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THE COUNTY ASSEMBLY OF BOMET

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THIRD ASSEMBLY – SECOND SESSION

THE COUNTY PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE  
REPORT ON THE EXAMINATION OF THE REPORT OF THE AUDITOR-GENERAL ON  
THE BOMET WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED  
30<sup>th</sup> JUNE 2021

SEPTEMBER, 2023



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4/10/2023

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2023 at 2:30pm*

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## **Abbreviations and Acronyms.**

**BOMWASCO:** Bomet Water and Sanitation Company Limited

**CECM:** County Executive Committee Member

**HDP:** High Density Pipes

**IPSASs:** International Public Sector Accounting Standards

**KEWASCO:** Kericho Water and Sanitation Company

**LVSWB** Lake Victoria Service Water Board

**MOU-** Memorandum of Understanding

**NRW-** Non-Revenue Water

**PSASB:** Public Sector Accounting Standards Board

**UFM** Ultrasonic Flow Meter

**WSTF:** Water Services Trust Fund

## 1.0 INTRODUCTION

Pursuant to the mandate of the County Public Investments and Accounts Committee and on behalf of the members of the Committee, I beg to present the Report of the Committee on the issues raised in the Report of the Auditor-General on Bomet Water and Sanitation Company Limited for the period ended 30<sup>th</sup> June, 2021

The audit objective was to ascertain whether the systems formulated and applied by the Company were reliable for the management of its resources in delivering its mandate.

The audit covered the Company's expenditure for the period commencing 1<sup>st</sup> July 2020 to 30<sup>th</sup> June 2021. Upon concluding the audit the Auditor-General prepared a report touching on the following areas:

- a) Report on the Financial Statements
- b) Report on the Lawfulness and Effectiveness in use of Public Resources
- c) Report on Effectiveness of internal controls, Risk Management and Governance

### 1.1 Establishment of the Committee

The County Public Investments and Accounts Committee is a select Committee established under the Standing Order No. 198 (1) and is responsible for the examination of the workings of public accounts and investments within the County.

### 1.2 Committee Membership.

The Committee as currently constituted comprises of the following Honourable Members: -

1. Hon. Charles Langat Chairperson
2. Hon. Denis Kiplangat Vice Chairperson
3. Hon. Anne Chepkemai Member
4. Hon. Olivia Koskei Member
5. Hon. Richard Rutoh Member
6. Hon. Denis Busienei Member
7. Hon. Caroline Chelangat Member

### 1.3 Mandate and powers of the Committee.

Pursuant to Standing Order 198 (2), the Committee is mandated to do the following: -

- a) The examination of accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and 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 context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.**

The Committee, under the provisions of Article 195 of the Constitution of Kenya and Standing Order 184 is mandated to exercise all the powers and privileges bestowed on the County Assembly by the Constitution and relevant statutes, including the power to summon witnesses,

examine them on oath, receive evidence and to request for and receive papers and documents from the County Government and the public.

#### 1.4 Guiding Principles

In the execution of its mandate, the Committee is guided by core constitutional and statutory principles on public finance management, as well as established legislative customs, traditions, practices and usages. These principles include:

##### i. **Constitutional Principles on Public Finance**

Article 201 provides for the fundamental principles of public finance. Under the said Article, the following principles shall guide all aspects of public finance in the republic;

- *201(a) there shall be openness and accountability, including public participation in financial matters;*
- *201(d) public money shall be used in a prudent and responsible way; and*
- *201(e) financial management shall be responsible, and fiscal reporting shall be clear.”*

Therefore, in arriving at its observations and recommendations, the Committee was guided by these principles during the preparation of this report.

##### ii. **Direct Personal Liability**

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”. The Committee has relied on this constitutional provision as the basis for holding each Accounting Officer and other Public Officers directly and personally liable for any loss of public funds under their watch. The Committee has and will continue to invoke this provision in its recommendations to hold those responsible personally accountable. It is envisaged that it will serve as a deterrent measure.

##### iii. **Obligations of the Accounting Officers**

**Section 156 (1)** of the Public Finance Management Act, 2012 provides that:

“if an accounting officer reasonably believes that a public officer employed by a County Government entity has engaged in improper conduct in relation to the resources of the entity, the accounting officer shall –

- a) Take appropriate measures to discipline the public officer in accordance with regulations; or
- b) Refer the matter to be dealt with in terms of the statutory and other conditions of employment applicable to that public officer.

**Section 156 (4)**: “for purposes of this section, a public officer or accounting officer engages in improper conduct if the officer-

- a) contravenes or fails to comply with this Act or any regulation in force;
- b) undermines any financial management procedures or controls;

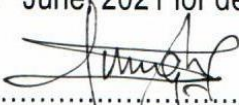
circumstances where funds are provided for.”

**Section 156(5):** “disciplinary measures under this section may not be taken against a public officer or accounting officer under subsection (1) (a) or (2) (a) unless the officer has been given an opportunity to be heard in relation to the alleged improper conduct concerned.”

### 1.5 Acknowledgement

I wish to take this opportunity to thank the Honourable Members for their hard work and commitment which made the taking of evidence and preparation of this report successful.

It is my pleasant duty and privilege, on behalf of the County Public Investment and Accounts Committee, to present this report on the Report of the Auditor-General on Bomet Water Company Limited for the year ended 30<sup>th</sup> June, 2021 for debate and consideration.

Signed  Date 02/10/2023

**Hon. Charles Langat–  
Chairperson, County Public Investment and Accounts Committee**

### 1.6 Committee ownership.

We, Honourable members of the County Public Investments and Accounts Committee do hereby append our signatures to this report to affirm our approval and confirm its accuracy, validity and authenticity: -

NO.	NAME	DESIGNATION	SIGNATURE
1.	Hon. Charles Langat	Chairperson	
2.	Hon. Denis Kiplangat	Vice Chair	
3.	Hon. Anne Chepkemoi	Member	
4.	Hon. Olivia Koskei	Member	
5.	Hon. Caroline Chelangat	Member	
6.	Hon. Denis Busienei	Member	
7.	Hon. Richard Rutoh	Member	

## **2.0 THE COMMITTEE REPORT ON THE ISSUES RAISED BY THE AUDITOR GENERAL FOR THE FINANCIAL YEAR 2020/2021**

### **2.1 Introduction**

The County Assembly of Bomet received the Auditor-General's report which was subsequently tabled and referred to the County Public Investments and Accounts Committee on 29<sup>th</sup> November 2022. In dealing with the report, the Committee invited the the County Executive Committee Member in charge of water and environment, Managing Director of the Company and other witnesses to respond to all the audit queries raised in respect of the Financial Operations of the Company for the Year ended 30<sup>th</sup> June 2021.

### **2.2 Committee Proceedings**

The Committee held a total of five sittings to deliberate on the issues raised by the Auditor-General. On 16<sup>th</sup> May, 2023, the management of the Company appeared before the Committee and responded to the audit queries for the year under review. The management of the Company was tasked to explain in detail all the measures the Company has put in place to ensure that public funds are expended in compliance with the law. During its sittings, the Committee closely examined and heard evidence from the witnesses and also reviewed various relevant documents.

In taking evidence, the Committee was guided by the existing procedures and modalities of operation of the Bomet County Assembly derived from the Constitution of Kenya, the Standing Orders, common practices and rulings and directives.

### **2.3 General overview of the Auditor-General Report for the period under review**

The committee noted that the Auditor-General upon auditing the Financial Statements of the County Executive which comprise of the statement of financial position as at 30 June 2021, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statements of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and section 35 of the Public Audit Act, 2015, was able to express Qualified Opinion.

## **Responses, Observations, and Recommendations on Issues raised in the Audit Report**

### **Report on the Financial Statements**

#### **1.0 Customer Deposit Account**

Note 17 to the financial statements reflects trade and other payable balance of Kshs. 125,244,572 which includes an amount of Kshs. 2,692,989 in respect of customers deposits. However, a review of customers deposit bank account indicated a balance of Kshs. 67,272 only resulting in a variance of Kshs. 2,625,717. The management explained that an amount of Kshs. 2,560,000 of the variance was as a result borrowing from the deposits account through approvals of the Board of Directors in their meetings held on 21<sup>st</sup> May 2020 and 17<sup>th</sup> December 2020 respectively to finance payment of salaries due to low revenue collection during the

period. However, the management did not provide plausible explanation the remaining difference of Kshs. 65,717 from the customers' deposit account. Under the circumstances the accuracy and completeness of the customers' deposit balance Kshs. 2,692,989 could not be confirmed.

### **Management response**

The management explained that the variance of Kshs. 65,717 was accumulation bank charges (ledger fee) from the time of deposit. The account was opened in March 2015. The same was expensed in the financial statement during the periods when such charges arose therefore confirming the accuracy and completeness of Kshs. 2,692,989.

The Management further submitted a copy of customers' deposit bank charges ledger (**Annex 1**) for audit verification.

### **Committee observation**

The Committee was satisfied with the response and the matter was marked as resolved.

### **Committee Recommendation.**

The Committee recommends that the management must at all times ensure that there is proper documentation and that explanations are availed to the Auditor-General on time in order to avoid audit queries.

## **2.0. Trade and other Receivables**

The statement of financial position reflects trade and other receivables totaling Kshs. 203,592,386 out of which an amount of Kshs. 175,778,880 relates to customers whose debts had remained uncollected for a period of over 120 days as of 30 June 2021. The debts have continued to grow over time thereby raising doubts on their collectability.

### **Management response**

The Management submitted that it was true that the Company had outstanding Trade and other receivables of Kshs. 203,592,386 out of which Kshs. 175,778,880 was outstanding for more than 120 days.

According to the management, this was due to post Covid-19 impact. However, the Company has put in place measures to enhance revenue collections both from major and domestic customers. These include;

- Signing of MOU between Kericho County Government giving clear guidelines in times of water supply and payments.
- Sending notices to other customers.

This has resulted in the payment of Kshs. 5M from Kericho County Government.

The Company has also procured 1000 smart meters ( Pre-paid meters) which have resulted in the reduction of arrears, debt recovery as well as payment for current bills.

The Management further submitted a copy of Copy of MOU between KEWASCO and BOMWASCO (**Annex 2**) for audit verification.



### **Committee observation**

The Committee was not satisfied with the response by the management and further made the following observation;

- (i) That there was no demonstrable capacity and effort on the part of the management of the company to collect revenue from the clients.
- (ii) That failure by the management of the company to collect its revenue had negatively affected the cashflows and consequently the operations of the company.

### **Committee Recommendation.**

The Committee recommends that the management of the company must put in place clear strategies including timelines on debt collection **within one month** of adoption of this report.

## **3.0 Report on other Matters**

### **Unresolved Prior Year Matters**

As disclosed under the progress on follow-up of the auditor recommendations section of the financial statements, some of the year prior issues remained unresolved as of 30<sup>th</sup> June 2020. The Company did not provide satisfactory reasons for the delay in resolving the issues.

### **Management response**

The management submitted that some of the recommendations raised during the audit have been implemented and some are in different stages of implementation and were reflected in the Company's strategic plan 2021-2026.

The management further submitted a copy of Company's strategic plan 2021-2026 (**Annex 3**) for audit verification.

### **Committee Observation**

The Committee observed that the response was not satisfactory. The committee further noted that;

- (i) The submitted copy of Company's strategic plan 2021-2026 (**Annex 3**) was still at draft from and not signed by any official in the management of the company.
- (ii) The issues raised by the Auditor-General in the previous financial years had actually not been resolved. This included long outstanding trade and other receivables, failed projects, long outstanding payables, staffing and non-remittance of payroll deductions

### **Committee Recommendation**

The committee recommends that the company prepares a proper strategic plan and make the progress reports available before audit queries are raised.

## **4.0 Report on the lawfulness and effectiveness in use of public resources**

### **1.0 Failed Project**

Note 12(a) to the financial statements under assets movement schedule is capital work in progress of balance of Kshs. 22,582,197 as at 30 June, 2021 which include an amount of Kshs.

18,724,875 relating to extension of water pipelines for Siongiroi- Chebunyo Water Project. Bomet Water and Sanitation Company Limited entered into an understanding with Water Service Trust Fund (WSTF) to co-fund the water pipeline for Siongiroi-Chebunyo Project (Project No. 07W/LVSWSB/BOMET/55). According to the contract document signed on 23<sup>rd</sup> October, 2015, the project was to be executed in nine (9) months from the signing dated. However, a scrutiny of records provided for audit revealed the following anomalies :

- (i) The project was completed in June, 2017 and a completion certificate issued accordingly. However, as of January, 2022, the project had not been commissioned five years after completion. The management explained that non-commissioning of the project was due to insufficient water from the source, an indication of poor/no feasibility study before initiation of the project.
- (ii) Physical inspection of the project carried out on 6<sup>th</sup> January, 2022 revealed that, the master meter chamber and washout chamber steel covers at Siongiroi had been vandalized. The chambers were opened and had been turned into garbage disposal points. It was also observed that the master meter at Siongiroi had been removed. In addition one of the closed water kiosks at Chebunyo had been taken over by Mozart Bet Kenya Ltd under unclear circumstances. The colors and labels of BOMWASCO and WSTF were defected and replaced with Mozart Bet Kenya Ltd.

### **Management response**

The management submitted that it was true that Kshs. 18,724,875 was utilized to construct an extension line from Siongiroi to Chebunyo, with funding from WSTF in FY 2015/16.

The hydrological report for the proposed water source showed there would be sufficient water to serve the entire area without affecting downstream users. The hydrological report has been availed for audit verification.

The project being a multi-year project was supposed to have a direct line connecting Sigor intake works to Siongiroi with funding from the County Government of Bomet through the department of Water.

However due to financial challenges, it was not completed on time, but currently, the direct line is at 95% completion and is expected to be operational before the end of financial year 2022-2023

The master chamber and wash-out steel covers at Siongiroi were vandalized, and the department could not find the culprits, however, the public has been sensitized against vandalism and chambers reinstated.

Meanwhile, the master meter has been removed and kept in the office awaiting installation once the line is operationalized.

Furthermore, Mozart Bet Kenya Ltd constructed a borehole within Chebunyo Market where the water kiosk is located and without the water

company's permission rebranded the kiosk with their logo, however, the department has since repossessed it and reinstated to its original state.

The Management further submitted a copy of hydrological report (Annex 4(a), a copy of budget for 2020/2021 and 2022/2023 with status progress report (Annex 4(b), and a copy of pictorial evidence of water kiosk (Annex 4(b,)) for audit verification.

### **Committee observation**

The committee observed that the response by the management was unsatisfactory and contained false and unverifiable information. The Committee undertook a site visit to site of the project and confirmed the salient issues noted by the Auditor General. The committee observed that the water project is not functional due to low water volume at the intake as noted by the Auditor General. Furthermore, the committee noted that some of the facilities of the project have been vandalized especially in Chebunyo Market.

The Committee makes the following additional observations;

- a. The submission by the accounting officer that the project will be operational towards the end of the financial year 2022/2023 is misleading and false since the committee visited the project location on the stated period and confirmed the contrary. There was no significant activity taking place that justified that the project would be complete towards the end of the Financial Year 2022/2023.
- b. The Committee observed that the hydrological survey undertaken is questionable. This is because the hydrological report indicates that the project would be sustainable but upon verification and as indicated by the auditor general, the project failed to take off due to low water volume at the intake.

### **Committee Recommendation**

Based on the stated observations, the committee recommends that further inquiry and investigation be undertaken within three months to establish the real issues affecting the current circumstances of the project and how the same can be revived to serve the residents of the County.

#### **2.1.1 Long Outstanding Payables**

Trade and other payables records reflect a sum of Kshs. 5,660,197 that had been outstanding for more than 90 days. This is contrary to Clause 5 of the Company's Revised Financial and Procedure Manual, December 2016 which states that the suppliers of goods or services should be paid promptly for authentic supplies. No satisfactory explanation was provided for the Company's failure to honor its contractual obligations.

### **Management response**

The management submitted that the long outstanding trade and other payables of Kshs 5,660,197 were caused by cash flow challenges occasioned by the Government directive on non-water disconnection due to the outbreak of COVID-19.

#### **Committee observation**

The Committee observed that the management did not have a clear strategy on how to settle long outstanding debts yet this could negatively affect the operations of the company.

#### **Committee Recommendation.**

The Committee recommends that the management should comply with Company's Revised Financial and Procedure Manual.

### **2.1 High Unpaid Electricity Bills**

Payables totaling Kshs. 43,444,904 owed to Kenya Power and Lighting Company. The amount owed increased by Kshs. 14,223,292 or 49% from Kshs. 29,221,612 reported in the previous year. The amount owed to KPLC includes Kshs. 26,986,475 relating to account number 124787728 (meter number 040016116975). No satisfactory explanation was provided to justify the circumstances that lead to accumulation of such huge electricity bills.

#### **Management response**

The management responded that the increment of unpaid electricity bills which rose from Kshs. 14,223,292 to Kshs. 29,221,612 was due to cash flow challenges which delayed servicing of the bills on time. The same however has been cleared and the outstanding bills relate to the month of Jan 2023 which was Kshs. 4,463,180.

The management further submitted a copy of KPLC Jan 2023 electricity bill (**Annex 5**) for audit verification.

#### **Committee observation**

The Committee observed that one of the major costs of operation incurred by the company was on electricity bills.

#### **Committee Recommendation.**

The Committee recommends that the management should comply with Company's Revised Financial and Procedure Manual and always ensure that payment of electricity bills is prioritized.

### **3.0 Unremitted Payroll Deductions**

Examination of Records on statutory deductions totaling Kshs. 38,459,515, out of this balance Kshs. 30,820,439 relates to deductions owed to LAPTRUST over a period of three years from March, 2018. The foregoing is contrary to section 19 (4) of Employment Act 2007 which requires that 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.

Failure to remit statutory deduction on due dates is likely to attract interests and penalties that could otherwise be avoided.

## Management response

The management submitted that it is true that the Company had unremitted payroll deduction of Kshs. 38,459,515 for the period under review however, the company on 28/10/2019 made a payment of Kshs. 6M to Laptrust covering period up to October. With the ongoing implementation of Bomet-Mulot Water Project which is a gravity fed system, covering a wider area will lead to cost saving in terms of electricity bills.

Once the project is completed, four (4) water supply schemes will be decommissioned implying that monthly savings of Kshs. 2,038,000 will be saved in terms of electricity bill payments (as shown below).

### Monthly electricity bills for the four (4) schemes to be decommissioned:

S/N	Scheme	Monthly Electricity Bill in Kshs
1	Bomet Water Supply	906,000.00
2	Sigor Water Supply	140,000.00
3	Longisa Water Supply	952,000.00
4	Kapkesoi Water Supply	40,000.00
	<b>TOTALS</b>	<b>2,038,000,00</b>

In addition, the said project is expected to bring on board an additional 40,000 connections hence increased customer base resulting to more revenues to cater for outstanding payables. Attached is the progress report for implementation which stands at 30% (Percentage).

The Water Company has also entered into an MOU with Kericho County Government to streamline water supply payments for bulk water, this has improved payment and service provision. Further, the County Government of Bomet on behalf of Water Company has entered into an MOU with State Ministry of Water to address issue of Non-Revenue Water as part of revenue enhancement measures. This will ensure a 100% metering boosting revenue collections to service other outstanding payables.

The management further submitted a copy of payment of Kshs.6M to LAPTRUST (**Annex 6(a)**), a copy of Bomet-Mulot Water Project Progress Report (**Annex 6 (b)**), a copy of MOU between KEWASCO and BOMWASCO (**Annex 2**) and copy of MOU between CGOB and State Ministry of Water. (**Annex 6(c)**)

## Committee observation

The committee noted that the response was not satisfactory and made the following observations;

- (i) That failure to remit statutory deductions from employees' salaries had far-reaching implications that negatively affected the employees of the company. The committee also noted that as of May 2023, salaries for five months had not been paid which subject employees to pecuniary embarrassment.
- (ii) There are serious issues of management of the company which was affecting cashflow and main operations of the company. Further, there have been no clear strategies to deal with revenue collections on how to restructure and turn around the company to become sustainable.

- (iii) There is no clear plan for addressing the issue of company employees and their remuneration and entitlements by the company, and discrepancies in revenues.

### **Committee Recommendation**

The Committee recommends that the company's management must prepare a clear and detailed arrangement on how unpaid statutory deductions and employee salaries are settled within 90 days of the adoption of this report.

### **4.0 High Volume of Non-Revenue Water**

The statement of profit or loss and other comprehensive income reflects sales of Kshs.104,725,728 which includes an amount of Kshs.88,299,174 relating to income from water sales in the year under review. However, chemical sheets and non-revenue water data provided for audit indicated that the company produced 4,424,004 cubic meters of water out of which 1,338,543 cubic meters only were billed to customers resulting to unaccounted volume of 3,085,461 cubic meters or 69.7% of the total water production. The quantity of non-revenue water is 44.7% above the allowable loss of twenty-five (25%) according to Water Service Regulatory Board Guide Lines, 2010 (WASREB) Manual for Standards for non-revenue water provisions. This resulted to a loss of Kshs. 89,648,069 based on an estimated distribution rate of Kshs.65 per cubic meter applied by the Company in the year under review.

### **Management response**

The management submitted that high non-revenue water reported is attributed to both technical and commercial losses. Technical losses include visible and non-visible leaks and bursts due to aging infrastructure which were inherited from the Agency. Commercial losses are due to illegal consumption, flat-rated consumers, and malfunctioning meters.

To address the above challenge,

- The Company initiated the replacement of old and dilapidated UPVC pipelines with high-density polyethylene pipes (HDPE) of which 45km of pipeline have been replaced
- Timely responses to reported burst and leakages to curb water losses
- Public sensitization of importance of reporting bursts leakages through provision of customer care number/hotline numbers to manage reported cases.
- Rooting out illegal connections and strengthening internal controls.
- Metering of unmetered consumers,, whereby 1000 additional meters have been installed at costs of Kshs.19million.

### **Committee observation**

The committee observed that the response was not satisfactory since there were neither clear timelines nor financial resources set aside for ensuring that the issue of high Non-Revenue Water is dealt with. It was further observed that as of May 2023 Non-Revenue Water stood at 66%.

### **Committee Recommendation**

The Committee recommends that the management of the company must put in place clear strategies to mitigate water losses within three months upon adoption of this report by the Assembly.

### **5.0 Overstaffing**

The Company approved staff establishment provided for one hundred and ninety-five staff(195) employees. During the year under review,the Company had a total of 214 employees resulting in an excess of nineteen (19) employees. No satisfactory explanation was given for the overstaffing.

#### **Management response**

The management submitted that according to WASREB guideline paragraph 3.15 of the Model Human Resource Policy and Procedures Manual for Water Service Providers,the staffing ratio is 7-11 staff for every 1000 connections for medium size company.The number of customers' connections then was 21,000. This implies that the Company optimal personnel should be  $21000 \times 11 / 1000 = 231$  staff against 214 at the time of audit.

The management further submitted a copy of WASREB impact report issue number 13 page 39 (**Annex 7**) for audit verification;

#### **Committee observation**

The committee observed that the response was not satisfactory. The committee further observed that the management of the company failed to adhere to the approved staff establishment which was still within the WASREB guidelines.

#### **Committee Recommendation**

The Committee recommends that the management must fully adhere to the approved staff establishment in all it future staff recruitment.

### **6.0 Lack of Ethnic Diversity in Staffing**

Out of the Company's work force of 214 officers employed on permanent and contractual terms,one hundred and seventy-seven (177) or 83% were male while thirty-seven (37) or 17% were female. Further, one hundred and ninety-two (192) or 90% were from Bomet County while twenty-two (22) or 10% were from other areas. Lastly, two hundred and twelve (212) or 99% were from dominant community while only two 2% or 1% were from other communities.

#### **Management response**

The management submitted that the reported skewed percentage of 99 is due to staff inherited from Community Water Project and defunct Tililbei Water Company. The Company is however aware of theConstitutional requirements and any position that arises will competitively be advertised and will observe one third gender rule as well as ethnic diversity.

#### **Committee observation**

The committee observed that the response was satisfactory. The matter was marked as resolved.

### **Committee Recommendation**

The Committee recommends that in any future recruitments, the management should consider encouraging persons from all communities to apply for job vacancies in the company.

## **7.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS**

The Committee draws the attention of the County Assembly to the following general observations and recommendations arising from the Committee proceedings, evidence taking and selected project visits and findings that relate to the fiscal year under review:

### **1) Maintenance of Accounting Records: -**

The Committee noted that there still exists challenge of weak and inadequate maintenance of accounting records in the Water Company during the year under review.

#### **Recommendation:**

The Management of the Water Company **MUST** ensure that;

- a) The Company keeps up-to-date and reconciled financial and accounting records that comply with provisions of part IX of Public Finance Management (County Governments) Regulations 2015 and Section 163(2) of the Public Finance Management Act 2012 and that complete financial and accounting records are presented within four (4) months after the close of the financial year pursuant to the provisions of Section 163(4) of the Public Finance Management Act 2012.
- b) The Company prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time in compliance with the provisions of the Public Finance Management Act 2012.

### **2) Prior Year Matters**

The audit report for the previous year had highlighted several issues on the financial statements for the year and on lawfulness and effectiveness in use of resources. The Committee noted that several recommendations that have been made by the Committee in the previous financial years are yet to be acted upon.

### **3) Current status of the water company**

The committee notes with a lot of concern that the company has faced numerous challenges since its incorporation yet a lot of public resources have been invested by the County Government. The issues observed include cashflow challenges which has led to utilization of funds held in Customer Deposit Account, difficulty in paying electricity bills, long outstanding payables, unremitted payroll deductions, and several months' salary arrears for the company employees.



The committee also notes the Company's inability to collect debts from the customers, failure to complete critical projects such as the Siongiroi-Chebunyo Water Project, overstaffing, and high volume of Non-Revenue Water.

The committee further notes that all the challenges observed has negatively impacted on the water supply and sanitation services to the County residents both in terms of quantity and quality. As such, the Bomet Water and Sanitation Company Limited (BOMWASCO) as an entity of the County Government has largely failed in delivery of critical services to the County Residents

**Recommendation:**

The Committee recommends that the County Assembly constitutes a Special Committee with a specific mandate of;

- (i) Undertaking a **grand inquiry** to establish the systemic issues within the Bomet Water and Sanitation Company Limited that have greatly affected supply of water and sanitation services within the County ;
- (ii) Proposing actionable recommendations included but not limited to restructuring or dissolution of the Company.

The proposed inquiry should be undertaken and concluded within **one month** upon the adoption of this report by the County Assembly.