office of the Auditor-General to report on the matter in the subsequent audit cycle; and

iii). Noting that the water company had high trade receivables in the financial year under review, the Committee, within 30 days from the date of the meeting, directed, the County Government to put in place a Debt Recovery Plan and the same be submitted to Office of the Auditor General for verification.

MIN. NO. SEN/CPICSF/546/2023 ANY OTHER BUSINESS

There was no other business.

MIN. NO. SEN/CPICSF/547/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at fifteen minutes past two o'clock in the afternoon. The next meeting would be held on Thursday, 3rd, August, 2023 at 9:00 am.



11/4/2024

SIGNED: ..... DATE: .....

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE FORTY EIGHTH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE COUNTY EXECUTIVE OF KIRINYAGA TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENT OF THE KIRINYAGA WATER AND SEWERAGE COMPANY FOR FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021, HELD ON WEDNESDAY, 17TH MAY, 2023 AT THE VIP LOUNGE, FIRST FLOOR, KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) AT 11.00 A.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. Paul Karungo Thangwa, MP - Member
3. Sen. Eddy Gicheru Oketch, MP - Member
4. Sen. Miraj Abdillahi Abdulrahman, MP - Member

ABSENT WITH APOLOGY

1. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**
2. Sen. Ledama Olekina, MP - Member
3. Sen. William Kipkemoi Kisang, MP - Member
4. Sen. Hamida Kibwana Ali, MP - Member
5. Sen. Maureen Tabitha Mutinda, MP - Member

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant III
4. Mr. Godfrey Nyaga - Clerk Assistant III
5. Mr. Kennedy Owuoth - Fiscal Analyst
6. Ms. Raisa Mwithi - Researcher officer

7.	Mr. Andrew Nyairo	- Legal counsel
8.	Ms. Winfred Ocholla	- Audio officer
9.	Mr. Josphat Ng'enoh	- Media Relations Officer.
10.	Mr. John Pere	- Serjeant-At-arms

IN ATTENDANCE

A. COUNTY EXECUTIVE OF KIRINYAGA

1.	Hon. Ann Waiguru	- Governor
2.	Mrs. Jacqueline Njogu	- CECM Finance
3.	Mr. James Kihia	- Board Chairperson
4.	Mrs. Jane Murage	- Ag. Fm KIRIWASCO
5.	CPA Edward Nyaga	- Co. Finance
6.	Mr. Carilns Otieno	- Co. Planning and Procurement
7.	Mr. Peter Murimi	- Co. Water
8.	Mr. Joseph Mwangi	- Internal Auditor KIRIWASCO
9.	Mr. Anthony Munene	- Political advisor
10.	Mr. Lawrence Muchira	- County Director Budget
11.	Mr. Steven Gikonyo	- Kirinyaga
12.	Mr. Jared Wachira	- Kirinyaga

B. OFFICE OF THE AUDITOR GENERAL

1.	Mr. Peter M. Gitonga	- Deputy Director Audit
2.	Mr. James Njeru	- Deputy Director of Audit
3.	Mr. Fredrick Kitili	- Manager Audit

C. ETHICS AND ANTI-CORRUPTION COMMISSION

Mr. Patrick Kinoti - Liaison Officer, EACC

MIN. NO. SEN/CPICSF/292/2023 PRAYER

The meeting was called to order by the Chairperson at twenty-two minutes past eleven O'clock followed by a word of prayer.

MIN. NO. SEN/CPICSF/293/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Paul Karungo Thang'wa, MP and seconded by Sen. Miraj Abdullahi Abdulrahman, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Administration of oath of witness and Tabling of Documents;
4. Meeting with the County Executive of Kirinyaga to consider Reports of the Auditor-General on the Financial Statements of the Kirinyaga Water and Sanitation Company Limited for Financial Years 2018/2019, 2019/2020 and 2020/2021;
5. Any Other Business; and
6. Date of the Next Meeting and Adjournment

MIN. NO. SEN/CPICSF/294/2023 ADMINISTRATION OF OATH OF WITNESS AND TABLING OF DOCUMENTS

The Governor of Kirinyaga County took oath of witness and tabled the management responses and supporting documents for the audit reports of the Kirinyaga County Water and Sanitation Company Limited for Financial Years 2018/2019, 2019/2020 and 2020/2021.

MIN. NO. SEN/CPICSF/295/2023 MEETING WITH KIRINYAGA COUNTY EXECUTIVE TO CONSIDER THE AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS OF KIRINYAGA WATER AND SANITATION COMPANY FOR THE FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021

The Office of the Auditor-General indicated that the following queries had since been addressed by the management -

Report on the Financial Statements for the Financial Year 2020/2021

a. Inaccuracies in the Financial Statements;
b. Statement of Changes in Equity;
c. Misstatement of Water Sales;
d. Trade and Other Receivables;
e. Unsupported Water Bills Adjustments;
f. Cash and Cash Equivalents;
g. Unsupported Short-Term Loan; and
h. Statement of Comparison of Budget and Actual Amounts.

Other matter

a. Movement of Conditional Liquidity Grants to Deferred Income Without Approved Budget; and
b. Progress on Follow-up of Prior Year Audit Matters.

The Following queries were interrogated for the Financial Year 2020/2021

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
1. Long Outstanding Receivables	Salary advances of Kshs. 1,134,473 and Kshs. 170,114 for staff loans to four (4) former officers to purchase laptops had no support documentation including approvals and evidence that the Management has initiated recovery of the salary advances.	The Committee observed that the water company had recovered Kshs. 919,340 out of the salary advance of Kshs. 1,134,473, leaving an outstanding unrecovered debt of Kshs. 208,465. The Committee also observed that loans amounting to Kshs. 170,114 were advance to 4 former officer ad that it was yet to be recovered. The Committee directed the Governor to ensure that the water company institute measures to recover the outstanding balances and submit evidence of the same to the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle. **The query remains unresolved.**
2. Unsupported Property, Plant and Equipment	The accuracy, ownership and completeness of the property, plant and equipment balance of Kshs. 98,644,815 as at 30 June could not be ascertained as – i. the amount was not supported by an updated asset register and the assets had not been valued for a long time.	The Committee observed that the Kshs. 98,644,815 in respect of property, plant and equipment was not supported by an updated asset register and other asset ownership documents. **The Committee directed the Governor to ensure that the water**

	ii. Ownership documents for assets were not provided for audit.	**company secures full ownership of all assets and submit an updated fixed asset register in the required format as prescribed by the Public Sector Accounting Standards Board within 14 days from the date of the meeting.** **The query remains unresolved.**
KEY AUDIT MATTERS		
1. Budgetary Control and Performance	There was unrealised revenue collection of Kshs. 39,353,871 and an under absorption Kshs. 31,142,020, hampering service delivery to the people of Kirinyaga.	The Committee observed that there was an under collection and under absorption of the budget by the water company which could have affected service delivery by the water company. The Committee directed **the Accounting Officer exert budgetary control measures in line with regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations 2015, such as instituting proper and realistic budget planning as well as measures to improve revenue.** **The Auditor-General to confirm the effectiveness of the mitigating measures put in place by the water company and provide a status update in the subsequent audit cycle.** **Query remained unresolved.**
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES		
1. Non-Revenue Water	The Non-Revenue Water stood at 60%, that is 35 percentage points above the sector benchmark of 25% as per the WASREB guidelines.	The Committee directed the Governor of Kirinyaga County to ensure the water company submitted to the Committee and the Auditor-General comprehensive measures on

		how it intended to tackle the high Non-Revenue Water, clearly indicating how both the physical and the Commercial losses would be addressed within 14 days from the date of the meeting. **The query remains unresolved.**
2. Non Gazettement of Board of Directors	The Company had seven (7) board members serving during the year ended 30 June, 2021. However, as at the time of audit, the Board of Directors had not been gazetted.	The Committee observed that the water company was not in compliance with the Mwongozo Guidelines with respect to gazzettment of the Board of Director. The Committee directed the Governor to ensure that the water company complies with the Mwongozo Guidelines. The Auditor-General to review the matter and provide a status update in the subsequent audit cycle **The query remains unresolved.**
3. Long Outstanding Staff Imprest	There were long outstanding imprests of Kshs.3,847,011 that have remained unrecovered for periods exceeding six (6) months. Further, eight (8) officers were issued with more than one imprest totalling Kshs.1,418,770 without surrendering the earlier issued imprests, contrary to Section 92(8) of Public Finance Management (County Governments) Regulations, 2015.	The Committee directed Governor to submit a list of staffs owing the Company and detailed plan on how they intend to recover the monies **within fourteen (14) days.** **The query remained unresolved.**

Interventions and Resolutions

That the Committee having considered the issues raised by the Office of the Auditor-General on the Financial Statements of Kirinyaga Water and Sewerage Company Limited for Financial Years 2018/19, 2019/20 and 2020/21, it noted that the company

had management challenges as demonstrated by the numerous unresolved matters and directed as follows -

i). The Governor take keens interest in the operations and management of the water company in line with Article 179 of the Constitution;

ii). The Governor ensures registration and full ownership of the water company in favour of the County Government in line with the provisions of the Water Act 2016;

iii). Within 60 days from the date of the meeting, the Governor undertakes total restructuring of the water company by

a. Reviewing its Human Resources Management to introduce performance contracting for all staff including the top management;
b. Reconstituting the Board of Directors; and
c. Mapping all the assets of the company.

iv). The County Government in collaboration with the County Assemble to enact a water legislation to support operations of the water company;

v). Within 14 days from the date of the meeting, the management to prepare and submit to the Committee comprehensive mitigation measures on how they intend to address the issues of Non-revenue Water (NRW), both the Commercial and Physical losses. The NRW stood at 60%, which is way above the 25% recommended threshold as per WASREB Guidelines. Further, the Governor to collaborate with the Ethics and Anticorruption Commission (EACC) to put in place corruption preventive measures to deal with activities that may lead to high Non-Revenue Water;

vi). The management to provide evidence of communication with Tana Athi Water in its bid to secure ownership of various assets in favour of the water company; and

vii). The management to update the Asset Register of the water company in line with the format prescribed by the Public Sector Accounting Sector Standards Board.

MIN. NO. SEN/CPICSF/296/2023 ANY OTHER BUSINESS

The Committee received a letter from Hon. Eric Muchina, MCA Kerugoya Ward, Kirinyaga County raising allegations of abuse of Office and Financia Impropriety at Kirinyaga Water and Sewerage Company Limited. The Committee noted that the issues raised in the said letter did not relate to audit matters before the Committee. The Committee resolved to consider the contents of the letter in its subsequent meetings.

MIN. NO. SEN/CPICSF/297/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at nine minutes to three o'clock in the afternoon. The next meeting would be held on Thursday, 18th, May, 2023 at 10:00 am.



11/4/2024

SIGNED: ..... DATE: .....

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE FORTY FOURTH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE COUNTY EXECUTIVE OF KILIFI TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF MALINDI WATER AND SEWERAGE COMPANY LIMITED AND KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED FOR FINANCIAL YEARS 2018/19, 2019/20 AND 2020/21, HELD ON THURSDAY, 27TH APRIL, 2023 AT THE IMPALA ROOM, FIRST FLOOR, KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) AT 10.00 A.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. Ledama Olekina, MP - Member
3. Sen. William Kipkemoi Kisang, MP - Member
4. Sen. Paul Karungo Thangwa, MP - Member
5. Sen. Eddy Gicheru Oketch, MP - Member
6. Sen. Maureen Tabitha Mutinda, MP - Member
7. Sen. Hamida Kibwana Ali, MP - Member
8. Sen. Miraj Abdullahi Abdulrahman, MP - Member

ABSENT WITH APOLOGY

Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**

IN ATTENDANCE

Sen. (Rtd) Justice Stewart Madzayo, CBS, MP - Senator, Kilifi County

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I

2. Mr. David Angwenyi	- Clerk Assistant I
3. Mr. Erick Njogu	- Clerk Assistant III
4. Mr. Godfrey Nyaga	- Clerk Assistant III
5. CPA. Kennedy Owuoth	- Fiscal Analyst
6. Mr. Josphat Ng'enoh	- Media Relations officer.
7. Ms. Winfred Ocholla	- Audio officer
8. Mr. Patrick Ngenoh	- Procurement officer
9. Mr. Andrew Nyairo	- Legal counsel
10. Ms. Raisa Mwithi	- Research Officer
11. Mr. Matano Kataa	- Research Officer
12. Mr. Josphat Ng'enoh	- Media Relations Officer.
13. Mr. John Pere	- Serjeant-at-arms

IN ATTENDANCE

A. COUNTY GOVERNMENT OF KILIFI

1. Hon. Gideon Mung'aro	- Governor
2. Mrs. Yaye Shosi Ahmed	- CECM- Finance Economic Planning
3. Mr. Omar Said Omar	- CECM – Water
4. Mr. Ezekiah Nguma Mwarua	- CO, Water
5. Mr. Seith Kalume	- Finance Manager, MUWASCO
6. Mr. Isaac Chibule	- Ag. MD, MUWASCO
7. Mr. Pascal Jira	- MD KIMAWASCO
8. Mrs. Rhoda Chigiri	- Accountant KIMAWASCO
9. Mr. Kingstone Mulowe	- Internal Auditor
10. Mr. Nelson Mbitha	- Senior Procurement Officer
11. Mr. Martin M. Mwaro	- Ag. County Secretary
12. Mr. Ismail Juma	- Procurement KIMAWASCO

B. OFFICE OF THE AUDITOR GENERAL

1. Mr. Japheth Kasivu	- Principal Auditor
2. Mr. Mark Gachanja	- Liaison Officer

C. ETHICS AND ANTI-CORRUPTION COMMISSION

Mr. Patrick Kinoti	- Liaison Officer

MIN. NO. SEN/CPICSF/267/2023 PRAYER

The meeting was called to order by the Chairperson at twenty eight past ten O'clock in the morning followed by a word of prayer.

MIN. NO. SEN/CPICSF/268/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Hamida Kibwana Ali, MP and seconded by Sen. Miraj Abdullahi Abdulrahman, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Administration of oath of witness and tabling of documents;
4. Meeting with the County Executive of Kilifi to consider Reports of the Auditor-General on the Financial Statements of Malindi Water and Sewerage Company Limited and Kilifi-Mariakani Water and Sewerage Company Limited for Financial Years 2018/19, 2019/20 and 2020/21;
5. Any Other Business; and
6. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/269/2023 ADMINISTRATION OF OATH AND TABLING OF DOCUMENTS

The Governor of Kilifi County took Oath of Witness and tabled the Management responses and supporting documents for audit reports of the Malindi Water and Sewerage Company Limited and Kilifi-Mariakani Water and Sewerage Company Limited for Financial Years 2018/2019, 2019/2020 and 2020/2021.

MIN. NO. SEN/CPICSF/270/2023 MEETING WITH THE COUNTY EXECUTIVE OF KILIFI TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF MALINDI WATER AND SEWERAGE COMPANY LIMITED AND KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LTD. FOR THE FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021.

The Governor of Kilifi County, Hon. Gideon Maitha Mung'aro, appeared before the Committee to respond to the issues raised in the reports of the Auditor-General on the financial statements of Malindi Water and Sewerage Company Limited and Kilifi-Mariakani Water and Sewerage Company Limited for the financial years for 2018/19, 2019/20 and 2020/21.

The Governor requested the Committee to consider the written management responses of the audit reports and to allow him to travel back to Kilifi following the Shakahola tragedy and the Committee acceded to the request.

MIN. NO. SEN/CPICSF/271/2023 ANY OTHER BUSINESS

i. The Committee sought to know the status of preparation for the Inquiry into the County Pension Fund Liabilities and was informed by the secretariat that preparations of an advert for public participation and letters to County Pensions Fund, LapTrust and Lapfund were underway. The Committee directed the secretariat to present the draft advert for its consideration during the next meeting.

ii. Following revocation of the earlier permission granted by the Hon. Speaker of the Senate to hold its sittings on Wednesday mornings, the Committee directed the secretariat to revise the work schedule, proposing other modalities of holding its meetings. Further, the Committee directed the Secretariat to reschedule the meeting with the County Executive of Kirinyaga that was scheduled for Wednesday, 3rd May, 2023 to later date.

MIN. NO. SEN/CPICSF/272/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting six minutes past eleven o'clock. The next meeting would be held on Tuesday, 2nd, May, 2023 at 10:00 am.

14/11/2023

SIGNED: ..... DATE: .....

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE EIGHTY FOURTH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE COUNTY EXECUTIVE OF MANDERA TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENT OF THE MANDERA WATER AND SEWERAGE COMPANY LIMITED FOR FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021 HELD ON TUESDAY, 25TH JULY, 2023 IN FIRST FLOOR, SHIMBA HILS, KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) AT 9.30 A.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**
3. Sen. William Kipkemoi Kisang, MP - Member
4. Sen. Hamida Kibwana Ali, MP - Member
5. Sen. Maureen Tabitha Mutinda, MP - Member

ABSENT WITH APOLOGY

1. Sen. Paul Karungo Thangwa, MP - Member
2. Sen. Eddy Gicheru Oketch, MP - Member
3. Sen. Miraj Abdillahi Abdulrahman, MP - Member

IN ATTENDANCE

Senator Roba Ali Ibrahim, MP - Senator Mandera County

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I

3. Mr. Erick Njogu	- Clerk Assistant III
4. Mr. Godfrey Nyaga	- Clerk Assistant III
5. CPA Kennedy Owuoth	- Fiscal Analyst
6. Ms. Raisa Mwithi	- Researcher officer
7. Mr. Kataa Matano	- Researcher officer
8. Mr. Andrew Nyairo	- Legal counsel
9. Ms. Winfred Ocholla	- Audio officer
10. Mr. Josphat Ng'enoh	- Media Relations Officer.
11. Mr. Holifield Murimi	- Attached to the Committee
12. Mr. John Pere	- Serjeant-At-arms

IN ATTENDANCE

A. COUNTY EXECUTIVE OF MANDERA

1. Hon. Muhamed Khalif	- Governor
2. Mr. Billow Hassan	- County Secretary
3. Mr. Ibrahim. M	- CEC – Finance
4. Mr. Hussein Somo	- County Attorney
5. Mr. Abdirahman Ahmed	- Deputy Director Financial Services
6. Mr. Addikadir Tache	- CEO Finance
7. Mr. Kassin Hafi	- MD MADWASCO
8. Mr. Ahmed Mohamed	- Principal Accountant
9. Mr. Ibrahim Asduwa	- Assistant Director
10. Hon. Abdullahi Ibrahim	- Chairperson PAIC
11. Mr. Abdifafah Kollow	- Clerk Asst. PAIC
12. Hon. Mohamed Mohamud	- Member PAIC
13. Mrs. Susan Gichuchi	- Director Administration
14. Mr. Issadin Edow	- Chief of Staff
15. Mr. Basia Isaack	- Director Energy
16. CPA Najma Suraw	- Deputy CEO Mandera Water

B. OFFICE OF THE AUDITOR GENERAL

1. Mr. Hurrie Njoroge	- Director of audit
2. Mr. Martin Mutiga	- Principal auditor
3. Mr. Mark Gachamja	- Liaison officer

C. ETHICS AND ANTI-CORRUPTION COMMISSION

Mr. Patrick Kinoti - Liaison Officer

D. THE NATIONAL TREASURY

Dr. Jackson Ndungo - Liaison Officer

MIN NO. SEN/CPICSF/506/2023 PRAYER

The meeting was called to order by the Chairperson at twenty eighty minutes past nine O'clock followed by a word of prayer.

MIN NO. SEN/CPICSF/507/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. William Kipkemoi Kisang, MP and seconded by Sen. Hamida Kibwana Ali, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Administration of oath of witness and Tabling of Documents;
4. Meeting with the County Executive of Mandera to consider Reports of the Auditor-General on the Financial Statements of Mandera Water and Sewerage Company Limited for Financial Years 2018/2019, 2019/2020 and 2020/2021;
5. Any Other Business; and
6. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/508/2023 ADMINISTRATION OF OATH OF WITNESS AND TABLING OF DOCUMENTS

The Governor of Mandera County took Oath of Witness and tabled the Management responses and supporting documents for the audit reports of Mandera Water and Sewerage Company Limited for the Financial Years 2018/19, 2019/20 and 2020/21.

MIN. NO. SEN/CPICSF/509/2023 MEETING WITH THE COUNTY EXECUTIVE OF MANDERA TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF MANDERA WATER AND SEWERAGE COMPANY LIMITED FOR FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021

The Following queries were interrogated for the Financial Year 2020/2021

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**

1. Inaccuracies in the Financial Statements	The accuracy of the financial statements could not be confirmed as note 19 to the financial statements reflected different amounts of members' equity. Members's equity was also not captured in the statement of changes in equity. Statement of financial position and the statement of changes in equity reflected varying retained earnings balances.	The Committee observed that the County Government of Mandera disputed the figures captured by the Auditor-General. The Committee directed the Governor to engage the Auditor and resolve the dispute. The Committee to review the matter in the subsequent audit cycle. **The query remains unresolved.**
KEY AUDIT MATTERS		
3. Budgetary Control and Performance	There was revenue under collection of Kshs. 75,328,131 and under absorption of Kshs. 101,739,771 which may have negatively impacted on service delivery to the residents of Mandera town of the budget.	The Committee observed the under collection and under expenditure was as a result of low sales volumes of water due to Covid-19 and drought as well as slow disbursements of funds by donors due to security concerns in the county. Further the Committee noted that no budgetary control measures were put in place by the water company. The Committee directed the Governor to ensure that the Accounting officer exerts budgetary control measures in line wit regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. **The query remains unresolved.**

The Following queries were interrogated for the Financial Year 2019/20

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
4. Lack of Ownership Documents	i. Intangible assets amounting to Kshs. 881,600 from Northern Water Works Development	The Committee observed that – i. the land ownership documents were

	Agency were not disclosed in the Notes to the financial statements. ii. Land hosting Suftu Water intake had no title deed. iii. Buildings and civil works amounting to Kshs. 62,989,234 should have been reported under project costs in the statement of Profit and loss ans the projects were to be owned by the community.	provided and verified by the Auditor-General. ii. The intangible assets were not inherited from Northern Water Works Development Agency and that they were acquisitions by the water company. iii. The Accounting Officer failed provide supporting documents to verify the acquisition of the intangible assets. The Committee directed the Governor to ensure that the acquisition documents for the intangible assets are submitted to the Auditor-General for audit review with 14 days from the date of the meeting. **Query remains unresolved.**

The Following queries were interrogated for the Financial Year 2018/19

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
1. Water Sales Revenue	i. The number and values of monthly bills issued to customers could not be confirmed as the revenue schedule provided for audit review did not have invoice numbers and invoice dispatch registers. ii. The water company had not installed water meters at its water pumps.	The Committee observed that at the time of audit, the water company had not metered its water supply system and therefore relied on a flat rate billing system. The Committee further noted that the water company was in the process of automating its revenue system but failed to address the metering issues. **The Committee therefore directed the Governor to ensure that all customers are metered through smart meters for accurate billing. Further, the Governor to ensure**

		that the old infrastructure is replace and that the water company deploys appropriate technologies such as GIS to detect bursts and leakages real time. The Auditor-General to monitor implementation and provide a status update in the subsequent audit cycle. **Query remains unresolved**
2. County Government Grants	The Grants balances of Kshs. 37,010,483 from the County Government of Mandera were not supported with ledger records.	The Committee observed that the management provided the supporting schedule and that the same had been reviewed by the Auditor-General. The Committee directed the Accounting Officer to ensure that documents are submitted within the required timelines in line with section 9(1)(e) of the Public Audit Act. **Query was marked as resolved.**
3. Equity and Capital Grants	The ledger records on the Equity and Capital balances of Kshs. 28,959,668 and Kshs. 117,106,002 respectively were not provided for audit review	The Committee observed that the Accounting Officer submitted for audit review, the ledgers to support the members' equity and capital grants balances and that the same was reviewed by the Auditor-General. The Committee directed the Accounting Officer to ensure that documents are submitted within the required timelines in line with section 9(1)(e) of the Public Audit Act. **Query was marked as resolved.**
4. Valuation of Assets	No disclosure has been provided in the financial statements on how the diminution in value of the Company assets during the dormancy period was accounted for in the books of the Company, and how the opening property, plant and equipment balance totalling Kshs. 65,522,125 as at July, 2018 was arrived at.	The Committee observed that the accuracy of the opening property, plant and equipment balance totalling Kshs. 65,522,125 could not be confirmed as the water company failed to demonstrate how the balances were arrived at.

		Further, the Committee noted that some of the assets and liabilities belonging to the water company were yet to be transferred from the defunct local authorities and the water company had not demonstrated any efforts to pursue the matter with the Intergovernmental Relations Technical Committee (IGRTC). The Committee directed that – i. the Governor to engage IGRTC for full transfer of assets and liabilities in favour of the water company. ii. the Accounting Officer to carry out a valuation of all the company's assets within 60 days from the date of the meeting and submit an updated fixed asset register to the Committee and the Auditor-General for verification. **Query remains unresolved.**
5. Additions in the Year Under Review	i. Variance of investment balances on fixed assets of Kshs. 23,458,859 between the statement of cash flows and Note 14 to the financial statements was not explained or reconciled. ii. The balance of Kshs. 843,427 of financing activities of fixed assets inherited from the Northern Water Services Board was not explained. iii. Review of records on the assets indicated that the properties were not registered in the Company's name.	The Committee observed that the variance of Kshs. 23,458,859 was adequately addressed in the management response. However, properties amounting to Kshs. 843,427 inherited from the Northern Water Services Board was not explained and the said assets were not registered in the company's name. The Committee directed the Governor to engage IGRTC and ensure full ownership of all the assets of water company within 60 days from the date of the meeting. The Accounting Officer to ensure that all assets of the water company are valued within 60 days from the date of the meeting and maintained

		an updated fixed asset register in required format and submit a copy of the same to the Auditor-General and the Committee for verification. The Auditor-General to review the matter and provide a status update in the subsequent audit cycle. **Query remains unresolved.**
6. Freehold Land	The water company did have ownership documents of a freehold piece of land valued at Kshs. 4,500,000.	The Committee observed that the ownership documents for the land were availed. **Query was marked as resolved.**

Interventions and Resolutions

Having considered the issues raised by the Office of the Auditor General on the Financial Statements of Mandera Water and Sewerage Company Limited for the Financial Years under review, the Committee directed as follows;

i). The Governor takes keen interest in the operations of the water company in the county in line with Article 179 of the Constitution;

ii). The Governor, within 60 days from the date of the meeting, ensures that the water company complies with the WASREB advisory Ref: WASREB/LEGAL/582 VOL.VI (9) dated 6th April, 2023 to all Governors, and that full ownership of the water company is transferred to the County Government in line with the law (Water Act, 2016) and other guiding laws. Upon completion, the Governor submits a copy of the CR-12 to the Committee;

iii). The County Government in collaboration with the County Assembly to finalizes the enactment of a County Water Act to support the operations of Mandera Water and Sanitation Company Limited;

iv). The Committee noted that in some instances the management of the water company submitted documents for audit outside the set timelines during the audit process contrary to the provisions of section 31 of Public Audit Act, 2015. The Water company ensures total compliance with the said provisions of the law going forward;

v). For Good governance, sound accountability, protection of public resources, and improved service delivery, the management of Mandera Water and Sewerage Company commences metering of its customers;

vi). The management to maintain an updated asset register in the format prescribed by the National treasury and the provisions of section 136 (1) of Public Finance Management (County Government) regulations, 2015 and a copy of the same to be submitted to the Committee within 60 days from the date of the meeting;

vii). The Committee noted that the management of the water company had failed to establish an internal audit function and an audit committee contrary to section 167 (1) Public Finance Management (County Government) regulations, 2015. The management to establish internal audit function and an audit committee for the water company within 60 days from the date of the meeting. Further the County Government ensure that the internal is adequately resourced; and

viii). The Committee noted some assets of the water company had not been transferred from the defunct local authorities (Mandera County Council). The County Government in consultation with the Intergovernmental Relations Technical Committee (IGRTC) ensures all assets are transferred in favour of the County Government within 60 days from the date of the meeting.

MIN. NO. SEN/CPICSF/510/2023 ANY OTHER BUSINESS

There was no other business.

MIN. NO. SEN/CPICSF/511/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at thirty-seven minutes past eleven o'clock in the afternoon. The next meeting would be held on Thursday, 27th July, 2023 at 9:30 am.



29/4/2024

SIGNED: ..... DATE: .....

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE FORTY THIRD SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE COUNTY EXECUTIVE OF MIGORI TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE MIGORI COUNTY WATER AND SANITATION COMPANY LIMITED FOR FINANCIAL YEARS 2018/19, 2019/20 AND 2020/21, HELD ON TUESDAY, 25TH APRIL, 2023 AT THE IMPALA ROOM, FIRST FLOOR, KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) AT 10.00 A.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**
3. Sen. William Kipkemoi Kisang, MP - Member
4. Sen. Paul Karungo Thangwa, MP - Member
5. Sen. Eddy Gicheru Oketch, MP - Member
6. Sen. Maureen Tabitha Mutinda, MP - Member
7. Sen. Hamida Kibwana Ali, MP - Member
8. Sen. Miraj Abdillahi Abdulrahman, MP - Member

ABSENT WITH APOLOGY

Sen. Ledama Olekina, MP - Member

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant III
4. Mr. Godfrey Nyaga - Clerk Assistant III
5. CPA. Kennedy Owuoth - Fiscal Analyst

6. Mr. Josphat Ng'enoh	- Media Relations officer.
7. Ms. Winfred Ocholla	- Audio officer
8. Mr. Patrick Ngenoh	- Procurement officer
9. Mr. Andrew Nyairo	- Legal counsel
10. Ms. Raisa Mwithi	- Research Officer
11. Mr. Matano Kataa	- Research Officer
12. Mr. Josphat Ng'enoh	- Media Relations Officer.
13. Mr. John Pere	- Serjeant-at-arms

IN ATTENDANCE

A. COUNTY GOVERNMENT OF MIGORI

1. Hon. (Dr.) Ochillo Ayacko	- Governor
2. Mr. Maurice N. Otunga	- CECM Finance
3. Mr. Christopher O. Rusana	- CECM Water
4. Mr. Jacob Maroe	- MD MIWASCO
5. Mr. Shadrack Rioba	- MIWASCO
6. Hon. Thomas Arungu	- MCA
7. Hon. Jacob Calebs	- MCA
8. Mrs. Janet Kagati	- Head of Treasury
9. Mr. Phidale Castro Ouma	- CO – Water
10. Dr. Achwora John	- CO – Finance
11. Mr. Dennis Wasike	- Governor's liaison office

B. OFFICE OF THE AUDITOR GENERAL

1. Mr. Laban Ondara	- Principal Auditor
2. Mr. Japheth Kasivu	- Principal Auditor
3. Mr. Mark Gachanja	- Liaison Officer

C. ETHICS AND ANTI-CORRUPTION COMMISSION

Mr. Patrick Kinoti	- Liaison Officer

MIN. NO. SEN/CPICSF/261/2023 PRAYER

The meeting was called to order by the Chairperson at half past ten O'clock in the morning followed by a word of prayer.

MIN. NO. SEN/CPICSF/262/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Hamida Kibwana Ali, MP and seconded by Sen. Miraj Abdillahi Abdulrahman, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Administration of oath of witness and tabling of documents;
4. Meeting with the County Executive of Migori to consider Reports of the Auditor-General on the Financial Statements of Migori County Water and Sanitation Company Limited for Financial Years 2018/19, 2019/20 and 2020/21;
5. Any Other Business; and
6. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/263/2023 ADMINISTRATION OF OATH OF WITNESS AND TABLING OF DOCUMENTS

The Governor of Migori County took Oath of Witness and tabled the Management responses and supporting documents for the audit reports of the Migori County Water and Sanitation Company Limited for Financial Years 2018/2019, 2019/2020 and 2020/2021.

MIN. NO. SEN/CPICSF/264/2023 MEETING WITH THE COUNTY EXECUTIVE OF MIGORI TO CONSIDER REPORTS OF AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF MIGORI COUNTY WATER AND SANITATION COMPANY LIMITED FOR FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021

The Following queries were interrogated for the Financial Year 2020/2021

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
1. Customer Deposits Account	The management of the water company withdrew Kshs. 7,006,448 from the customer deposits account without the approval of the Board of Directors	The Committee noted that refund to the deposits account was yet to be done. The Committee, within 14 days from the date of the meeting, directed the management of the

		water company submit a comprehensive repayment plan for the customer deposits. **Query remains unresolved.**
2. Issued Capital	The ownership, of the water company was yet to be transferred from the defunct local authorities to the County Government in line with the Water Act, 2016 and other sector guidelines.	The Governor requested the Committee to allow him resolve the matter **within sixty (60) days from the date of the meeting**. The Committee acceded to his request and directed that the management submits a copy of the **CR12 upon the lapse of the 60 days.** **Query remains unresolved**.
3. Comparative Trade and other Receivables	The prior year trade and other receivables comparative balance reflected in the statement of financial position of the year under review of 34,892,265 differed with the corresponding balance of Kshs. 34,680,390 reported in the previous year's audited financial statements, resulting in an unreconciled variance of Kshs. 211,875.	The Committee observed that the 2020/2021 final report was finalized before the OAG report for the FY 2019/2020 was finalized due to transition within the Office of the Auditor-General. However, the Office of the Auditor-General confirmed that the certified comparative figures had been adopted while submitting the 2021/2022 annual report and financial statements. **The query was considered resolved.**
4. Comparative Trade and other payables	The prior year trade and other payables comparative balance reflected in the statement of financial position of the year under review of Kshs. 47,140,532 differed with the corresponding balance of Kshs. 46,928,659 reported in the previous year's audited financial statements, resulting in an unreconciled variance of Kshs. 211,873.	The Committee observed that the 2020/2021 final report was finalized before the OAG report for the FY 2019/2020 was finalized due to transition within the Office of the Auditor-General. However, the Office of the Auditor-General confirmed that the certified comparative figures had been

		adopted while submitting the 2021/2022 annual report and financial statements. **The query was considered resolved.**
5. Material Uncertainty Related to Going Concern	The current liabilities totalling Kshs. 69,288,996 exceeded current assets of Kshs. 46,388,281 resulting in a negative working capital of Kshs. 22,900,715.	The Committee observed that the water company was a loss-making trend leading to negative working capital. The Committee directed the Governor to ensure the water company put in place strategic and innovative measures for recovery and boost the financial health of the water Company for self-sustainability. The Office of the Auditor-General to provide a status update on the matter in the subsequent audit cycle. **Query remains unresolved**
Other Matter		
6. Budgetary Control and Performance	The comparison of the budget and actual receipts resulted to an under-funding of Kshs. 29,978,612 or 38% of the budget whereas that of the incurred expenditure and the approved budget resulted to an under-expenditure Kshs 26,601,319 or 38% of the budget. Further, the recomputed total of Kshs 77,731,415 differed with the total final budget amount of Kshs 78,737,415 resulting resulting in an unexplained variance of Kshs 1,006,000	The Committee observed that the underfunding and under expenditure may have had an adverse effect on the water company's planned activities and service delivery to the residents of Migori County. The Office of the Auditor-General informed the meeting the matter of the variance was because of a casting error and that the necessary corrections had been done. The Company's Board of Directors was directed to ensure that the management of the water company comes up with realistic budgets and undertake supplementary budgets as

		often as possible to ensure the budget is realised. The Committee to review the matter in the subsequent audit cycle. **Query remains unresolved.**
7. Unresolved Prior Year Matters	A review of the progress on follow up of Auditor's recommendations indicated that the Management had not resolved the issues as at 30 June, 2021.	The Committee observed that that the management had not provided an explanation as to why the matters were not. The Committee directed the management to try to resolve all prior year issues in line with Section 149(2)(l) of the Public Finance Management Act, 2012. The Committee to review the matter in the subsequent audit cycle. **Query remains unresolved.**
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES		
8. Trade and other Payables	The water company had salary arrears of Kshs. 14,540,883 and unremitted Pay-As-You-Earn (PAYE), National Social Security Fund (NSSF) remittances and Withholding Tax arrears totalling to Kshs. 2,908,753 and had been outstanding for more than 12 months as at 30 June 2021.	The Committee observed that i. the matter of salary arrears was not adequately addressed by the management; and ii. the management was taking some steps to address the matter of unremitted statutory deductions. The Governor requested the Committee to allow him to solve the matters **within sixty (60) days from the date of the meeting**. The Committee acceded to his request and resolved to review the matter in the subsequent audit cycle.

		Query remains unresolved.
9. Payment of Salaries Below the Minimum Wage	Employees were earning monthly wages totalling Kshs. 10,000 contrary to the Regulation of Wages General Amendment Order of 2018 which sets the minimum monthly wage for employees working in Migori County at Kshs. 12, 523.	The Committee noted that the management of the water company had taken remedial measures to address the staff salary minimum wage. **Query was considered resolved.**
10. Irregular Payment of Directors' Emoluments	The regularity of the board emoluments totalling Kshs. 1,338,478 could not be confirmed.	The Committee noted that the management of the water company had failed to submit crucial documents that were necessary in responding to the matter as they were not provided by the secretarial service provider. The Committee directed the Governor to ensure that demand letters were written to the said service provider to submit the necessary documents failure to which the Committee shall intervene. **Query remains unresolved and the matter to be reviewed in the subsequent audit cycle.**
11. Non-Revenue Water	The non-revenue water stood at 48% that is 23 percent points above the sector benchmark of 25% as prescribed by the Water Services Regulatory Board (WASREB) guidelines.	**The Committee, with 60 days from the date of the meeting directed the management of the water company to put in place comprehensive measures to tackle the high NRW (both physical and Commercial losses).** **Office of the Auditor-General to verify the measures and report on their effectiveness in the subsequent audit cycle.** The Committee further directed the EACC to commence investigations into the operations of the past regime

		give a preliminary report within **seven (7)**. **Query remains unresolved**.
12. Unfettered Access to Billing System Vendor	The Billing System's Vendor retained the controls of the system hence the management could not guarantee the security and integrity of the data in the database of the billing system.	The Committee directed the Governor to ensure that the water company took full control of the Billing System within 60 days from the date of the meeting. **The query remains unresolved and the matter to be reviewed in the subsequent audit cycle.**

Interventions and Resolutions

That the Committee having considered the issues raised by the Office of the Auditor General on the Financial Statements of Migori County Water and Sanitation Company Limited for the Financial Year 2020/21 it resolved as follows;

i). To consider written management responses for remaining issues raised by the Auditor General on the Financial Statements of Migori County Water and Sanitation Company Limited for the Financial Years 2020/21, 2019/20 and 2018/19;

ii). The Governor to ensure that the County Government takes full ownership of the water company by transferring all the shares owned by the defunct local authority and submit a copy of the CR-12 within 60 days;

iii). The Governor to submit to the Committee measures put in place to refund customer deposits with 14 days. The Office of the Auditor General to verify the measure and report in the subsequent audit cycle; and

iv). The Governor directed to write a demand letter to Kirui Secretaries (service provider) to provide documents in their possession that were necessary in facilitating the audit process. In the event of non-compliance, the Governor to inform the committee for its intervention.

MIN. NO. SEN/CPICSF/265/2023 ANY OTHER BUSINESS

There was no any other business.

MIN. NO. SEN/CPICSF/266/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at fifteen minutes past two o'clock in the afternoon. The next meeting would be held on Wednesday, 26th, April, 2023 at 10:00 am.



14/11/2023

SIGNED: ..... DATE: .....

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

13TH PARLIAMENT 2ND SESSION

MINUTES OF THE SIXTH FOURTH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE COUNTY EXECUTIVE OF MOMBASA TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENT OF THE MOMBASA WATER SUPPLY AND SANITATION COMPANY LIMITED FOR FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021 HELD ON THURSDAY, 22ND JUNE, 2023 AT THE IMPALA ROOM, FIRST FLOOR, KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) AT 11.00 A.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**
3. Sen. Paul Karungo Thangwa, MP - Member
4. Sen. Eddy Gicheru Oketch, MP - Member
5. Sen. Miraj Abdillahi Abdulrahman, MP - Member
6. Sen. Hamida Kibwana Ali, MP - Member
7. Sen. Maureen Tabitha Mutinda, MP - Member

ABSENT WITH APOLOGY

1. Sen. Ledama Olekina, MP - Member
2. Sen. William Kipkemoi Kisang, MP - Member

IN ATTENDANCE

- Sen. Mwinyihaji Faki - Senator Mombasa County

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant III
4. Mr. Godfrey Nyaga - Clerk Assistant III

5.	CPA Kennedy Owuoth	- Fiscal Analyst
6.	Ms. Raisa Mwithu	- Researcher officer
7.	Mr. Kataa Matano	- Researcher officer
8.	Mr. Andrew Nyairo	- Legal counsel
9.	Ms. Winfred Ocholla	- Audio officer
10.	Mr. Josphat Ng'enoh	- Media Relations Officer.
11.	Mr. Holifield Murimi	- Attached to the Committee
12.	Mr. James Ngusia	- Serjeant-At-arms

IN ATTENDANCE

A. COUNTY EXECUTIVE OF MOMBASA

1.	Hon. Abdullswamad Nassir	- Governor
2.	Mr. Evans Oanda	- CECF Finance
3.	Mrs. Emilly Achieng	- CECM Water
4.	Mr. Abdurahim Farah	- MD MOWASCCO
5.	Mr. Kinyai Laban	- GM MOWASSCO
6.	Mr. Munyi Mugo	- Legal manager Mombasa water
7.	Mr. Richard Abiero	- Director Audit
8.	Mr. Mejuma Mwinyi	- Principal Accountant
9.	Mr. Nicholas Morachini	- Senior Accountant
10.	Mrs. Zahra Ahmed	- Chief Accountant
11.	Mr. Noah Akala	- Chief of staff
12.	Mr. Jimmy Waliaula	- County Attorney
13.	Mr. Mohamed Bow	- Director Intergovernmental Relations

B. OFFICE OF THE AUDITOR GENERAL

1.	Mr. Paul K. Nzioka	- Deputy Director Audit
2.	Mr. Ezekiel O. Omore	- Audit Associate

C. ETHICS AND ANTI-CORRUPTION COMMISSION

Mr. Patrick Kinoti - Liaison Officer

MIN NO. SEN/CPICSF/388/2023 PRAYER

The meeting was called to order by the Chairperson at sixteen minutes past eleven O'clock followed by a word of prayer.

MIN NO. SEN/CPICSF/389/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Maureen Tabitha Mutinda, MP and seconded by Sen. Miraj Abdillahi Abdulrahman, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Administration of oath of witness and Tabling of Documents;
4. Meeting with the County Executive of Mombasa to consider Reports of the Auditor-General on the Financial Statements of the Mombasa Water Supply and Sanitation Company Limited for Financial Years 2018/2019, 2019/2020 and 2020/2021;
5. Any Other Business; and
6. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/390/2023 ADMINISTRATION OF OATH OF WITNESS AND TABLING OF DOCUMENTS

The Governor of Mombasa County took Oath of Witness and tabled the Management responses and supporting documents for the audit reports of the Mombasa Water Supply and Sanitation Company Limited for the Financial Years 2018/2019, 2019/2020 and 2020/2021.

MIN. NO. SEN/CPICSF/391/2023 MEETING WITH MOMBASA COUNTY EXECUTIVE TO CONSIDER THE AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS OF MOMBASA WATER SUPPLY AND SANITATION COMPANY FOR THE FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021

The Following queries were interrogated for the Financial Year 2020/2021

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
1. Failure to Disclose Material Uncertainty Related to Going Concern	The current liabilities exceeded the current assets resulting to negative working capital of Kshs. 1,464,597,678. The accumulated deficit stood at Kshs. 2,077,362,476 as at 30 June, 2020. The material uncertain in relation to going concern and any mitigating measures put in place by the company's directors the undesirable precarious financial position had not been disclosed in the notes to the financial statements.	The Office of the Auditor-General informed the Committee that the mitigating measures put in place by the management were satisfactory, but they needed to monitor their effectiveness. The Committee considered the matter unresolved pending verification of the effectiveness of the measures put in place by the Office of the Auditor-General.

		The query remains unresolved.
2. Unconfirmed Share Capital	The accuracy and completeness of the share capital balance of Kshs. 5,000,240 could not be confirmed due to the following reasons – i. Shares valued at Kshs. 5,000,000 of the defunct Mombasa Water and Sewerage Company were not liquidated and transferred to the new Mombasa Water Supply and Sanitation Company Limited as at 30th June 202.1 ii. The new water company had 5,000 authorized shares but only 12 had been paid for leaving a balance of 4,988 unallotted shares. iii. Note 2 to the financial statements reflected 5,012 that were issued but unpaid for valued at Kshs. 5,000,240, which was more that the authorized 5,000 shares.	The Committee noted that the had been transferred from the defunct local authority to the County Government and a copy of the CR12 to confirm the same was provided. The Office of the Auditor-General indicated that the response submitted by the water company was satisfactory. The Committee directed the Governor to ensure that the CR12 was submitted to the Office of the Auditor-General within 14 days for verification. **The query remains unresolved.**
3. Sewerage and Sanitation Management in Mombasa City	Review of the Company's records and an audit inspection carried out in January, 2022 revealed weakness in the management of sewerage and sanitation services within Mombasa City where there were instances of collapsed sewer lines, sewerage treatment plants that had not worked for years and raw sewage was emptied into the ocean posing a health hazard to the residents of Mombasa, contrary to Regulations 10 and 11 of the Environmental Management and Coordination (Waste Management) Regulations, 2006 which requires an operator to have a license for the transportation of waste and to operate a waste disposal site or plant among others. The management was thus in breach of the law.	The Committee noted that the County Government was implementing mitigating measures to improve sewage management in Mombasa County. The Office of the Auditor-General informed the committee that the measures put in place were satisfactory and considered the matter addressed. The committee directed the Office of the Auditor-General to provide a status update on the matter in the subsequent audit cycle. **The query remains unresolved.**
The Following query was interrogated for the Financial Year 2019/2020		
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES		
4. Unaccounted for Water	The Non-Revenue Water stood at 46%, that is 21 percentage points above the sector benchmark of 25% as per the WASREB guidelines, which may have negatively impacted on the Company's profitability and its ability to sustain services.	The Committee noted that the County Government of Mombasa had put in place mitigation measures to address Non-Revenue water. The Office of the Auditor-General indicated that the measures put in

		place were satisfactory but their effectiveness could only be ascertained in the subsequent audit cycle. The Committee directed the Office of the Auditor-General to verify their effectiveness in the subsequent audit cycle. **The query remains unresolved.**

Interventions and Resolutions

The Committee having considered the issues raised by the Office of the Auditor-General on the Financial Statements of the two water companies for the said Financial Years, it noted that they had management challenges and directed as follows;

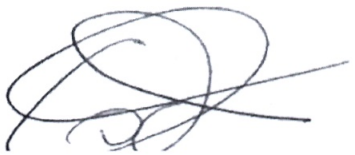
i). That the Governor takes keen interest in the management of Mombasa Water Supply and Sanitation Company Limited and ensure efficiency in its operations;
ii). That to improve efficiency in service delivery and to turn around the water company, the Governor reconstitutes the Board of Directors within 30 days from the date of the meeting;
iii). That the Governor introduces performance contracting for all employees and the undertake asset mapping of the water company's assets and liabilities to improve the efficiency of the company;
iv). That the Office of the Auditor-General reviews the measures put in place by the County to turn around the water company and report on their efficacy in the subsequent audit cycle;
v). That within 14 days from the date of the meeting, the Governor submits the new CR-12 of the water company indicating that the county fully owns the water company;
vi). That within 30 days from the date of the meeting, the Governor submits to the Committee comprehensive measures to tackle the high Non-Revenue Water that stood at 50% and clearly indicate how they intend to deal with both the physical and commercial losses;
vii). Noting that the County Government indicated that it had challenges of pending licenses for sewerage operations and management with the National Environment Management Authority (NEMA), the Committee directed the County Government, to engage NEMA on the matter and submit feedback to the Committee on the way forward and any other challenges that may arise. The Committee to engage NEMA on the same thereafter; and
viii). The Committee to engage Coast Water Works Development Agency on the matter of the long outstanding debt.

MIN. NO. SEN/CPICSF/392/2023 ANY OTHER BUSINESS

The Committee to consider a county visit to Mombasa in the month of august to verify the mitigating measures put in place by the management.

MIN. NO. SEN/CPICSF/393/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at twenty-six minutes past two o'clock in the afternoon. The next meeting would be held on Monday, 26th, June, 2023 at 10:00 am.



11/4/2024

SIGNED: ..... DATE: .....

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE HUNDRED AND SECOND SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE COUNTY EXECUTIVE OF LAIKIPIA TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENT OF THE NYAHURURU WATER AND SANITATION COMPANY LIMITED AND THE NANYUKI WATER AND SANITATION COMPANY LIMITED FOR FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021 HELD ON THURSDAY, 21ST SEPTEMBER, 2023 AT THE IMPALA ROOM, FIRST FLOOR, KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) AT 10.00 A.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**
3. Sen. William Kipkemoi Kisang, MP - Member
4. Sen. Paul Karungo Thangwa, MP - Member
5. Sen. Eddy Gicheru Oketch, MP - Member
6. Sen. Miraj Abdullahi Abdulrahman, MP - Member
7. Sen. Maureen Tabitha Mutinda, MP - Member
8. Sen. Hamida Kibwana Ali, MP - Member

IN ATTENDANCE

Sen. John Kinyua, MP - Senator Laikipia County

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant III
4. Mr. Godfrey Nyaga - Clerk Assistant III
5. CPA Kennedy Owuoth - Fiscal Analyst

6. Ms. Raisa Mwithu	- Researcher officer
7. Mr. Kataa Matano	- Researcher officer
8. Mrs. Angela Kagunyi	- Legal counsel
9. Ms. Winfred Ocholla	- Audio officer
10. Mr. Josphat Ng'enoh	- Media Relations Officer.
11. Mr. John Pere	- Serjeant-At-arms
12. Mr. Alvin Muzuni	- Attachee

IN ATTENDANCE

A. LAIKIPIA COUNTY EXECUTIVE

1. Hon. Joshua Irungu	- Governor
2. Mr. Koinange Wahome	- County Secretary
3. Mrs. Leah Njeri	- CECM – Water and Environment
4. Mr. Wachira Gacheri	- CECM – Finance and Economic Planning
5. Mr. Kennedy Gitonga	- MD Nanyuki Water
6. Mrs. Phoebe Karimi	- Internal auditor Nanyuki Water
7. Mr. Bernard Mwaura	- MD Nyahururu Water
8. Mr. Francis Nelegwa	- CM Nyahururu Water
9. Mrs. Esther Muthoni	- Finance manager Nyahururu Water
10. Mr. David Muyuki	- Director Nyahururu
11. Mr. Martin Muchiri	- Director NANAISCO
12. Mrs. Damaris Wanjiku	- Director NYAHUWASCO

B. OFFICE OF THE AUDITOR GENERAL

1. Mr. Mutai Philip	- Deputy Director of Audit
2. Mr. Mark Gachanja	- Liaison officer

C. ETHICS AND ANTI-CORRUPTION COMMISSION

Mr. Patrick Kinoti	- Liaison Officer

MIN NO. SEN/CPICSF/613/2023 PRAYER

The meeting was called to order by the Chairperson at thirty minutes past nine O'clock followed by a word of prayer.

MIN NO. SEN/CPICSF/614/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. William Kipkemoi Kisang, MP and seconded by Sen. Miraj Abdullahi Abdulrahman, MP, as follows –

1. Prayer;

2. Adoption of the Agenda;
3. Administration of oath of witness and Tabling of Documents;
4. Meeting with Laikipia County Executive to consider Reports of the Auditor-General on the Financial Statements of the Nyahururu Water and Sanitation Company Limited and Nanyuki Water and Sanitation Company Limited for the Financial Years 2018/2019, 2019/2020 and 2020/2021;
5. Any Other Business; and
6. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/615/2023 ADMINISTRATION OF OATH OF WITNESS AND TABLING OF DOCUMENTS

The Governor of Laikipia County took Oath of Witness and tabled the Management responses and supporting documents for the audit reports of Nyahururu Water and Sanitation Company Limited and Nanyuki Water and Sanitation Company Limited for the Financial Years 2018/19, 2019/20 and 2020/21.

MIN. NO. SEN/CPICSF/616/2023 MEETING WITH LAIKIPIA COUNTY EXECUTIVE TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE NYAHURURU WATER AND SANITATION COMPANY LIMITED AND NANYUKI WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021

a. Nyahururu Water and Sanitation Company Limited

The Following queries were interrogated for the Financial Year 2020/2021

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
1. Appointment of Board Members	There was a breach of the law as the information provided for audit review indicated that the Company had ten Board members, contrary to Section 3.4.1 (2) of WASREB guidelines that limits the number of Board members to seven.	The Committee observed that Board of Directors of the water company was irregularly constituted. The Committee directed the Governor to regularize the appointment of the Board members and submit an updated CR-12 within 60 days from the date of the meeting.

		Query remains unresolved.
2. Excess Non-Revenue Water	The Non-Revenue Water (NRW) for the water company stood at 39.4%, that is, 14.4 percentage points above the sector benchmark of 25% as per WASREB Guidelines.	The Committee observed that the water company registered a high NRW in the period under review and that he significant level of Non-Revenue Water could be an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company on the Company's profitability and its ability to sustain services. The Committee further observed that the measures put in place were inadequate. The Committee directed the Governor to ensure that within 60 days from the date of the meeting, the water company puts in place comprehensive measures on how it intends to address the NRW, clearly indicating how both the Commercial and Physical losses will be addressed. The Accounting Officer to submit the measures to the Auditor-General for verification. The Auditor-General to provide a status update on the effectiveness of the measures taken in the subsequent audit cycle. **Query remains unresolved.**
3. Unrecognized Property, Plant and Equipment	Four (4) motor vehicles and granted by the Northern Water Works Development Agency and the County Government of Laikipia had not been transferred and registered in the name of the water company and that the fixed asset register was not up to date.	The Committee observed that the assets belonging to the water company were yet to be transferred in its favour and that the fixed asset register was not up to date as required by the law. The Committee directed the Governor to ensure that the water company takes full ownership of all its assets and that the Accounting Officer maintains an updated fixed asset registered as required by section 149(2)(o) of the Public Finance Management Act, 2012. **Query remains unresolved.**

4. Unauthorized Expenditure of Customer Deposits	The water company spent customer deposits amounting to Kshs. 26,714,922 without authorization and did not have a policy guideline on how to access, utilize and refund the money within specified timelines.	The Committee observed that the water company utilized customer deposits without approval an that at the time, the water company had made any refunds to the deposits account. The Committee directed the Governor to ensure that within 14 days from the date of the meeting, the water company comes with a repayment plan for the deposits, with clear timelines and submit the same to the Auditor-General and the Committee for verification. The Auditor-General to monitor compliance with the repayment plan and provide a status update in the subsequent audit cycle. The Board of Director to come with clear guidelines on how the management of the water company can access, utilize and refund customers deposits within specified timelines. Customer deposits should be held in a fixed/call account where the management cannot easily access it as well as where interest earned can be used to offset bank charges. **Query remains unresolved.**

The Following queries were interrogated for the Financial Year 2019/2020

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
5. Unauthorized Over Expenditure	There was a breach of the law the water where the water company incurred an over expenditure of Kshs. 10,755,219 on 17 items without necessary approvals. Further, the water company also incurred an expenditure amounting to Kshs. 4,607,957 without budgetary allocation.	The Committee observed that the water company incurred an authorized over expenditure and expenditure outside the budget in the year under review. The Committee directed the Accounting Officer to exert budgetary control measures in line with regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations,

		2015 and also ensure that all expenditure incurred by the water company is within the approved budget in line with the law. The to regularize the expenditure incurred outside the budget. Auditor-General to monitor the matter and provide a status update in the subsequent audit cycle. **Query remains unresolved.**
1. Failure to Disclose Material Uncertainty in Relation to Going Concern	The water company's current liabilities exceeded its current assets leading to a negative working capital of Kshs. 22,759,607 hence the company could not meet its short term financial obligations as and when they fall due. The company also registered an operating loss of Kshs. 5,679,069 leading to a negative reserve balance of Kshs. 52,946,261. Management has not disclosed the material concern in relation to going concern and any measures it has taken, or intends to take, to reverse the unfavourable financial performance and put the Company on a path to profitability.	The Committee observed that the water company was technically insolvent and that its continued exitance as a going concern was dependent on financial support from the County Government and its creditors. The Committee further noted that the Management failed to disclose in the notes to the financial statements, the material uncertainty in relation to going concern and any mitigating measures put in place by the to reverse the undesirable financial situation. The Committee directed the Governor the Governor of Laikipia, within 60 days from the date of the meeting, to put in place comprehensive mitigation measures to boost the financial health of the water company for self-sustainability. **Query remains unresolved.**

b. Nanyuki Water and Sanitation Company Limited

The Following queries were interrogated for the Financial Year 2020/2021

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
1. Lack of Ownership Documents	i. Title Deed for the land acquired from the Nanyuki High School by	The Committee observed that the Accounting Officer failed to provide ownership documents of the piece of

		the water company was not provided for audit review. ii. Logbooks for one (1) motor vehicle and (4) motorcycles valued at Kshs. 4,165,708 were not provided for audit review.	land acquired from Nanyuki High School, the four (4) motorcycles and one (1) vehicle. The Committe also observed that the ownership of the four (4) motorcycles and one (1) vehicle was yet to be transferred from the defunct local authorities and the Northern Water Works Development Agency to the County Government. The Committee directed the Governor submit to the Auditor-General, the ownership documents of the land acquired from the Nanyuki High School within 30 days from the date of the meeting. The Office of the Auditor General to follow up on the implementation of the management's mitigating measures and report back to the committee on the same in the subsequent audit cycle. The Governor, within 30 days from the date of the meeting, should engage the Intergovernmental Relations Technical Committee and secure full ownership of the assets held by the defunct local authorities and the Waer Works Development Agencies. **Query remains unresolved.**

Interventions and Resolutions

Having considered the issues raised by the Office of the Auditor-General on the Financial Statements of the water companies for the said financial years, the Committee recommended as follows -

i). Noting that the Board of Directors of Nyahururu Water and Sanitation Company Limited was irregularly constituted, the Committee directed the Governor of Laikipia County to regularize the appointment of the Board members in line with the Water Act, 2016 and Water Services Regulatory Board (WASREB)

Guidelines. Further, the Governor, within 60 days from the date of the meeting, submits an updated copy of the CR-12 to the Committee and the Office of the Auditor-General for verification;

ii). Noting that the water companies (Nyahururu Water and Sanitation Company Limited and Nanyuki Water and Sewerage Company Limited) had put in place comprehensive strategies on how they intended to address the matter of Non-Revenue Water, the Committee directed the Office of the Auditor-General to verify the measures and report on their effectiveness in the subsequent audit cycle;

iii). Noting that the water companies (Nyahururu Water and Sanitation Company Limited and Nanyuki Water and Sewerage Company Limited) had made unauthorised utilization of money from customer deposits, the Committee directed the Governor of Laikipia, within seven (7) days from the date of the meeting, to submit to the Committee and the Office of the Auditor-General evidential support to demonstrate that refunds to the deposits accounts were ongoing. Further, the Office of the Auditor-General to verify the matter and report on the status of the same in the subsequent audit cycle;

iv). Noting that Nyahururu Water and Sanitation Company Limited has been on a loss-making trend leading to negative working Capital, the Committee directed the Governor of Laikipia, within 60 days from the date of the meeting, to put in place comprehensive mitigation measures to boost the financial health of the water company for self-sustainability;

v). Noting that the water companies (Nyahururu Water and Sanitation Company Limited and Nanyuki Water and Sewerage Company Limited) had high trade receivables in the years under review, the Committee directed the Governor to put in place a Debt Recovery Plan to guide the recovery process and submit the same to the Office of the Auditor-General for verification within 30 days from the date of the meeting. Further, the Governor to submit to the Office of the Auditor-General and the Committee, a debtors schedule and a schedule of all receivables within 7 days from the date of the meeting; and

vi). The Committee directed the Governor to pursue securing ownership documents of assets transferred from the Water Works Agencies to the Water Companies.

MIN. NO. SEN/CPICSF/617/2023 ANY OTHER BUSINESS

There was no any other business.

MIN. NO. SEN/CPICSF/618/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at nine minutes past noon. The next meeting would be held on Thursday, 21st, September, 2023 at 11:30 am.



11/4/2024

SIGNED: ..... DATE: .....

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE EIGHTY FIFTH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE COUNTY EXECUTIVE OF THARAKA NITHI TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENT OF THE NITHI WATER AND SANITATION COMPANY LIMITED FOR FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021 HELD ON TUESDAY, 25TH JULY, 2023 AT THE SHIMBA HILLS HALL, FIRST FLOOR, KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) AT 11.00 A.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. William Kipkemoi Kisang, MP - Member
3. Sen. Maureen Tabitha Mutinda, MP - Member

ABSENT WITH APOLOGY

3. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**
4. Sen. Paul Karungo Thangwa, MP - Member
5. Sen. Eddy Gicheru Oketch, MP - Member
6. Sen. Miraj Abdullahi Abdulrahman, MP - Member
7. Sen. Hamida Kibwana Ali, MP - Member

IN ATTENDANCE

Senator Mwenda Gataya, MP - Senator Tharaka Nithi County

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant III
4. Mr. Godfrey Nyaga - Clerk Assistant III

5. CPA Kennedy Owuoth	- Fiscal Analyst
6. Ms. Raisa MwithI	- Researcher officer
7. Mr. Kataa Matano	- Researcher officer
8. Mr. Andrew Nyairo	- Legal counsel
9. Ms. Winfred Ocholla	- Audio officer
10. Mr. Josphat Ng'enoh	- Media Relations Officer.
11. Mr. Holifield Murimi	- Attached to the Committee
12. Mr. John Pere	- Serjeant-At-arms

IN ATTENDANCE

A. THARAKA NITHI COUNTY EXECUTIVE

1. HON. Muthomi Njuki, EGH	- Governor
2. Mr. Laban Mwaniki	- Managing Director
3. Mr. Njue Njaai	- CECM Water
4. Mrs. Loise Mutua	- Chief officer Water and Irrigation
5. Mrs. Irine Kithaka	- Commercial manager
6. Mr. Nduaii .E K	- Director Accounts
7. Mr. Erick Munene	- Internal auditor
8. Mrs. Gloryfine Kathure	- Technical Manager
9. Mr. Dennis Miriti	- Procurement officer
10. Mr. Kennedy Mirithi	- Head of Commercial
11. Mrs. Alice Micheni	- Liaison officer
12. Mr. Andrew Endovo	- Communications officer
13. Mr. Sammy Githinji	- Office of the Governor
14. Mrs. Liz Kwigi	- Communication office

B. OFFICE OF THE AUDITOR GENERAL

1. Mrs. Jane Kariuki	- Director of audit
2. Mr. Reuben Kamuruchi	- Deputy Director of audit
3. Mr. Mark Gachamja	- Liaison officer

C. THE NATIONAL TREASURY

Dr. Jackson Ndungu	- Liaison officer

D. ETHICS AND ANTI-CORRUPTION COMMISSION

Mr. Patrick Kinoti	- Liaison Officer

MIN NO. SEN/CPICSF/512/2023 PRAYER

The meeting was called to order by the Chairperson at ten minutes past twelve O'clock followed by a word of prayer.

MIN NO. SEN/CPICSF/513/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. William Kipkemoi Kisang, MP and seconded by Sen. Maureen Tabitha Mutinda, MP, as follows –

1. Prayer
2. Adoption of the Agenda
3. Administration of oath of witness and Tabling of Documents
4. Meeting with County Executive of Tharaka Nithi to consider Reports of the Auditor-General on the Financial Statements of Nithi Water and Sanitation Company Limited for Financial Years 2018/2019, 2019/2020 and 2020/2021.
5. Any Other Business
6. Date of the Next Meeting and Adjournment

MIN. NO. SEN/CPICSF/514/2023 ADMINISTRATION OF OATH OF WITNESS AND TABLING OF DOCUMENTS

The Governor of Tharaka Nithi County took Oath of Witness and tabled the Management responses and supporting documents for the audit reports of Nithi Water and Sanitation Company Limited for the Financial Years 2018/2019, 2019/2020 and 2020/2021.

MIN. NO. SEN/CPICSF/515/2023 MEETING WITH COUNTY EXECUTIVE OF THARAKA NITHI TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF NITHI WATER AND SANITATION COMPANY LIMITED FOR FINANCIAL YEARS 2018/2019, 2019/2020 AND 2020/2021

The Following queries were interrogated for the Financial Year 2020/2021

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**

1. Fixed Assets	i. The ownership documents for the cars and land hosting the water company's buildings were not provided for audit review. ii. The value of land parcels belonging to the water company were disclosed in the financial statements.	The Committee observed that – i. The water company was yet to transfer ownership of some of its assets from defunct local authorities and that the water company shared some of its land with a National Government entity (Lands Departments); and ii. The water company failed to disclose the value of its parcels of land in its financial statements. The Committee directed the Governor, in consultation with the Intergovernmental Relations Technical Committee (IGRTC) to ensure the County Goveernment of Tharaka Nithi takes full ownership the land within 60 days from the date of the meeting from the defunct local authorities. The Governor to further engage the Lands Department to address on the matter of the parcel of land occupied by the two entities within 120 days from the date of the meeting, that is, the water company and the Lands Department of the National Government. The Auditor-General to review the matter and provide a status update in the subsequent audit cycle. **Query remains unresolved.**
2. Trade and Other Payables	The opening balances and the associated invoices of payables balances of Kshs. 7,262,572 were not availed for audit.	The Committee observed that the Accounting Officer submitted the support ledgers explaining the build up to the arrears. **Query was marked as resolved.**
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES		
4. Excessive Non – Revenue Water	The Non-Revenue Water (NRW) stood at 62.6% ratio, that is, 37.6 percentage points	The Committee observed that the water company registered very high NRW and that the measures put in

	above the sector benchmark of 25% as set by Water Services Regulatory Board (WASREB). The high NRW curtailed the Company's profitability in the year under review and may, if not urgently contained by Management, pose a significant risk to the Company's ability to deliver its services in a sustainable way.	place by the water company to address the same were inadequate. The Committee directed the Governor to ensure that within 60 days from the date of the meeting, the water company puts in place comprehensive measures to address the high NRW and the measures to clearly indicate how it intends to tackle both the physical and the commercial losses. The Auditor-General to review the measures and provide a status update on their effectiveness in the subsequent audit cycle. **Query remains unresolved.**
5. Long Outstanding Trade Receivables	The water company's receivables of Kshs. 60,689,129 remained outstanding for a long time hence their recoverability was doubtful.	The Committee observed that the water company's debts had been long outstanding and that the recovery measures outlined by the management were inadequate. The Committee directed the Accounting Officer to develop a comprehensive debt recovery plan as well as a debt management policy and submit copies of the same to the Auditor-General for verification. The Auditor-General to review the effectiveness of the measures put in place and provide a status update on the same in the subsequent audit cycle. **Query remains unresolved.**

The Following queries were interrogated for the Financial Year 2019/2020

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	**Concern**	**Observation and Recommendations**
6. Budgetary Control and Performance	The company recorded an under collection of Kshs. 54,980,555 and an under expenditure of Kshs. 53,835,387. The under expenditure affected the planned activities and may have	The Committee observed that the water company recorded an under collection and an under expenditure that may have affected the planned

	impacted negatively on service delivery to the residents of Tharaka Nithi County.	activities and may have impacted negatively on service delivery to the residents of Tharaka Nithi County. The Committee directed the Accounting Officer to exert budgetary control measures in line with regulation 42(1) of the Public Finance Management (County Governments) Regulations, 2015. Further the water company to institute proper and realistic budget planning. The Auditor-General to review the measures put in place and provide a status update in the subsequent audit cycle. **Query remains unresolved.**

Interventions and Resolutions

Having considered the issues raised by the Office of the Auditor General on the Financial Statements of Nithi Water and Sanitation Company Limited for Financial Years under review, the Committee directed as follows-

i). The Committee noted that some of Nithi Water and Sanitation company assets had not been transferred from the defunct local authority (Municipality of Chuka Township) and that the National Government (Lands Department) shared land with County entities. The Committee directed County Government in consultation with the Inter-governmental Relations Technical Committee (IGRTC) ensures all assets are transferred in favour of the County Government within 60 days from the date of the meeting. Further, the Governor, within 120 days from the date of the meeting, to engage the said National Government entity and amicably resolve the matter;

ii). The Committee noted that the Non-Revenue Water stood at 62.2% that is 37.6 percentage points above the recommended threshold of 25% as per the Water Services Regulatory Board (WASREB) guidelines. The County Government to put in place clear and actionable measures on how the water company intends to tackle the high Non-Revenue Water, clearly indicating how both physical and commercial losses will be addressed and a report on the same to be filed with the committee within 60 days from the date of the meeting and the Office of the

Auditor-General to verify the measures and report on their effectiveness in the subsequent audit cycle;

iii). The Committee noted that trade receivable amounting to Kshs 60,689,129 remained outstanding in the year under review. Further, Government institutions such as Kenya Revenue Authority, Kenya Prisons, Kenya Forests Services among others remained as debtors to the water company. The County Government to put in place a debt recovery plan and submit the same to the Committee and the Office of the Auditor-General for verification within 60 days from the date of the meeting. Further, the County Government to enter into a Payment Agreements with the said institutions and recovers the outstanding amounts within 90 days from the date of the meeting. The Office of the Auditor-General to report on the matter in the next audit cycle; and

iv). The Governor, within 60 days from the date of the meeting, ensures that Nithi Water and Sanitation Company Limited is fully owed by the County Government of Tharaka Nithi in line with Water Act, 2016 and other guiding laws.

MIN. NO. SEN/CPICSF/516/2023 ANY OTHER BUSINESS

There was no other business.

MIN. NO. SEN/CPICSF/517/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at Seven minutes to two o'clock in the afternoon. The next meeting would be held on Thursday, 27th, July, 2023 at 9:30 am.



11/4/2024

SIGNED: ..... DATE: .....

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF A HUNDRED AND SIXTH-SIXTH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE ON THE CONFIRMATION OF MINUTES AND ADOPTION OF REPORTS HELD ON MONDAY, 29TH APRIL, 2024, AT 11:00 AM AT COMMITTEE ROOM 10, SECOND FLOOR, BUNGE TOWER.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. William Kipkemoi Kisang, MP - Member
3. Sen. Paul Karungo Thangwa, MP - Member
4. Sen. Eddy Gicheru Oketch, MP - Member
5. Sen. Miraj Abdillahi Abdulrahman, MP - Member

ABSENT WITH APOLOGY

1. Sen. (Prof.) Tom Odhiambo Ojienda, MP - **Vice – Chairperson**
2. Sen. Ledama Olekina, MP - Member
3. Sen. Hamida Kibwana, MP - Member
4. Sen. Maureen Tabitha Mutinda, MP - Member

SECRETARIAT

1. Mr. David Angwenyi - Clerk Assistant I
2. Mr. Erick Njogu - Clerk Assistant III
3. Mr. Godfrey Nyaga - Clerk Assistant III
4. Ms. Faith Wangoi - Legal Counsel
5. CPA Kennedy Owuoth - Fiscal Analyst
6. Ms. Raisa Mwithi - Researcher Officer
7. Mr. Josphat Ng'enoh - Media Relations officer.
8. Mr. William Omondi - Audio officer
9. Mr. Julia Gachoki - Serjeant at- arms

MIN. NO. SEN/CPICSF/1031/2024 PRAYER

The meeting was called to order by the Chairperson at thirty minutes past 11 O'clock followed by a word of prayer.

MIN. NO. SEN/CPICSF/1032/2024 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Paul Karungo Thang'wa, MP and seconded by Sen. William Kipkemoi Kisang, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Confirmation of Minutes;
4. Matters arising from the previous minutes;
5. Adoption of Reports;
6. Any Other Business; and
7. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/1033/2024 CONFIRMATION OF MINUTES

i) The Minutes of the Eight second Sitting held on Tuesday, 18th July, 2023; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. William Kipkemoi Kisang, MP and seconded by Sen. Eddy Gicheru Oketch, MP.

ii) The Minutes of the eighty fourth Sitting held on Tuesday, 25th July, 2023; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Godfrey Atieno Osotsi, MP and seconded by Sen. William Kipkemoi Kisang, MP.

iii) The Minutes of the forty Ninth third sitting held on Thursday, 10th August, 2023; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by William Kipkemoi Kisang, MP and seconded by Sen. Paul Karungo Thangwa, MP.

iv) The Minutes of the forty Ninth fourth Sitting held on Thursday, 21st August, 2023; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Paul Karungo Thangwa, MP and seconded by William Kipkemoi Kisang, MP.

v) The Minutes of a Hundred and Fourteen Sitting held on Thursday, 19th May, 2023; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by William Kipkemoi Kisang, MP and seconded by Sen. Paul Karungo Thangwa, MP.

vi) The Minutes of a Hundred and Eighteenth Sitting held on Wednesday, 25th October, 2023; were confirmed as a true record of the proceedings and signed by

the Chairperson after being proposed by Sen. Eddy Gicheru Oketch, MP and seconded by William Kipkemoi Kisang, MP.

vii) The Minutes of a Hundred and Twenty First Sitting held on Friday, 27th October, 2023; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Miraj Abdillahi Abdulrahman, MP and seconded Sen. Eddy Gicheru Oketch, MP.

viii) The Minutes of a Hundred and Twenty Second Sitting held on Saturday, 28th October, 2023; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Miraj Abdillahi Abdulrahman, MP and seconded Sen. Eddy Gicheru Oketch, MP.

ix) The Minutes of the Fifth Seventh Sitting held on Tuesday, 4th July, 2023; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Miraj Abdillahi Abdulrahman, MP and seconded Sen. Paul Karungo Thangwa, MP.

x) The Minutes of a Hundred and Twenty Second Sitting held on Thursday, 2nd November, 2023; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. William Kipkemoi Kisang, MP and seconded Sen. Miraj Abdillahi Abdulrahman, MP.

xi) The Minutes of a Hundred and Sixth Sitting held on Tuesday, 14th November, 2023; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Miraj Abdillahi Abdulrahman, MP and seconded Sen. Eddy Gicheru Oketch, MP.

xii) The Minutes of a Hundred and Seventy Seventh Sitting held on Thursday, 16th November, 2023; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. William Kipkemoi Kisang, MP and seconded Sen. Eddy Gicheru Oketch, MP.

MIN. NO. SEN/CPICSF/1034/2024 MATTERS ARISING FROM THE PREVIOUS MINUTES

There were no matters arising.

MIN. NO. SEN/CPICSF/1035/2024 ADOPTION OF REPORTS

The Committee adopted the followings sets of reports and directed the secretariat to prepare them for tabling in the Senate;

1. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following county water service providers for the Financial Year 2018/2019 (1st July, 2018 to 30th June, 2019),

having been proposed and seconded by Sen. William Kipkemoi Kisang, MP and Sen. Miraj Abdillahi Abdulrahman, MP -

a) Busia Water and Sewerage Services Company Limited – Busia County;
b) Iten-Tambach Water and Sewerage Company Limited – Elgeyo-Marakwet County;
c) Kirinyaga Water and Sanitation Company Limited – Kirinyaga County;
d) Malindi Water and Sewerage Company Limited – Kilifi County;
e) Mandera Water and Sewerage Company Limited – Mandera County;
f) Migori Water and Sanitation Company Limited – Migori County;
g) Mombasa Water and Sanitation Company Limited – Mombasa County;
h) Nanyuki Water and Sanitation Company Limited – Laikipia County; and
i) Nithi Water and Sanitation Company Limited – Tharaka Nithi County.

2. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following county water service providers for the Financial Year 2019/2020 (1st July, 2019 to 30th June, 2020), having been proposed and seconded by Sen. Paul Karungo Thangwa, MP and Sen. Eddy Gicheru Oketch, MP –

a) Busia Water and Sewerage Services Company Limited – Busia County;
b) Iten-Tambach Water and Sewerage Company Limited – Elgeyo-Marakwet County;
c) Kirinyaga Water and Sanitation Company Limited – Kirinyaga County;
d) Malindi Water and Sewerage Company Limited – Kilifi County;
e) Mandera Water and Sewerage Company Limited – Mandera County;
f) Migori Water and Sanitation Company Limited – Migori County;
g) Mombasa Water and Sanitation Company Limited – Mombasa County;
h) Nanyuki Water and Sanitation Company Limited – Laikipia County; and
i) Nithi Water and Sanitation Company Limited – Tharaka Nithi County.

3. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following county water service providers for the Financial Year 2020/2021 (1st July, 2020 to 30th June, 2021), having been proposed and seconded by Sen. Paul Karungo Thangwa, MP and Sen. William Kipkemoi Kisang, MP –

a) Busia Water and Sewerage Services Company Limited – Busia County;
b) Iten-Tambach Water and Sewerage Company Limited – Elgeyo-Marakwet County;

c) Kirinyaga Water and Sanitation Company Limited – Kirinyaga County;
d) Malindi Water and Sewerage Company Limited – Kilifi County;
e) Mandera Water and Sewerage Company Limited – Mandera County;
f) Migori Water and Sanitation Company Limited – Migori County;
g) Mombasa Water and Sanitation Company Limited – Mombasa County;
h) Nanyuki Water and Sanitation Company Limited – Laikipia County; and
i) Nithi Water and Sanitation Company Limited – Tharaka Nithi County.

MIN. NO. SEN/CPICSF/1036/2024 ANY OTHER BUSINESS

The Chairperson informed members that the Committee was finalizing interrogation of Reports of the Auditor-General on the financial statements of funds established in counties and that it would soon embark on interrogation of audited reports of other entities in counties such as –

a) County Corporations;
b) Level 4 and 5 Hospitals; and
c) Conditional Grants administered as Funds.

The secretariate was tasked to liaise with the Office of the Auditor General to establish and generate for its consideration, a list of –

i).conditional grants that are administered as funds in counties;
ii).level 4 and 5 hospitals in counties; and
iii).corporations in Counties.

The Committee noted that there was slow implementation of its numerous interim recommendations that are given out to counties during its meetings. The secretariate was tasked to develop a tracker on the implementation of the interim recommendations and to regularly update the Committee on the same.

MIN. NO. SEN/CPICSF/1037/2024 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at two minutes past noon. The next meeting would be held on Tuesday, 30th April, 2024 at 11:00 am.



29/4/2024

SIGNED: ..... DATE: .....

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