

REPUBLIC OF KENYA
MACHAKOS COUNTY ASSEMBLY

OFFICIAL REPORT

Tuesday, 12th November, 2019

The House met at 10.25 a.m.

[The Speaker (Hon. (Mrs.) Mwangangi) in the Chair]

PRAYERS

Hon. Speaker: Alright, you have made yourselves comfortable. Good morning; so we start today's sitting.

PAPERS LAID

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MAVOKO WATER
AND SEWER COMPANY FOR THE YEAR ENDED 30TH JUNE, 2017

Hon. Speaker: Hon. Members, under this Order, we have two businesses the first one by Hon. Musau and the other one by the Hon. Dominic. Hon. Musau.

Hon. Musau: Thank you, Madam Speaker. I would wish to lay the following Paper before the floor of the House; it is a report of the Auditor General on the financial statements of Mavoko water and Sewer Company for the year ended 30, June 2017. Thank you, Madam Speaker.

Hon. Speaker: Hon. Musau, the Paper is so faint. Bw. Clerk do you have any better Paper? The quality; let me see a better one for the Table. It is attached.....I have seen a better one. Thank you, Hon. Musau. Hon. Dominic.

REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE ON THE REPORT OF
CONTROLLER OF BUDGET FOR THE FIRST THREE QUARTERS OF 2018/19

Hon. Ndambuki: Thank you, Hon. Speaker. Hon. Speaker, I beg to lay the following Paper on the Table of the House today Tuesday, the 12th day of November, 2019, which is a report of the Budget and Appropriations Committee on the report of the Controller of Budget for the first three quarters of the Financial Year, 2018/19. Thank you, Hon. Speaker.

Hon. Speaker: Thank you, Hon. Dominic. Mr. Clerk, proceed.

NOTICES OF MOTIONS

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Hon. Speaker: Hon. Members, under this Order we have two businesses and it is as above by the Hon. Musau and Hon Dominic. So we start with Hon. Musau.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MAVOKO WATER AND SEWER COMPANY FOR THE YEAR ENDED 30TH JUNE, 2017

Hon. Musau: Once again, thank you, Madam Speaker.

Madam Speaker, that aware that Article 229(7) of the Constitution states that “Audit Reports shall be submitted to Parliament or the relevant County Assembly;”

Further aware that pursuant to Article 229(8) of the Constitution, within three months after receiving an audit report, the Parliament or the County Assembly shall debate and consider the report and take appropriate action;

Cognizant that the Committee on Public Accounts and Investments is established pursuant to Standing Order 185 and is mandated to examine reports, accounts and workings of the County Public Investments;

Remembering that in May 2019, the Committee undertook interrogation exercise of the Audit Report on Financial Statements of Mavoko Water and Sewerage Company for the year ended 30th June, 2017 and subsequently compiled a report;

Madam Speaker, I wish to give Notice of Motion that this Honorable House discusses and approves the Report of Auditor General on the Financial Statements of Mavoko Water and Sewerage Company for the year ended 30th June, 2017.

Thank you, Madam Speaker.

Hon. Speaker: Thank you, Hon. Musau. Hon. Dominic.

REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE ON THE REPORT OF CONTROLLER OF BUDGET FOR THE FIRST THREE QUARTERS OF 2018/19

Hon. Ndambuki: Thank you, Madam Speaker.

Hon. Speaker, that aware that the Office of the Controller of Budget is mandated to oversee and report on implementation of the budgets of both National and County Governments as per Article 228(4) of the Constitution of Kenya 2010;

Aware that the first three quarters report from the COB was submitted to the County Assembly and it provides information on budget implementation by the 47 Counties covering the period from July, 2018 to February, 2019 and that it contains analysis on county Budgets, own source revenue generated, conditional grants and fiscal transfers from the National Governments and expenditure;

Acknowledging that the Committee on Budget analyzed the Machakos County Budget Implementation report as presented by the CoB and compiled a report on the same;

Hon. Speaker, I wish to move notice of motion that this House discusses and approves the report of the Budget Committee on the report of the Controller of Budget for the first three quarters 2018/19.

Thank you, Hon. Speaker.

Hon. Speaker: Thank you, Hon. Ndambuki. Mr. Clerk, proceed.

STATEMENT

BUSINESS FOR THE HOUSE FOR 12TH TO 19TH NOVEMBER, 2019

Hon. Speaker: Hon. Members under this Order we have one business by Hon. Majority Leader or somebody holding his brief. Hon. Betty, are you going to hold your brief? Hon. Minority Leader, I am told on protocol, but thanks so much Hon. Betty. Hon. Minority Leader.

Hon. Kamitu: Thank you, Madam Speaker. Hon. Speaker, I stand under Standing Order 41(2)(a) where during the Statement Hour a Member of the House Business Committee designated by the Committee for that purpose shall for not more than ten minutes, present and lay on the Table, a statement informing the House of the business coming before the House.

Hon. Speaker, the House Business Committee met on 11th November, 2019 to review and ballot business for the House for the week of 12th to 13th November, 2019 and the part of the week of 19th to 20th November, 2019 pursuant to the provisions of the Standing Order 151 as follows:

Tuesday, 12th November, 2019
Morning at 10.00 a.m.

Report of Public Accounts and Investment Committee of Report Auditor General for Matungulu Water and Sewerage Company Ltd for the period ended 30 June 2017 by Hon. Joseph Musau, Chairperson, PAIC.

Hon. Speaker: Hon. Kamitu.

Hon. Kamitu: Yes, Madam Speaker. Correct me if I am wrong but I think I am right. If you look at the first business, it is referred to the business for this morning today?

Hon. Kamitu: Yes, this morning today Madam Speaker.

Hon. Speaker: And the company..... What a company is Matungulu? But the business we have is for Mavoko Water Company. Yes, he is reading what is written. So what do you want us to correct ?

Hon. Musau: Point of clarification Madam Speaker on the same issue. Point of clarification, please, Madam Speaker.

Hon. Speaker: Yes, Hon. Musau.

Hon. Musau: Thank you Madam Speaker.

Hon. Speaker: Hon. Minority Leader, please just sit very briefly.

Hon. Musau: Madam Speaker, I believe during the balloting there was wrong presentation because we have already tabled and discussed and adopted the Matungulu report, Madam Speaker.

Hon. Speaker: So it is a mistake?

Hon. Musau: Yes, it is a mistake that was done, Madam Speaker.

Hon. Speaker: We just correct on the.....just wake up Hon. Minority Leader. So, thank you, Hon. Musau we correct to read Mavoko Water Company not Matungulu.

Hon. Kamitu: Thank you, Madam Speaker, for the correction. Once again, let me read the report to the provision of the Standing Order 151 as follows;

Tuesday, 12th November, 2019
Morning at 10.00 a.m.

Report of Public Accounts and Investment Committee of Report Auditor General for Matungulu Water and Sewerage Company Ltd for the period ended 30 June 2017 by Hon. Joseph Musau, Chairperson, PAIC.

Afternoon at 2.30 p.m.

Report of Education Committee on Educational Tour to Kericho County by Hon. Daniel Kiilu, Chairperson, Education Committee.

Wednesday, 13th November, 2019
Morning at 10.00 a.m.

Report of Budget and Appropriations Committee on first Supplementary Budget estimates for FY 2019/2020 by Hon. Dominic Ndambuki, Chairperson, Budget and Appropriations Committee.

Afternoon at 2.30 p.m.

The Machakos County Supplementary Appropriations Bill, 2019: First reading, Second Reading, Committee of the whole House and Third Reading by Hon. Dominic Ndambuki, Chairperson, Budget and Appropriations Committee;
Report of Budget and Appropriations Committee on Controller of Budget Report for the County for the first nine months of FY 2018/2019 by Hon. Dominic Ndambuki, Chairperson, Budget and Appropriations Committee.

Tuesday, 19th November, 2019
Morning at 10.00 a.m.

Report of Transport and Public Works Committee on the Status of the County Major Roads by Hon. Daniel Mbevi, Chairperson, Transport and Public Works Committee.

Thank you, Hon. Speaker.

Hon. Speaker: Thank you, Hon. Minority Leader, Alex Kamitu. Mr. Clerk, proceed.

MOTION

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MAVOKO WATER AND SEWER COMPANY FOR THE YEAR ENDED 30TH JUNE, 2017

Hon. Speaker: Hon. Members, under this Order, we have one business by the Hon. Joseph Musau. Hon. Joseph Musau.

Hon. Musau: Thank you, Madam Speaker. Before the House Madam Speaker, is a report of the Auditor General on the financial statement of Mavoko Water and Sewer Company for the year ended June 2017 by the Public Accounts and Investments Committee.

Hon. Speaker: Hon. Wambua.

Hon. Musau: Yes, Madam Speaker.

Hon. Speaker: I think you need to start on the Motion. You gave a notice of Motion. You remember me telling you doing so too many things in one sitting? This is what happens. Okay start on the Motion then get somebody to second then you read the report.

Hon. Musau: Thank you, Madam Speaker for that correction.

Madam Speaker, that aware that Article 229(7) of the Constitution states that “Audit Reports shall be submitted to Parliament or the relevant County Assembly;”

Further aware that pursuant to Article 229(8) of the Constitution, within three months after receiving an audit report, the Parliament or the County Assembly shall debate and consider the report and take appropriate action;

Cognizant that the Committee on Public Accounts and Investments is established pursuant to Standing Order 185 and is mandated to examine reports, accounts and workings of the County Public Investments;

Remembering that in May, 2019, the Committee undertook interrogation exercise of the Audit Report on Financial Statements of Mavoko Water and Sewerage Company for the year ended 30th June 2017 and subsequently compiled a report;

Madam Speaker, I wish to give Notice of Motion that this Hon. House discusses and approves the Report of Auditor General on the Financial Statements of Mavoko Water and Sewerage Company for the year ended 30th June, 2017.

Thank you, Madam Speaker. I would wish to call upon Hon. Alice Nzioka to second this Motion. Thank you, Madam Speaker.

Hon. Speaker: Hon. Alice Nzioka.

Hon. (Ms.) Nzioka: I second the Motion.

Hon. Speaker: Thank you, Hon. Alice. Hon. Musau, proceed.

Hon. Musau: Thank you, Madam Speaker. It is a report of the Auditor General on the financial statement of Mavoko Water and Sewer Company for the year ended June 2017 by the Public Accounts and Investment Committee.

Introduction

Madam Speaker, the performance of Mavoko Water and Sewerage Company (MAVWASCO) for the financial year 2016/2017 was commendable. The integrity, responsiveness and sheer

determination of the company and its employees were key in meeting water services needs for the people. The company was able to fulfill most of its financial obligations on operations and maintenance despite obvious budgetary constraints.

As the Company reflects on its work, one of its main achievements is that MAVWASCO has maintained its high standards despite several challenges. The company was ranked the best utility in Tanathi Water Service Board and scored position 16 overall countywide performance by Water Services Regulatory Board through its impact report issue no 8 of 2015.

The greatest of these aspirations is the improvement of access to water services so that Mavoko residents can have quality water. The foundation laid in the past, with the help of the water regulatory partners has enabled MAVWASCO maintain its standards of operations which is crucial in facilitating access to clean water.

The Company keenly follows guidelines on corporate governance, tariffs and customer service. These tools have been useful in guiding the sector on issues of governance, responsiveness and sustainability. On the basis of work done so far, there has been a significant improvement in the provision of water and sanitation services.

In order for the company to continue building on these gains, there is need for a comprehensive investment plan indicating the investments required to achieve the progressive realization of the right to water and sanitation for Mavoko residents.

COMMITTEE MANDATE

Madam Speaker, the Public Accounts and Investments Committee is established pursuant to Standing Order 185(1) and (2), that states that ‘there shall be a select committee to be designated the County Public Accounts and Investment Committee which shall be responsible for:

- a) The examination of the accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and of such other accounts laid before the County Assembly as the Committee may deem fit.
- b) The examination of the reports, accounts and workings of the County Public Investments;
- c) The examination, in the context of the autonomy and efficiency of the County Public Investments, whether the affairs of the county public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices.

3.0 COMMITTEE MEMBERSHIP

Madam Speaker, the Public Accounts and Investment Committee comprises of the following Hon. Members;

1. Hon. Joseph Musau – Chairperson
2. Hon. Winfred Mutua – V/Chairperson
3. Hon. Agatha Mutunga Member
4. Hon. Alice Nzioka Member
5. Hon. Johana Munyao Member
6. Hon. Josephat Kasyoki Member
7. Hon. Peter Mutiso Member

4.0 BACKGROUND AND GUIDING LEGAL PROVISIONS ON AUDIT REPORTS

Madam Speaker, the report of Auditor General on the Financial Statements of Mavoko Water and Sewerage Company for the year ended 30th June 2017 was received in the office of the Clerk pursuant to Article 229(7) of the Constitution that states that Audit Reports shall be submitted to Parliament or the relevant County Assembly.

The report was committed to Public Accounts and Investments committee pursuant to Standing Order 185(2)(b) and (c) that states that ‘the Public Accounts and Investments Committee shall be responsible for examination of reports, accounts and workings of the County Public Investments and whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.’

Madam Speaker, Article 229(5) of the Constitution provides that “the Auditor-General may audit and report on the accounts of any entity that is funded from public funds.” Pursuant to Article 229 (8) of the Constitution “within three months after receiving an audit report, the parliament or the County Assembly shall debate and consider the report and take appropriate action.”

Article 201(d) and (e) of the Constitution provides that the principles of public finance includes prudent and responsible use of public money and responsible financial management and clear fiscal reporting.

In addition, Article 226(2) of the Constitution states that the accounting officer of a county public entity is accountable to the County Assembly for its financial management.

The provisions of Article 226(5) of the Constitution is emphatic that “If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not.”

Further, Article 232(1)(a), (e) and (f) of the Constitution provides that values and principles of public service includes high standards of professional ethics, accountability for administrative acts and transparency and provision to the public of timely, accurate information.

Madam Speaker, in April 2019 the committee held a meeting with the Accounting Officer of Mavoko Water and Sewerage Company, who had been accompanied by other officers from the company. The invitation was to respond on various queries raised in the Audit report pursuant to Article 226(2) of the Constitution that provides that the Accounting Officer of a County public entity is accountable to the County Assembly for its financial management.

5.0 QUERIES RAISED IN THE FINANCIAL STATEMENT

1. Inaccuracies in Comparative Financial Information

The following differences were noted between comparative information under 2015/2016 in the 2016/2017 financial statements and the audited balances reflected in the financial statements for 2015/2016.

Item	Balance as per 2015/2016 comparative (Ksh.)	Audited Balance as per 2016/2017 Audited Financial Statements (Ksh.)	Difference
Statement of Cashflow	-	6,248,523	(6,248,523)

increase in financing Activities			
Change in Cash and Cash Equivalent	(10,126,172)	(3,887,650)	(6,248,523)
Cash and Cash Equivalent at Beginning of year	17,979,775	19,167,681	(1,187,906)
Cash and Cash Equivalent at end of period	7,843,603	15,280,031	(7,436,428)

Management response

The Accounting Officer responded that the difference arose due to post-audit correction of the errors in the cash flow statement which arose because in the cash flow for the year ending 30th June, 2016 we recognized the Ksh. 7,436,428 as a financing activity and that is increase in financing year 2016 Ksh. 6,248,523 and year 2015 which was Ksh. 1,187,906 hence a total Ksh. 7,436,426. It should have been recognized as part of cash and cash equivalent.

As can be seen from notes 14a and 14b the total cash and cash equivalent was Ksh. 15,280,031 less the Ksh. 7,436,428 being unrepresented cheques giving a total of Ksh. 7,843,603. We recommended that we remove the figure from financing activities and it remains as part of cash and cash equivalent and the cash flow will balance.

Observation

The committee observed that the company had in the previous year reported an amount of Ksh. 7,436,426 being unrepresented cheques as a financing activity instead of it being part of cash and cash equivalent. This was seen an entry error which could have been noted if at all the Accounting officer was keen.

Recommendation

The committee recommends that the Accounting officer in charge of financial reporting should be more keen when doing entries to avoid such errors. Further, post-audit correction should be reported to the auditor general on time to avoid occurrence of matters that have already been resolved.

2. Cash and Cash Equivalent

2.1 Postings in the Cashbook

A review of the bank statements and cash book for the Cooperative Bank account number 01136066125202 revealed that 10 payments totaling Ksh. 10,185,633.55 dated between 12th June, 2017 and 30th June 2017 were lumped together and posted in the cashbook as a block figure.

The cash book also did not indicate the names of the payees and the account charged. The cheques were mainly in respect of supply of water pipes. Such system of capturing transactions is not only non-conventional in accounting but also certainly leads to loss of audit trail. Further a post-balance sheet review of the expenditure account and bank statements for July 2017 revealed a payment of Ksh. 900,000 effected on 19th July, 2017 whose details were not provided for audit verification.

Management response

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The Accounting Officer stated that all the payments were done online through bank transfer. Further, during the posting the same reference number was used erroneously for all these transactions. When the same reference number is used, the payments are lumped together. Since then, correction and proper posting has been done. See below the corrected schedule for Ksh. 10,185,633.55 showing the payees, amounts and dates of payments.

CASH BOOK POSTINGS		
Date	SUPPLIER	AMOUNT KSH.
6/19/2017	MEGALINIL	555,960
6/14/2017	DAMWOTECH ENG. KEN ALUMINIUM	650,000
6/5/2017	PRODUCTS KEN ALUMINIUM	2,036,301
6/9/2017	PRODUCTS	1,045,940
6/8/2017	MEGALINIL	1,229,129
6/14/2017	NAIROBI CITY WATER & SC	1,494,180
	Sub Total	7,011,510
6/19/2017	MEGALINIL	737,478
	Sub Total	737,478
6/30/2017	SALARY thro Co-op bank	1,377,693
6/30/2017	SALARY thro Co-op bank	458,955.55
	SubTotal	1,836,647
6/20/2017	INCOME TAX	600,000
	Sub Total	600,000
	TOTAL	10,185,633.55

The Ksh. 900,000 was a staff loan advanced to a staff. Our human resource policy manual allows for the same. The amount was refunded by the staff in the month of August 2017.

Observation

The Committee noted that although all the information on the expenditure totaling to Ksh. 10,185,633.55 was in the knowledge of the company, proper posting had not been done as at the time

of the audit. The amount was lumped together and posted in the cashbook as a block figure. This was noted to be inconsistent with conventional accounting standards.

Recommendation

The Committee recommends that accounting standards and guidelines should be adhered to when preparing the financial statements. Again the financial statements should contain very specific information for the purpose of clarity but not general figures.

2.2 Cancelled Cheques

A review of the cash book for the month of June, 2017 revealed that a total thirty four cheques were not posted in the cash book. Although management explained that the thirty four were cancelled cheques, only twenty seven were made available for verification. Further no explanation was provided for the cancellation of such large number of cheques in a period of one month.

Management response

The Accounting Officer confirmed that the cheques cancelled during the month of June, 2017 was as a result of new cheque printing system which had been introduced but it was later discovered that the system was making errors due to printer settings. The printing system was stopped and cancelled cheques are now minimal. All the 34 cancelled cheques are in the custody of the Company and can be verified if need be.

Observation

The committee observed that although the cancelled cheques did not result to loss of funds as indicated by the management, seven cancelled cheques were not availed to the auditors for verification.

The Accounting Officer did not provide a convincing reason why the seven cancelled cheques were not availed for verification. This makes it difficult to ascertain the truth of the presented response.

Recommendation

The seven cancelled cheques which were not availed to the Auditors for verification should be made available for verification during the next audit exercise.

3. Trade and Other Receivables

The statement of financial reflects trade and other receivables of Ksh. 123,416,374 as at 30th June, 2017 which according to note 15 to the financial statements includes trade debtors amounting to Ksh. 110,713,493. However, the debtors ageing analysis schedule indicates a balance of trade debtors of Ksh. 104,286,089 giving unexplained difference of Ksh. 6,427,404.

Further, Madam Speaker, according to the aging analysis schedule out of the reported balance of trade debtors an amount of Ksh. 69,947,633 representing 67 per cent are aged six months and above. However, only an amount of Ksh. 7,821,517 of representing only 7.5 percent is provided for as bad and doubtful debts. Consequently, the accuracy and full recoverability of trade and other receivables balance of Ksh. 123,416,375 as at 30 June 2017 cannot be confirmed.

Management response

The Accounting Officer responded that the company is continuously disconnecting customers who default and following them up to pay their debts. Further, the company has engaged a debt collector to upscale debt collection. The company has also contacted Credit Reference Bureau to start listing the defaulters.

Observation

The committee noted that the records of the trade receivables were inconsistent and differences were not explained in the management response. In addition, the provision for bad and doubtful debts for the company is inadequate making it difficult to recover the Ksh 123,416,375.

Further, the Accounting Officer was unable to state before the committee how much of the balance had been recovered after engaging a debt collector. Also there was no substantive information on how many customers had been blacklisted by CRB.

Recommendation

The management should correct the statement in question to ensure that both the amount owed by debtors in the financial statement and that of the debtors ageing analysis schedule tally. Again the Company should in consultation with the relevant water Authorities increase the provision for bad and doubtful debts. This will help to absorb the big figures of allowable/doubtful debts at the event when most customers are unable to pay for instance due to natural attrition reasons.

4. Property plant and Equipment

Note 13 to the financial statements reflect property, plant and equipment net book value of Ksh. 55,716,239 as at 30th June, 2017. However, the additions during the year of Ksh. 54,765,406 exclude a butt fusion machine procured at a cost of Ksh. 1,972,000. Consequently, the property, plant and equipment balance of Ksh. 55,716,239 as at 30th June 2017 is not fairly stated.

Management Response

The Accounting Officer responded that the butt fusion machine was received in July 2017 after they had already closed the financial year hence it could not be included in the property, plant and equipment for the year ending 30th June, 2017. The machine will be a subject for inclusion in the asset register during the year ended 30th June, 2018.

Committee Observations

The committee noted that the Butt fusion machine used for fitting pipes together worth Ksh. 1,972,000 was procured before 30th June 2017 but because of the long process of procurement, the machine was delivered in July after the close of the financial year. It was therefore realistic to omit the value of the machine quoted at Ksh. 1,972,000 in that particular financial year. The committee was therefore satisfied with the response.

Recommendation

The committee recommends that the valuation of the butt fusion machine stated at Ksh. 1,972,000 should be included in the financial statements of the company for the FY 2017/2018.

5. Unaccounted for Water

During the year under review the company produced 1,390,867 cubic metres of water out of which only 812,833 cubic metres were billed to customers. The non-billed water amounting to

578,034 cubic metres or 42 per cent represented lost water which was well above the allowed loss as per the Water Regulatory Board guidelines of 25 per cent, in abnormal loss to the company of Ksh. 6,909,518. The significant level of unaccounted for water could adversely affect the company's profitability and long-term viability.

Management response

The Accounting Officer responded that the company has taken measures to reduce the unaccounted for water by preparing a Non-Revenue Water (NRW) reduction strategy and forming a dedicated NRW team to specifically deal with NRW. The Company has also undertaken the following:

- Installing digital meters to big consumers and in water kiosks. These digital meters are not easy to tamper with due to their operational mechanism.
- Servicing meters continuously and replacing the old ones to reduce commercial losses. Carrying out consumer engagements to sensitize our customers on how to report to us any illegal connections.
- Peer to peer learning has enabled us to learn best practice and incorporate them in our operations where practicable.

These measures will reduce the NRW gradually.

Observations

The committee observed that the NRW was at 17 per cent above the allowed loss as per the water regulatory board guidelines. It was also noted that the company had put up measures to reduce the operating loss further.

Recommendation

The Committee recommends that the company management should fast track the implementation of the above stated strategies to ensure that the percentage of non-revenue water is lowered at the allowable mark or below.

OTHER MATTERS

1. Procurement of Goods and Services

1.1 Construction and re location of Sewer lines

During the year under audit the company won two tenders for the construction of a sewer line for the National Housing Corporation at a price of Ksh. 47,669,035 and relocation of water line along Mombasa Nairobi highway of Ksh. 54,914,690.

The main works in both projects involved excavations of the line, delivery of murram for leveling and supply of pipes. Payments amounting to Ksh. 17,822,924 and Ksh. 18,427,821 respectively were made to suppliers in respect of the supplies of goods and services. However, procurement minutes were not clear as to which method of procurement was used in this procurement.

Further the above expenditure also included an amount of Ksh. 650,000 paid for a 12.5 KVA generator and an amount of Ksh. 1,972,000 in respect of a Butt fusion machine for which the procurement documents indicated that the same meeting that opened the quotations was the same that awarded the tender contrary to Section 78(1)(b) of the Public Procurement and Assets Disposal Act 2015 which requires that at least one of the members of the tender opening committee shall not be involved in tender evaluation.

Consequently, it is not possible to ascertain whether the procurement was in conformity with the Public Procurement and Assets Disposal Act 2015.

Management Response

The project for pipeline relocation was supposed to be completed within two months after award; this means that it was not possible to use open tendering as a method of procurement. The company used its prequalified suppliers to supply goods and services. In some instances works like pipe fitting and joinery was done by the company staff.

Observation

It was observed that the management response did not adequately address the matter in question. Explanation as to why the same meeting that opened the quotations was the same that awarded the tender contrary to Section 78(1)(b) of the public procurement and Assets Disposal Act 2015 which requires that; at least one of the members of the tender opening committee shall not be involved in tender evaluation was overlooked.

Recommendation

The public procurement and Assets Disposal Act 2015 should strictly be adhered to.

1.2 Security Services

The company's expenditure on security amounted to Ksh. 4,724,375 as compared to budget amount of Ksh. 5,040,000. The budget amount translates to Ksh. 420,000 per month. During the year, due to reasons that were apparent, the company changed the security service provider. Through open tender the company received and evaluated six bids with the lowest bidder at Ksh. 407,480 being awarded the contract.

However, a review of the tender opening minutes and the evaluation minutes reveal that the same officers who opened the tender are the same that evaluated contrary to Section 78(1)(b) of the Public Procurement and Assets Disposal Act 2015 which requires that at least one of the members of the tender opening Committee shall not be involved in tender evaluation.

Further, the signed contract document did not indicate the amount at which the services were to be procured. In the absence of further clarifications, the company was in breach of the law.

Management response

The Accounting Officer responded that the *ad hoc* committees are currently being constituted as need arises.

Observation

The management response did not adequately address the matter in question. Explanation as to why the same meeting that opened the quotations was the same that awarded the tender contrary to Section 78(1)(b) of the Public Procurement and Assets Disposal Act 2015.

Further, basing on the fact that the same officers who opened the tender are the same ones who did tender evaluation, the committee noted that to some extent, the Accounting Officer inappropriately influenced tender evaluation as provided in Section 176(1)(g) of the Public Procurement and disposal Act, 2015.

Recommendation

The committee recommends that the specific guidelines on the process of procurement as stated in Section 78(1)(b) of the Public Procurement and Assets Disposal Act 2015 should be adhered to.

1.3 Budget Performance

During the year the company's final budgeted revenue amounted to Ksh. 202,484,000. However, actual revenues amounted to Ksh. 249,665,481 resulting in a favorable variance of Ksh. 47,181,481. The favorable variance was however attributed to over collection of other income by Ksh. 66,013,097. In addition, the company incurred total expenditure of Ksh. 177,104,661 whose approval was not provided for audit verification.

Management response

The Accounting Officer responded that the other income was due to the projects awarded to the company by the National Housing Corporation for relocation of waterlines along Mombasa road. At the time of preparation of the budget the said income had not been received by the company. Due to implementation of the projects the total expenditure went high since the projects revenues and expenditures were not in the budget.

Observation

It was noted that although the Accounting Officer provided sufficient information on the source of the extra funds that is from National Housing Corporation, he did not disclose to the committee why documents to confirm approval of expenditure for such funds were not availed to the Auditors for verification.

The committee was also informed that the received funds which came after the budgeting process was reported to the Board which approved expenditure for the contract.

Recommendations

The committee recommends that minutes from the Board that approved usage of Ksh. 177,104,661 received from the National Housing Corporation and any other related documents should be availed to the Auditors for verification.

6.0 CONCLUSION

Madam Speaker, the introduction of the devolved government and the vesting of responsibility for the provision of water supply and sanitation to the County Governments set the stage for a realignment of the water sector. To achieve the progressive realization of the human right to water and sanitation, Machakos County Government should ensure that water services are provided in a cost-effective and affordable manner.

As the MAVWASCO focuses on its next strategic plan phase, the main challenge will be to ensure commercial viability of the water and sewer services. Further, there is need for water service providers to align themselves to the new constitution and strike a balance between regulation by WASREB, licensed Water service Board that is Tanathi and Machakos County Government.

Further, in order for the County Government of Machakos to realize one of its goals of providing employment and promoting the spirit of devolution there is need for the County Government to intervene to rescue some of its entities that are collapsing due to managerial or financial constraints. Mavoko Water Company is one of those entities which is located in Athi River

Sub-county, an area that requires serious government attention as far as provision of water is concerned.

The committee wishes to acknowledge the office of the Speaker and that of the Clerk for facilitating the committee to undertake its business, the Accounting Officer for Mavoko Water Company and the Office of the Auditor general for turning up to participate in the interrogation exercise.

It is therefore my privilege and pleasure on behalf of the Public Accounts and Investments Committee to table before this Hon. House the report on Financial Statements of Mavoko Water and Sewerage Company for the year ended June, 2017 for discussion and adoption. Thank you, Madam Speaker.

Hon. Speaker: Thank you, Hon. Musau.

(Question proposed)

Hon. Members, I invite you to debate the Motion. Hon. Museku

Hon. Museku: Thank you, Madam Speaker, for giving me this time to address the House on this audit report thanking the Chair for PAIC and is the entire team for the report which they have prepared on this company for the financial year as presented by the auditors during the said meeting.

Madam Speaker, looking at that report, several issues have come to light; the first one which I would like to comment on is the fact that we are reviewing a report for the financial year 2016/2017 while we are in the year 2019. It is obvious that it is taking a considerable long for the companies associated with us or which are made by the county government of Machakos to present their audited reports before the House and hence whatever recommendations the committee makes are being made on issues which happened in the distant past.

Madam Speaker, we have discussed the Executive report for the financial year 2017/18 before this House and if the Executive can be able to prepare their reports and get them audited in time and presented before the House, then there is need for us to look at why these companies are delaying reports for audits or why they are not being edited on time.

Looking at the report again, you will see that the committee met with the officers of this company in April 2019; after meeting with those officers, the report is being brought before the House seven months down the line. There is therefore need for the committee to ensure that they speed up from the time if they met with the officer in April of 2019 and the report is coming before the House in November 2019, then there is a considerable amount of time which has lapsed from the time they held meetings with the company to the of the report presentation before the House.

Looking at page seven, we have cash and cash equivalents which we have noticed that they made payments of about Ksh. 7.7 million in two weeks and when you look at the timing of the payments is towards the year end when they are closing the financial year. It was paid between 12th June and 30th of June that year paid in a matter of two weeks. That raises questions as to why those payments are being made in the last minute; you might talk about there being cash flow issues but this being a company which is running continuously, we would expect those payments were made in a more even manner.

You also find the company has an HR policy which allows a staff to borrow Ksh. 900,000 and when you look at it, the gentleman borrowed the money on 19th July and he refunded it on August of the same year. You borrow Ksh. 900,000 in July and you repay it the following month; so that raises issues as to whether we saying it was a borrowing or was it an issue of somebody had withdrawn funds and when issues became elephant and it was refunded.

There is need for us to look at the HR policies of these companies and try and establish whether really the county government has allowed through the various HR policies, employees to borrow money from the company for such large amounts of money and these are loans, which means it is an unsecured loan because I have not heard anywhere they have talked about the employee provided this. If the salary is the security, then I would like to know how much these employees earns if he can be able to borrow Ksh. 900,000 to refund it within a month.

The issue of cancelled cheques, you have talked about seven cancelled cheques which were not presented at the time of the audit. A cancelled cheque is a cheque which never left the premises because it was prepared and it was cancelled. So, why would we not be able to avail cheques to an auditor when he asks for them and years down the line, later on when you now come to meet with the committee you say all the cheques are available for verification? Where were they at that time when the auditor required them? Could it be an issue of fraud?

Yes the audit report has shown that there was no financial impact on it but you never know, that raises questions on the integrity of the accounting officers in this specific company because one of the things which are guarded with utmost care in financial matters is cash and cash equivalent including cheques.

Page 11, we have a provision for doubtful debts at Ksh. 7 million while the actual doubtful debts amount to Ksh. 69 million; a provision of Ksh. 7 million against a risk of Ksh. 69 million means that whatever profitability might be portrayed by this company might be just but figures on paper. If you now make the real provision for doubtful debts, you will have to make an additional Ksh. 62 million which will hit the profit and losses account of this company in ensuring that they make that provision. Again that means the figures which were being reflected in the financial statements of this company need to be looked at keenly.

On the issue of un-accounted for water which is way above 17 per cent, my request would be that, they have given several measures which they have taken when we met with them. Remember the report is for 2015/2016 and they have given measures which they have put in place to ensure the reduction of this. I would be requesting the committee to actually pay a visit to the company and ascertain whether those measures which had been advocated for have been put in place.

Obviously it is clear that the company is flouting procurement procedures because over and over again, over two or three procurement issues raised by the audit, we have seen that the same people opening the tender are the same people who are evaluating, contrary to procurement requirements.

Finally, when I look at page 16 on the extra funds; they talk about they received extra funds of Ksh. 66 million from getting additional work yet the expenses associated with that extra work goes to Ksh. 117 million. How do you receive Ksh. 66 million as additional revenue and incur Ksh. 117 million as additional expenses? Where would you have taken that additional revenue because the net effect is a loss of almost Ksh. 50 million?

So, I congratulate the Chair and his team of PAIC for the work they have done and say that the recommendations and observations which have been made need to be looked at keenly so that we can be able to continue holding these water companies accountable for their actions and for the things they are doing on the ground. Yes water might be a resource which we should not be able to be

making out of profit but at least accountability for the little funds which are generated their needs to be done and exposed fully. Thank you, Madam Speaker.

Hon. Speaker: Thank you, Hon. Museku. Hon. Members, there is something that has arose from the debate by Hon. Museku and the report refers to Article 229(8), Hon. Musau, you are supposed to have brought this report for debate by this House within three months if we go by the constitution. I have just gone through it and I am seeing that the Auditor General's report is dated 8th October, 2018 and then the Auditor General submitted it to the Assembly on 28th November, 2018. So from 28th of November, 2018, three months expire about 28th of February, 2019. The report is coming now 12th of November, 2019 and that is about nine months late.

This is a question that the Senate has been asking; what do we do to the Assemblies and parliament which is debating a report that is unconstitutional because it has not met the timeline of the constitution?

About two weeks ago, we attended a Senate accountability training session which was attended by all PAIC chairs of all the 47 Assemblies and I took the opportunity to invite the Chair of Budget and Chair of Finance because those are matters related to finance and in that forum, you understand the focus was on performance of PAIC because we succeed on oversight if they succeed on their work. We fail if they fail. It is through the PAIC Committee that we do oversight. So what came out Members, because I know you are in the budgeting process and even going forward, is what came out clearly is that you need to empower the PAIC Committee.

The question of this delays of reports coming very late, we don't know whether it is the Table Clerks who are not doing their work or whether it is the committee itself but if it is a problem of the committee maybe we would know because I think Members you attend committee sittings and you deliberate on these reports, then they still remain pending. So if it about empowering the PAIC, as a House we need to consider so that all the reports that are pending can be brought within the three months.

We were told that the Senate is going to be paying special attention to now County Assemblies so that if we are not meeting the requirements of the constitution, you will see ourselves being put out there and we don't want that.

So, can we try our best and see particularly the PAIC committee; you bring your reports in time, if you are facing challenges, bring them up so that they can be addressed. If it is about the Human Resource, finance, so that they can be addressed and Members please be willing to pay special attention to empower the PAIC Committee just like you do with the budget committee and finance committee.

Anything that is to do with money, I am saying this not that all other committees are not important but there are some areas we need to address with a little more attention. Thank you very much. So we can continue with the debate Hon. Members and I call upon the mover of the motion to reply.

Hon. Musau: Thank you, Madam Speaker. Once again, thank you, Hon. Museku for noting that we are very late. Madam Speaker, on this particular one, the House should realize that we had a very big backlog from the previous House. Records from the archives of this Assembly shall show clearly the last PAIC Committee tabled around five reports for the entire time.

So, the backlog was left with the current committee and therefore that is why within the first year of the Second Assembly, we were to table 2014/15 reports, 2015/16 report which were part of our duty but mandated for the previous Assembly, Madam Speaker.

This year we shall realize, for instance most of our business is generated through the Auditor General reports and we have so much pending business, Madam Speaker. Compared to the remaining retreats, we may not be able to go through all of them. So you have put it right; the PAIC committee actually needs to be empowered and facilitated more.

Madam Speaker, I have observed the following from the Hon. Member who has debated so well; as a committee we have to write and make a close follow-up on how payments of more than Ksh. 7 million were made within two weeks. Again, how a staff borrowed Ksh. 900,000 and repaid the same within one month.

So as the House adopts if you so allow, the report with amendments, these are the amendments we are going to write to the accounting officer and within the shortest time if you allow us, Madam Speaker, we table his response to this House and see what will transpire. Thank you, Madam Speaker and thank you Members.

Hon. Speaker: Thank you, Hon. Musau.

(Applause)

(Question put and agreed to)

ADJOURNMENT

Hon. Speaker: Thank you, Hon. Members, at this juncture the sitting of the House is adjourned to resume on 12th November, 2019 at 2.30 p.m.

The House rose at 11.31 a.m.