

**REPUBLIC OF KENYA**  
**MURANG'A COUNTY ASSEMBLY**  
**THE HANSARD**

Tuesday, 27<sup>th</sup> June 2023

The House met at 9:45a.m.

*[Temporary Speaker (Hon. Hannah Kamau) in the Chair]*

**PRAYER**

**PAPERS**

**REPORT OF LIAISON COMMITTEE ON BUSINESS GENERATED BY COMMITTEES  
AND CHALLENGES IN COMMITTEE PAYMENTS**

**Hon. Gachui Mungai:** Thank you, Madam Speaker, I am the Member of County Assembly (MCA) for Kihumbu-ini Ward and the Chairperson, Liaison Committee. I beg to lay the following Paper on the Table of the Assembly today 27<sup>th</sup> June 2023;-

That, the Report of the Liaison Committee on the business generated by Committees for the period January to June Financial Year (FY) 2022/2023, utilization of Committee Budgets for the third and fourth quarter for FY 2022/2023 and challenges in Committee payments.

Thank you, Madam Speaker.

*(Hon. Gachui Mungai laid the Paper on the Table)*

**The Temporary Speaker (Hon. Hannah Kamau):** Next order.

**NOTICE OF MOTION**

**ADOPTION OF REPORT OF LIAISON COMMITTEE ON BUSINESS GENERATED BY  
COMMITTEES AND CHALLENGES IN COMMITTEE PAYMENTS ON BUSINESS  
GENERATED BY COMMITTEES AND CHALLENGES IN COMMITTEE PAYMENTS**

**Hon. Gachui Mungai:** Thank you, Madam Speaker, I beg to give notice of the following Motion;-

That, this Assembly adopts the Report of the Liaison Committee on business generated by Committees for the period January to June Financial Year (FY) 2022/2023, utilization of Committee Budgets for the third and fourth quarter for FY 2022/2023 and challenges in Committee payments. Thank you, Madam Speaker.

**The Temporary Speaker (Hon. Hannah Kamau):** Next Order.

## MOTION

### ADOPTION OF REPORT OF PUBLIC INVESTMENT AND ACCOUNTS COMMITTEE ON THE AUDITED FINANCIAL STATEMENTS FOR FORT BEVERAGE INDUSTRIES COMPANY LIMITED

**Hon. Alex Ndunda:** Thank you, Madam Speaker, I am the MCA representing the people of Ithanga and also the Chairperson, Public Investments and Accounts Committee. I beg to move the following Motion; -

That, this Assembly adopts the Report of the Public Investment and Accounts Committee on audited financial statements for Fort Beverages Industry Company Limited for the year ended 30<sup>th</sup> June 2019.

**Hon. Hilary Muigai:** Madam Speaker, the Constitution under Article 201 outlines the principles of public finance management to be observed at both levels of government and these includes- openness, and accountability, public participation, prudent and responsible financial management. Further, to enforce this accountability, the Constitution sets various institutions at the national and County levels to ensure promotion of accountability, and openness for prudent and responsible financial management.

Madam Speaker, the Office of the Auditor General forwards reports on the financial operations of the County Governments and its entities for specific financial years to the County Assembly pursuant to the provisions of Article 229 (7).

The office of the Auditor General forwarded report on the financial operations of the Fort Beverages Industries Company Limited for the financial year 2019. The reports, once Tabled in the Assembly were committed to the Public Investment and Accounts Committee.

Madam Speaker, this company, Fort Beverages is a subsidiary company of MUWASCO or in other words it is a subsidiary of MUWASCO which is a mother company and its operation is to process or to bottle water which they sell. It was intended to make returns which were to be invested in the parent company that is MUWASCO and thereby reducing the cost of piped water or making water affordable to the residents.

Madam Speaker, the following were the key audit queries that were raised by the office of the Auditor General;

- 1) Unsupported trade and other payables.
- 2) Undisclosed share capital.
- 3) Budget performance and control.
- 4) Irregular procurement of production

Other queries were; to establish if the company was going concern and the other one was transfer of company's building and motor vehicles from Tana Water Works Development Agency to the County Government.

Madam Speaker, the opinion of the Auditor General was unqualified; and by mentioning unqualified this is a report whereby in auditing there are three opinions; there is the first one which is unqualified, the second one is qualified and the third one is adverse, the fourth one is disclaimer.

So, Madam Speaker by qualified report it means that although proper books of the accounts were kept there were still some queries which needed to be answered, and in this case, we have the audit query number one whereby the statement of financial position reflected trade and other payables totalling to 10, 626,335 as at June 30, 2019. The supporting schedule reflected payables totalling Kshs.10,309,034 resulting to unaccounted variance of Kshs.317,301. As a result, the accuracy and completeness of the trade and other payables balance totalling Kshs.10,626,335 as at 30 June, 2019 could not be confirmed.

Madam Speaker, according to the management response they stated that the trade and other payables were worth Kshs10,626,335. That the unsupported payables are worth Kshs417,301 and not Ksh317,301 since MUWASCO payables were worth Kshs.10,209,034 and not 10,309,034. Also, the payables worth Kshs417, 301 was owed to;

- i. Suppliers and other creditors worth Kshs161,367
- ii. Staff deductions worth Kshs255,935 which were not captured in the financial statements.

Madam Speaker, as a Committee we observed the following: that, the creditors since no supporting schedules were availed for authentication, the company was in breach of Public Audit Act 2015 section 62 for failing to provide supporting schedules of the payables to the auditors and to the Committee for review.

So, Madam Speaker, as a Committee we recommended that; going forward, creditors who are not confirmed through supporting schedules should not be captured under company's payable and subsequently should not be paid.

Madam Speaker, audit query number two was that the company realized sales totaling to Kshs8,889,878 which was equivalent to 60 percent of the budgeted sales for the year amounting to Kshs14,848,618. Further, the company incurred expenditure totalling to Kshs9,811,917 or 88 percent of the final budget amounting to Kshs11,202,751.

Madam Speaker, the response from the management was that the budget is approved by the Board of Directors. Also, that the Company did not realize its approved budget sales in the audited year due to Stiff competition in the market where some bottled Water Company sold water at a cutthroat price.

Madam speaker, the Committee had the following observations;

1. That the company contravened Public Finance Management act (PFM) Act 2015 section 42 through reallocation of money during implementation of the budget that led to over expenditure on different votes totaling to Kshs756, 030 without approval since no factual minutes were provided for review.
2. That the company did not avail marketing policy for their operations to the Committee.

The Committee had to recommend the following:-

1. That the company should make a re - allocation in the budget as per the provided guidelines in the PFM Act, 2015.
2. That the company should ensure that a policy on marketing is in place and copies

submitted to the Auditor General within 60 days from the adoption of this Report.

3. That the company should engage the County Treasury for budget formulation, implementation and monitoring to avoid errors in the final budget. There was this other audit query whereby after examination of expenditure records it indicated that Kshs2, 640,455 was spent on purchase of various production and maintenance materials procured from five non-prequalified suppliers, contrary to section 57 of the Public Procurement and Asset Disposal Act, 2015. After engaging the management their response was that the company was relatively new and there was a shortage of packaging plastics in the country.

The Committee observed that:

1. The audit query was unresolved issue from the prior year whereby the support documents presented for review to the Committee were not in line with the money in question making them false and inaccurate.
2. That the head of procurement contravened the Public Procurement and Asset Disposal Act, 2015 by procuring from non-prequalified suppliers.
3. That the company failed to provide documentation on the non-prequalified suppliers to the committee for examination and their eligibility to bid for contract.

The Committee recommended the following: -

1. That the County Executive Committee Member (CECM) for Water and Sanitation as per the Public Audit Act 2015, Section 62 should take administrative action against the officer who failed to provide the documents to the Auditor General and to the Committee within 60 days from the adoption of this Report.
2. The Committee recommends that the company submits supporting documents on purchase of goods and services worth Kshs2, 640, 445 to ascertain the value for money.
3. That the company in two years had not proven how they spent Kshs2, 640, 445 on purchase of various materials to both the auditors and the committee
4. The Committee further recommends that company submits to the committee the list of their prequalified suppliers.

The last audit query was on company's going concern, under revenue reserves, the company made a loss of Kshs2, 345, 884 in the year totaling to Kshs7, 185, 881 loss in two years. This company is completely dependent and unstable; it continues using public money to make losses and does not achieve its mission of making profit to plough back to the parent company. The management response regarding this audit query; that the company made a loss of Kshs7, 185, 881 in the year since it was in its formative stages. The directors assured the members that the company is now stable and able to pay its employees. He urged members not to recommend closure

of the company promising that the company will soon be able to make profit for re-investing to the parent company as earlier envisioned.

But the Committee observed that the company fails to meet its principal mission which is to make returns that will be reinvested in the parent company for provision of affordable piped water and instead makes losses that continue to eat to the parent company money.

That the company dependence to MUWASO disadvantages the people of Murang'a since money meant for provision of water goes to fund the operations of Fort Beverage Industries Limited.

The Committee recommended that, the Board of Management of the company should formulate a strategy to ensure that they yield returns to avoid dependence on the parent company and to achieve their main mission.

The Committee made the following general observations; the company contravened Public Audit Act 2015, Section 62 by failure to submit documents for audit to the office of Auditor General. The company contravened the law by failure to submit documents for examination and investigation to the Committee. The company lacked polices to guide its operations. The company failed to comply with the Public Finance Management Act, 2015 and Public Procurement and Asset Disposal Act, 2015 during reallocation of Budget and procurement respectively. Five, the Committee notes that the company's building and motor vehicles are still held under Tana Water Works Development Agency despite the water company being devolved to the County Government.

Lastly the Committee recommended that,

1. The County Executive Committee Member for Water and Sanitation should take administrative action against the officer who failed to provide the documents to the Auditor General and to the Committee within 60 days from the adoption of this Report.
2. The Committee recommends that the County Executive Committee Member for Water and Sanitation takes administrative action against the responsible officers in the company for professional negligence on budgeting standards and procurement regulations.
3. That the County Executive Committee Member in charge of Water and Sanitation should give policy guidelines on budgeting, procurement, personnel emoluments and other operational matters to all water and sanitation companies and their subsidiaries thereof to ensure prudent use of public resources.

Madam Speaker, it is now my honor to call Hon. John Munyua to second the Motion.

Thank you, Madam Speaker.

**Hon. John Munyua:** Thank you Madam Speaker. I stand to support and second the Motion and I would like to say some few comments; that the company that we are talking of is a manufacturer of water and as a Committee we went through the Report and there are quite some big queries that the management was unable to answer and did not avail the necessary documents to support their report hence the kind of the Report that was written by the Auditor General and we said that the Auditor General is truthful and the recommendations that we have made are in order.

There was another Report Madam Speaker that we passed here and we recommended the company Fort Aqua be separated from the mother company called MUWASCO and we are still waiting to see that recommendation. So Madam Speaker I will urge his House though our people failed and it is our duty that we pass this Motion and we are the watchdog for or people and it is our responsibility, kindly pass this Motion and let us ensure that the recommendations are followed by the necessary departments CECM Water, in fact if some heads have to roll it is the best thing to do because we must have adhere to the law and we should be aided by the law at any one time and if someone is failing to comply with the necessary Procurement Act as set then he has no business being there so Madam Speaker I urge the House to support the Motion and it is progressive. Kindly members support the Motion thank you Madam Speaker.

*(Question proposed)*

**Hon. Chefman Njoroge:** I rise to support the Motion and it is my request to the Honourable House members to support the recommendations of the Committee. As the seconder of the Motion and the Mover of the Motion, since they have talked a lot and the Members have the document and recommendation of the Committee in their files, I think we as a Committee, we have done our part, reason being that we are mandated to do what we call, to invite and audit or question audit queries as per the law. So, we have done our part, we have not only invited and questioned and scrutinized the documentation, it is now the responsibility of this Honourable House, to approve and to help us as watchdog of this House as per the legislation, that we end up not only just recommending but we make sure that whatever we recommend is implemented for full so that we avoid the loss of tax payers' money within not only in our County level but also the people responsible and in charge of those facilities.

So, as I rise to support this Motion, I urge you members, the Committee has done its work, if you go through the recommendations, it is a matter which we have done in good faith; it is a matter which we have scrutinised everything; it is an invitation which we have done; it is the questions and the documentation which we have been requesting to be issued, which perhaps one or the other they have not given to the committee.

So, I will just argue Members, just read the recommendations, pass the Motion, let us move, let us help our County Government, let us help way of doing business in this House and also being a responsible Committee of whatever mandate, we have been given. So, Madam Speaker, I rise to support and I want members to help us, not only supporting but also to make sure that the Committee in charge of making sure that the implementation and the recommendations are fully followed by the relevant authorities. I rise to support and thank you madam Chair.

**The Temporary Speaker (Hon. Hanna Wairimu):** I call the Mover to respond.

**Hon. Ndunda Makau:** Thank you Madam Speaker. Let me first take this opportunity to thank the two members who have made their contributions, who have also supported the Motion. I must also say that as a Committee we did our part, we engaged the management of the company. We went through the auditor's report, we still have some more.

Madam Speaker as you have seen right now, we are dealing with 2019 we still have 2020, 2021 and now 2022 so all these reports are almost coming and so we will see the progress. If our recommendations have been considered or they have been implemented. So, thank you Hon. Speaker and also Hon. Members. I again urge you Members to support this so that we can move forward. Thank you, Madam Speaker,

*(Question put and agreed to)*

### **ADJOURNMENT**

**The Temporary Speaker (Hon. Hanna Wairimu):** Hon. Members the House stands until today afternoon June 27, 2023 at 2:30p.m.

*The House rose at 10:15am*