

REPUBLIC OF KENYA

MURANG'A COUNTY ASSEMBLY

THE HANSARD

Tuesday, 31st July, 2018

The House met at 2:50p.m.

[The Speaker (Hon. Nduati Kariuki) in the Chair]

PRAYERS

MOTION

ADOPTION OF REPORT OF PUBLIC INVESTMENT AND ACCOUNTS COMMITTEE ON THE AUDITOR GENERAL REPORT ON FINANCIAL STATEMENTS OF GATAMATHI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2013

Hon. Caroline Njoroge: Thank you Mr. Speaker, on behalf of my Committee on Public Investments and Accounts Committee, I would wish to move the following Motion;-
That, this House adopts the Report of the Public Investment and Accounts Committee on the Auditor General report on financial statements of Gatamathi Water And Sanitation Company Limited for the year ended 30 June, 2013, laid on the Table of the Assembly on Tuesday July 17, 2018.

Mr. Speaker, on behalf of my Committee the Public Investment and Accounts Committee I would wish to thank your office for your support. We were able to execute our mandate through your office and that of the Clerk. I would wish to thank the Committee members for their commitment. I am grateful for all the witnesses from Gatamathi Water and Sanitation Company Limited officials that adduced evidence before us. The Committee wishes to record its appreciation for services rendered by the staff of the County Assembly.

Mr. Speaker, I would wish to take members through from page six, because I may not be able to read everything, but I will read the most important information. I am hoping we will go together. Committee Proceedings: the County Assembly received a report by the Auditor General on the financial operations of the Gatamathi Water & Sanitation Company Limited for the year that ended June 30, 2013. The report was tabled in the House on February 13, 2018 and therefore stood committed to the Committee on Public Investment and Accounts for consideration.

The Committee commenced its inquiry into the report on March 21, 2018 and has held a total of eight sittings, in which it closely received oral and written submissions and examined evidence from witnesses.

Background information on this report: Gatamathi Water & Sanitation Company Limited was incorporated as a limited company by Guarantee (no shareholding) on 23rd March, 2006 through Water Act 2002. The company was established to manage water facilities and provide water and sanitation services on behalf of Tana Water Services Board in line with Water Act 2002 and Service Provision Agreement between the Board and the Company.

The company provides services to Mathioya sub-county, Rwathia Ward in Kangema sub-county and Gaturi Ward in Kiharu sub-county. The supply area covers 219.47km² with a population of 114,406 people.

Observation and recommendations by the Committee: in examining the audited accounts of Gatamathi Water Company, the Committee's primary approach was to elicit background information as to why particular course of actions were or were not taken,

keeping in mind the relevant financial management principles and regulations. This is the foundation of the Committee's observations and recommendations.

Current liabilities: the company had listed inherited receivables amounting to Kshs6,354,638 as current liabilities which had no relevant supporting documents.

Management response: that is the response from the General Manager when we summoned him. The General Manager reported that the company in 2005 inherited debts especially from customers in the lower zones where water ceased to flow in the 1990s. The efforts to recover that money has however been unsuccessful and thus the company resolved to write the debts off through the County Treasury, the process is still on going up to date.

Our observations as the Committee: the Committee noted that the list of debtors provided as evidence was not authentic; it lacked ownership and the dates that the debts were incurred. The Committee further noted that the process of writing off the debts had taken a lot of time to be completed. Therefore we made recommendations on the issue to do with the current liabilities.

1. The County Audit Committee should investigate and authenticate the inherited debts.
2. The company contravened the Public Finance Management Act, Regulations 2015, 150 (1) in the process of writing off the inherited debts, the County Treasury should therefore ensure that the law is followed before they write the debts off.
3. The County Treasury should investigate the financial management system of the company.

On the customer's deposits: the company had used Kshs3,195,100 relating to customer deposits that was unexplained and un-reconciled. However, the General Manager responded to the same issue; he told the Committee that he had sought permission to use the funds through the Athi Water Services Board for capital. The team provided the minutes of the meeting where permission was granted. He had the minutes with him and the Committee was able to see that it was, indeed, true that he was allowed to do that.

The company had procured a KBE 901B in the year 2009 for official transportation with the money they had withdrawn. They later procured a motorcycle and a double cabin-KCH- through a loan by the Equity and Family banks consecutively, and the General Manager reported that the company had Equity Bank standing orders for repayment of the deposits which have now been concluded. The repayment of the Family Bank loan is, however, still on going to date.

We observed that the company is using deposits and taking loans to buy vehicles while rehabilitation works which would reduce water loss have not been done since inception and we, therefore, as a Committee, recommended that the company should apply financial prudence in future, creating value for money. The company would have used the money to rehabilitate works which would have increased revenue rather than produce a brand new vehicle.

Number three is on non-revenue water: the Committee noted that more than half of the water produced was not billed leading to an estimated loss of Kshs33,937,979. When the Committee interrogated the General Manager, he said that the company had high non-revenue water due to system losses through aged infrastructure that has outlived useful economic life. Gatango was commissioned in 1971 and Mathioya Scheme in 1984 with no major rehabilitation done ever since. That is why they have the aged infrastructure because as you can see, they were commissioned a long time ago and they are not doing the rehabilitation works.

The company only meters 55 per cent of the customers while 45 per cent were on flat rates. The consumption of flat rate connections cannot be ascertained and thus 2,497 customers are not billed on assumption. Some water is also lost during intake, pipelines and tanks washing. Our observation is that the company is making losses through the water that is

not billed resulting from consumption of water on flat rate, illegal connections and leakages of the aged infrastructure, as I have explained earlier.

Our recommendations as a Committee is that, first, the General Manager should liaise with Tana Water Services Board to ensure that rehabilitation of infrastructure is done to reduce the losses. Number two, the company should use flat rates consumption of water since it does not give value for money and utility. The company should embrace water technology system in water management and monitoring. The company should put in place penalties for illegal connections. Number five, on sustainability of service, the company had accumulated losses of Kshs12, 921,287 as at 30th June 2013.

Its current liabilities exceeded the current assets resulting into a negative working capital. The company is thus very unstable and dependent on government and creditors. The management's response is that during inception, they inherited aged infrastructure that had high maintenance cost through repairs. They also got tax liabilities of Kshs9,801,641, which was tax assessment since the year 2006 when water companies were not liable for corporation tax. The company made a proposed payment schedule to the Kenya Revenue Authority (KRA) to first clear the principal of Kshs5,451,191. The response by the KRA was however not provided by the manager.

As a Committee, our observation was that the company is experiencing difficulties in meeting its obligations as and when they fall due. Number two, the company has been making losses despite receiving grants of meters and other equipment. Number three, the management is not aggressive in its work and thus blames all its failures on aged infrastructure. Number four, the company has large amounts of arrears in tax repayment.

The Committee recommended that;

1. The management should be proactive to deal with the aged infrastructure which seems to be the source of all the problems.
2. The Managing Director should ensure payment of statutory obligations is done on time to avoid penalties and interests.
3. The Managing Director should be personally held accountable for any delays and surcharged interest and penalties that may accrue from such delay and failure to remit statutory deductions.

On administration and general expenses. Number six, salaries and wages took over 60 percent of the operational costs. The management's response was, the company had 55 staffs during the year who had been planned for in the initial strategic plan. What they anticipated to collect was however not realized and the little money they get goes to payment of salaries

Observations was the company failed to provide clear documents of how much they use on salaries against how much they collect as revenue. Our recommendation as a Committee was that the company should work towards increasing its revenue to ensure smooth operations in meeting its obligations.

Mr. Speaker you realize we tried to make our report as brief as we could for the members to understand especially the members that are assisted by the Company and my brief as the Chair I would wish to give my brief or summarize the report. The Committee received three reports with regards to Gatamathi Water and Sanitation Company Limited that is the report for FY 2013/2015/2016. The Committee has examined and done its inquiry on the 2013 report which I have just read. We have also visited the Company as a Committee and members noted that the water companies were not subjected to audit except by the internal auditors until last year. The report therefore for 2013/2014 contains information that has been backdated to 2006 when operations were not digitalized. Gathering information by the Committee was therefore cumbersome. The Committee however noted that the company is making losses through aged infrastructure and unbilled water. As indicated in the report, it is the right of our people to access water, clean water for consumption.

I therefore urge this House to adopt this report whose recommendations will guide financial management operations to ensure stability and efficient functioning of the Company. Therefore, I do ask the members to support this report and I do hope that the recommendations will be considered. I would urge if any member has an additional recommendation, it is most welcome. Therefore Mr. Speaker I would wish to end there and request Honorable Cathryn to second the Motion

Hon. Cathryn Mwangi: Thank you Mr. Speaker. I stand to second the Motion, Mr. Speaker Gatamathi Water and Sanitation Company mandated to provide water in Mathira, part of Kangema and Gaturi ward. Mr. Speaker as per the report, the Company is not able to supply water to the areas due to lack of sufficient infrastructure and financial constraints. The Company entirely depends on the Government and creditors for its operations. I therefore urge this Honorable House to adopt this report that has been recommended ways in which the Company can operate to ensure coverage of water supply to all the designated areas. Therefore Mr. Speaker I second.

(Question proposed)

Hon. Kiiru Mwangi: Thank you Mr. Speaker. I rise to support the report but I would like to add one or two recommendations because I am one of the members affected by the operations of this Company because it operates in my ward. As the Chair has clearly outlined, the Company is getting challenges in infrastructure, the pipes they are using today they are the same that were commissioned in 1971 by Gatango Water and those are metallic pipes which are no longer useful.

In fact with the little money they get they have tried to change the piping with the support of Constituency Development Fund (CDF) and it is not even enough to put up other pipes and distribute water to other branches. They only have the main pipes moving from Gakurwe down to..... *(inaudible)*.... and it have not even gone to the last part of Gaturi yet we are saying we want to have water in that ward.

I would wish to add a recommendation as they are saying in recommendation number 28 that they should liaise with Tana Water Services Board to ensure that they will rehabilitate the infrastructure. I would wish if it is possible because water is also devolved, if the County Government together with Tana Water can inject some resources to this company it could build the infrastructure and reduce the losses

We have seen the national government injecting money to revive companies in some part of Kenya like Mumias Sugar, Pan Paper Webuye being injecting with capital..... *(inaudible)*..... in Kwale. If the County Government and Tana Water which is a parastatal of the national government they need to inject some capital so that they can assist this company and then from there we can easily audit how that money will be used so that our people can get this water.

The other challenge of having limited resources and this issue of having flat rates on their water bill is because they do not have meters. If you go to Gatamathi you apply for connections, you pay the connection fee but now you start paying flat rates because you do not have a meter. They have no sources of money to buy these meters they rely on donations from the national companies. That could have been captured by the Committee and this will go a long way to help the company do its work well.

The recommendation number three in page 10: that the Managing Director should be held accountable: it comes to a point where even if you want to perform and you do not have resources there is nothing you can do. Surcharging the Managing Director and he does not have resources you will be doing a lot of disservice to that person and he will do the most

honourable thing by resigning. Because we do not want him to resign since whoever will be brought also will not be able to work due to lack of resources.

I would wish if that recommendation is expunged. Let the company first be injected with capital then the first year it is audited if there is misappropriation let the country do what it is doing in the other parastatals and people should be held responsible. I support the report. Thank you.

Hon. Murigi Amos: Thank you Mr. Speaker, I would wish to support the good work done by the Committee. They have come up with very good recommendations. Although I wonder because I have never seen Hon. Kiiru Mwangi defend somebody but the way he have defended that Managing Director that is somehow suspicious. He has come up so much aggressively to defend and not taking into consideration the same person there were some issues to do with some money he could not be able to account.

One of the recommendations especially the issue of aged infrastructure and we were told that Nairobi Water that is the Athi Water Service Board wanted to get water to take to Nairobi through the Northern Collector Tunnel. One of the promises was they will first support the existing infrastructure in this County. I heard it once in Golden Palm that in every constituency they were giving pipes worth Kshs50 million.

I have tried to look in Maragua where are these pipes worth Kshs50 million? With Mathioya, which is a small constituency and if Athi Water can honour that promise I know the issue of that old infrastructure can be fixed through the Athi Water Service Board because that was a promise that they want to take water to Nairobi but they also wanted to support the existing water infrastructure in this County. As a Committee you should also pursue that aggressively because the Athi Water Service Board rarely call the Members of the County Assembly for these meetings. I know they have called the Members of Parliament for several meetings but they rarely talk about the County Assembly and not forgetting water as a devolved function. They should directly deal with the members of the County Assembly but not the Members of Parliament because water is a devolved function.

Equally when you come to the other recommendation I can see through the report there is a problem with the management because this is a devolved function and I support although I rarely does that; what the Governor was saying about collapsing some of these water companies, so that we can form one big water company. I believe and I know if we have one entire company for the entire County we are going to save a lot. This because when we have seven water companies they have different directors and a lot of money goes to pay the remunerations and sitting allowances for these directors which should be used in infrastructure and other issues. That is something that needs to be first tracked because there is economics in numbers because when they are collapsed we can definitely be able to be managed in a better manner.

Equally even if it calls upon that we have legislation as an Assembly, as regards water because it is a devolved function, I think it is important so that those people who are directors, we can have a say as an Assembly so that we can be able to vet them but these days we do not vet them, because it is a devolved function, it is important we look into that Act so that we can come up with a legislation to make sure that they are answerable to this Honourable House.

Equally, because it is a company, it is the responsibility of the directors to hire the Managing Director, and I know because I come from Murang'a South Water and Sewerage Company (MUSWASCO) we have many problems with these water companies, because the way they pick up these directors, some of them have been there for the last 15 years and having been in an organization for the last 15 years there is nothing you can offer. Even if you are a Member of the County Assembly and you are here for 10 to 15 years, the people should vote you out because you have already given what you should have given. So having

some of these directors for the last 15 years, I do not think whether there is anything new we can atleast expect from them.

The way to go is to make sure as an Assembly, we come up with a law so that we make them accountable to the Assembly so that if you have very good directors they will make sure that they also come up with a very good Managing Director, but you do not expect, very inept directors to appoint an effective Managing Director, that is something because it is not only Gatamathi, but I know it is also widespread in other water companies. So in summary, I wish to support and task the Committee for Water, Environment and Natural Resources to come up with legislations on how best they can collapse this company even if it is by next week, Thank you, I support

Hon. Stephen Chege: I want to start by congratulating Hon. Murigi; I am surprised that for the first time he has supported the executive, thank you.

(Laughter)

Hon. Stephen Chege: I support the Chair, I am a member of that Committee, I personally went to Gatamathi and surprisingly Mr. Speaker, what Hon. Murigi is saying is true because the managing Director has been there for the last 15 years and I support the recommendation from our Chair that he should be accountable because he was not accountable for most of the questions we tried to ask him. I stand to support the motion. Thank you.

Hon. Peter Mweri: I stand to support the report and congratulate the Committee, this is the first report they have presented to this Assembly for this first year. Secondly,

I am also served by this company in Rwathia ward and unfortunately I think because of the poor management of the company, half of my ward do not get water and they get on irregular basis. I think that proposal of having it under good management might be ideal.

However, Hon. Speaker, on the background information about Gatamathi as the Chair presented, I have noted on point number one, the company was established to manage water facilities and provide water and sanitation services on behalf of Tana Water Services Board, and if you go to 4.2.1 on management response on the unaccounted three million, the General Manager notified the Committee that they had sought permission to use the funds through the Athi Water Services Board.

I think the Chair should come clear here, because I think Gatamathi is under Tana and I doubt why they should go to Athi River services on this part, maybe the chair can clarify that.

Hon. Speaker, on the issue of poor infrastructure, I would like to support the Hon. from Gaturi, that the situation is very bad on the main pipes, they break now and then, and I think from the report, it seems that the company does not have enough resources. It would be wise and I know in this years' budget we have had a huge allocation for water to maybe spare some money to replace those pipes and also through what Hon. Murigi has said, maybe we can approach the Athi Water Services Board on the compensation they had talked about, we push for that compensation of 41million to come to Gatamathi. I think on this one I would request Committee for water to follow up with Athi water so that they can give money to improve on infrastructure and also the county to chip in.

Otherwise, Hon. Speaker I stand to support and I think the chairperson has told us about three audited reports and this is that one for 2013. They should move forward to audit reports for 2014 to date so that we know currently how the company is running. I thank you Mr. Speaker.

The Speaker (Hon. Nduati Kariuki): Mover to respond.

Hon. Caroline Njoroge: Thank you Honourable Speaker, I wish first to thank and congratulate the members for their support I believe that even those who has not been able to contribute we are together in this.

I would wish to say that my Committee has noted the recommendations from honourable member from Gaturi and we shall look into that. But on the issue of Managing Director, as the other members have said, let somebody carry his own cross. And if we go on like that we will be able to be accountable whenever we are given the responsibilities.

We shall liaise with Committee on Water to look on the issue of collapsing the companies and be recommending that the County be in charge of these companies because the problem is not only in Gatamathi but in other companies as well.

On the issue of infrastructure, I am hoping the Committee on Water is looking on the same issue and they will ensure that we assist on ensuring that we put a lot of efforts in changing those metallic pipes so that the members who are served by this company will be able to get good services as they expect.

I also would wish to say on the legislation recommended by Hon. Murigi, the Committee on Water and Sanitation should look into the issue and we shall work together in ensuring that whatever they shall need from us we shall provide.

Reports on other audits will be coming very soon. We do not need to rush, we have to look to the audit report very carefully. I am hoping we have done the best we can. I thank you Hon. Speaker and the members.

(A member rose on a point of information)

The Speaker (Hon. Nduati Kariuki): No, the debate is over. You cannot give the information now.

(Question put and agreed to)

SUPPLEMENTARY ORDER PAPER

PAPERS

REPORT OF THE HOUSE BUSINESS AND RULES COMMITTEE ON AMENDMENT OF THE STANDING ORDERS

Hon. Erick Kimani: Thank you Mr. Speaker. I wish to lay the following Paper;

That, the report of the Select Committee on House Business and Rules on proposed amendments to the County Assembly Standing Orders, be laid on the table of the Assembly. Thank you Mr. Speaker.

(Hon. Erick Kimani laid the paper on the Table)

NOTICE OF MOTION

ADOPTION OF REPORT OF HOUSE BUSINESS AND RULES COMMITTEE ON AMENDMENT OF THE STANDING ORDERS

Hon. Erick Kimani: Thank you Mr. Speaker. I beg to give notice of the following Motion;

That, this Assembly adopts the report of the Select Committee on House Business and Rules on proposed amendments to the County Assembly Standing Orders, laid on the Table of the Assembly on July, 31, 2018. Thank you Mr. Speaker.

ADJOURNMENT

The Speaker (Hon. Nduati Kariuki): Honourable members the House is adjourned until tomorrow 2:30 p.m. Thank you.

The House rose at 3:29 p.m.