

REPUBLIC OF KENYA



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THE SENATE

THIRTEENTH PARLIAMENT - SECOND SESSION

THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS

REPORT ON THE CONSIDERATION OF THE AUDIT REPORTS OF THE FOLLOWING WATER SERVICE PROVIDERS FOR THE YEAR ENDED 30TH JUNE, 2020:

1. AMATSI WATER SERVICES COMPANY LIMITED -VIHIGA COUNTY
2. BOMET WATER COMPANY LIMITED - BOMET COUNTY
3. GUSII WATER AND SANITATION COMPANY LIMITED – KISII/NYAMIRA COUNTIES
4. KISUMU WATER AND SANITATION COMPANY LIMITED- KISUMU COUNTY
5. KWALE WATER AND SEWERAGE COMPANY LIMITED- KWALE COUNTY
6. NYERI WATER AND SANITATION COMPANY LIMITED- NYERI COUNTY

Clerk’s Chambers
 The Senate
 P.O. Box 41842-00100
 NAIROBI

July, 2023

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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
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 Senate Sessional Committee on County Public Investments and Special Funds is established by the Senate 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. Joseph Tiyan - Research Officer
9. Ms. Raisa Mwithi - Research Officer III
10. Mr. Matano Kataa - Research Officer III
11. Mr. Josphat Ng' enoh - Media Relations officer.
12. Ms. Winfred Ocholla - Audio officer
13. Mr. Patrick Ngenoh - Procurement officer
14. Mr. Josphat Ng' enoh - Media Relations Officer.
15. Mr. John Pere - Serjent-at-arms

ESTABLISHMENT OF THE COMMITTEE

Hon. Speaker,

The Committee was first constituted on 19th October, 2022 pursuant to Senate 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 County 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 2019/2020 (1st July, 2019 to 30th June, 2020) as the primary document for the investigations. The Committee invited the Governors as the the Chief Executive Officers of their respective County Governments pursuant to Article 179(4) as a witness to respond to the audit queries raised in the reports under consideration.

The Committee received both written and oral 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 2019/2020.

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 highlights the audit queries raised in the report of the Auditor-General for Amatsi Water Services Company Limited for the Financial Year 2019/20 and observations and recommendations of the Committee on each audit query.

CHAPTER TWO highlights the audit queries raised in the report of the Auditor-General for Bomet Water Company Limited for the Financial Year 2019/20 and observations and recommendations of the Committee on each audit query.

CHAPTER THREE highlights the audit queries raised in the report of the Auditor-General for Gusii Water and Sanitation Company Limited for the Financial Year 2019/20 and observations and recommendations of the Committee on each audit query.

CHAPTER FOUR highlights the audit queries raised in the report of the Auditor-General for Kisumu Water and Sanitation Company Limited for the Financial Year 2019/20 and observations and recommendations of the Committee on each audit query.

CHAPTER FIVE highlights the audit queries raised in the report of the Auditor-General for Kwale Water and Sewerage Company Limited for the Financial Year 2019/20 and observations and recommendations of the Committee on each audit query.

CHAPTER SIX highlights the audit queries raised in the report of the Auditor-General for Nyeri Water and Sanitation Company Limited for the Financial Year 2019/20 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 Kwale Water and Sanitation Company Limited and Bomet Water Company Limited had levels of Non-Revenue Water as high as 66% and 57% respectively in the Financial Year 2019/20.
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, 2015 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. The Committee also observed that the Public Sector Accounting Standards Board (PSASB) reviews the IPSAS Standards 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 National Cohesion and Integration Act, 2008 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 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 Gusii Water and Sanitation Company Ltd had up to 96% 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 have 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, 1997, the Pension Act and the Income Tax Act, 1974 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, votes and sub-votes. 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, 2016. 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, 2012, Public Audit Act, 2015, Public Finance Management (County Government) Regulations, 2015, the Water Act, 2016, the Companies Act, 2015, the Income Tax Act (Cap. 470), 1974, the Retirement Benefits Act, 1997, the Pensions Act, 1942, the County Government Act, 2012, the Accountants Act, 2008 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. **Cross County Water Companies** – The Committee observed that there were water companies jointly owned by two County Governments where there were some conflicts of ownership and management. For instance Kisii and Nyamira Counties.
12. **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 circular no. 5/2020 of 25th February 2020 on the preparation of asset registers for entities in County Governments.

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 supporting documents to the Auditor-General in accordance with section 9(1)(e) of the Public Audit Act, 2015 during the time of audit and adhere to the Accountants Act, 2008, failure to which the committee shall invoke section 62 of the Public Audit Act, 2015.
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 financial management as is required by the Accountants Act, 2008. 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, 2008 and Section 65(1) (e) of the County Governments Act, 2012 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.
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, 2012.

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 (Cap. 470), 1974, the Retirement Benefits Act, 1997, the Pensions Act, 1942. 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, 2016.
9. The Board and accounting officers of the water companies to strictly adhere to the relevant laws such as the Public Finance Management Act, 2012, the Public Audit Act, 2015, the

Public Finance Management (County Government) Regulations, 2015, the Water Act, 2016, the Accountants Act, 2008, the Companies Act, 2015, the Income Tax Act, 1974, the Employment Act, 2007, the Pension Act, 1942, the Retirement Benefits Act, 1997 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 County Governors of the Counties with cross-cutting water companies to initiate an amicable process of dealing with the matter of ownership of the water companies. As a long-term goal, the Governors should formulate a strategy for the establishment of independent water companies for the respective Counties.
12. 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 Office of the Auditor-General within 60 days from the adoption of this report.


ACKNOWLEDGEMENTS

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: 

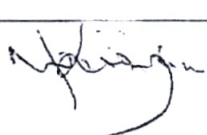
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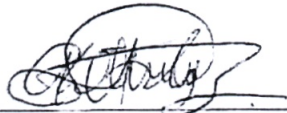


HON. SEN. GODFREY ATIENO OSOTSI, MP
CHAIRPERSON

ADOPTION OF THE REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF THE FOLLOWING WATER SERVICE PROVIDERS FOR THE YEAR ENDED 30TH JUNE, 2020.

1. AMATSI WATER SERVICES COMPANY LIMITED – VIHIGA COUNTY
2. BOMET WATER COMPANY LIMITED – BOMET COUNTY
3. GUSHI WATER AND SANITATION COMPANY LIMITED – KISII AND NYAMIRA COUNTIES
4. KISUMU WATER AND SANITATION COMPANY LIMITED – KISUMU COUNTY
5. KWALE WATER AND SEWERAGE COMPANY LIMITED – KWALE COUNTY
6. NYERI WATER AND SANITATION COMPANY LIMITED – NYERI COUNTY

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 (<i>Chairperson</i>)	
2.	Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP (<i>Vice-Chairperson</i>)	
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 AMATSI WATER SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30TH, JUNE, 2020

1. The Governor of Vihiga County Executive, Hon. Wilber K. Ottichilo, appeared before the Committee on Tuesday, 1st March, 2023 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statements for Amatsi Water Services Company Limited for the Financial Year 2019/2020. He was accompanied by:
 - i. Mr. Ayiego Ezekiel - CS
 - ii. Ms. Anne Desma - CECM Water and Environment
 - iii. Dr. Robert Kati - Chair – Amatsi
 - iv. Mr. Josephine Nyambasi - BOD Amatsi
 - v. Mr. Edward Luvusi - Ag. Managing Director
2. Amatsi Water Services Company Limited is wholly owned by Vihiga County Government.
3. The Auditor-General rendered a Qualified Opinion on the financial statements of Amatsi Water Services Company Limited for the period under review.

1. Unsupported Trade and Other Receivables

As disclosed in Note 12 to the financial statements, the statement of the financial position reflects trade and other receivable amounting to Kshs. 67,378,065. However, the balance includes an amount of Kshs.22, 747,700 that was not supported with documents such as invoices and ledgers. Consequently, the accuracy, validity, completeness of trade and other receivables totaling to Kshs. 67,378,065 reflected in the statement of financial position as at 30th June, 2020 could not be confirmed.

Management Response:

In regards to Kshs.22,747,700, the supporting document were not provided by the defunct local authority.

At the time of audit, the management had not put in place a system to analyze the receivables indicating the Aging analysis and other details. Nevertheless, the management has acquired the billing system software (**Majisoft**) that now shows the aging analysis of the receivables.

Management has also come up with a debt management policy that outlines procedures in debt management giving clear guidelines on how to manage the debt to acceptable levels.

Committee Observation:

The Committee observed that:

- i. The statement of the financial position of the company reflects trade and other receivable amounting to Kshs. 67,378,065.
- ii. The management failed to provide the supporting documents such as invoices and ledgers for Trade and other receivables amounting to Kshs. 22, 747,700 to the Office of the Auditor-General, during the audit period.
- iii. The management has put into place measures to ensure that trade and other receivables are properly managed in future. These measures include the introduction of a debt management policy as well as a new billing system software (Majisoft), which shows the aging analysis of the receivables.

Committee Recommendation:

The Committee recommends that:

- i. The query remains unresolved.
- ii. 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.
- iii. The County should make every attempt to recover the long outstanding debts and where not possible, may recommend to the board for write off in line with the PFM (County Government) Regulation, 2015.
- iv. 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.
- v. The Office of the Auditor-General should follow up on the implementation of the mitigating measures put in place by the management and report on the same to the committee, within the subsequent audit cycle.

2. Inaccuracy Trade and other Payables

As disclosed in Note 16 to the financial statements, the statement of financial position reflects trade and other payables amount of Kshs 50,210,379. However, the schedule provided reflected balance of Kshs 56, 349,076 resulting to an unreconciled and unexplained variance amounting to Kshs 6,138,697.

Consequently, the accuracy, validity, completeness of trade and other payables totaling to Kshs.50, 210,379 reflected in the statement of financial position as at 30th June, 2020 could not be confirmed.

Management Response:

The figure of Kshs. 50,210,379 was erroneously captured in the financial statements, the schedules indicates 56,349,076 as the correct figure.

Committee Observation:

The Committee observed that the Trade and other Payables balance was understated by Kshs. 6,138,697 within the financial statement of the company for the year ended 30th June 2020.

Committee Recommendation:

The Committee recommends that:

- i. **The query remains unresolved.**
- ii. **The management to make the adjustment to rectify the variance of Kshs 6,138,697 within the Trade and other payables balance stated in the financial statement of 2019/2020.**
- iii. **The Accounting Officer should strengthen internal audit controls and ensure proper record keeping.**
- iv. **The Accounting Officer should always ensure that the records are reconciled and analysed with necessary supporting documents and submitted to the Auditor-General in compliance with provisions of Section 68(2) of the Public Fiance Management Act 2012.**

- v. **The Office of the Auditor-General should review the implementation of this recommendation and provide a report on this matter in the subsequent audit cycle (2021-2022).**
- vi. **Ethics and Anti-Corruption Commission (EACC) expedites investigations on the matter, and provide a status report to the Committee within 60 days after adoption of this report.**

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual comparable basis totaling to Kshs. 57, 600,000 and Kshs 43, 373,831 respectively, resulting to an underfunding amounting to Kshs 14,226,169 or 25% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totaling to Kshs. 84,839,000 and Kshs 80,477,565 respectively, resulting to an underperformance amounting to Kshs. 4,361,435 or 5% of the budget.

The underfunding affected the planned activities and may have impaired negatively on the company's profitability.

Management Response:

On underfunding of Kshs 14,226,169 was because of low water sales that was because of an outdated water billing system in the year under review, Covid 19 effects and Non-Revenue Water (NRW) that was at 33.4% which was above the recommended threshold of 25%.

On underperformance of Kshs. 4,361,435.00 was because of underfunding of the budget during the year under review.

The following are strategies put in place by management to improve revenue collection:

Development and implementation of debt recovery policy

Procurement of a new billing system (recei) that has improved efficiency

Formation of debt recovery teams to implement Rapid Results Initiative (RRI)

Renewal of water tariff to address the effects of high costs of production.

Committee Observation:

The Committee observed that the company failed to absorb 5% of its budget at the end of the financial year which may have negatively impacted service delivery to the public.

Committee Recommendation:

The Committee recommends that:

- i. **The query be marked as unresolved.**
- ii. **The management submits the budget of the Company to the County Executive Committee Member responsible for water for approval and submission to the County Treasury for subsequent approval of the budget estimates including the compensation of employees in line with Section 149 (2) (j) of the Public Finance Management Act, 2012 and Regulation 205 of the Public Finance Management (County Governments) Regulations, 2015.**
- iii. **The Company institute proper and realistic budget planning and the Office of the Auditor-General to confirm the effectiveness of the mitigating measures put in place by the 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 and planning Circular reference No AG.4/16/3 Vol.1(9) dated 24 June 2020.

Management Response:

Several issues raised by the Office of the Auditor-General in the prior year were resolved except One (1) issue.

Committee Observation:

The committee observed that the management of the water company did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2018/2019.

Committee Recommendation:

The Committee recommends that:

- i. The Accounting Officer designated for County government entities shall resolve any issues resulting from an audit that remain outstanding as required by Section 149(2)(l) and section 184 of the Public Finance Management Act, 2012.**
- ii. The query be marked as unresolved.**

Basis for Conclusion**Non- Revenue Water**

Review of revenue records indicated that the Company produced 1,687,925 cubic meters (M3) at a cost of Kshs 22 per M3 resulting to Kshs.37,134,350 of water out of which only 1,123,930M3 equivalent to Kshs 24,726,460 was billed to customers. The balance of 563,995M3 or 33.4% equivalent to Kshs 12,407,890 of the total volume representing unaccounted for water over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The Management failed to put internal controls to ensure loss of water is within the allowable levels.

Consequently, the Management was in breach of the law.

Management Response:

During the year FY2018/2019 the Non-Revenue Water (NRW) was 33.7% and the company put intervention measures that reduced NRW to 33.4 % in the FY2019/2020 as tabulated below.

Period	Percentage	Source of information
2018/2019	33.7%	O.A.G audit report 2018/2019
2019/2020	33.4%	O.A.G audit report 2019/2020
2020/2021	30%	WASREB report 2020/2021

The High NRW was a result of the old and dilapidated infrastructure that the company was running which was not efficient to realize NRW below 25% Water Services Regulatory Board benchmark.

Measures undertaken to reduce NRW

- Improved infrastructures through the County Government and other Development partners I.e. WSTF, LVNWWDA
- Due to challenges in water production and distribution, the Company through the County Government of Vihiga and Lake Victoria North Water Works Development Agency (LVNWWDA) benefited from Vihiga Cluster Water Project whereby there is improvement on the water infrastructure and through this project, Non-Revenue Water (NRW) equipment was handed over to the company to enhance the capacity of the NRW team in strategic reduction of non-revenue water below the acceptable level of Water Services Regulatory Board (WASREB) benchmark of below 25%.
- The company has acquired a new billing system (Majisoft) which is more efficient and able to generate real time data.
- Formation of active Non-revenue water management team and appointment of a substantive Non-Revenue Water Officer whose main function is to lower and sustain the Non-revenue water at low levels as recommended by Water Services Regulatory Board (WASREB) benchmark of below 25%.
- The Company developed a Non-Revenue Water Reduction Strategy to guide the company on strategic reduction of Non-Revenue Water.

Committee Observation:

The committee observed that:

- i. The Non-Revenue Water of Amatsi Water Services Company Limited during the financial year 2019/2020 stood at 33.4% 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. These measures include the introduction of a new billing system (Majisoft), the establishment of an NRW Team which is tasked with the implementation and monitoring of the company's NRW Reduction Strategy, and collaboration with the County Government, as well as other development partners, to improve the water system infrastructure.
- iii. This high level of Non-Revenue Water has largely contributed to the Company's revenue shortfall.

Committee Recommendation:

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 among other specific measures.**
- 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.**
- 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.**
- iv. **The query be marked as unresolved.**

CHAPTER TWO

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET WATER COMPANY LIMITED REPORT FOR THE YEAR ENDED, 30TH, JUNE, 2020

The Governor of Bomet County Executive Hon. (Prof.) Hillary Barchok appeared before the Committee on Tuesday 21st March, 2023 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statement for Bomet Water Company Limited for the Financial Year 2019/2020. The Governor was accompanied by-

1. Mr. Andrew Kimtai Sigei - CECM Finance
2. Dr. Benard Tanui - CECM Water and Environment
3. Mr. Fredrick Ruto - Ag. MD BOMWASCO

The Bomet Water Company Limited is wholly owned by the Bomet County Government.

The Auditor-General rendered a qualified opinion on the financial statements of Bomet Water Company Limited for the period under review.

1.0 Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of **Kshs.219, 486,725** ;(2019 **Kshs.169, 084,677**) and as disclosed under Note 15 to the financial statements. Included in the balance are long outstanding receivables of **Kshs.183, 360,072** or 85% owed by customers whose debts have remained uncollected for a period of over 90 days as at 30 June 2020. This debt continues to grow from year to year thereby affecting the company's working capital and raising doubts to its collectability.

Further, provision for bad and doubtful debts has not been reflected in the statement of comprehensive income and the management has not put in any measures to ensure that all the debts it is owed are collected, recovered or accounted for implying inefficient debt collection systems.

Management Response:

The Company had outstanding Trade and other receivables of Kshs 219,486,725 which rose from **Kshs 169,084,677** due to Ministerial directive on non-disconnection of water supply to customers due to outbreak of Covid-19.

Furthermore, included in the balance of **Kshs 219,486,725** was an amount owed to us by Kericho County of Kshs **38,018,006** as per financial statement note 15 page 25.

To address future delayed payment by Kericho County, the Company has signed an MOU with Kericho County that will ensure prompt payment of monthly water bills.

The company has issued demand notices to customers and has also procured and installed 1000 smart water meters which has ensured prompt payments through real time payment of bills. This measure has been factored in the company's strategic plan 2021-2025 to procure 1000 meters annually which will ensure recovery of arrears and current bills. Copies of MOUs Signed and Demand notices submitted to the Committee.

Committee Observation:

- i) The Committee observed that the accuracy and full recoverability of the reported trade and other receivables balances of Kshs. 219,486,725 as at 30 June could not be confirmed.
- ii) The efficiency of the Company's debt management Strategies could not be confirmed.

Committee Recommendation:

The committee recommends that-

- (i) **The Accounting Officer should always ensure that the records are reconciled and analysed with necessary supporting documents and submitted to the Auditor-General in compliance with provisions of Section 68(2) of the PFM Act 2012.**
- (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 query in the subsequent audit cycle.**

1.0 Trade and Other Receivables

The statement of financial position reflects **Kshs 92,005,784** for trade and other payables. However, the balance included long outstanding payables amounting to Kshs 38,388,425 owed to other water agencies/bodies as detailed below;

- i) Lake Victoria South Water works Development Agency –**Kshs 8,241,949**
- ii) Water Resources Management Authority-**Kshs 4,686,671**
- iii) Water Services Regulatory Board- **Kshs 7,201,442**
- iv) Other payables-**Kshs 18,258,363**

Management Response:

The long outstanding trade and other payables of **Kshs 38,388,425** was caused by cash flow challenges occasioned by Government directive on non-water disconnection due to outbreak of Covid-19. The Company has instituted robust strategies on revenue collections which includes;

Rehabilitation of Itare Treatment works which will ensure reduction in cost of electricity and chemicals hence saving substantial amount which will be used to offset outstanding payables.

In addition to this, the ongoing Bomet-Mulot gravity water line will reduce on production costs as well as increasing revenue.

The management has so far reduced on this payable and is committed to settle the outstanding debts once the company is back to its stable financial position. Currently the Company has paid LVSWWDA a total of Kshs 756,000, WARMA 915,491, WASREB Kshs 200,000 and clear Outstanding Electricity bills. Bulk water sale agreement, Bomet –Mulot progress reports and payment vouchers submitted to the Committee.

Committee Observation:

- i) The Committee observed that failure to settle legal obligations may attract penalties and interest and cause reputation damage to the company.
- ii) Management did not provide supporting document for the balance at the time of the audit. However, the documents were later provided to the auditors for verification.

Committee Recommendation:

The committee recommends that-

- (i) **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.**
- (ii) **The matter be marked as resolved.**

3.0 Unsupported Loan Inherited from Community

The statement of financial position as at 30 June, 2020 reflects non-current liabilities of Ksh.443,373 in respect of Kamureito Water Project Loan. The balance represents a community loan obtained from a Bank as per the letter of offer dated 19 December 2014 and taken over by the Company. However, the loan was supported by deed of transfer and no documents were provided to clarify the circumstances under which the water company took over the community project loan. Further, the loan has taken too long to be settled and is in arrears since the company stopped remitting repayments in July 2017. The management also did not provide any reason or explanation for failure to settle the loan and consequently, it continues to attract interest at 18.5% per annum. In the circumstances, the validity and accuracy of the Kamureito water project loan balance of Kshs 443,373 as at 30 June, 2020 could not be confirmed.

Management Response:

Kamureito water project was a community-based water project. The County Government of Bomet took over the project through Department of Water and irrigation on 3rd September 2013 through public participation as per the minutes dated 5th June 2013 and 26th June 2013. The project was then handed over to Bomet water Company for management hence all assets and liabilities relating to the project were passed over to the company including among others the outstanding project loan. The loan liability at the time of takeover was Kshs 3,726,301 which the company has been servicing. The total outstanding loan balance as at 30th June 2019 was Kshs 443,373 as reflected in the financial statement note 19.

The accrued interest of approximately Kshs 750,000 on loan has been provided for in the current financial year 2022-2023 budget. The resolution through public participation minutes, approved budget has been availed for verification and copies submitted to the Committee.

Committee Observation:

The Committee observed that management did not provide any reason or explanation for failure to settle the loan.

Committee Recommendation:**The Committee recommends that:**

- i) **The Ethics and Anticorruption Commission (EACC) to investigate the Company's operations and file a report before the Committee.**
- ii) **The Accounting Officer ensures that all required policies are developed and operationalized; management to observe and adhere to Section 149 and Section 184 of the Public Finance Act.**
- 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 query in the subsequent audit cycle.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**1. Unremitted Salary Deductions**

Note 17 to the financial statements discloses staff salaries deductions and June, 2020 salaries of **Kshs.21, 702,761**. Of this amount, **Kshs.18, 416,098.50** relates to deductions not remitted to Lap trust from March 2018. The Company is therefore exposed to the risk of incurring penalties and litigation with the continued delay in remitting the deductions when they fall due. This is contrary to Section 19 (4) of Employment Act 2007 which requires an employer who deducts an amount from an employee's remuneration to pay the amount so deducted in accordance with the time period and other requirements specified in the law.

To the extent, the Company is in breach of the law.

Management Response:

During the year under review the company had un remitted statutory deduction of Kshs 17,310,957 as 30th June 2019. This was occasioned by the cash flow challenges faced by the Company which

was caused by default payment by our major customers that include Kericho County which owed the company **Kshs 38,018,006** as reflected in note 15 page 25 of the financial statement.

The company has put in place robust measures to enhance revenue collections that includes;

Entering into an MOU with Kericho County to streamline water supply and payments for bulk water sales.

Further, the County Government of Bomet on behalf of Water Company has entered an MOU with State Ministry of Water to address issue of Non-Revenue Water as part of revenue enhancement measures. This will boost revenue collections to service the outstanding payables.

The management has further embarked on implementation of gravity fed water systems (e.g. Bomet-Mulot water line) which will cut down the cost of productions and the savings will be used to service outstanding payables.

MOU with water stakeholders have been availed for audit verification and copies submitted to the Committee.

Committee Observation:

The committee observed that the company had a balance of Kshs. **Kshs.18, 416,098.50** that relates to deductions not remitted to Lap trust from March 2018.

Committee Recommendation:

The committee recommends that-

- i) **Within three months from adoption of this report, the management to provide a detailed status report on the settlement of the outstanding statutory deductions to the Senate and a copy to the Office of the Auditor-General for subsequent reporting.**
- ii) **The management to comply with Section 19 (4) of Employment Act 2007.**
- 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 query in the subsequent audit cycle.**

Excessive Wage Bill

The Company incurred an expenditure of **Kshs.86, 455,624** on staff costs representing fifty nine percent (59%) of the Company's total operational costs of **Kshs.146, 086,920**. This is contrary to paragraph 3.15 of the Model Human Resource Policy and Procedures Manual for Water Service Providers by WASREB which prescribes that in determining the staff establishment, the Water Service Provider shall be guided by WASREB sector benchmarks on personnel expenditures as a percentage of total operation costs. The management has explained that the high wage bill has been caused by recruitment of more staff during the year under review hence no efforts appear to have been made to check the wage bill.

Management Response:

WASREB guideline as per paragraph 3.15 of the Model Human Resource Policy and Procedures Manual for Water Service Providers by WASREB of staff levels is 7-11 staff for every 1000 connections.

Our current customers' connections are 21,000 which is within the guideline.

In addition, the company took over Six (6) additional community water projects with her staff.

Further, the personnel expenditure as per percentage of O&M costs is at 38 % (83,655,611/222,455,611) which is within sector benchmark of 40% for medium companies. The management has availed a copy of WASREB impact report issue no 13 for audit verification and a copy submitted to the Committee.

Committee Observation:

The committee observed that the company incurred expenditure of **Kshs.86, 455,624** on staff costs representing fifty nine percent (59%) of the Company's total operational costs of **Kshs.146, 086,920**.

Committee Recommendation:

The committee recommends that-

The Committee recommends that the Company to adhere with the provisions of regulation 25(1) of the Public Finance management (County Government) Regulations, 2015, establish a lean staff; and the Auditor-General to review, and report during the next audit cycle.

2. Non – Revenue Water

Available records indicate that the Company produced 5,119,519 cubic meters (M³) of water, of which only 2,180,915 M³ were billed to customers leaving out the balance of 2,938,604 M³ unbilled representing 57% of the production as Non-Revenue Water (NRW). The NRW exceeded the set threshold of 25% as approved by the Water Services Regulatory (WASREB) guidelines.

Management Response:

This is occasioned by the Low metering ratio and aging water infrastructures. The company took over Six (6) community water projects with unmetered connections. The company endeavored to complete treatment works for these projects.

To address the above challenges, the Company initiated replacement of old and dilapidated PVC pipelines with HDPE network in Bomet town Silent line-3km, Sergutiet Line-5km and Boito raising main-4km in the FY 2020. These are capital intensive measures and the County Government through the Ministry of Water is in the process of replacing other networks taken over by the company by procuring more water meters which has been factored in the current financial year budget 2022-2023 and so far, we have procured 1000 smart water meters at a total cost of **Kshs 19,934,650. Annex 6-** Pictorial evidence of ongoing replacements.

Committee Observation:

The committee observed that the Non-Revenue Water of the company during the financial year 2019/2020 stood at 57% against the allowable loss of 25% as prescribed by Water Services Regulatory Board (WASREB) Guidelines.

Committee Recommendation:

- (i) The company should put into place comprehensive measures to mitigate the Non-Revenue Water such as 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,

- (i) The Governor should collaborate with EACC to ensure that preemptive measures are put into place to reduce the cases of theft and illegal connections; 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 query in the subsequent audit cycle.
- (iii) The Auditor-General should review the mitigating of the measures put in place by the management to mitigate the matter and provide a report on this query in the subsequent audit cycle.

3. Unmetered Connections

Billing records for the year ended 30 June 2020 revealed that an average of seven hundred and fifty-six (756) Customers had water connections without meters and were billed on average consumptions. Although **Kshs.6, 759,255** was realized as revenue from these customers translating to 5% of the total sales, billing of customers without meters could result to possible loss of water hence high percentage of Non-Revenue Water.

Management Response:

The unmetered connections were consumers from Community water projects that were taken over by the Company.

The Company has provided for procurement of water consumer meters in the current budget 2022-2023 to meter these community projects and so far, we have procured and installed 1000 meters in the current year.

Committee Observation:

The Committee observed that:

- i) The list of metered customers has been provided.

- iii) Management did not provide supporting document for the balance at the time of the audit. However, the documents were later provided to the auditors for verification.

Committee Recommendation:

The committee recommends that-

- (i) **The company should put into place comprehensive measures 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 Committee marked the Query as resolved as verified by the auditor.**

4. Stalled Chebuntyo-Siongiroi Water Project

The statement of financial position reflects non-current assets balance of **Kshs. 47,592,817**. Included in this balance is **Kshs.17, 573,015** for Chebuntyo – Siongiroi Water Project financed by grant from Water Sector Trust Fund (WSTF) during the financial year 2015/2016 for the construction of a water supply extension to connect the Chepalungu area from Moi Girls - Siongiroi water distribution point. Payment documents indicate that the total grant amount of **Kshs.17, 573,015** had been paid. However, the project failed to take off during the test run on completion due to low water volumes/levels at the in-take.

The feasibility study documents on the project have not been availed for audit to establish whether the project was confirmed viable and a site inspection visit carried out in the month of January 2020 noted that the site has since been abandoned.

Management Response:

The hydrological report for the proposed water source shows that there would be sufficient water to supply the project area. However, after the completion of the project the implementation of the project was hampered by low water volumes from the source. We have made an initiative to rehabilitate Sigor Water treatment plant to supply water to Siongiroi- Chebunyo with the structures funded by Water Sector Trust Fund. This project is currently at 95% complete. In addition, we

have developed a direct line from the existing old Sigor Water which will actualize the provision of Water to Chebunyo as planned.

The hydrogeological report has been availed for audit verification and copies submitted to the Committee.

Committee Observation:

The Committee observed that:

- i) The feasibility study documents on the project have not been availed for audit.
- ii) The site has been abandoned and that there is a possible loss of public funds.
- iii) A certificate of completion has not been provided.

Committee Recommendation:

The committee recommends that-

- i) **The committee recommends that the management must at all times provide accurate records and other supporting documents to the office of the Auditor-General pursuant to Section 9 (1) (e) of the Public Audit Act, 2015.**
- ii) **The committee recommends that Ethics and Anticorruption Commission (EACC) to investigate the Company's operations and file a report before the Committee within two months upon the adoption of the report.**
- iii) **The Accounting Officer ensures that all required policies are developed and operationalized; management to observe and adhere to Section 149, Section 184 of the Public Finance Act, 2012 and Section 62 of the Public Audit Act, 2015.**
- iv) **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 query in the subsequent audit cycle.**

CHAPTER THREE

REPORT ON AUDITED FINANCIAL STATEMENTS FOR GUSII WATER AND SANITATION COMPANY LTD FOR THE YEAR ENDED 30TH, JUNE, 2020.

The Governor for Kisii County, Hon. Paul Simba Arati, appeared before the Committee on 29th March, 2023 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statement for Gusii Water and Sanitation Company Ltd for the Financial Year 2018/2019. He was accompanied by:

1. Mr. Kennedy O. Abircha - CECM Finance
2. Ms. Lucy Wachina - MD Gwasco
3. Dr. Otucho Junior Obure - Chief of Staff
4. Mr. David Obure - Chair of the Board
5. Col. (Rtd) Moturi - Gwasco Board Member
6. CPA Thaddeus Mogesi – Accountant

The Company is wholly owned by the County governments of Kisii and the Nyamira by 68% and 32% shares respectively under the water Act, 2016.

The Auditor-General rendered adverse audit opinion on the financial statements of Gusii Water and Sanitation Company Limited for the Financial Year 2019/2020.

1. Variances in opening balances

The following comparative figures in the statement of changes in equity differed with the financial year 2018/2019 audited financial statements figures as follows:

Component	Closing Audited Balances in financial statement for 2018/2019 (Kshs)	Opening Balances in Financial 2019/2020 Financial statement (Kshs)	Variance(Kshs)
Retained Earnings/Ac cumulated deficit	11,772,500	16,016,700	4,224,200

Reserve	62,809,200	67,053,200	4,224,200
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No reconciliations or explanations were provided for the variances. Consequently, the accuracy and completeness of the retained earnings and reserves could not be confirmed

Management Response

The Accounting Officer submitted that the management concur with the auditor's observation that the Opening balance for Financial year 2019/2020 in respect to Retained earnings/ Accumulated deficit of negative Kshs. 11,772,500 ought to have been negative Kshs. 16,016,700 while Opening balance for Financial year 2019/2020 in respect of reserves of Kshs. 62,809,200 ought to have been Kshs. 67,053,200. The management therefore regrets the miss-posting error in 2018/2019 in the process of keying figures in the statement of changes in equity.

Committee observation

The Committee observed that retained earnings and reserve accounts had variances in relation to the Closing Audited Balances in financial statement for 2018/2019 and Opening Balances for Financial Year 2019/2020. However the documents were later submitted to the auditors for review and the variances were reconciled accordingly.

Committee recommendation

The Committee recommends that:

- (i) The Accounting Officer to take remedial measures to ensure that the water Company keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the Public Finance Management Act 2012.**
- (ii) The matter be marked as resolved.**

2. Variance in Transport and Lunch Expenses

Note 11 to the financial statements reflects administrative costs of Kshs. 60,102,300 which includes Kshs. 1,002,600 in respect of transport and lunch which differs with the ledger balance

of Kshs. 1,073,000 resulting to unreconciled variance of Kshs 70,400. Consequently, the accuracy, validity and completeness of Kshs. 1,002,600 for the year ended 30th June 2020 could not be confirmed.

Management Response

The Accounting Officer submitted that the management takes note of auditor’s observation on unreconciled variance of Kshs Kshs.70, 400 between the financial statements figure of Kshs 1,002,600 and the ledger figure of Kshs 1,073,000 on transport and lunch costs. He further stated that the variance was caused by an expenditure transaction of Kshs 70,400 of voucher no. 7865 paid through Cheque no.004926 which was erroneously captured twice in the ledger. This has been analyzed below;

Particulars	Amount (Kshs)
Total Amount as per the transport and lunch Ledger	1,073,000
Less; Duplicate entry (Erroneously captured transactions)	(70,400)
Amount transport and lunch as per the financial statements	1,002,600

The ledger supporting the above figures has been provided.

Committee observation

The Committee observed and noted unreconciled variance of Kshs Kshs.70, 400 between the financial statements figure of Kshs 1,002,600 and the ledger figure of Kshs 1,073,000 on transport and lunch costs at the time of the audit. However, the documents were later provided to the auditors for verification, and the matter is resolved.

Committee recommendation

The Committee recommends that-

- (i) **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.**
- (ii) **matter be marked as resolved.**

2.1 Variance in Secretarial services

Note 11 to the financial statement reflects administration cost of Kshs. 60,102,300 which includes Kshs. 390,600 in respect of secretarial services which differs with the ledgers balance of Kshs. 445,000 resulted to unreconciled variance of Kshs. 54,400. Consequently, the accuracy, validity and completeness of administration costs of Kshs. 60,102,300 for the year ended 30th June 2020 could not be confirmed.

Management Response

The Accounting officer stated that ledger amount of Kshs. 445,000 includes, Kshs. 54,400 which was outside the financial year 2019/2020. However, a figure of Kshs. 390,600 as recorded in the financial statement and the ledger is a true reflection of the expenditure in the financial year under review.

Committee observation

The Committee observed unreconciled variance of Kshs. 54,400 in respect to secretarial services at the time of the audit; however, the documents were later provided to the auditor for review and verification, and the matter is resolved.

Committee Recommendation

The committee recommends that:

- (i) **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, and;**
- (ii) **The water Company keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the Public Finance Management Act 2012.**
- (iii) **The matter be marked as resolved.**

2.2 Variance in Consumables

Note 11 to the financial statement reflects administrative cost of Kshs. 60,102,300 which includes Kshs. 403,800 in respect of consumables which differs with the ledgers balance of Kshs. 365,800 leading to unreconciled variance of Kshs. 38,000. Consequently, the accuracy, validity and completeness of Kshs. 403,800 for the year ended 30th June 2020 could not be confirmed.

Management Response

The Accounting Officer submitted that variance of Kshs 38,000 in respect to consumables between the financial statement and the ledger arose from erroneous omission of an invoice dated 19th of May 2020 being an accrued expenditure for Stanford Technology. This therefore means that the expenditure of Kshs 403,835 for consumables is properly accounted for. Ledger for consumables has been provided.

Committee observation

The Committee observed that cost for consumables had a variance of Kshs. 38,000 at the time of the audit; however, the documents were later submitted to the auditors for verification.

Committee recommendation

The Committee recommends that :

- (i) 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**
- (ii) Accounting Officer to ensure that the water Company keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the Public Finance Management Act 2012.**
- (iii) The matter be marked as resolved .**

3. Unsupported Cash and Cash Equivalents

Note 18 to the financial statement reflects cash and bank balances figure of Kshs. 2,147,300 out of which Kshs. 526,900 relates to Kenya Commercial Bank account which differs with the cash book balance of Kshs.466,100 resulting to unsupported balance of Kshs. 60,800. Further, the cashbook reflects cash in hand balance of Kshs. 6,700,273 which was not incorporated in the bank and cash balances of Kshs. 2,147,300 reflected in the financial statements. Further, the cashbook of Kenya Commercial Bank and M-Pesa account were not provided for audit review. Consequently, the accuracy, validity and completeness of cash and cash equivalents of Kshs. 2,147,300 as at 30th June 2020 could not be confirmed.

Management Response

The Accounting Officer submitted that the correct cash balance reflected nil instead of reported figure of Kshs. 6,700,237 by the auditor. The management regrets having provided unreconciled cash book which was indicating Kshs. 6,700,237 balances as at 30 June 2020 instead of Nil balance as reported in the financial statements and the reconciled cash book. Further the management hereby provides cash book for Kenya Commercial Bank and M-Pesa Statements.

Further, he stated that management regrets that a bank balance of Kshs.526, 900 was used instead of cash book balance of Kshs. 466,100 in cash book giving a variance of Kshs. 60,800. This will subsequently be amended. Certificate of bank balance and board of survey have also been provided.

Committee observation

The Committee observed that:

- i. The cash-book balance for KCB account had unsupported balance of Kshs. 60,800.
- ii. Cashbook of Kenya Commercial Bank and M-Pesa account were not provided for audit review. However, the documents were later submitted to the Auditors for review
- iii. The audit query is marked resolved.

Committee recommendation

The Committee recommends that the Accounting Officer ensure that management of the water Company comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 Act, on the timely submission of documents.

4. Variance in Trade and Other payables

Note 23. To the statement of financial statement reflects trade and other payables figure of Kshs. 71,311,100 comprising trade payables of Kshs. 37,358,300 and other payables of Kshs. 33,952,800. However, the general ledger reflects balances Kshs. 36,666,600 and Kshs 32,439,000 for trade payables and other payables respectively resulting to unreconciled and unexplained variance of Kshs. 691,700 and Kshs, 1,513,800 respectively. Consequently, the accuracy, validity and completeness of trade and other payables figure of Kshs. 71,311,100 as at 30th June 2020 could not be confirmed.

Management Response

The Accounting Officer submitted that it is regrettable that the auditor was erroneously provided with unreconciled trade payables' ledger by the time of audit review. However, in the preparation of the financial statements, a reconciled creditors' ledger was used. The variance of Kshs, 691,700 between Kshs 37,358,300 and 36,666,600 for trade payables arose from the creditors whose balances had not been reconciled in the ledger.

Further, the variance of Kshs, 1,513,800 between a figure of Kshs. 33,952,800 and 32,439,000 for other trade payables arose from accrued staff salaries where a figure of Kshs. 9,497,366 was reported in the financial statements against a ledger of Kshs. 7,983,766 provided to the auditor. Ledgers to support the figures have been provided.

Committee observation

The Committee observed that unreconciled and unexplained variance of Kshs. 691,700 and Kshs, 1,513,800 on trade payables and other payables; however, the documents were later submitted to the auditors for verification and the matter is marked as resolved.

Committee recommendation

The Committee recommends that:

- (i) **The Accounting Officer must at all times ensure that he/she provide accurate records and other supporting documents pursuant to Section 9 (1) (e) of the Public Audit Act, 2015.**
- (ii) **The Accounting Officer should strengthen internal audit controls and ensure proper record keeping and;**
- (iii) **The Accounting Officer to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records as required by the Accountants Act, 2008.**

5. Unreconciled Agency Account.

Note 24(a) to the statement of financial statement reflects agency account of Kshs.40, 904,200 which includes Kshs.20, 855,100 for Lake Victoria South Service Board in respect of outstanding Special Account (SPA) Fee payable. However, supporting schedule reflected outstanding SPA Fee payable amount of Kshs.29, 366,100 resulting to unreconciled or explained balance of Kshs.8, 511,000. Consequently, the accuracy, validity and completeness of Kshs. 40,904,200 as at 30th June, 2020 could not be confirmed.

Management Response

The Accounting Officer submitted that the management regrets having provided the auditor with unreconciled supporting schedule of outstanding SPA fee payable amounting to Kshs 29,366,100. However, the management noticed that the charge was nullified through Kenya Gazette Notice No.12188 and communication from Water Services Regulatory Board (WASREB). Therefore, the Service Provision Agreement (SPA) charge of 4% had been abolished. This therefore confirms that the outstanding amount to Lake Victoria South Water Service Board (LVSWSB) for the year was Kshs 20,855,100.

Committee observation

The Committee observed that agency account had a balance of Kshs.40, 904,200 which includes Kshs.20, 855,100 for Lake Victoria South Service Board in respect of outstanding Special Account

(SPA) Fee payable; however, the reconciliations were later provided and the matter is marked as resolved.

Committee recommendation

The Committee recommends that:

- (i) The Accounting Officer to strictly adhere to the binding/procurement agreements with third parties to avoid additional costs in the form of fines and penalties, and;**
- (ii) The Auditor-General to review the reconciliation documents and report in the next audit cycle.**

6. Understated Trade and Other Receivables

Note 17 to the statement of financial statement reflects trade and other receivables of Kshs. 108,879,800 after provision for doubtful debts of Kshs. 12,097,700 (10%). However, an aged listing of trade receivables provided for audit review reflects a balance of Kshs.127, 738,805 which when subjected to 10% provision of doubtful debts totals to Kshs. 12,773,881 resulting into net trade and another receivable of Kshs.114, 964,924. Consequently, the accuracy, validity and completeness of the trade and other receivables figure of Kshs.108, 879,800 as at 30th June, 2020 could not be ascertained.

Management Response

The Accounting Officer submitted that the management regrets that aging listing of trade receivables balance of Kshs. 127,738,805 was unreconciled and was erroneously shared during the audit process. This was occasioned by the parameter at which the age analysis is set for extraction from Majisoft billing software. Trade receivable of Kshs. 127,738,805 was extracted as at 4th September 2020. This means that trade and other receivables balance aging listing included receivables for the new financial year which had already commenced.

In addition, he stated that the management has since provided correct trade and other receivable age analysis of Kshs. 120,977,530 as at 30th June, 2020 which when subjected to the 10% provision

for doubtful debts brings the net trade and other receivables of Kshs. 108,879,800 for audit verification.

Committee observation

The Committee observed that an aged listing of trade receivables provided for audit review had a balance of Kshs.127, 738,805. The query remains unresolved.

Committee recommendation

The Committee recommends that the Accounting Officer should always ensure that the records are reconciled and analysed with necessary supporting documents and submitted to the Auditor-General in compliance with provisions of Section 68(2) of the PFM Act 2012.

7. Variance in Statement of Cash Flows

Note 28 to the financial statements reflects cash generated from (used in) operations figure of Kshs. 5,340,500 which differs with Kshs. 6,408,700 reflected in the statement of cash flows resulting to unreconciled and explained variance of Kshs. 1,068,200. Further, the cash flows reconciliation in note 28 reflects no provision for bad and doubtful debt as a reconciling item. Consequently, the accuracy, validity and completeness of the statement of cash flows balance of Kshs 2,147,300 for the year ended 30th June, 2020 could not be confirmed.

Management Response

The Accounting Officer submitted that the management concurred with the auditor's observation that cash generated from /(used in) operations figure of Kshs. 5,340,500 differed with Kshs. 6,408,700 by Kshs. (1,068,200). This figure of Kshs 6,408,700 was erroneously transferred to the statement of cash flows. A compensating error of Kshs 1,068,000 was committed in cash flows from investing activities where expenditure for the purchase of Property Plant and Equipment of Kshs 534,000 was treated a cash inflow.

Further, the management concurred with the auditor's observation that doubtful debts were not used in the reconciliation. This is highly regrettable. Despite all these errors, the Net cash from/

(used in) operating activities of Kshs (5,340,600) and cash and cash equivalent at the end of the year of Kshs 2,147,300 remained the same.

Committee observation

The Committee observed that the statements of cash flows had unreconciled and explained variance of Kshs. 1,068,200; and the query remains unresolved.

Committee recommendation

The Committee recommends that the Accounting Officers must at all times ensure that they provide accurate records and other supporting documents pursuant to Section 9 (1) (e) of the Public Audit Act, 2015.

8. Unreconciled Statement of Comparison of Budget and Actual amounts.

The statement of comparison of budget and actual amounts reflects final budget total income figure of Kshs.252, 825,074 while the re-casted figure reflects Kshs. 265,394,815 leading to unreconciled figure of Kshs. 12,569,741. Further, the statement does not reflect the original budget and adjustments amount as required by the Public Sector Accounting Standard Board. Consequently, the accuracy and completeness of the statement of comparison of budget and actual amount for the year ended 30th June, 2020 could not be confirmed.

Management Response

The Accounting Officer submitted that the variance of Kshs. 12,569,741 between final budget total income figure of Kshs. 252,825,074 and the re-casted figure of Kshs.265, 394,815 was occasioned by revenue economic efficiency. Based on the Water Services Regulatory Board (WASREB) Key Performance Indicators (KPIs) Impact report of Kenya's Water Service Sector for FY 2019/2020 Economic efficiency provides >95% of revenue collection efficiency as good, 85%-95% as acceptable and <85% as not acceptable.

In addition, the Accounting Officer stated that the total income from operations of Kshs Kshs. 251,394,814 which when subjected to 95% collection efficiency brings a total revenue expected

of Kshs. 238,825,074. Kshs. 238,825,074 added to grants from County Government of Kshs. 14,000,000 brings total revenue budget to Kshs. 252,825,074. This has been analyzed as follows:

Revenue stream	Amount (Kshs.)	Collection efficiency in %	Expected collection amount at 95% (Kshs.)
Income from Water	174,035,888	95	165,334,094
Income from Sewer	74,970,457	95	71,221,934
Income from Meter Rent	2,388,470	95	2,269,047
Sub-total			238,825,074
Add: Grant from County Government			14,000,000
Total Final Budget			<u>252,825,074</u>

Further, the management took note of the non-compliance with the Public Sector Accounting Standard Board (PSASB) in preparation of statement of comparison of budget and actual amounts. However, this has since been complied with subsequently.

Committee observation

The Committee observed that Statement of Comparison of Budget and Actual amounts had unreconciled figure of Kshs. 12,569,741 at the time of audit; and reconciliations were later provided and the matter is marked as resolved.

Committee recommendation

The Committee recommends that:

- (i) **The Accounting Officer should always ensure that the records are reconciled and analysed with necessary supporting documents and submitted to the Auditor-General in compliance with provisions of Section 68(2) of the PFM Act 2012; and**

that complete financial and accounting records are presented to the Auditor-General pursuant to the provisions of Article 229 of the Constitution of Kenya 2010 and Section 68(2k) of the PFM Act 2012;

- (ii) The Accounting Officer to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records as required by the provisions of the Accountants Act, 2008.

9. Variance in Share Capital

The share capital of the Company is Kshs.100, 000 which is divided into 20,000 ordinary shares of Kshs.5 each. The shares as per the business registration service in the office of the Attorney General and Department of Justice still reflect that the Company is owned by the defunct Local Authorities as shown below:

Defunct Local Authorities	Share
Municipal Council of Kisii	1411
Gusii County Council	509
Gucha County Council	267
Suneka Town Council	285
Nyamira County Council	249
Nyamira Town Council	633
Keroka Town Council	423
Tabaka Town Council	299
Ogembo Town Council	305
Masimba Town Council	305
Nyansiongo Town Council	547

Total	5,233
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The shares as per the business registration service in the office of the Attorney General and Department of Justice shares reflects 5,233 shares which differs with the financial statement of 20,000 leading to unreconciled and unexplained and variance of 14,767 shares. Further, the Directors listed in the business registration differ with those disclosed in the financial statement for the year ended 30th June, 2020. Also, the shares had not transferred and paid for by the two County Governments of Nyamira and Kisii as expected. Consequently, the ownership, accuracy, validity and completeness of the issued capital of Kshs.100, 000 as at 30th June, 2020 could not be confirmed.

Management Response

The Accounting Officer stated that Whereas the management concurs with the auditor's observation that the company's shares are erroneously captured, the management observed that the breakdown of the shares is overstated by 233 shares. The correct breakdown of the shares of the company is as analyzed below.

Defunct Local Authorities	Share
Municipal Council of Kisii	1411
Gusii County Council	509
Gucha County Council	267
Suneka Town Council	285
Nyamira County Council	249
Nyamira Town Council	633
Keroka Town Council	423
Tabaka Town Council	299

Ogembo Town Council	305
Masimba Town Council	305
Nyansiongo Town Council	314
Total	5,000

The above analysis indicates that the Company has 5,000 shares of Kshs 20 each which gives the total share value of Kshs.100, 000. Even with the typo in the number of shares and their par values, the total share capital remained unchanged. The management also concurred that shares have not been transferred and paid for by the two County Governments of Nyamira and Kisii as expected.

Committee observation

The Committee observed that the shares had not transferred and paid for by the two County Governments of Nyamira and Kisii as expected; and the query is marked as unresolved.

Committee recommendation

The Committee recommends that within two months upon adoption of this report, the Governor to have an engagement with his counterpart Governor of Nyamira County and ensure the matter of shareholding is amicably resolved within the provisions of the law.

Material Uncertainty in Relation to Going Concern

The statement of profit and loss and other comprehensive income reflects an operating loss of Kshs.21, 725,800 during the year ended 30 June, 2020 (2019: a loss of Kshs.6, 304,300). The operating loss continued to deplete the retained earnings from negative Kshs.16, 016,600 as at 30 June, 2019 to negative Kshs.37, 742,400 as at 30 June, 2020. Further, the current liabilities for the year under review amounted to Kshs. 112,215,300 while the current assets for the same period amounted to Kshs.111, 705,900 resulting to negative working capital of Kshs. 509,400 demonstrating that the company is unable to meet its financial obligations as and when they fall due. This state of affairs is indicative of an acute financial challenge facing the company which

raises significant doubts on its ability to operate as a going concern. The Company is therefore technically insolvent and its continued existence as a going concern is dependent upon the financial support from its creditors and the government.

Management Response

The Accounting Officer submitted that Management concurs with the auditors' observation and has taken the following measures to address the situation:

- i. Increasing revenue by increasing availability of and access to water services in partnership with USAID
- ii. Installation of new billing software to address Non-Revenue Water hence increasing revenue.
- iii. Non-replacement of retired officers except on essential services to minimize the wage bill

Committee observation

The Committee observed that the company registered an operating loss of Kshs.21, 725,800 during the year ended 30 June, 2020 and a negative working capital of Kshs. 509,400.

Committee recommendation

The Committee recommends that:

- (i) **The Accounting Officer put in place strategic measures to boost the financial health of the Company, and the Auditor-General to review and report on such measures to the Committee in the next audit cycle.**
- (ii) **Company should review and regularize its existing assets, to determine and ascertain their commercial viability.**
- (iii) **The Accounting Officer to undertake detailed analysis of its long outstanding trade receivables and payables so as to reflect the true and fair financial position of the Company.**
- (iv) **The Company should put in place mitigating measures to address its overall revenues, review its tariffs for maximizing higher incomes; and address the**

physical and commercial water losses in order to reduce the high level of Non-Revenue Water.

Other matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year under review reflects total budgeted receipts of Kshs 252,825,074 and actual revenue of Kshs 155,452,400 resulting to an under-funding of Kshs.97, 372,674 or 39%. Similarly, the statement reflects approved final budgeted expenditure of Kshs 252.825,073 and actual expenditure of Kshs. 177,178,200 resulting to under absorption of Kshs.75, 646,873 or 30%. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to stakeholders.

Management Response

The Accounting Officer submitted that management concurred with the auditor's observation on budgetary control and performance. This was occasioned by Non-Revenue Water (NRW) arising from physical losses due to dilapidated existing water infrastructure and commercial losses from our billing system. However, the management as part of the strategies to mitigate on high water losses, it has signed a Memorandum of understanding with Lake Victoria South Water Works Development Agency and Gusii Water and Sanitation Company Ltd for Last Milestone Connectivity aimed at; expansion of distribution line, rehabilitation of dilapidated distribution lines and installation of billing software to monitor water production and sales.

Committee observation

The Committee observed that the company registered an under-funding of Kshs.97, 372,674 or 39%; and the query remains unresolved.

Committee recommendation

The Committee recommends that the Company institute proper and realistic budget planning and the Office of the Auditor-General to confirm the effectiveness of the mitigating measures put in place by the Company and report in the subsequent audit cycle.

Basis for conclusion

1. Over expenditure in Staff Cost

The financial statements reflect production staff salaries and wages of Kshs.45, 973,800 and administration staff cost of Kshs.39, 547,000 as disclosed in 7 and 11 respectively. However, the total revenue during the year was Kshs.129, 112,400 and therefore, the expenditure of Kshs. 85,520,800 on compensation of employees (salaries, benefits and allowances) during the year constituted about 66% of the total revenue. This is contrary to the provisions of regulation (25) (1)(b) of the Public Finance Management (County Governments) Regulation,2015 which by implication limits the expenditure on compensation of employees of the company to a maximum of 35%of the total annual revenue.

Consequently, the management is in breach of the law.

Management Response

The Accounting Officer submitted that management concurred with the auditor's observation on the over expenditure in Staff Cost. The high wage bill is as a result of high number of staff that was inherited from the defunct local authorities of Kisii and Nyamira. Gusii Water and Sanitation Company (GWASCO), on realizing that the staff lacked necessary skills, it recruited staff with prerequisite skills to achieve productivity.

He further stated that the management has however adopted the following measures to mitigate on the high wage bill;

- i. It has signed a memorandum of understanding with the National Government for Last Milestone Connectivity aimed at expansion of distribution line and rehabilitation of dilapidated distribution lines.

- ii. Installation of billing software to monitor water production and sales. This will reduce the Non-Revenue Water (NRW) hence increasing revenue.
- iii. Replacement of PVC pipes with HDPE aimed at reducing Non-Revenue Water (NRW) losses. This has an effect of increasing revenue and reducing maintenance related costs.

Committee observation

The Committee observed that the expenditure of Kshs. 85,520,800 on compensation of employees (salaries, benefits and allowances) during the year constituted about 66% of the total revenue. The query is marked as unresolved.

Committee recommendation

The Committee recommends that the Company to adhere with the provisions of regulation 25(1) of the Public Finance management (County Government) Regulations, 2015, establish a lean staff; and the Auditor-General to review, and report during the next audit cycle.

2. Irregular Administrative Costs

The financial statement reflects administration costs of Kshs.60, 102,300 as disclosed in Note 11 which includes Kshs. 4,609,300 in respect of director's emolument. Review of the board of directors minutes revealed that, three (3) out of five (5) full board meetings were held in the same time (Fourth) quarter against the guideline 4 .1.3 of the company's corporate governance which states that the Board of Directors shall have only one full board meeting in every quarter. Sitting allowances amounting to Kshs.196, 000 were thereby irregularly drawn. Consequently, the validity and value for money of Kshs. 60,102,300 for the year ended 30th June, 2020 could not be confirmed.

Management Response

The management concur with auditors' observation. However, it is contemplating an administrative action. Currently, there exists an annual board calendar for board meetings and this is strictly followed by the current board of directors in line with laid down guidelines.

Committee observation

The Committee observed that three (3) out of five (5) full board meetings were held in the same time (Fourth) quarter against the guideline. The matter remains unresolved.

Committee recommendation

The Committee recommends that within three months upon adoption of this report, the Accounting Officer should institute administrative actions against Board members and staff who contravened the laid down guidelines on Board meetings.

3. Non-Remittance of Statutory Deductions

The financial statements reflect trade and other payable figure of Kshs. 71,311,100 as disclosed Note 23 includes other payables of Kshs. 33,952,800 out of which Kshs. 14,679,388 is in respect of pension and provident funds. However, the amount had not been remitted to the various pension/provident bodies contrary to Section 53A (1) of the Retirement Benefit Authority Act 2012 which requires the employer to remit the deductions within fifteen (15) days of the deduction. Consequently, the management is in breach of the Law.

Management Response

The Accounting officer stated that management regrets the delayed submission of statutory deductions in the financial year. This was due to constrained financial resources. However, the management has since made the payments as analyzed below:

Date	Payee	Cheque No.	Amount Paid (Kshs)	Balance (Kshs)	Working Papers Ref No.
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28-10-2022	CPF Financial Services	000130	2,062,920	1,030,026	13-i
28-07-2020	National Social Security Fund	005078	55,600	0	13-ii
28-10-2022	National Water Pension	000087	3,045,788	7,934,399	13-iii
28-10-2022	Lap Fund	000132	220,428	330,226	13-iv
	Total		5,384,736	9,294,651	

It is also important to note that the payments have been made without penalties and interests.

Committee observation

The Committee observed that the company had a balance of Kshs. 14,679,388 is in respect of pension and provident funds; and the matter remains unresolved. The documents were later provided to the Auditors.

Committee recommendation

The Committee recommends that within three months of adoption of this report, the Accounting Officer to provide a detailed status report on the settlement of the outstanding statutory deductions to the Senate and a copy to the Office of the Auditor-General for subsequent reporting.

4. Staff recruited without advertisement

The financial statements reflect production staff salaries and wages of Kshs. 45,973,800 and administration staff costs of Kshs. 39,547,000 respectively as disclosed in Note 7 and 11(a). review

of the staff recruitment revealed that the following positions were filled without advertisement namely commercial officer (2posts), ICT office (1post) Internal Auditor (1), Assistant Technical and (1post) Manager GIS officer (1 post) contrary to Section 3.2.2 of the Gusii Water Human Resource Policies and procedure Manual which requires that a vacant post is advertised both internally and externally in order to attract the most suitable candidate. Consequently, the management is in breach of the regulation

Management Response

The Accounting officer submitted that management concurred with auditors' observation that staff recruitment of Commercial officer (2posts), ICT office (1post) Internal Auditor (1), Assistant Technical and (1post) Manager GIS officer (1 post) positions were filled without consideration of Section 3.2.2 of the Gusii Water Human Resource Policies and procedure Manual. Whereas this is regrettable, the officers were recruited on contractual basis whose terms have since expired and management did not consider their renewal. Notice of termination of contracts has been provided.

Committee observation

The Committee observed that the post for the commercial officer (2posts), ICT office (1post) Internal Auditor (1), Assistant Technical and (1post) Manager GIS officer (1 post) were filled without advertisement. The matter is unresolved.

Committee recommendation

The Committee recommends that the Accounting officer ensures that staff are recruited under the laid down human resource guidelines.

5. Irregular Staff Ethnic Composition

Disclosed in Note7 and 11(b) to the financial statements are production staff salaries and wages of Kshs. 45,973,800 and administration staff costs of Kshs. 39,547,000 respectively. A review of the personnel records reflected that Company had a staff composition of 139 or 96% comprise of the members from the dominant community in the county, contrary to Section 65(1) of the County Government Act, 2012 which require that at least thirty percent of the vacant post at entry level

are filled by candidates who are not from dominant ethnic community in the County. Consequently, the management is in breach of the Law

Management Response

The Accounting Officer submitted that management concurred with the auditor's observation on Irregular Staff Ethnic Composition. However, GWASCO being an equal opportunity employer advertises vacant positions in newspapers of nationwide circulation, MyGov and GWASCO website to reach all potential applicants. Candidates who meet the requisite criteria are shortlisted, invited for interview and subsequently recruited without any bias as regard to ethnicity. Unfortunately, the management receives applicants majorly from the dominant community.

Committee observation

The Committee observed that Company had a staff composition of 139 or 96% comprise of the members from the dominant community in the county.

Committee recommendation

The Committee recommends that the Accounting Officer ensure adherence and compliance to Section 65(1) (e) of the County Government Act, 2012

6. Exceeded Non-Revenue Water (NRW)

Note 6 to the financial statement reflect revenue of Kshs.129, 112,400 which include Kshs. 75,836,500 which represents the income from water sales during the year. However, a review of the billing system revealed that the company produced 2,271,885 cubic meters (M3) of water out of which only 1,033,526 cubic meters were billed to customers. The balance of 1,238,359 cubic meters or approximately 55% of the volume represent the Non-Revenue Water (NRW), which is 30% over and above the allowable loss of 25% in accordance with Water Service Regulatory Board Guidelines, 2010. The NRW of 1,238,359 m3 may have resulted in loss of sales estimated at Kshs.90, 866,425 at the average rate of Kshs. 73.38 per m3. This is also an indication of lack of efficiency and effectiveness in the use of public resources. No evidence was provided for effort by the company to address the situation. In the circumstances, the NRW above 30% above the

allowable limit may negatively impact on the company's profitability and its long term sustainability.

Management Response

The Accounting officer submitted that management concurred with the auditor's observation on Non- Revenue Water balance of 1,238,359 cubic meter resulted in loss of sales estimated at Kshs. 90,866,425 at the average rate of Kshs.73.38 per m³. This was occasioned by Non-Revenue Water (NRW) arising from physical losses due to dilapidated existing water infrastructure and commercial losses from our billing system. However, the management as part of the strategies to mitigate on high water losses, it has signed a memorandum of understanding with the National Government for Last Milestone Connectivity aimed at; expansion of distribution line, rehabilitation of dilapidated distribution lines and installation of billing software to monitor water production and sales.

Committee observation

The Committee observed that the Non-Revenue Water of the company during the financial year 2019/2020 stood at 55% against the allowable loss of 25% as prescribed by Water Services Regulatory Board (WASREB) Guidelines. The matter remains unresolved.

Committee recommendation

The Committee recommends that:

- (i) **The company should put into place comprehensive measures to mitigate the Non-Revenue Water such as 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**
- (iv) **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 query in the subsequent audit cycle.**

Lack of Risk Management Policy Framework

A Review of the internal controls revealed that the company does not have in place risk management policy framework to ensure that all operations are performed within the approved risk tolerance levels. There was no documented disaster recovery plan to deal with loss of data or information in case of systems failure to protect the IT infrastructure in the event of disaster. Further, there is no assurance on the effectiveness of risk Management process as required by the provisions of Section 158(1) of Public Finance Management (County Governments) Regulations, 2015. In the circumstance, the security and reliability of the company data including the Management Information System could not be confirmed.

Management Response

The management regrets that there was lack of risk management policy framework by the time of audit process. However, the management has since been developed Risk Management Policy (RMP) that is operational.

Committee observation

The Committee observed that the company did not have a risk policy management framework.

Committee recommendations

The Committee recommends that-

- i. The accounting officer ensures that the company has a risk management policy in accordance with the provisions of Section 158(1) of Public Finance Management (County Governments) Regulations, 2015.**
- ii. The query be marked as resolved.**

CHAPTER FOUR

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR 30TH, JUNE, 2020

The Governor for Kisumu County, H.E Prof. Peter Anyang Nyong'o, appeared before the Committee on Tuesday, 28th February, 2023 to respond (under oath) to audit queries raised in the report of the Auditor General on financial statements for the Kisumu Water and Sanitation Company for the financial year 2019/2020. The Governor was accompanied by the following officers:

- | | |
|-------------------------|--|
| 1. Mr. George O. Okongo | - CECM Finance Economic Planning and ICT |
| 2. Mr. Thomas Odongo | - MD Kiwasco |
| 3. Mr. Wilson Abiero | - Co -Finance Economic Planning and ICT |
| 4. Mr. Yanzar M. Agwa | - CECM |
| 5. Mr. Philip Odundo | - Chief officer |

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

1. Unsupported Trade and Other Receivables

As disclosed in note 13 of the financial statements, the statement of financial position reflects a balance of Kshs. 254,915,333 under trade and other receivables which includes an amount of Kshs.8,372,163 in respect of prepayments and deposits whose supporting documents such as detailed schedules and invoices were not provided for audit review.

Consequently, the accuracy of the balance of Kshs.8,372,163 of trade and other receivables as at 30 June 2020 could not be confirmed.

Management Response:

It is worth noting that page 26 of the Audited financial statements contain Appendices with appendix C describing the nature of the items included as deposits and prepayments. Additionally, all the schedules were provided for audit review, copies are hereby attached. It is not fair for the Auditor-General to ask for invoices of the deposits yet these were mostly paid at the inauguration of the Company in 2003. Moreover, these are deposits for utilities

that support the company operations and were not expensed in the year under review.

We would also wish to reiterate that at no point during the audit process did the above issue come up or was queried as both the management letter and the Draft Audit report did not contain the said matter hence the company was not given any opportunity to respond to it as required but it only appeared in the final report.

The report equally states that there were no key matters to report in the financial year under review.

Committee Observations

The Committee observed that the management had not provided the relevant documents to support Kshs.8,372,163 of trade and other receivables during the audit process, however, supporting documents were not provided to the Auditor-General for verification during the time of audit.

Committee Recommendations

The Committee recommends that:

- i. The company must adhere to Section 9 (1) (e) of the Public Audit Act, 2015 of the submission of requisite documents to the auditor during the time of audit and the Public Finance Management Act, 2012 on financial reporting.**
- i. The matter be marked as resolved.**

OTHER MATTERS

Budgetary Controls and Performance.

1.0 Revenue Analysis

The statement of comparative budget and actual amounts for the year ended 30 June 2020 reflects final receipt budget and actual on comparable basis of Kshs.894,431,758 and Kshs.794,276,150 respectively resulting to under-funding of Kshs. 100,155,608 or 11% of the budget.

Similarly, the company expended Kshs.684,327,419 against an approve budget of Kshs.782,601,102 resulting to an under-expenditure of Kshs. 103,193,593 or 13% of the budget;

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

Management Response:

KIWASCO applies the Accrual basis of accounting and fully depend on own sources of revenue to finance its operations and does NOT receive any appropriations from the National Treasury or County Governments. This implies that the company can only spend what it has collected. The financial year under review was largely affected by COVID-19 pandemic that subsequently affected revenue to the Company. Most of the key commercial accounts were completely shut down or operating below par, these included schools, restaurants, hotels and other manufacturing entities like Kenya Breweries remained closed. The multiplier effect to manage working capital during the time was to minimize costs/activities hence the budget under-expenditure of **Kshs.103,193, 593**.

The budgetary performance is therefore acceptable as overall expenditure are within the budget limits and available resources collected in the year under review. As can be observed, the underperformance in revenue collection was **Kshs.100,155,608** while under expenditure as **Kshs.103,193, 593** which proves that the company could only spend out of available resources obtained in the year and could not spend on all planned activities to support service delivery due to the shortfall in revenue.

NOTE that only essential and necessary expenditure were undertaken during this period.

Committee Observations

The Committee observed that the company registered an underfunding of Ksh. 100,155,608 or 11% of the budget, in relation to its budgeted revenues and under expenditure as Kshs.103,193, 593.

Committee Recommendations

The Committee recommends that:

- i. The Company prepares realistic budget and plans.**

- ii. **The accounting officer adheres to the provisions of regulation 42 (2) of the Public Finance management (County Government) Regulations, 2015 on exercising budgetary control measures.**
- iii. **The matter be marked as resolved.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES.

Basis of Conclusion

Non-compliance with National Cohesion and Integration Commission Act, 2008

Review of staff establishment records of the Company revealed that the total number of staff of Three hundred and twenty eight (328) out of which two hundred and eighty five (285) of staff representing 87% are from the dominant ethnic community of the area which is against the National Cohesion and Integration Commission Act, 2008 section 7(1) which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, (2) no public establishment shall have more than one third of its staff from the same ethnic community.

Consequently, management is in breach of the law.

Management Response:

The company is making progress in managing the ethnicity aspects of staff which stood at 92% in 2019 for the dominant ethnic community but has improved to the current 87%. Management will strive to manage this progressively to ensure full compliance.

Committee Observations

The Committee observed that the company had total number three hundred and twenty eight (328) staff out of which two hundred and eighty five (285) of staff representing 87% are from the dominant ethnic community of the area which is against this section 7(1) of the National Cohesion and Integration Commission Act, 2008.

Committee Recommendations

The Committee recommends that:

- ii. **The board and the accounting officer to make deliberate efforts towards compliance with section 7 (1) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, (2) no public establishment shall have more than one third of its staff from the same ethnic community..**
- iii. **The matter be marked as resolved.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

i. Non-Revenue Water Management

A review of water production records revealed that the Company produced 10,525,356m³ of water during the year under review which however differs with the billing records which indicate that 6,666,980m³ of water was sold during the period resulting into unaccounted for water of 3,858,376m³ which represents 37% of the total water produced resulting to unaccounted for water (UFW) being 12% above the allowable loss of 25%. However, the monetary loss could not be computed as an approved tariff structure was not available for audit review.

Management Response:

The globally and industry acceptable term to refer to water losses is Non-Revenue Water (NRW) and not Unaccounted for Water (UFW) since the losses can be quantified and adequately measured. NRW is therefore a global water sector concern and a challenge. The performance on the same for the year under review is above the industry target of 25% which is the ideal target that companies are required to strive to achieve. KIWASCO has old dilapidated water networks laid during the colonial times and is continuously rehabilitating its water networks but are limited by financial muscle and heavy investment needed to overhaul old networks. KIWASCO is currently working with various partners to help in containing NRW.

Below are the Non-Revenue Water reduction strategies adopted by the KIWASCO.

Non-Revenue Reduction Strategy and Implementation

The NRW action plan below presents all activities and tasks to be conducted to manage and reduce NRW in line with the strategy:

- a) Sensitize customers on their roles in leak detection and reporting
- b) Conduct network pressure surveys to inform leak detection
- c) Frequent meter servicing, testing and calibration.
- d) Establishment of a reliable water balance at sub levels (DMAs) and re-prioritizing NRW actions based on results.
- e) Design and establishment of DMAs for sustainable NRW reduction and management.
- f) Establishment and implementing metering management.
- g) Pressure management.
- h) Leak Management.
- i) Strengthening the institutional capacity on NRW Reduction and Management.

Committee Observations

The Committee observed that:

- i. The Non-Revenue Water stood at 37% way above the allowable 25% prescribed by the Water Service Regulatory Board (WASREB) guidelines. The high Non-Revenue Water is attributed to old dilapidated networks laid in the colonial times.
- ii. The company provided a strategy for reduction of Non-Revenue Water. The strategy encompass customer sensitization on leak detection and reporting, conduct network pressure surveys, frequent meter servicing, establishment of reliable water balance, leak management and institutional capacity building.

Committee Recommendations

The Committee recommends that:

- i. **The company puts in place a comprehensive water infrastructure including replacement of old age dilapidated pipes, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time information on bursts and leakages to institute immediate repairs.**

- ii. **The Company should provide details of both physical and commercial losses and the figures the Non-Revenue Water in the subsequent audit.**
- iii. **The matter be marked as unresolved and will be checked on the subsequent audit to ascertain the progress made.**

2.0 Non Gazettement of regular tariff adjustment

During the year under review the entity achieved a turnover of **Ksh.794,276,150**. However, it was noted that the last time water tariff structures for the entity were gazetted was on 24th March ,2017 which covered three (3) financial years 2016/2017, 2017/2018 and 2018/2019. Further, no tariff structures approval from the Water Management Authority (WASMA) was availed for verification which was an indication that the prevailing tariffs were yet to be gazette. It was therefore not clear which tariffs the entity used to charge its water and sewerage to its customers.

Management Response:

It is the responsibility of the regulator, Water Services Regulatory Board (WASREB) to approve and gazette tariffs to Water Service providers in the Country. KIWASCO made their submissions as per the set guidelines within the required timelines on 4th July 2019 and acknowledged as received by WASREB on 8th July 2019. However, the process was stopped due to the Covid-19 pandemic which negatively affected the water sector coupled with the measures that were instituted by the government to contain the spread of the pandemic.

The last tariff was gazetted on 24th March 2017 as observed by the auditors which remains inforce until a new tariff is published and Gazetted. Therefore, this is the same APPROVED TARIFF that was applied to charge for water and sewerage services. As noted, the last approved tariff dated 24th March 2017 was to cover the 3 years commencing with the financial year 2016/2017, we expected our tariff to be approved by April 2020 but due to Covid-19 all these were suspended by the regulator (WASREB) as they could not hold the Public consultation exercise as required by Law before publication and gazettelement of the new tariff. Attached herein are correspondences and the Interim License Certificate from the regulator that allowed the company to legally operate during the said period.

Committee Observation

The Committee observed that the company had not gazette water tariff as required by Water Service Regulatory Board (WASREB).

Committee Recommendation

The Committee recommends that:

- i. The company ensures that it Gazettes a new approved tariff as required by law in the right time.**
- ii. The matter be marked as resolved.**

CHAPTER FIVE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KWALE WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR 30TH, JUNE, 2020

The Governor for Kwale County, H.E Fatuma Mohamed Achani, appeared before the Committee on Tuesday, 28th March, 2023 to respond (under oath) to audit queries raised in the report of the Auditor General on financial statements for the Kwale Water and Sanitation Company Limited for the financial year 2019/2020. The Governor was accompanied by:

- | | |
|--------------------------|-----------------------|
| 1. Ms. Sylvia Chidodo | - County Secretary |
| 2. Mr. Hemed R. Mwabuuzo | - CECM Water Services |
| 3. Mr. Bakari H. Sebe | - CECM Finance |
| 4. Mr. William Jefu | - Finance Manager |
| 5. Mr. Erick Parmet | - Managing Director |
| 6. Mr. Alex Onduko | - CO Finance |

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

1. Non-disclosure of Material Uncertainty in Relation to Going Concern

The Company recorded a loss of Kshs.27, 397,471 (2019 - Kshs.6, 241,602), which brought its accumulated loss to Kshs.123, 780,892 (2019 - Kshs.96, 383,421). Further, the total current liabilities totaling to Kshs.310, 803,187 exceeded total current assets totaling to Kshs.235, 859,855, resulting in a negative working capital totaling to Kshs.74, 943,332. This is an indication that the Company may not be able to settle its obligation as and when they fall due.

The existence of this material uncertainty may cast a significant doubt on the Company's ability to continue as a going concern. 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 of Kwale, its creditors and bankers. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company's directors to reverse the undesirable precarious financial position have not been disclosed in the notes to the financial statements.

Management Response:

At present, FY 2021/22 the current liabilities balance is Ksh. 420,946,139 while total current assets balance is Ksh. 414,887,985 resulting into a negative working capital of Ksh. 6,058,154. When compared to the previous financial statement (2020/2021) which reported negative working capital of Ksh. 75,158,273 there is a significant improvement. This implies that the issue of material uncertainty of the company to continue as a going concern is highly eroded implying that soon the company will be able to meet its obligation as and when they fall due.

The company through its own sources is investing on replacing some of the dilapidated lines which are prone to leaks and burst to reduce non-revenue water. The County Government through the Water Services Department provided support by purchasing 1,000pcs water meters/ customer meters in form of grant to replace the non-working meters. Another consignment of 3,600 customer meters was purchased by the company through the WSDP project. Through this initiative the company is anticipating to increase revenue which in turn will significantly erode the issue of going concern as it is caused by high cost of production with very low turnover.

Committee Observations

The Committee observed that:

- i. The company was working under negative working capital of Kshs.74, 943,332, making the company technically insolvent, and therefore unable to meet its obligations.
- ii. The County Government through the Water Services Department provided support by purchasing 1,000pcs water meters/ customer meters in form of grant.
- iii. The company endeavoured to provide mitigating measures on the matter which was attributed to Non-Revenue Water as a result of dilapidated infrastructure.

Committee Recommendations

The Committee recommends that:

- i. **The Governor through the County Executive Committee member for water ensure the monitoring financial performance of the company in line with Section 184 of the Public Finance Management Act, 2012.**
- ii. **The Governor ensures strict compliance regarding restrictions on county government investing in the company in line with Section 184 of the Public Finance Management Act, 2012.**

- iii. **The Governor to ensure that the County Executive Member for Finance to be a member of the water company as required by the Water Act, 2016.**
- iv. **The company to put in place comprehensive financial measures to sustain the operations of the company.**

2.0 Revenue on Estimated Billing

As disclosed in Note 6 to the financial statements, the statement of profit and loss and other comprehensive income reflects water sales totaling to Kshs.121, 865,224. However, records indicated that the Management billed customers an amount of Kshs.17, 307,604 after actual meter reading and Kshs.4, 396,520 on estimated consumption.

Although the Management indicated that estimates were based on three (3) months actual reading averages, there was no evidence that the policy was being followed by indicating the three months previous reading average on the bills.

Consequently, the accuracy, completeness and validity of water sales totaling to Kshs.121, 865,224 reflected in the statement of profit and loss and other comprehensive income for the year ended 30 June, 2020 could not be confirmed.

Management Response:

At present, the company has done close to 100% metering of all the known customer connections. This was possible through support of 1,000 meters from County Government of Kwale in form of grant and purchase of 3,600 new meters through the WSDP project.

Note: Most of Kwawasco's customer meters are aged/ faulty thus registering inaccurate consumption while others are on complete meter stops. The age of these meters contributes a lot to Kwawasco's under estimation of billed volumes/ amounts. Due to financial constraints the company had no capacity to replace these meters in good time.

The company has for long been guided by Commercial Operations Policy and Procedure guidelines (SOPs). All estimates are based on three month average consumption although due to the in-accuracy of the meters and some completely not working, the estimates seem to be low or

not being correct, however the company follows the policy not to over bill the customer. The Company through the WSDP project bought 3,000 meters and is replacing the non-working meters on need basis that is if the one on the ground cannot be serviced.

Committee Observations

The Committee observed that the company had failed to provide supporting documentation on the billing to customers to the Auditors for verification, in which the Management billed customers an amount of Kshs.17, 307,604 after actual meter reading and Kshs.4, 396,520 on estimated consumption.

Committee Recommendations

The Committee recommends that:

- i. 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. And the Public Finance Management Act, 2012 on financial reporting.**
- ii. The company provides evidence and the documents on the mitigating measures to the Auditor-General for verification within 60 days of the adoption of this report.**
- iii. The Company should have an automated billing system to ensure accuracy in billing.**
- iv. The query be marked as unresolved.**

3.0 Unsupported Current Liabilities

As disclosed in Note 21 to the financial statements, the statement of financial position reflects current liabilities balance totaling to Kshs.310, 803,187. As reported in the previous year, the balance includes trade payables balance totaling to Kshs.230, 284,604 which includes an unsupported balance owed to Water Services Regulatory Board (WASREB) amount of Kshs.5, 982,991 and Coast Water Services Board amounting to Kshs.180, 463,021.

Consequently, the accuracy, completeness and validity of trade payables balance of Kshs.230, 284,604 as at 30 June, 2020 could not be confirmed.

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

Management Response:

KWAWASCO has raised the matter with CWSB in writing concerning the un-reconciled figures resulting from erroneous billing of 13 boreholes operated by KWAWASCO; ideally these boreholes were to be operated by Coast Water Service Board as part of the Bulk Water Supply as per the Service Provision Agreement (SPA).

Further to these there are five boreholes namely Borehole 4, 7, C, A and 9 (operated by CWSB), which serve/ shared between Mombasa Water and Sanitation Company and Kwale Water and Sewerage Company at the ratio of water supply of 60% - 40% but the water bills of these boreholes are charged 100% to Kwale Water by CWSB further.

In KWAWASCO's records, the 60:40 ratio is reflected in order to calculate the correct Non-Revenue Water status for the company.

The statement of financial position as at 30 June 2020 reflects Kshs. 310,803,187 in respect of current liabilities. The balance include Kshs. 180,463,021 owed to Coast Water service Board however the Board financial statements for the year ended 30 June 2020 indicated that the company owed the Board Kshs. 573,908,861 resulting to a variance of Kshs. 393,445,840.

WASREB amount ksh.5, 982,991;

WASREB as the regulator in water and sanitation sector is entitled to 4% of the declared company revenue from water sale every month. Kwawasco does not receive invoices/bills from WASREB but the WSP computes the 4% levy of the sales as per the law gazette notice No: 12188. Attached is the Kenya Gazette Notice in support of the 4%levy on declared revenue and the latest payment plan between Kwawasco and WASREB.

Committee Observations

The Committee observed that:

- i. The company had unreconciled figures and an outstanding and unsupported debt owed to Water Services Regulatory Board (WASREB) of Kshs.5, 982,991 and Coast Water Services Board amounting to Kshs.180, 463,021.
- ii. The company had shared assets with Coast Water Services Board.

Committee Recommendations

The Committee recommends that:

- i. **The accounting officer provides the requisite documents on the unsupported trade and payables to the Auditor-General for verification in accordance with section 9 (e) (1) of the Public Audit Act, 2015.**
- ii. **The Governor engages the Coast Water Services Board and the Inter-Governmental Technical Relations Committee (IGTRC) to settle the matter of the transfer of the assets and liabilities.**
- iii. **The query be marked as unresolved.**

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis totaling to Kshs.181, 702,370 and Kshs.148, 717,074 respectively, resulting to an underfunding amounting to Kshs.32, 985,296 or 18% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totaling to Kshs.180,162,360 and Kshs.176,114,545 respectively, resulting to an underperformance amounting to Kshs.4,047,815 or 2% of the budget.

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

Management Response:

The reasons as to why the Company did not achieve its targeted revenue was due to constant power disconnection for non -payment of KPLC bills thus affecting supply from boreholes and disconnection of Bulk water by Coast Water Service Board equally affecting supply to customers.

Committee Observations

The Committee observed that:

- i. The summary statement of appropriation - recurrent and development combined reflected final receipts budget and actual on comparable basis totaling to Kshs.181, 702,370 and Kshs.148, 717,074 respectively, resulting to an underfunding amounting to Kshs.32, 985,296 or 18% of the budget. Similarly, the statement reflected final expenditure budget and actual on comparable basis totaling to Kshs.180,162,360 and Kshs.176,114,545 respectively, resulting to an underperformance amounting to Kshs.4,047,815 or 2% of the budget..
- ii. The company had revenue shortfall which was attributed to disconnection of electricity affecting boreholes and water supply to the customers.

Committee Recommendations

The Committee recommends that:

- i. **The company makes realistic budget and plans on their programs to avoid revenue shortfalls.**
- ii. **The accounting officer to adhere to Section 42(1) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures.**
- iii. **The management initiates elaborate measures for sustaining its obligations with regard to payment of electricity bills to avoid losses resulting from failure to supply water.**
- iv. **The query be marked as unresolved.**

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 and Planning Circular reference no. AG.4/16/3 Vol.1 (9) dated 24 June, 2020.

Management Response:

Certificate on the audited accounts had not been issued to Kwawasco by the office of Auditor-General for two consecutive years as the office had a change of guard from Dr. Edward Ouko to the current Auditor-General.

Committee Observations

The Committee observed that prior year matters for two years had not been resolved.

Committee Recommendations

The Committee recommends that-

- i. **The accounting officer engages the Office of the Auditor General pursuant to Section 149 (2) (1) of the Public Finance Management Act, 2012 and Section 136 (1) of the Public Finance Management (County Government) Regulations, 2015, to resolve the prior year matters.**
- ii. **The Committee recommends that the matter be marked as resolved.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Long Outstanding Payables

Trade and other payables includes an amount of Kshs.69,085,930 in respect of other payables, out of which an amount of Kshs.46,901,828 relates to unremitted statutory deductions. The Management indicated that the amount relating to PAYE was in respect of penalties for non-remittance of PAYE before 2019 and provided schedule of payment agreement between the Water Company and Kenya Revenue Authority. However, no evidence was provided to indicate that the Management had entered into negotiation and a similar arrangement with other creditors.

Further, the balance includes audit fees amounting to Kshs.2,820,000 outstanding for more than one year, owed to the Office of the Auditor-General contrary to Section 41(1) of the Public Audit Act, 2015 which state that, “the funds of the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.”

The Management did not provide a satisfactory explanation of failure to settle the long overdue debts. In the circumstances, I am unable to confirm whether Management effectively managed public resources.

Management Response:

The issue of unremitted statutory deduction amounting to Kshs. 46,901,828 has been resolved as per the agreement with KRA where the company was instructed to pay the principle amount in a period of one year. The management paid the principle amount in full, lodged a request on interest and penalties to be waived which is in the process after which the company will be in a position to get a tax compliance certificate. Attached are correspondence with KRA and other statutory bodies and the pay in slips.

Committee Observations

The Committee observed that:

- i. The company had failed to remit statutory deductions amounting to Ksh.46,901,828., but an agreement was later made with Kenya Revenue Authority in which the principle amount was paid in full, but the supporting documents had not been verified by the Auditor-General.
- ii. The company had outstanding debt owed to the Office of the Auditor-General.

Committee Recommendations

The Committee recommends that:

- i. The company develops a policy for bad debts going forward.
- i. The accounting officer adheres to the Retirement Benefits Act and the Pensions Act, with regard to the remittance of statutory deductions and payment of pension and 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.

ii. The matter be marked as resolved.

2.0 Unaccounted for Water

The statement of profit and loss and other comprehensive income for the year ended 30 June, 2020 reflects an amount of Kshs.121, 865,224 in respect of water sales. Review of records indicated that the Company's total quantity of water supplied and produced was 3,981,897 cubic meters (m³), out of which only 1,355,469 (34%) cubic meters were billed to customers. The balance of 2,626,428 (66%) cubic meters was unaccounted for water (UFW). This is higher than 25% loss allowable by the Water Service Regulatory Board (WASREB) guidelines by 1,552,940 (39%) cubic meters. The unaccounted for water may have resulted to loss totaling to Kshs.100,941,100 based on an estimated distribution rate of Kshs.65 per cubic meter after allowing for the allowable 25% loss.

Consequently, the Management is in breach of the law.

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

Management Response:

Kwawasco was able to reduce the NRW level from 62% at end of financial year 2021 to 57% by July 2022, a reduction of 5%.

The Company through WSDP is investing in customer identification survey and introduction of a GIS system to sort out illegal connections and unmetered connections.

Kwawasco is also procuring pipes and fittings to address physical loss through timely repairs/ response to repair burst. This is through WSDP Utility Turn around Framework (UTF).

Committee Observation

The Committee observed that:

- ii. The Non-Revenue Water stood at 66% which is way above the allowable 25% prescribed by the Water Service Regulatory Board (WASREB).
- iii. The management was taking measures to reduce the Non-Revenue Water, including customer identification, introduction of GIS, and procurement of pipes and fittings to address physical losses.

Committee recommendations

The Committee recommends that:

- i. **The company should put in place an elaborate system of infrastructure with new pipes to mitigate on physical losses, smart meters for accurate billing, appropriate measures to contain illegal connections and implementation of the Geographical Information System (GIS) for detection of bursts and leakages to reduce the Non-Revenue Water.**
- ii. **The Governor should collaborate with EACC to develop institutional ant-corruption policy and to ensure that pre-emptive measures are put into place to reduce the cases of theft and illegal connections.**
- 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 query in the subsequent audit cycle.**
- iv. **The company to report on the ration for physical and commercial losses and causes for each in subsequent audits.**
- v. **The query be marked as unresolved.**

CHAPTER SIX

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYERI WATER AND SANITATION COMPANY LIMITED (NYEWASCO) FOR THE YEAR ENDED 30TH, JUNE, 2020

The Governor of Nyeri County Executive Hon. Mutahi Kahiga Mwalimu Edward appeared before the Committee on Wednesday 22nd November, 2022 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statements for Nyeri Water and Sanitation Company Limited for the Financial Year 2019/2020. He was accompanied by:

- i. Mr. Patrick M. Karinga - Chairman, NYEWASCO
- ii. Ms. Keziah Nyambura - Manager, Legal NYEWASCO
- iii. Mr. Robert Thuo - CECM Finance
- iv. Ms. Mercy Gathogo - Snr. Officer Finance
- v. Mr. Kimani Rucuiya - County Attorney

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

The Auditor-General rendered a Qualified opinion on the financial statements of Nyeri Water and Sanitation Company Limited for the period under review.

1. Long outstanding trade and other receivables and amounts due from directors

The statement of financial position and as disclosed in Note 16 to the financial statements reflects trade and other receivables balance of Kshs. 237,947,398 as at 30 June, 2020. This was net of provision for doubtful debts of Kshs. 41,940,699 for the financial year under review. Included in this balance is an amount of Kshs. 88,234,692.12 in respect of debts which has remained outstanding over a long period of time. Management has not demonstrated efforts made to recover the amount.

Management response

The MOH guidelines on COVID-19 instructed the water service providers to: Temporarily suspend water service disconnections, reconnect and restore water services for all residents and provide water points in public places.

This was the reason that the majority of accounts receivable remained unpaid for more than 90 days. Further, the company inherited a huge amount of receivables from the defunct Nyeri Municipal Council amounting to approximately Kshs. 52M as per the financial statements for half year ending 31st December, 1998. This has remained a significant factor. While recovery efforts have been made on long outstanding debts, Management notes a continual buildup of non-payment of water bills as the country recovers from the effects of Covid-19 Pandemic and the current National and County Government leadership transition. This has been noted especially with the National Government accounts that currently stand at Kshs. 70M.

The Management has employed the following approaches among others in debt recovery efforts.

- a) Sending regular automated message reminders to customers with outstanding amounts.
- b) Following up with customers by issuing to them demand letters. This method is normally applied to large consumers and government institutions.
- c) The Company is in the process of exploring outsourcing debt collection services from licensed professional debt collectors.
- d) The Company is enhancing debt management in the organization through training as well as establishing an active, well-resourced debt collection department/function.
- e) Expanding revenue base to cushion the company against the stated challenges.

Committee Observation:

The committee observed that the Company had long outstanding debts totaling to Kshs. 237,947,398 of which Kshs. 88,234,692.12 had been outstanding for a long period of time.

Committee recommendation:

- 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 section 132 (d) of the PFM (County Government) Regulation, 2015.**
- ii. **The management should engage a debt collection agency to accelerate the recovery of the long outstanding trade receivables within 60 days from the adoption of this report.**
- iii. **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.**
- iv. **The query be marked as unresolved.**

2. Amounts due from directors

In addition, included in this amount is Kshs. 420,000 to the board of Directors to attend a Board Audit Committee workshop which did not take place due to Covid-19 restrictions. The Board of Directors had not surrendered the unspent amount at the time of the audit. Consequently, the trade and other receivables balance of Kshs. 237,947,398 as at 30 June, 2020 is not fairly stated.

Management response

This amount of Kshs. 420,000 was paid to the Institute of Internal Auditors (Kenya) – (IIA) in March 2020 via cheque No. 141476 dated 6th March 2020 and not to the directors. This amount was for a Board Audit Committee workshop that was to be held between 25th March and 27th March 2020 at Mombasa. The request and approval was done through internal memo Ref. No. NWSC/AC/II/157/01/2020 dated 20th February 2020.

A notice for the cancellation of the training was received from the institute of Internal Auditors (Kenya) on 17th March 2020 due to the Government of Kenya directive on Covid-19 pandemic measures. This was after the payment had already been made on date 17th March, 2020. The amount remained part of other receivables at the end of the 2019-2020 financial year.

The amount of Kshs. 420,000 paid to IIA was utilized the following financial year 2020-2021 and a receipt (No. 7554) obtained for the same on the 12th March 2021.

Committee Observation:

The Committee observed that:

- i. The company made a payment of Kshs. 420,000 to the Institute of Internal Auditors (Kenya) – (IIA) for a Board Audit Committee workshop which did not take place due to Covid-19 restrictions.
- ii. The management stated that the aforementioned payment was utilized in the following financial year (2020-2021), and a receipt for the same had been attached in their submissions, to the satisfaction of the Auditor-General.

Committee recommendation:

The Committee recommends that the matter be marked as resolved.

Non-compliance with the Water Services Regulatory Board (WASREB) Regulations on Personnel Costs

The statement of profit and loss and other comprehensive income reflects an expenditure of Kshs. 168,372,686 on staff expenses as at 30 June, 2020. The amount represents about 38.6% of the total operating expenditure of which is higher than the recommended ratio of 30% in accordance with the WASREB guidelines. The excess personnel costs may negatively impact on the Company's profitability and sustainability of services in the long run if measures are not put into place to contain the cost within the acceptable level.

Management response

The Company operated on a non-cost recovery tariff from 2014 to 2021 following a tariff expiry in the year 2013. In 2017 a tariff was successfully developed and gazetted on 17th Feb 2017 to be implemented in March 2017 but was not implemented due to the prevailing political environment being an electioneering year. A Collective Bargaining Agreement (CBA) covering the period 2017-2020 was negotiated during the same period as from January 2017 and registered on 25th Sept 2017. This CBA relied heavily on the tariff.

Personnel costs during the year under review was as a result of the registered CBA (2017-2020) which was pegged on the approved tariff. However, this tariff was not implemented leading to reduced revenues. The Management had an obligation to implement the registered CBA, which it did. Therefore, the personnel costs remained fixed and were prioritized despite the reduced revenues. This then led to low O&M expenditures resulting to the reported high ratio.

The Management continued putting efforts in addressing the situation and managed to implement a new and approved tariff in April 2021. The registered CBA was implemented as expected up to the year 2020. The Management suspended CBA negotiations for the year 2020 awaiting the actual implementation of a tariff. This was actualized in the year 2021. The new 2021/22 – 2023/24 CBA was negotiated, approved and implemented in the year 2021. The new 2021-2024 CBA was negotiated in 2021. This was in order to avoid a recurrence of this situation.

The Management efforts in managing personnel costs in line with WASREB's provisions yielded some progress towards meeting the statutory ratios. This ensured the rate changed marginally from

38% in the Financial Year 2019/20 to 38.6% in the year under review and finally to 37% in the Financial Year 2020/21. This was a notable achievement considering this was the same period the country was ravaged by the Covid-19 pandemic. This situation led to a reduction in revenues, reduction in operations, and O&M expenses as well. The company continues enhancing staff welfare through the years despite the challenges highlighted above. Towards this end, the company converted 99 casuals to 6 months contracts in January 2020 and later in July 2021 to two-year contracts. The company also converted 23 staff members who were on a to-year contract to regular staff status in January 2021. The company has also consistently observed the 5% annual adjustment on staff salaries. The management's efforts are also seen in the growth on Personnel expenditure from year to year while maintaining the ratio. These have grown from Kshs. 150m in 2019 to Kshs. 168m in 2020.

The Management remains committed to putting efforts to ensure compliance with the law. We foresee the closure of the matter during the life of current Company's Strategy Plan (by 2026).

Committee Observation:

The committee observed that:

- i. The company's personnel cost totaled to Kshs. 168,372,686, which represented 38.6% of their total expenditure which is 8.6% higher than the recommended ratio of 30% in accordance with the WASREB guidelines. The excess personnel costs may negatively impact on the Company's profitability and sustainability of services.
- ii. This query was recurrent.

Committee recommendation:

The Committee recommends that:

- i. **The accounting officer of Nyeri Water and Sanitation Company Limited ensures compliance with Regulation 11 of the Water Services Regulations, 2021 that requires recruited staff are employed on terms and conditions of employment approved by its board of directors, which terms and conditions shall comply with the water sector benchmark on personnel remuneration as set by the Regulatory Board, in line with the guidelines issued by the Salaries and Remuneration Commission.**

- ii. **The Company to adhere with the provisions of regulation 25(1) of the Public Finance management (County Government) Regulations, 2015, establish a lean staff; and the Auditor-General to review, and report during the next audit cycle.**

APPENDICES

ANNEX I: MINUTES OF THE COMMITTEE



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE TWENTY FIRST SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE VIHIGA COUNTY EXECUTIVE TO CONSIDER AUDIT REPORTS ON THE FINANCIAL STATEMENTS OF THE AMATSI WATER SERVICES COMPANY LIMITED FOR FINANCIAL YEARS 2018/19, 2019/20, 2020/21 HELD ON TUESDAY, 1ST MARCH, 2023 IN FIRST FLOOR, VIP LOUNGE, KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) AT 10.00 A.M.

PRESENT

- | | |
|--|--------------------|
| 1. Sen. Paul Karungo Thangwa, MP | - Ag Chairperson |
| 2. Sen. Godfrey Atieno Osotsi, MP | - Chairperson |
| 3. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP | - Vice-Chairperson |
| 4. Sen. Ledama Olekina, MP | - Member |
| 5. Sen. William Kipkemoi Kisang, MP | - Member |
| 6. Sen. Maureen Tabitha Mutinda, MP | - Member |
| 7. Sen. Hamida Kibwana Ali, MP | - Member |

ABSENT WITH APOLOGY

- | | |
|---|----------|
| 1. Sen. Miraj Abdullahi Abdulrahman, MP | - Member |
| 2. Sen. Eddy Gicheru Oketch, MP | - Member |

SECRETARIAT

- | | |
|------------------------|----------------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant II |
| 2. Mr. Erick Njogu | - Clerk Assistant III |
| 3. Mr. Kennedy Owuoth | - Fiscal Analyst |
| 4. Mr. Josphat Ng'enh | - Media Relations officer. |
| 5. Ms. Winfred Ocholla | - Audio officer |
| 6. Mr. Patrick Ngenoh | - Procurement officer |
| 7. Mr. Andrew Nyairo | - Legal counsel |
| 8. Mr. Josphat Ng'enh | - Media Relations Officer. |
| 9. Mr. John Pere | - Serjent-at-arms |

IN ATTENDANCE

A. COUNTY GOVERNMENT OF VIHIGA

1. Hon. W.K Ottichilo - Governor, Vihiga County
2. Mr. Ayiego Ezekiel - CS
3. Mr. Aggrey Musiega - County Attorney
4. Mr. Anne Desma - CECM Water and Environment
5. Dr. Robert Kati - Chair – Amatsi
6. Mr. Josephine Nyambasi - BOD Amatsi
7. Mr. Wycliffe Obuhuma - Director Amatsi
8. Mr. Harryson Ondulo - Internal Audit Manager Amatsi
9. Mr. Bota Nyaburi - ICT Manager
10. Mr. Edward Luvusi - Ag. Managing Director
11. Mr. Benjamin Otwoko - Director Finance
12. Mr. Wasike Olesso Protous - P and SCM
13. Ms. Mitchell Stika - MCA Vihiga
14. Hon. David Onjiri - MCA Vihiga
15. Hon. Tirrp Paul - MCA Vihiga
16. Hon. Atsiapa Vincent - MCA Vihiga
17. Mr. Naftali Agalomba - HTS

B. OFFICE OF THE AUDITOR GENERAL

- Mr. Mark Gachanja - Auditor

MIN NO. SEN/CPICSF/135/2023 PRAYER

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

MIN NO. SEN/CPICSF/136/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Paul Karungo Thangwa, MP and seconded by Sen. Hamida Kibwana Ali, MP, as follows –

1. Prayer
2. Adoption of the Agenda
3. Administration of oath of witness
4. Meeting with Vihiga County Executive to consider the Auditor General's Report on the Financial Statements of Amatsi Services Company Limited for the Financial Years 2018/19, 2019/20 and 2020/21
5. Any Other Business
6. Date of the Next Meeting and Adjournment

MIN NO. SEN/CPICSF/137/2023

ADMINISTRATION OF OATH

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

MIN NO. SEN/CPICSF/138/2023

MEETING WITH VIHIGA COUNTY EXECUTIVE TO CONSIDER THE AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS OF AMATSI SERVICES COMPANY LIMITED FOR THE FINANCIAL YEARS 2018/19, 2019/20 AND 2020/21

The following queries were considered for the Financial Year 2020/21

Audit Query	Concern	Observation and Recommendations
1. Inaccuracies in Cost of Sales	Electricity expenditure amounting to Kshs. 29,542,898 was not apportioned.	The OAG informed the Committee that the supporting documents were submitted late, however the same documents were submitted later and verified. The query remained unresolved as a variance of one (1) million could not be accounted for.
2. Unsupported other income	The Company received income from Water Service Trust Fund who are its financiers. However, the signed Financing Agreement or contract in support of this funding was not provided for audit.	The OAG informed the Committee that the supporting documents were submitted late, however the same documents were submitted later and verified. The Committee noted a capacity challenge with the staffs for the Company.

		The query remained unresolved
3. Inaccuracies in Property, Plant and Equipment	The accuracy and completeness of Property, Plant and Equipment balance of Kshs. 363,209 could not be ascertained.	The Committee noted that the OAG did not receive supporting documents in time. The Committee directed the OAG to undertake physical verification of all assets of the water company and the management directed to cooperate.
4. Inaccuracies in Trade and other receivables	The accuracy and completeness of trade other receivables balance of Kshs. 77, 959,654, could not be confirmed.	The OAG informed the Committee that the Management did not provide a policy on provision for bad and doubtful debts during the audit however, a debt management policy was developed, and it is now available for further review. The query remained unresolved
5. Unsupported Transfer from the County Government	The accuracy and validity of transfers from the County Government of Kshs. 21,011,350 could not be confirmed.	The OAG informed the Committee that the supporting documents were submitted late. However, they have received the schedule of Kenya Power bills supporting Vouchers and the delivery notes have now been provided to support the transfer, hence the query was resolved.

After deliberation the Committee resolved as follows -

- a) The Committee to retreat and write its report on Auditor General's Report on the Financial Statement of **Amatsi Water Services Company Limited for the Financial years for 2018/19, 2019/20 and 2020/21;**
- b) The County Executive directed to put in place a legal framework for water services in the County within 60 days;
- c) The Governor directed to establish a taskforce to facilitate restructuring of Amatsi Water Services Company Limited to make itself sustaining;
- d) The Governor to reconstitute the Amatsi Water Services Board of Directors to improve service delivery within 60 days; and
- e) Office of the Auditor General directed to confirm and verify number of employees of the Amatsi Water Services Company Limited (permanent and temporary staff), the status of staff establishment and verify the authenticity of the schedule of payment of the contract staff paid during the Financial Year 2020/21.

MIN NO. SEN/CPICSF/139/2023 ANY OTHER BUSINESS

There was no other business.

MIN NO. SEN/CPICSF/140/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at one o'clock. The next meeting would be held on Wednesday, 2nd March, 2023 at 10:00 am.



13/04/2023

SIGNED: DATE:

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE THIRTY FIFTH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE BOMET COUNTY EXECUTIVE TO CONSIDER THE AUDIT REPORTS ON THE FINANCIAL STATEMENTS OF THE BOMET WATER AND SANITATION COMPANY LIMITED FOR FINANCIAL YEARS 2018/19, 2019/20 AND 2020/21, HELD ON TUESDAY, 12TH APRIL, 2023 IN FIRST FLOOR, SHIMBA HILLS HALL, 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. 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

- | | |
|--|---------------------------|
| 1. Sen. (Prof.) Tom Odhiambo Ojienda, MP | - Vice-Chairperson |
| 2. Sen. Paul Karungo Thangwa, 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'enh | - 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'enh | - Media Relations Officer. |
| 13. Mr. John Pere | - Serjeant-at-arms |

IN ATTENDANCE

A. COUNTY GOVERNMENT OF BOMET

- | | |
|----------------------------|------------------------------|
| 1. Hon. Barchoc.K. Hillary | - Governor |
| 2. Mr. Andrew Kimtai Sigei | - CECM Finance |
| 3. Mr. Erick Chepkwony | - CO Finance |
| 4. Mr. Solomon Kimeto | - CO Water |
| 5. Mr. Fredrick Ruto | - Ag. MD BOMWASCO |
| 6. Dr. Benard Tanui | - CECM Water and Environment |

B. OFFICE OF THE AUDITOR GENERAL

- | | |
|-------------------------------|---------------------------------|
| 1. Mr. Mark Gachanja | - Office of the Auditor General |
| 2. Henry.N. Nyandwake | - Director Audit |
| 3. Mr. Mr. George.K. Onkwindi | - DAA |

C. ETHICS AND ANTI-CORRUPTION COMMISSION

- | | |
|--------------------|-------------------------|
| Mr. Patrick Kinoti | - Liaison Officer, EACC |
|--------------------|-------------------------|

MIN. NO. SEN/CPICSF/213/2023 PRAYER

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

MIN. NO. SEN/CPICSF/214/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. William Kipkemoi Kisang, MP and seconded by Sen. Eddy Gicheru Oketch, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Administration of oath of witness;
4. Meeting with the County Executive of Bomet to consider the Auditor General's Report on the Financial Statements of Bomet Water and Sanitation Company for the 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/215/2023 ADMINISTRATION OF OATH

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

MIN. NO. SEN/CPICSF/216/2023 MEETING WITH BOMET COUNTY EXECUTIVE TO CONSIDER THE AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS OF BOMET WATER AND SANITATION COMPANY FOR THE FINANCIAL YEARS 2018/19, 2019/20 AND 2020/21

The Following queries were interrogated for the Financial Year 2020/21

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	Concern	Observation and Recommendations
1. Customer Deposits	The accuracy and completeness of the customer's deposit balance Kshs. 2,292,989 could not be confirmed.	<p>The Committee observed that the issue of the bank charges was adequately addressed.</p> <p>The Committee noted the customers deposits were borrowed to pay salaries but the same could not be confirmed by the Office of the Auditor General (OAG). The OAG directed to do a verification and give a status report the subsequent audit cycle.</p> <p>The Committee directed the management to open a fixed deposit account bank account for the customer deposits so that it accrues interests to cater for ledger fees and with limited access to the management.</p> <p>Further the Committee directed management to provide a certified copy of CR 12 to ascertain the ownership of the Company within seven (7) days.</p>

		<p>The Committee directed management from both Kericho and Bomet Water Companies to engage and come up with modalities of settling the matter of pending bills and share the same to the Committee within fourteen (14) days.</p> <p>The query remained unresolved.</p>
2. Trade and Other Receivables	The company is owed Kshs. 203,592,386 and the amounts continued to grow over time thereby raising doubts on their collectability.	<p>The Committee noted that the Company had not established debt recovery strategies and measures and directed the Governor to write to the Committee on plans to recover the same within 14 days. Further, OAG directed to verify the efficacy of the measures and report in the subsequent audit cycle.</p> <p>The Committee further directed EACC to commence investigations and take a close look into the matter.</p> <p>The query remained unresolved.</p>
3. Unresolved Prior Year Audit Matters	As disclosed in the financial statements, some of the prior year audit issues remained unresolved as at 30 June, 2020.	<p>The Committee observed that management did not provide satisfactory reasons for the delay in resolving the issues.</p> <p>The query remained unresolved.</p>

Interventions and Resolutions

Having considered the issues raised by the Office of the Auditor General on the Financial Statements of Bomet Water Company Limited for the said Financial Years, the Committee noted that the company had serious management challenges as demonstrated by the numerous unresolved matters and directed as follows;

- i. The Governor to take keen interest in the company to ensure efficiency in its operations and directed him to execute the following recommendations within 60 days;
 2. Restructure its Human Resources to tackle the issue of overstaffing and maintain a lean and efficient staff establishment;
 3. Restructure its management; and
 4. Measures taken to address the high Non-Revenue Water.
- ii. Within 60 days, the Governor to provide a detailed list of all stalled water projects within the county, indicated measures to be taken to complete them as well as their operationalization;
- iii. Within 60 days, OAG and the Parliamentary Budget Office to prepare a fiduciary risk analysis report, detailing areas of financial loss and possible recommendations, for considerations by the Senate and for further action;
- iv. Ethics and Anticorruption Commission (EACC) to investigate the Company's operations and file a report before the Committee;
- v. The County Government in collaboration with the County Assembly to enact a water legislation to support the operations of the water company; and
- vi. The Governor directed to engage his counterpart Governor of Kericho County in order to amicably resolve the contested pending payables between the two counties and submit a status report to the Committee within 14 days.

MIN. NO. SEN/CPICSF/217/2023 ANY OTHER BUSINESS

The Committee received and noted the contents of a letter from Kenya Airports Parking Services (KAPS) requesting to reschedule the meeting that was scheduled for Thursday, 13th April, 2023 and the Committee acceded to the request.

MIN. NO. SEN/CPICSF/218/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at fifteen minutes past one o'clock in the afternoon. The next meeting would be held on Wednesday, 13th April, 2023 at 10:00 am.



26/09/2023

SIGNED: **DATE:**

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE THIRTY SECOND SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE KISII COUNTY EXECUTIVE TO CONSIDER THE AUDITOR GENERAL'S REPORTS ON THE FINANCIAL STATEMENTS OF THE GUSII WATER AND SANITATION COMPANY LIMITED FOR FINANCIAL YEARS 2018/19, 2019/20, 2020/21 HELD ON WEDNESDAY, 29TH MARCH, 2023 AT THE VIP LOUNGE, 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. Ledama Olekina, MP | - Member |
| 4. Sen. William Kipkemoi Kisang, MP | - Member |
| 5. Sen. Hamida Kibwana Ali, MP | - Member |
| 6. Sen. Miraj Abdillahi Abdulrahman, MP | - Member |

ABSENT WITH APOLOGY

- | | |
|-------------------------------------|----------|
| 1. Sen. Paul Karungo Thangwa, MP | - Member |
| 2. Sen. Eddy Gicheru Oketch, MP | - Member |
| 3. Sen. Maureen Tabitha Mutinda, MP | - Member |

IN ATTENDANCE

Sen. Richard Momoima Onyonka, MP - Senator, Kisii County

SECRETARIAT

- | | |
|-----------------------|-----------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant II |
| 2. Mr. David Angwenyi | - Clerk Assistant II |
| 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. Matano Kataa | - Researcher officer |
| 8. Ms. Lucy Radoli | - Legal counsel |
| 9. Ms. Winfred Ocholla | - Audio officer |
| 10. Mr. Josphat Ng'eno | - Media Relations Officer. |
| 11. Mr. John Pere | - Serjeant-At-arms |

IN ATTENDANCE

A. COUNTY GOVERNMENT OF KISII

- | | |
|----------------------------|--------------------------|
| 1. Hon. Paul Simba Arati | - Governor, Kisii County |
| 2. Mr. Kennedy O. Abircha | - CECM Finance |
| 3. Ms. Lucy Wachina | - MD Gwasco |
| 4. Dr. Otucho Junior Obure | - Chief of Staff |
| 5. Mr. David Obure | - Chair of the Board |
| 6. Col. (Rtd) Moturi | - Gwasco Board Member |
| 7. CPA Thaddeus Mogesi | - Accountant |

B. OFFICE OF THE AUDITOR GENERAL

- | | |
|----------------------|---------------------------------|
| 1. Mr. Mark Gachanja | - Office of the auditor General |
| 2. Mr. Wilson Maiyo | - Director OAG |

C. ETHICS AND ANTI-CORRUPTION COMMISSION

- | | |
|--------------------|-------------------------|
| Mr. Patrick Kinoti | - Liaison Officer, EACC |
|--------------------|-------------------------|

MIN. NO. SEN/CPICSF/197/2023 PRAYER

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

MIN. NO. SEN/CPICSF/198/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Hamida Kibwana Ali, MP and seconded by Sen. William Kisang, MP, as follows –

1. Prayer
2. Adoption of the Agenda
3. Administration of oath of witness and Tabling of Documents
4. Meeting with Kisii County Executive to consider the Auditor General's Reports on the Financial Statements of the Gusii Water and Sanitation Company Limited for Financial Years 2018/19, 2019/20 and 2020/21.
5. Any Other Business
6. Date of the Next Meeting and Adjournment

MIN. NO. SEN/CPICSF/198/2023

**ADMINISTRATION OF OATH AND
TABLIG OF DOCUEMNTS**

The Hon. Governor of Kisii County took Oath of Witness and tabled the Management responses and supporting documents for the audit reports of Gusii Water and Sanitation Company Ltd. for the Financial Years 2018/19, 2019/20 and 2020/21.

MIN. NO. SEN/CPICSF/199/2023

**MEETING WITH KISII COUNTY
EXECUTIVE TO CONSIDER THE
AUDITOR GENERAL'S REPORTS ON
THE FINANCIAL STATEMENTS OF THE
GUSII WATER AND SANITATION
COMPANY LIMITED FOR FINANCIAL
YEARS 2018/19, 2019/20 AND 2020/21**

The Following queries were interrogated for the Financial Year 2020/21.

The office of the Auditor General rendered a Qualified Opinion on the following basis -

Audit Query	Concern	Observation and Recommendations
1. Inaccuracies in the Statement of Cash Flows	The accuracy of cash generated from/ (used in) operations comparative amount of Kshs. 6,408,700 could not be confirmed	<p>The Office of the Auditor General (OAG) informed the meeting that the Journal Voucher had been provided and that the matter would be resolved in the next financial year once the Financial Statement are amended accordingly.</p> <p>The Committee noted that the matter was occasioned by serious accounting omissions and raised concerns on the capacity the finance department of the water company.</p>

		<p>However, the committee noted that some remedial measures were being taken to mitigate the matter and directed the Office of the Auditor General (OAG) to verify and report on their efficacy in the subsequent audit cycle.</p> <p>The query remained unresolved.</p>
<p>2. Inaccuracies in the Statement of Comparison of Budget and Actual Amount</p>	<p>The accuracy and completeness of the statement of comparison of budget and actual amounts for the year under review could not be confirmed.</p>	<p>The OAG informed the Committee that the schedules were provided but the explanatory notes were not provided.</p> <p>The Committee directed the management to provide all the necessary explanation to the OAG, who will thereafter do a verification and provide a status update in the subsequent audit cycle.</p> <p>The query remained unresolved.</p>
<p>3. Share Capital</p>	<p>The shares of the Company are still owned by the defunct Local Authorities and had not been transferred to and paid for by the two County Government of Nyamira and Kisii.</p>	<p>The OAG informed the Committee that the shares had not been transferred and that shareholding still in the Local defunct Authorities.</p> <p>The Committee directed the Governor to have an engagement with his counterpart in Nyamira County and ensure that the transfer from the defunct authorities to the County Governments was done.</p>

<p>4. Irregular Payments of Director's Emoluments</p>	<p>The regularity of the expenditure of Kshs, 3,352,165 on Directors' emoluments could not be confirmed.</p>	<p>The Governor admitted that this was a fraud by the staff of the water company and the Committee directed EACC to commence investigations into the matter and report back to the Committee within 60 days.</p> <p>The query remained unresolved.</p>
<p>5. Budgetary Control and Performance</p>	<p>an under-funding of Kshs.112,362,300 or 34% of the budget and under-expenditure of Kshs. 121,175,000 or 31% of the budget affected the planned activities and may have impacted negatively on service delivery on the public.</p>	<p>The OAG informed the committee that the County had put in place some mitigating measures. The Committee directed OAG to verify the measures and report on their efficacy in the subsequent audit cycle.</p> <p>The query remained unresolved.</p>
<p>6. Unresolved Prior Year Matters</p>	<p>The management had not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards and Board templates.</p>	<p>The Committee observed that management has made progresses to ensure compliance on the unresolved prior year matters.</p> <p>The query to be reviewed in the subsequent audit cycles</p>
<p>7. Irregular Procurement of Computer Software and Repairs Works</p>	<p>The management was in breach of law and the regularity of the expenditure of Kshs. 778,300 spent on the software and Kshs. 411,700 incurred on the computer repair could not be confirmed.</p>	<p>The Committee directed EACC to commence investigations on the matter with a view to recover any money that might have misappropriated.</p> <p>The query remained unresolved</p>
<p>8. Non-remittance of statutory deductions</p>	<p>The management was in breach of the Law for not remitting Kshs.15,012,325 relating to outstanding pension and</p>	<p>The OAG confirmed to the Committee that they verified</p>

	<p>provident funds deducted and other remittances.</p>	<p>payments made by the management.</p> <p>The Committee observed that management has made strides and directed the management to settle the balance.</p> <p>The query remained unresolved</p>
<p>9. Long Outstanding Agency Accounts</p>	<p>The aging analysis in support of the agency account balance revealed that creditors with a total amount of Kshs. 36,222,699, that is 81% of the total balance had been outstanding.</p>	<p>The Committee observed that management had made efforts to settle the balance and management was to apply for waiver of penalties.</p> <p>The Committee directed OAG to review the status of the payments and other mitigating measures put in place to address the matter and provide a status updated in the subsequent audit cycle.</p>
<p>10. Non-Revenue Water (NRW)</p>	<p>the Company produced 3,899,123 cubic meters of water out of which 1,618,289 were billed to customers; the balance approximately 58% of the volume produced represents the Non-Revenue Water, which is 33% above the allowable loss of 25%.</p>	<p>The Committee noted that the non-revenue water was quite high at 58% and directed the management to submit a comprehensive plan within 14 days on the mitigating measures put in place to address the matter. OAG to verify the measures and report on their efficacy in the subsequent audit cycle.</p>

Other interventions and resolutions

The Committee resolved to -


- i. Consider the written management responses for the Auditor General’s Reports on the Financial Statements of the Gusii Water and Sanitation Company Limited for the Financial Years 2018/19 and 2019/20 during its report writing;
- ii. Ethics and Anti-Corruption Commission (EACC) requested to submit a preliminary report on the ongoing investigations into the alleged fraud cases of the following matters within Seven (7) days;
 - a. Irregular Payments of Directors’ Emoluments;
 - b. Irregular Procurement of Computer Software and Repair Works; and
 - c. Irregular Access to the Company’s Data by Software Provider.
- iii. Secretariat directed to prepare a legal brief on intercounty ownership of investments and options for separating the ownership.

MIN. NO. SEN/CPICSF/200/2023 ANY OTHER BUSINESS

There was no other business.

MIN. NO. SEN/CPICSF/201/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at one minute past one o’clock. The next meeting would be held on Thursday, 30th March, 2023 at 8:00 am.



19/04/2023

SIGNED: DATE:

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE TWENTIETH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE COUNTY EXECUTIVE OF KISUMU TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE KISUMU WATER AND SANITATION COMPANY LIMITED FOR FINANCIAL YEARS 2018/19, 2019/20, AND 2020/21 HELD ON TUESDAY, 28TH FEBRUARY, 2023 IN FIRST FLOOR, VIP LOUNGE, 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. Ledama Olekina, MP | - Member |
| 4. Sen. William Kipkemoi Kisang, MP | - Member |
| 5. Sen. Paul Karungo Thangwa, MP | - Member |
| 6. Sen. Eddy Gicheru Oketch, MP | - Member |
| 7. Sen. Maureen Tabitha Mutinda, MP | - Member |
| 8. Sen. Hamida Kibwana Ali, MP | - Member |

ABSENT WITH APOLOGY

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| Sen. Miraj Abdillahi Abdulrahman, MP | - Member |
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SECRETARIAT

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|-------------------------|-----------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant II |
| 2. Mr. David Angwenyi | - Clerk Assistant II |
| 3. Mr. Erick Njogu | - Clerk Assistant III |
| 4. Mr. Kennedy Owuoth | - Fiscal Analyst |
| 5. Ms. Raisa Mwithi | - Researcher officer |
| 6. Mr. Matano Kataa | - Researcher officer |
| 7. Mr. Hillary Kipkorir | - Legal counsel |

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| 8. Ms. Winfred Ocholla | - Audio officer |
| 9. Mr. Patrick Ngenoh | - Procurement officer |
| 10. Mr. Josphat Ng' enoh | - Media Relations Officer. |
| 11. Ms. Winfred Ocholla | - Audio officer |
| 12. Mr. Benard Marwara | - Serjeant-at-arms |

IN ATTENDANCE

A. COUNTY GOVERNMENT OF KISUMU

- | | |
|-------------------------------|--|
| 1. Hon. Peter Anyang' Nyong'o | - Governor, Kisumu County |
| 2. Mr. George O. Okongo | - CECM Finance Economic Planning and ICT |
| 3. Mr. Thomas Odongo | - MD Kiwasco |
| 4. Mr. Wilson Abiero | - Co -Finance Economic Planning and ICT |
| 5. Mr. Evans Otieno | - Admin Car and Mortgage |
| 6. Mr. Daniel Okutah | - Admin Kisumu County Education Fund |
| 7. Mr. Nicholas Moseti | - Kiwasco |
| 8. Ms. Alice Ager | - Africities Coordinator |
| 9. Mr. Yanzar M. Agwa | - CECM Weccnr |
| 10. Ms. Keziah Okoth | - Director Accounts |
| 11. Mr. Japheth O. Orwa | - Fund Accountant Kisumu County Education Fund |
| 12. CPA Godfrey O. Dienya | - Director Audit |
| 13. Mr. Charles Omollo | - Project Cordination |
| 14. Mr. Moses Ogeda | - City Engineer |
| 15. Ms. Peresia Omino | - City Finance Officer |
| 16. Mr. Philip Odundo | - Chief officer |

B. OFFICE OF THE AUDITOR GENERAL

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| Mr. Mark Gachanja | - Liaison Officer, OAG |
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MIN. NO. SEN/CPICSF/129/2023 PRAYER

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

MIN. NO. SEN/CPICSF/130/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. William Kisang, MP and seconded by Sen. Ledama Olekina, MP, as follows –

1. Prayer
2. Adoption of the Agenda
3. Meeting with the County Executive of Kisumu to consider the following matters:
 - i. Kisumu Water and Sanitation Company Limited for Financial Years 2018/19, 2019/20 and 2020/21;

- ii. Auditor General’s Report on the Financial Statements of the Kisumu County Car and Mortgage Scheme Fund for Financial Years 2018/19, 2019/20 and 2020/2;
 - iii. Response on the Auditor General’s Report on the Financial Statement of the Kisumu County Education Fund for the Year ended 30th June, 2021;
 - iv. Response on the Auditor General’s Report on the Financial Statement of the Kisumu County Covid-19 Emergency Response Fund for the Year ended 30th June, 2021;
 - v. Response on the Auditor General’s Report on the Financial Statement of the Kisumu Urban Project (Project Advanced Account) – CKE 1035.01.G for the Year ended 30th June, 2020;
 - vi. The list of projects funded by World Bank and Kenya Urban Support project in Kisumu County and the amount of funds involved;
 - vii. Detailed Information on Kisumu 42 ventures Limited;
 - viii. Information on the amount of money the County used in Afri-Cities Convention Centre and the Afri-Cities Conference that was held in Kisumu County;
 - ix. Information on the Kano Rice Project;
 - x. Any grants received by the County for the development of Kibuye market and the Kenyatta Sports Ground and the Funds received by the Lake Region Bloc; and
 - xi. Contract between the County Government of Kisumu and Oasis Doctors Plaza on the leasing of Victoria Annex Hospital.
4. Any Other Business
5. Date of the Next Meeting and Adjournment

MIN. NO. SEN/CPICSF/131/2023 ADMINISTRATION OF OATH

The Hon. Governor of Kisumu County took Oath of Witness and tabled the Management responses and supporting annexures on the following -

- i. Reports of the Auditor-General on the Financial Statements of the Kisumu Water and Sanitation Company Limited for Financial Years 2018/19, 2019/20 and 2020/21;
- ii. Reports of the Auditor-General Report on the Financial Statements of the Kisumu County Car and Mortgage Scheme Fund for Financial Years 2018/19, 2019/20 and 2020/21;
- iii. Report of the Auditor-General on the Financial Statement of the Kisumu County Education Fund for the Year ended 30th June, 2021;
- iv. Report of the Auditor-General on the Financial Statements of the Kisumu County Covid-19 Emergency Response Fund for the Year ended 30th June, 2021;
- v. Report of the Auditor-General on the Financial Statements of the Kisumu Urban Project (Project Advanced Account) – CKE 1035.01.G for the Year ended 30th June, 2020;

- vi. The list of projects funded by World Bank and Kenya Urban Support project in Kisumu County and the amount of funds involved;
- vii. Detailed Information on Kisumu 42 ventures Limited;
- viii. Information on the amount of money the County used in Afri-Cities Convention Centre and the Afri-Cities Conference that was held in Kisumu County;
- ix. Information on the Kano Rice Project;
- x. Any grants received by the County for the development of Kibuye market and the Kenyatta Sports Ground and the Funds received by the Lake Region Bloc; and
- xi. Contract between the County Government of Kisumu and Oasis Doctors Plaza on the leasing of Victoria Annex Hospital.

The Office of the Auditor-General indicated that the County Government made late submissions of management responses and supporting documents for the audit reports of the Kisumu Water and Sanitation Company Limited for Financial Years 2018/19, 2019/20 and 2020/21 and thus auditors had limited time to carry out the verification.

MIN. NO. SEN/CPICSF/132/2023 MEETING WITH THE COUNTY EXECUTIVE OF KISUMU TO CONSIDER THE FOLLOWING MATTERS

Reports of the Auditor-General on the Financial Statements of the Kisumu Water and Sanitation Company Limited for Financial Years 2018/19, 2019/20 and 2020/21.

The Following queries were interrogated for the Financial Year 2020/21

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	Concern	Observation and Recommendations
1. Unsupported Property, Plant and Equipment	The asset register maintained by the Management was not updated with asset identification number, location, cost, depreciation rate, accumulated depreciation, and depreciation charge for the year and book value of the asset among others.	The Committee noted that the County Government had submitted an updated asset register. However, the Committee found the information submitted to be inadequate and directed that within seven (7) days from the date of the meeting, the County Government provides adequate information to the Office of the Auditor-General for verification. Upon verification, OAG to provide a status update on the matter to the Committee within seven (7) days. Query remained unresolved

<p>2. Unsupported Provision for bad debts</p>	<p>The basis for provision for bad debts was worth Kshs. 48,986,667 not supported given that most of the customers are schools. The duration the debts had outstanding was not disclosed as well the measures taken to collect them.</p>	<p>The Committee noted that the management had made efforts to recover some debts. However, the recovered and outstanding amounts remained unclear. The committee, within seven (7) days from the date of the meeting, directed the management submit to the Committee a report with a clear breakdown of the recovered and outstanding debts.</p> <p>Query remained unresolved</p>
<p>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</p>		
<p>3. Non-Compliance with the Public Sector Accounting Standards Board Requirements</p>	<p>The water company failed to adhere to the provisions of the Public Sector Accounting Standards Board (PSASB) templates.</p>	<p>The committee noted that the Management had not received new templates at the time of audit but has since acquired them.</p> <p>The committee directed the management to use the new templates going forward.</p> <p>Query was considered resolved</p>
<p>4. Lack of Bank Accounts Register</p>	<p>The Company did not maintain a register of bank accounts, contrary to Section 87 (3) of the Public Finance Management (County Governments) Regulations, 2015 which requires each public entity to maintain a register on bank accounts. Although eight (8) accounts were disclosed in the financial statements, it was not possible to confirm that these were the only accounts operated by the Company.</p>	<p>The OAG confirmed that the Management had provided an accounts register with bank confirmation letters and verified.</p> <p>The Committee considered the query resolved.</p>
<p>5. Non-compliance with the Law on Non-revenue Water</p>	<p>The water Company had Non- Revenue Water of 3,072,699 cubic meters, that is 31% of the total water produced resulting in an estimated loss of Kshs. 17, 848, 244 at a rate of Kshs. 30 per cubic meter.</p>	<p>The committee observed that the Non-Revenue Water exceeded the sector benchmark of 25% as per the Water Services Regulatory Board (WASREB) Guidelines.</p>

		The committee directed the management to put in place measures to tackle the Non-Revenue Water, that is both the physical and commercial losses. OAG to verify the measures and report on their effectiveness in the subsequent audit cycle.
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The Following queries were interrogated for the Financial Year 2019/20

REPORT ON THE FINANCIAL STATEMENTS		
Audit Query	Concern	Observation and Recommendations
1. Unsupported Trade and other Receivables	Total receivables balance as per the financial statements was Kshs. 254,915,333 out of which Kshs. 8,372,163 denoted prepayments and deposits. However, supporting documents such as detailed schedules and invoices for the deposits were not provided for audit review.	The Committee noted that the receivables had remained outstanding over a long period and directed the management top put in place recovery measures. OAG to verify the effectiveness of the measures and report on their effectiveness in the subsequent audit cycle.

The Committee resolved to consider written management responses for the queries not considered during the meeting. Further, the Committee to engage the County Government in the event any item in the response became unclear.

MIN. NO. SEN/CPICSF/133/2023 ANY OTHER BUSINESS

There was no other business.

MIN. NO. SEN/CPICSF/134/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at half past two o'clock. The next meeting would be held on Wednesday, 2nd, March, 2023 at 10:00 am.



26/09/2023

SIGNED: **DATE:**

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE THIRTY FIRST SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE WITH THE KWALE COUNTY EXECUTIVE TO CONSIDER AUDIT REPORTS ON THE FINANCIAL STATEMENTS OF THE KWALE WATER AND SEWERAGE COMPANY LIMITED FOR FINANCIAL YEARS 2018/19, 2019/20, 2020/21 HELD ON TUESDAY, 28TH MARCH, 2023 IN FIRST FLOOR, VIP LOUNGE, 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. Eddy Gicheru Oketch, MP | - Member |
| 5. Sen. Maureen Tabitha Mutinda, MP | - Member |
| 6. Sen. Hamida Kibwana Ali, MP | - Member |
| 7. Sen. Miraj Abdillahi Abdulrahman, MP | - Member |

ABSENT WITH APOLOGY

- | | |
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| 1. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP | - Vice-Chairperson |
| 2. Sen. Paul Karungu Thangwa, MP | - Member |

IN ATTENDANCE

Sen. Raphael Chimera, MP - Friend of the Committee

SECRETARIAT

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|-----------------------|-----------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant II |
| 2. Mr. David Angwenyi | - Clerk Assistant II |
| 3. Mr. Erick Njogu | - Clerk Assistant III |
| 4. Mr. Godfrey Nyaga | - Clerk Assistant III |

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|------------------------|----------------------------|
| 5. Mr. Kennedy Owuoth | - Fiscal Analyst |
| 6. Ms. Raisa Mwithi | - Researcher officer |
| 7. Mr. Matano Kataa | - Researcher officer |
| 8. Ms. Lucy Radoli | - Legal counsel |
| 9. Ms. Winfred Ocholla | - Audio officer |
| 10. Mr. Josphat Ng'enh | - Media Relations Officer. |
| 11. Mr. John Pere | - Serjeant-at-arms |

IN ATTENDANCE

A. COUNTY GOVERNMENT OF KWALE

- | | |
|--------------------------|--------------------------|
| 1. Hon. Fatuma Achani | - Governor, Kwale County |
| 2. Ms. Sylvia Chidodo | - County Secretary |
| 3. Mr. Hemed R. Mwabuuzo | - CECM Water Services |
| 4. Mr. Bakari H. Sebe | - CECM Finance |
| 5. Mr. William Jefu | - Finance Manager |
| 6. Mr. Erick Parmet | - Managing Director |
| 7. Mr. Alex Onduko | - CO Finance |
| 8. Mr. Abbas Ngendo | - P. Accountant |
| 9. Mr. Steven Safari | - Internal Auditor |
| 10. Mr. Joshua Mdoe | - COS |

B. TURKANA COUNTY ASSEMBLY

- | | |
|------------------------------|--|
| 1. Hon. Philip Ekuwam | - Deputy Speaker |
| 2. Hon. Ewei Michael | - Member of the County Assembly |
| 3. Hon. Mary Nakapwan | - Member of the County Assembly |
| 4. Hon. Samuel Aliwo Elimlim | - Member of the County Assembly |
| 5. Mr. Patrick Tiuko Eng'eri | - Director Legislative Services |
| 6. Ms. Roseline Aite Onakuta | - Deputy Director Legislative Services |
| 7. Mr. Lokwee Jacob | - Principal Clerk Assistant |

C. OFFICE OF THE AUDITOR GENERAL

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| Mr. Mark Gachanja | - Liaison Officer, OAG |
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D. ETHICS AND ANTI-CORRUPTION COMMISSION

- | | |
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| Mr. Patrick Kinoti | - Liaison Officer, EACC |
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MIN. NO. SEN/CPICSF/191/2023 PRAYER

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

MIN. NO. SEN/CPICSF/192/2023 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. William 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 Kwale County Executive to consider the Auditor General's Report on the Financial Statements of Kwale Water and Sewerage Company Ltd. For the Financial Years 2018/19, 2019/20 and 2020/21.
5. Any Other Business
6. Date of the Next Meeting and Adjournment

**MIN. NO. SEN/CPICSF/193/2023 ADMINISTRATION OF OATH AND
TABLING OF DOCUMENTS**

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

The Office of the Auditor General indicated that the County Government submitted the management responses and supporting annextures for the audit reports of the Kwale Water and Sanitation Company Limited for Financial Years 2018/19, 2019/20 and 2020/21 within the stipulated time and that they had verified the management response.

**MIN. NO. SEN/CPICSF/194/2023 MEETING WITH KWALE COUNTY
EXECUTIVE TO CONSIDER THE AUDITOR
GENERAL'S REPORT ON THE FINANCIAL
STATEMENTS OF KWALE WATER AND
SEWERAGE COMPANY LTD. FOR THE
FINANCIAL YEARS 2018/19, 2019/20 AND 2020/21**

**Consideration of Audit Report for Kwale Water and Sewerage Company Limited for
Financial Year 2020/21**

Audit Query	Concern	Observation and Recommendations
1. Unreconciled Variance in Cost of Bulk Water	The variance of Kshs.45784,680 in respect of cost of bulk water was not explained or reconciled.	The Office of the Auditor General (OAG) informed the Committee that the

		<p>management did not address the query since the financial statement was not reflecting the correct position. The management was directed to make the necessary adjustments to the financial statements.</p> <p>The query remained unresolved.</p>
2. Lack of Receivables Ageing Analysis	<p>The ageing analysis of the trade and other receivables balance of Kshs. 230,942,074 was not provided for audit verification.</p>	<p>The OAG informed the Committee that the water Company has submitted documents to the satisfaction of the auditor in addressing the query.</p> <p>The Committee marked the query as resolved.</p>
3. Unsupported Trade Payables	<p>Kshs.5, 982,991 owed to Water Services Regulatory Board (WASREB) not supported by bills or a statement from the creditor.</p> <p>Kshs.37, 276,860 owed to Coast Water Works Development Agency. However, records maintained by the Agency indicated the balance owed by the Company as Kshs.695, 725,546, resulting in un-reconciled and unexplained variance of Kshs.658, 448,686</p>	<p>The OAG informed the Committee that that the query remained outstanding as the variances could not be ascertained.</p> <p>The Committee directed the management to engage the OAG to reconcile the figures in the query and report to the Committee within 14 days. The query remained unresolved.</p>
4. Unsupported Capital Reserve	<p>The Management did not provide evidence in support of the capital reserve balances Kshs. 36,719,864.</p>	<p>The Committee directed the Company to write off the debt subject to the Board's decision and the matter to be reported to the Committee within 14 days.</p> <p>The query was considered resolved.</p>
5. Failure to Disclose Material Uncertainty Relating to Going Concern	<p>The Company had an operating loss of Kshs.15,088,834 and a negative working capital of Kshs.75,158,273 an indication that the Company may not be able to settle its obligation as and when they fall due. Management did not disclose the material uncertainty related to going concern or measures taken to mitigate this.</p>	<p>The Committee noted that 40% of the bulk water produced by Coast Water Agency was consumed by Kwale County whereas 60% was consumed by Mombasa County. However, Coast Water bill 100% to Kwale Water Company. The Committee directed the County Government together with the OAG to engage Coast Water Agency to resolve the matter of Coast Water charging 100% to Kwale water Company for the water that is consumed by Kwale and Mombasa Counties and</p>

		report back to the Committee within 14 days.
6. Unresolved Prior Year Matters	Prior year audit issues remained unresolved as at 30 June, 2021 and the management did not provide reasons for the delay in resolving the prior year audit issues.	<p>The OAG confirmed that at the time of audit the Certificate on the audited accounts had not been issued to Kwawasco by the office for two years as the office due to transition issues.</p> <p>The Committee recommended to the management that going forward considers and addresses issues raised in the draft management letter, as well as those raised by internal auditors and resolve the audit issues there in.</p>
7. Non-Revenue Water	Non-revenue water at 62% which is higher than the 25% loss allowable by the Water Service Regulatory Board (WASREB) guidelines.	<p>The Management was directed to put in place a comprehensive mitigation plan to reduce the Non-revenue water to within the acceptable threshold. The OAG directed to review the efficacy of the measures and report in the subsequent audit cycle.</p> <p>The query remained unresolved</p>
8. Non-remittance of statutory deductions	Management was in breach of the law following unremitted statutory deductions from Board Members' allowances, PAYE and withholding tax.	<p>The OAG confirmed that remittance of statutory deduction has been resolved as per the payment agreement entered with KRA.</p> <p>However, the auditor is yet to receive bank statements and receipts for verification.</p> <p>The Committee considered the matter resolved subject to submission of supportive evidence of payment of the principle amount of Kshs.15,789,234 and correspondence with KRA seeking waiver of penalties to the OAG for verification.</p>
9. Unauthorized Expenditure	Management was in breach of the law for the over-expenditure of Kshs.17,166,353 or 8% of the budgeted amount without Board's approval.	<p>The Committee directed the management to observe strict adherence to the laid down procedures as per the Law in the utilization of funds for activities not factored in the original budget.</p> <p>The query was considered resolved.</p>

<p>10. Lack of ICT controls and Policy Documents</p>	<p>The ICT internal controls and general IT environment lacked an IT Strategic Committee, IT strategic plan, data back-up, tested emergency procedure and data recovery plan. Further, the ICT Section appeared to be understaffed as it had only one staff member.</p>	<p>The OAG confirmed that the management had instituted the ICT department to be in line with the company's strategic and business plan.</p> <p>The Committee considered the matter resolved subject to submission of evidence of Board approval to the Committee within 14 days.</p>
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Other Interventions and Resolutions

The Committee resolved to -

- i. Consider the written management responses of the Auditor General's Reports on the Financial Statements of the Kwale Water and Sewerage Company for the Financial Years 2018/19 and 2019/20 during its report writing; and
- ii. Consider conducting a field visit to Kwale County at future date to verify issues presented in their management responses.

MIN. NO. SEN/CPICSF/195/2023 ANY OTHER BUSINESS

The Committee was informed of a letter Ref: TNT/CONF51/07F (50), dated 27th March, 2023, received by the Office of the Clerk of the Senate on 28th March, 2023, from the Principal Secretary (PS), The National Treasury requesting the Committee to reschedule its meeting that was scheduled for **Friday, 31st March, 2023** to **Thursday, 30th March, 2023**.

The Committee acceded to the request by the PS, National Treasury and resolved to reschedule the meeting to **Thursday, 30th March, 2023** at **8:00 am**.

The Secretariat was tasked to communicate the same to the office of the Controller of budget and the office of the Council of Governors, which had been invited to appear in the same meeting.

MIN. NO. SEN/CPICSF/196/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at twenty-three minutes to two o'clock. The next meeting would be held on Wednesday, 29th March, 2023 at 10:00 am.



14/07/2023

SIGNED: **DATE:**

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



13TH PARLIAMENT 1ST SESSION

MINUTES OF THE EIGHTH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF NYERI WATER AND SANITATION COMPANY LIMITED AND OTHAYA-MUKURWE-INI WATER SERVICES LIMITED FOR FINANCIAL YEARS 2018/19, 2019/20 AND 2020/21 HELD ON WEDNESDAY, 22ND NOVEMBER, 2022 AT THE BOARDROOM RED CROSS BUILDING, FIRST FLOOR, PARLIAMENT BUILDINGS AT 10.00 A.M.

PRESENT

- | | |
|-------------------------------------|----------------------|
| 1. Sen. Godfrey Atieno Osotsi, MP | - Chairperson |
| 2. Sen. Ledama Olekina, MP | - Member |
| 3. Sen. Paul Karungo Thangwa, MP | - Member |
| 4. Sen. Eddy Gicheru Oketch, MP | - Member |
| 5. Sen. Maureen Tabitha Mutinda, MP | - Member |
| 6. Sen. Hamida Kibwana Ali, MP | - Member |

ABSENT WITH APOLOGY

- | | |
|--|---------------------------|
| 1. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP | - Vice-Chairperson |
| 2. Sen. Miraj Abdillahi Abdulrahman, MP | - Member |
| 3. Sen. Murango James Kamau, MP | - Member |

SECRETARIAT

- | | |
|-------------------------|-----------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant II |
| 2. Mr. David Angwenyi | - Clerk Assistant II |
| 3. Mr. Erick Njogu | - Clerk Assistant III |
| 4. Ms. Raisa Mwithi | - Research Officer |
| 5. Mr. Matano Kataa | - Research Officer |
| 6. Mr. Kennedy Owuoth | - Fiscal Analyst |
| 7. Mr. Hillary Kipkorir | - Legal counsel |

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|------------------------|----------------------------|
| 8. Mr. Josphat Ng'enh | - Media Relations officer. |
| 9. Ms. Winfred Ocholla | - Audio officer |
| 10. Mr. Patrick Ngenoh | - Procurement officer |
| 11. Mr. John Pere | - Serjeant-At-Arms |

IN ATTENDANCE

A. COUNTY GOVERNMENT OF NYERI

- | | |
|--------------------------------------|-------------------------------------|
| 1. Hon. Mutahi Kahiga Mwalimu Edward | - Governor, Nyeri County |
| 2. Mr. Fredrick Wanjohi Kinyua | - CECM |
| 3. Mr. Patrick M. Karinga | - Chairman, NYEWASCO |
| 4. Eng. Peter Kahuthu | - NYEWASCO |
| 5. Mr. Francis K. Kiura | - Chief Manager Commercial Services |
| 6. Mr. Kimani Rucuiya | - County Attorney |
| 7. Mr. Felix Githae | - Manager I Audit |
| 8. Ms. Eva Mwangi | - Executive Assistant |
| 9. Mr. Robert Thuo | - CECM Finance |
| 10. Ms. Keziah Nyambura | - Manager, Legal NYEWASCO |
| 11. Ms. Joyce Munira | - NYAWESCO |
| 12. Ms. Mercy Gathogo | - Snr. Officer Finance |
| 13. Ms. Pauline W. Ndegwa | - Chief Officer Water |
| 14. Mr. Moses N. N. Munyi | - Managing Director OMWASCO |
| 15. Mr. Arthur Mukira | - Chair OMWASCO |
| 16. Mr. Paul Wambugu | - Chief of Staff |
| 17. Mr. Peter Ndirangu | - Commercial Manager |

B. OFFICE OF THE AUDITOR GENERAL

- | | |
|-------------------------|----------------------------|
| 1. Mr. Fredrick Ondiek | - Principal Auditor |
| 2. Mr Alex Ndungu | - Deputy Director of Audit |
| 3. Mr. David K. Cheroni | - Director of Audit |
| 4. Mr. Mark Gachanja | - Auditor |

MIN/SEN/CPICSF/53/2022 PRAYER

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

MIN/SEN/CPICSF/54/2022 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Eddy Gicheru Oketch, MP and seconded by Sen. Ledama Olekina, MP, as follows –

1. Prayer
2. Adoption of the Agenda
3. Administration of Oath
4. Meeting with the County Executive of Nyeri to consider Reports of the Auditor-General on the financial statements of Nyeri Water and Sanitation Company Limited and Othaya-Mukurwe-ini Water Services Limited for Financial Years 2018/19, 2019/20 and 2020/21
5. Any Other Business
6. Date of the Next Meeting and Adjournment

MIN/SEN/CPICSF/55/2022

ADMINISTRATION OF OATH

The Hon. Governor of Nyeri County took Oath of Witness and tabled the Management responses and supporting documents for the audit reports of the Nyeri Water and Sanitation Company Limited and Othaya-Mukurwe-ini Water Services Limited for Financial Years 2018/19, 2019/20 and 2020/21.

The OAG indicated that the county Government made late submissions of management responses and supporting documents for the audit reports of the Nyeri Water and Sanitation Company Limited and Othaya-Mukurwe-ini Water Services Limited for the Financial Years 2018/19, 2019/20 and 2020/21 and thus they had limited time to verify all the responses.

MIN/SEN/CPICSF/56/2022

MEETING WITH THE COUNTY EXECUTIVE OF NYERI TO CONSIDER REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF NYERI WATER AND SANITATION COMPANY LIMITED AND OTHAYA-MUKURWE-INI WATER SERVICES LIMITED FOR FINANCIAL YEARS 2018/19, 2019/20 AND 2020/21

1. Nyeri Water and Sanitation Company Limited

The following queries were interrogated for the Financial Year 2020/21

Audit Query	Concern	Observation and Recommendations
1. Lack of ownership documents and updated Asset Register.	Asset Register was not fully updated since some Assets did not have Asset Numbers, Registration of five (5) motor vehicles missing while the Motorcycle registration	The Office of the auditor General (OAG) had not physically verified the Asset Register. The Committee directed the OAG to verify the Asset register within 14

	number KMEK 399N appeared three times in the asset register.	days from the date of the meeting and provide a status update on the same.
2. Unconfirmed provision for doubtful Debts and ageing analysis	Basis for doubtful debts of Kshs. 41,940,699 was not disclosed in the Financial Statement or explained.	The OAG, within 14 days from the date of the meeting was directed to verify the ageing analysis for the trade receivables and advise the Committee.
3. Unresolved matters prior	Various audit issues remained unresolved as at 30 th June, 2021	The Committee noted that Company had not received OAG Certificates for the previous two Financial periods due to transition issues at the OAG. The Committee directed the County Government of Nyeri and the OAG to engage and resolve the matter within 14 days from the date of the meeting. OAG to provide a status update on the matter in the subsequent audit cycle.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE PUBLIC RESOURCES

1. Staff Ethnicity Diversity	96.9% of the employees comprise of one ethnic community contrary to section 7 (1) and (2) of the National Cohesion and Integration Act, 2008.	The Committee directed the Governor and the Board of Directors to make deliberate efforts to progressively comply with section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 and Section 65(1) (e) of the County Governments Act, 2012 on diversity.
2. Non. Compliance with one Third Basic Salary Rule	31 employees earned net salaries which were less than one third of the Basic Salary contrary to Section 19 (3) of the Employment Act, 2007.	The Committee noted that the management had put in place remedial measures and the matter was marked resolved.
3. Non-Compliance with the Water Services Regulatory Board (WASREB) Regulations on Personnel Costs	The Company's personnel expenditure stood at 38% of the total expenditure, exceeding the recommended ratio of 30% in accordance with the WASREB guidelines.	The Committee noted that the management made late submission of documents and that they were yet to be verified by the OAG. The Committee directed the OAG to verify the documents within 14 days from the date of the meeting and provide a status update.

The following queries were interrogated for the Financial Year 2019/20

Audit Query	Concern	Observation and Recommendations
<p>2. Long Outstanding Trade and other Receivables and amounts due from Directors</p>	<p>The water company had high trade and other receivables balance of Kshs. 237,947,398 as at 30 June, 2020. Included in this balance is an amount of Kshs. 88,234,691.12 in respect of debts which has remained outstanding over a long period of time. Management has not demonstrated efforts made to recover the amount.</p> <p>An amount of Kshs. 420,000 to the Board of Directors to attend a Board of Audit Committee workshop which did not take place due to Covid-19 restrictions remained unspent and was not surrendered at the time of the audit.</p>	<p>The Committee noted that due to late submission of documents by the management, the OAG had not concluded the verification process.</p> <p>The Committee noted that the amount of Kshs. 420,000 was paid to Institute of Internal Auditors (Kenya) – IIA and thus the matter was resolved.</p> <p>The Committee directed that-</p> <ul style="list-style-type: none"> i. OAG to conclude verification of documents and report to the Committee within fourteen (14) days; ii. The Company to properly profile their customers and strengthen their contracts; and iii. Management to provide the Committee with the HR report on the staffing of the Company.
<p>3. Non-compliance with the Water Services Regulatory Board (WASREB) Regulations on Personnel Costs</p>	<p>The Company's personnel expenditure stood at 38.6% of the total expenditure, exceeding the recommended ratio of 30% in accordance with the WASREB guidelines.</p>	<p>The Committee noted that the matter remained outstanding since the management had not demonstrated any intervening measures and that the company's CBA was negotiated before the tariffs were set. The Committee directed the Governor to ensure that the management institutes remedial measure and the OAG to provide a status update in the subsequent audit cycle.</p> <p>Matter remained unresolved</p>

2. Othaya-Mukurwe-ini Water Services Company

The following queries were interrogated for the Financial Year 2020/21

Audit Query	Concern	Observation and Recommendations
<p>1. Trade and other Receivables</p>	<p>The had high trade receivables of Kshs. 194,184,277 which was net of provision totaling Kshs. 47,570.540 As similarly reported in the previous year, debts totaling Kshs, 214,182,042 inherited from the National Water and Pipeline Corporation were outstanding for over 8 years as at 30 June. 2021. Further, the gross trade and other receivables balance was not supported with the list of the debtors. Although recoverability of the debts is uncertain, Management's provision for bad and doubtful debts totalling Kshs 47,570,540 appeared inadequate given the large debts balance and the long period of time the debts were outstanding.</p>	<p>The Committee noted GIS was one of the measures the management intended to use to recover the debts but failed to demonstrate how it would assist in the recovery.</p> <p>The Committee directed that Governor to ensure that the management puts in place measures to recover the debts. Further, the Governor to ensure that the water company has a debt management policy to guide how the water company manages its debts.</p> <p>Matter remained unresolved</p>
<p>2. Property, Plant and Equipment</p>	<p>The following anomalies were noted in the Plant, Property and Equipment totalling Kshs 22,921, 161</p> <ul style="list-style-type: none"> i. The fixed asset register did not indicate the estimated useful life and the residual values of the respective assets. ii. The assets were not tagged for identification and verification of their respective locations. iii. The summary of the significant accounting policies at notes 4(d) to the financial statements does not disclose the depreciation rate for water meters and distribution pipelines. iv. The balance includes buildings and water tanks with a book value of Kshs 4,163,211. However, the company did not own the land on which the assets were located and the respective lease agreements or ownership documents for the 	<p>The Committee noted that ownership of some the company's assets remained unclear as ownership documents were not provided for audit.</p> <p>The Committee directed the Governor to ensure that the water company took full ownership of all its assets in line with the law. The Governor to further ensure that all assets are tagged accordingly and the water company to maintain updated accurate assets register. OAG to provide a status update on the matter in the subsequent audit cycle.</p> <p>Matter remained unresolved</p>

	<p>buildings and the water supply infrastructure were not provided.</p> <p>v. The total asset balance amounting to K.shs. 22,921,160 does not include the value of other water infrastructure owned by the company.</p>	
3. Unremitted Lease Fees	The company deposited the unpaid lease fees in a special account under the County Government of Nyeri though the action was not supported by any legislation.	<p>The Committee directed the management of the water company to submit the bank statements of the special account within seven (7) days and give a copy of the same to OAG for verification.</p> <p>Matter remained unresolved</p>
4. Undisclosed Outstanding Loan	The water company was a beneficiary of the African Development Bank loan, through Tana Water Works Development Agency, under Small Towns, Rural Water Supply and Sanitation Project. However, the loan remained outstanding, and the water company had failed to disclose it in its financial statements.	<p>The Committee observed that the information submitted by the management was inadequate and that the matter required more detailed information on the loan and that the same would be reviewed in the subsequent audit cycle.</p> <p>Matter remained unresolved</p>
5. Excessive Non-Revenue Water	The Water company had non-revenue water 41.19% which is 16.19 percentage points over sector benchmark of 25% in accordance with water Services Regulation Board (WASREB) guidelines.	The Committee noted that the non-revenue water remained high in the period under review. The Committee directed the Governor to ensure that the management of the water company puts in place measure to tackle the non-revenue water. OAG to review the measures and report on their efficacy in the subsequent audit cycle.
6. Lack of Ethnic Diversity	The Company had ninety-six (96) staff members out of whom, ninety-two (92) or 96% were drawn from the dominant ethnic group in Nyeri County. This was contrary to section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic	The management to progressively work towards inclusivity in line with section 7(2) of the National Cohesion and Integration Act, 2008.

	community. In the circumstances, the management was in breach of the law.	
7. Irregular Expenditure on Kenya Forest Wayleave	Way-leave fees totalling Kshs 414.000 paid to the Kenya forest services (KFS) contrary to section 131(2) of water act 2016. The law provides that a licensed water service provider shall not be required to pay any fees for the of public assets for the provision of water services other than the repayment of loans acquired for the development of those assets. In the circumstances, the management was in breach of Law.	The Committee to review the matter in the matter in the subsequent audit cycle.

Owing to limited time, the Committee resolved to consider the written response of the audit reports of the Othaya-Mukurwe-ini Water Services Limited for the Financial Years 2018/19 and 2019/20.

MIN/SEN/CPICSF/57/2022 ANY OTHER BUSINESS

There was no other business.

MIN/SEN/CPICSF/58/2022 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at half past two o'clock. The next meeting would be held on Tuesday, 6th December, 2022 at 10:00 am.



22/03/2023

SIGNED: **DATE:**

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



13TH PARLIAMENT 2ND SESSION

MINUTES OF THE A HUNDRED AND TWENTIETH MEETING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE DURING ITS REPORT WRITING RETREAT HELD ON FRIDAY, 27TH OCTOBER, 2023 IN LAKE NAIVASHA SIMBA LODGE, NAKURU COUNTY AT 2.00 P.M.

PRESENT

- | | |
|---|---------------|
| 1. Sen. Godfrey Atieno Osotsi, MP | - Chairperson |
| 2. Sen. William Kipkemoi Kisang, MP | - Member |
| 3. Sen. Eddy Gicheru Oketch, MP | - Member |
| 4. Sen. Maureen Tabitha Mutinda, MP | - Member |
| 5. Sen. Miraj Abdillahi Abdulrahman, MP | - Member |
| 6. Sen. Hamida Kibwana Ali, MP | - Member |

ABSENT WITH APOLOGY

- | | |
|--|--------------------|
| 1. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP | - Vice-Chairperson |
| 2. Sen. Paul Karungu Thangwa, 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. Ms. Lillian Waweru | - Legal Counsel |
| 6. Mr. Kennedy Owouth | - Fiscal Analyst |
| 7. Mr. Kataa Matano | - Researcher officer |
| 8. Ms. Winfred Ocholla | - Audio officer |
| 9. Mr. Josphat Ng'enh | - Media Relations Officer. |
| 10. Mr. John Pere | - Serjeant-At-arms |

MIN NO. /SEN/CPICSF/721/2023 PRAYER

The meeting was called to order by the Chairperson at two O'clock in the afternoon followed by a word of prayer.

MIN NO. /SEN/CPICSF/722/2023 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. Adoption of the Reports
4. Any Other Business
5. Date of the Next Meeting and Adjournment

MIN. NO. SEN/CPICSF/723/2023 ADOPTION OF REPORTS.

The Chairperson indicated that the Committee had finalized consideration of reports of Water Companies of seven (7) counties for the Financial Years 2018/19, 2019/20 and 2020/21 during its retreat held in Safari Park Hotel from 11th to 16th July, 2023.

The Committee adopted the said reports as follow-

- A. The reports on the Audit Reports of the following County Water Providers for the Financial Year ended 30th June, 2021 -
 1. Amatsi Water Service Company Limited for the year ended 30th June, 2021, Vihiga County having been proposed by Sen. Miraj Abdillahi Abdulrahman, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.
 2. Bomet Water Company Limited for the year ended 30th June, 2021, Bomet County having been proposed by Sen. Miraj Abdillahi Abdulrahman, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.
 3. Gusii Water and Sanitation Company Limited for the year ended 30th June, 2021, Kisii and Nyamira Counties having been proposed by Sen. Miraj Abdillahi Abdulrahman, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.
 4. Kisumu Water and Sanitation Company Limited for the year ended 30th June, 2021, Kisumu County having been proposed by Sen. Miraj Abdillahi Abdulrahman, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.
 5. Kwale County and Sewerage Company Limited for the year ended 30th June, 2021, Kwale County having been proposed by Sen. Miraj Abdillahi

Abdulrahman, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.

6. Nyeri Water and Sewerage Company Limited for the year ended 30th June, 2021, Nyeri County having been proposed by Sen. Miraj Abdillahi Abdulrahman, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.
7. Wajir Water and Sewerage Company Limited for the year ended 30th June, 2021, Wajir County having been proposed by Sen. Miraj Abdillahi Abdulrahman, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.

B. The reports on the Audit Reports of the following County Water Providers for the Financial Year ended 30th June, 2020-

1. Amatsi Water Service Company Limited for the year ended 30th June, 2020, Vihiga County having been Proposed by Sen. Eddy Gicheru Oketch, MP and Seconded by Sen. William Kipkemoi Kisang, MP respectively.
2. Bomet Water Company Limited for the year ended 30th June, 2020, Bomet County having been Proposed by Sen. Eddy Gicheru Oketch, MP and Seconded by Sen. William Kipkemoi Kisang, MP respectively.
3. Gusii Water and Sanitation Company Limited for the year ended 30th June, 2020, Kisii and Nyamira Counties having been Proposed by Sen. Eddy Gicheru Oketch, MP and Seconded by Sen. William Kipkemoi Kisang, MP respectively.
4. Kisumu Water and Sanitation Company Limited for the year ended 30th June, 2020, Kisumu County having been Proposed by Sen. Eddy Gicheru Oketch, MP and Seconded by Sen. William Kipkemoi Kisang, MP respectively.
5. Kwale County and Sewerage Company Limited for the year ended 30th June, 2020, Kwale County having been Proposed by Sen. Eddy Gicheru Oketch, MP and Seconded by Sen. William Kipkemoi Kisang, MP respectively.
6. Nyeri Water and Sewerage Company Limited for the year ended 30th June, 2020, Nyeri County having been Proposed by Sen. Eddy Gicheru Oketch, MP and Seconded by Sen. William Kipkemoi Kisang, MP respectively.

C. The reports on the Audit Reports of the following County Water Providers for the Financial Year ended 30th June, 2019 -

1. Amatsi Water Service Company Limited for the year ended 30th June, 2019, Vihiga County having been Proposed by Sen. William Kipkemoi Kisang, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.
2. Bomet Water Company Limited for the year ended 30th June, 2019, Bomet County having been Proposed by Sen. William Kipkemoi Kisang, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.

3. Gusii Water and Sanitation Company Limited for the year ended 30th June, 2019, Kisii and Nyamira Counties having been Proposed by Sen. William Kipkemoi Kisang, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.
4. Kisumu Water and Sanitation Company Limited for the year ended 30th June, 2019, Kisumu County having been Proposed by Sen. William Kipkemoi Kisang, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.
5. Kwale County and Sewerage Company Limited for the year ended 30th June, 2019, Kwale County having been Proposed by Sen. William Kipkemoi Kisang, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.
6. Nyeri Water and Sewerage Company Limited for the year ended 30th June, 2019, Nyeri County having been Proposed by Sen. William Kipkemoi Kisang, MP and Seconded by Sen. Eddy Gicheru Oketch, MP respectively.

MIN. NO. SEN/CPICSF/724/2023 ANY OTHER BUSINESS

There was no other business.

MIN. NO. SEN/CPICSF/725/2023 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at half past three o'clock in the evening. The next meeting would be held on Friday, 27th October, 2023 at 4:00 pm.



6/11/2023

SIGNED: DATE:

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