# Marsabit Water and Sewerage Company Limited (MARWASCO

# Finance Policy and Procedures Manual

*Managing financial resources prudently for growth and sustainability*

**October 2025**

## Preface

Marsabit Water and Sewerage Company Limited (MARWASCO) is entrusted with the critical responsibility of delivering safe, reliable, and affordable water and sanitation services to the residents of Marsabit County. To fulfill this mandate sustainably and transparently, sound financial management is essential.

This Finance Policy and Procedures Manual has been developed to institutionalize robust financial governance across the Company.

It consolidates key policies, procedures, and internal controls that guide budgeting, revenue collection, expenditure, asset management, reporting, and auditing.

The Manual is aligned with the *Public Finance Management Act, 2012*, *Water Act, 2016*, *Companies Act, 2015*, and applicable International Public Sector Accounting Standards (IPSAS).

By providing a clear and consistent framework, this Manual empowers MARWASCO's staff and leadership to uphold accountability, ensure compliance, and support efficient service delivery.

It should be reviewed periodically to reflect evolving regulatory requirements and sector best practices.

The Chairman

Board of Directors

Marsabit Water and Sewerage Company Limited

## Foreword

The provision of safe, reliable, and affordable water and sanitation services is a cornerstone of public health and socio-economic development.

As Marsabit Water and Sewerage Company Limited (MARWASCO) continues to expand its reach and improve service delivery, sound financial management remains central to our success.

This Finance Policy and Procedures Manual has been developed to institutionalize financial discipline, enhance accountability, and ensure compliance with applicable laws and regulations, including the *Public Finance Management Act, 2012*, *Water Act, 2016*, and *Companies Act, 2015*.

It provides a structured framework for budgeting, revenue collection, expenditure control, asset management, and financial reporting—aligned with International Public Sector Accounting Standards (IPSAS) and regulatory guidance from WASREB.

The Manual is a vital tool for all staff and stakeholders, offering clarity, consistency, and confidence in the Company's financial operations.

I urge every user to apply its provisions diligently and uphold the values of transparency, efficiency, and integrity in all financial matters.

Together, let us build a financially resilient institution that delivers on its mandate and earns the trust of the communities we serve.

**Stephen Sora Katelo,**

*Managing Director*

Marsabit Water and Sewerage Company Limited

## Acknowledgement

This Finance Policy and Procedures Manual was developed for the Marsabit Water and Sewerage Company (MARWASCO) with generous financial and technical support from the Pastoralist Community Initiative and Development Assistance (PACIDA).

We extend our sincere gratitude to PACIDA for their continued commitment to strengthening institutional capacity and promoting accountability and good governance.

We express our heartfelt appreciation to the dedicated staff, esteemed Board of Directors, and committed management team of the Marsabit Water and Sewerage Company (MARWASCO).

Their invaluable input, unwavering support, and active participation were instrumental in the development of this Finance Policy and Procedures Manual.

The team's continued commitment to excellence, transparency, and sustainable service delivery remains the cornerstone of MARWASCO's success.

## Abbreviations / List of Acronyms

| | |
|---|---|
| BOD | - Board of Directors |
| CAPEX | - Capital Expenditure |
| CBK | - Central Bank of Kenya |
| CFU | - Composite Filtration Unit |
| CR | - Credit |
| DN | - Delivery Note |
| DR | - Debit |
| EFT | - Electronic Funds Transfer |
| ERP | - Enterprise Resource Planning |
| GL | - General Ledger |
| GRN | - Goods Received Note |
| HR | - Human Resources |
| HRM | - Human Resources Manage (r)/ment. |
| IAU | - Internal Audit Unit |
| ICPACK | - Institute of Certified Public Accountants of Kenya |
| ID | - Identity Card |
| IFRS | - International Financial Reporting Standards |
| IPSAS | - International Public Sector Accounting Standards |
| ISA | - International Standards on Auditing |
| KES | - Kenya Shillings |
| KPIs | - Key Performance Indicators |
| KRA | - Kenya Revenue Authority |
| LPO | - Local Purchase Order |
| $M^3$ | - Meter Cubic |
| MD | - Managing Director |
| NEMA | - National Environment Management Authority |
| NHIF | - National Health Insurance Fund |
| NRW | - Non-Revenue Water |
| NSSF | - National Social Security Fund |

| | |
|---|---|
| NWSB | - Northern Water Services Board |
| NWWDA | - Northern Water Works Development Agency |
| O&M | - Operations and Maintenance |
| OAG | - Office of Auditor General |
| PAYE | - Pay As You Earn |
| PFM | - Public Finance Management |
| PIN | - Personal Identification Number |
| PO | - Purchase Order |
| SCADA | - Supervisory Control and Data Acquisition |
| SCWO | - Sub County Water Officers |
| WASREB | - Water Services Regulatory Board |
| WRA | - Water Resources Authority |
| WSP | - Water Services Provider |

## Table of Contents

## Policy Statement

It is the policy of Marsabit Water and Sewerage Company (MARWASCO) to uphold the highest standards of financial integrity, transparency, and accountability in all its operations.

This Manual provides a comprehensive framework for budgeting, revenue management, expenditure control, asset management, financial reporting, and auditing.

It establishes clear roles, responsibilities, and internal controls to safeguard public resources and ensure compliance with statutory and regulatory requirements.

All MARWASCO staff, management, and Board members are expected to adhere to the provisions of this Manual in the execution of their duties.

The Finance Department shall ensure that these policies are implemented consistently across the organization and reviewed periodically to reflect changes in legislation, regulatory expectations, and best practices in the water and sanitation sector.

# CHAPTER ONE – INTRODUCTION

The Finance Policy and Procedures Manual serve as a foundational guide for the financial governance of Marsabit Water and Sewerage Company Limited (MARWASCO). As a licensed Water Service Provider (WSP) operating under the *Water Act, 2016 and County Water Services and Sewerage Act 2018*, MARWASCO is mandated to deliver safe, reliable, and affordable water and sanitation services within its jurisdiction. Achieving this mandate requires prudent financial stewardship, robust internal controls, and transparent reporting mechanisms.

This Manual outlines the principles, policies, and procedures that govern MARWASCO's financial operations. It provides a structured framework for budgeting, revenue collection and management, expenditure control, asset management, financial reporting, and auditing. The policies herein are aligned with applicable Kenyan laws and standards, including:

- *Public Finance Management Act, 2012*
- *State Corporations Act, Cap. 446*
- *Companies Act, 2015*
- *Income Tax Act, Cap. 470*
- *Public Procurement and Asset Disposal Act, 2015*
- *International Public Sector Accounting Standards (IPSAS)*
- Regulatory guidelines issued by the Water Services Regulatory Board (WASREB)

The Policy Manual is intended for use by all staff, management, and Board members involved in financial decision-making and operations. It promotes consistency, accountability, and compliance across all financial functions, while supporting MARWASCO's strategic goals and sustainability objectives.

This document is a living tool. It shall be reviewed periodically to reflect changes in legislation, regulatory expectations, and emerging best practices in the water and sanitation sector. All amendments shall be approved by the Board of Directors and communicated to relevant stakeholders.

## 1.1 Background and Legal Mandate

Marsabit Water and Sewerage Company Limited (MARWASCO) is a licensed Water Service Provider (WSP) established under the Marsabit County Water and Sewerage Services Act, 2018, in alignment with the Water Act, 2016. It is wholly owned by the County Government of Marsabit and operates under the regulatory oversight of the Water Services Regulatory Board (WASREB).

MARWASCO was incorporated to take over the operations and maintenance of water supply and sanitation infrastructure previously managed by Sub-County Water Offices. The mandate of the company includes the provision of safe, reliable, and affordable water and sewerage services within designated urban areas of Marsabit County, in accordance with the Water Act, 2016 – Section 72 and the County Governments Act, 2012.

The Company operates within the jurisdiction of the Northern Water Works Development Agency (NWWDA), which is responsible for infrastructure development and investment planning under the Water Act, 2016 – Part IV.

### 1.2 Operational Overview

MARWASCO commenced operations in July 2016 and currently serves Marsabit Township, located in Central Ward, Saku Sub-County. The Company water sources are from Bakuli Dam; a multi-reservoir system located within Marsabit Forest. The system includes a 20-meter-high dam (Bakuli 4) with a storage capacity of 300,000$M^3$, supplying approximately 700 $M^3$/day for treatment and distribution.

Water is treated using a 20$M^3$ Composite Filtration Unit (CFU) and distributed via gravity to five service zones: Hospital Zone, Ajaa Tisa Zone, Madaraka Estate Zone, Old Town Zone, and Governors Line Zone. The Company also operates five community water kiosks to support equitable access in underserved areas. Future expansion plans target Sakale, Sagante, and Jaldesa Wards.

### 1.3 Vision, Mission, and Core Values

**Vision:** To be the leading water and sanitation services provider in Kenya.

**Mission:** To provide high quality, safe, reliable, and affordable water and sanitation solutions that enhance health, dignity, and resilience of communities in Marsabit County.

**Core Values**

- Transparency and accountability
- Customer focus
- Diversity
- Efficiency
- Integrity
- Innovation
- Professionalism

### 1.4 Regulatory Compliance

MARWASCO operates in compliance with the following statutory and regulatory instruments:

| Requirement | Issuing Authority | Legal Basis |
|---|---|---|
| Water Abstraction Permit | Water Resources Authority (WRA) | *Water Act, 2016 – Section 36* |
| Environmental Compliance Certificate | National Environment Management Authority (NEMA) | *Environmental Management and Coordination Act, 1999* |
| Operational License | WASREB | *Water Act, 2016 – Section 72* |
| Tariff Approval<br>Public Audit | WASREB | *Water Act, 2016 – Section 77*<br>Public Audit Act 2015 & SRC Guidelines |

## 1.5 Basis of Preparation

This Finance Policy and Procedures Manual is based on:

- The Financial Policy Frameworks of the former Northern Water Services Board (NWSB)
- Consultations with MARWASCO management and staff
- Applicable Kenyan laws and international accounting standards including Public Finance Management Act (2012) and International Accounting Standards.
- Sector-specific guidelines issued by WASREB and the National Treasury

## 1.6 Purpose and Objectives of the Manual

The Manual is designed to:

a. Provide a comprehensive framework for financial management and internal controls.
b. Guide the preparation, authorization, and recording of financial transactions.
c. Ensure compliance with statutory obligations and regulatory requirements.
d. Promote transparency, accountability, and operational efficiency.
e. Serve as a reference document for staff, auditors, consultants, and development partners with respect to financial management of the organization.

## 1.7 Scope of the Manual

This Policy and Procedures Manual covers:

- Financial management framework and institutional arrangements
- Accounting policies and regulatory compliance
- Budgeting, revenue, and expenditure procedures
- Asset, inventory, and cash management
- Payroll, reserves, and reporting protocols
- Internal and external audit arrangements

It also outlines links with procurement policy and performance monitoring systems.

## 1.8 Amendments and Review

The Finance Manager shall be responsible for initiating and coordinating reviews and updates to this Policy Manual using the amendment form presented in Annex 1. Proposed amendments must be:

- Approved by the Managing Director and Board of Directors
- Documented using the Financial Asset Management System (FAMS) Manual Amendment Form (Annex 1)
- Communicated with all relevant staff and stakeholders.

The Manual shall be reviewed biennially or as needed to reflect changes in legislation, organizational structure, or sectoral best practices.

## CHAPTER TWO – OVERVIEW OF THE FINANCIAL MANAGEMENT FRAMEWORK

### 2.1 Purpose

This chapter provides a structured overview of MARWASCO's financial management framework. It defines the key components, systems, and institutional arrangements that support effective financial planning, control, accountability, and reporting. The framework is designed to ensure compliance with applicable laws, promote transparency, and support the Company's mandate to deliver sustainable water and sanitation services.

Guided by Public Finance Management Act, 2012; Water Act, 2016; State Corporations Act, Cap. 446; Companies Act, 2015; Public Procurement and Asset Disposal Act, 2015; International Public Sector Accounting Standards (IPSAS) and Regulatory guidelines issued by WASREB.

### 2.2 Financial Management Structure

MARWASCO's financial management function is structured under the Finance Department, headed by the Finance Manager, and supported by:

- Revenue and Receivables Unit
- Expenditure and Payables Unit
- Budgeting and Planning Unit
- Stores and Inventory Unit
- Fixed Assets and Insurance Unit
- Payroll and HR Finance Liaison
- Internal Audit (functionally independent, reporting to the Board Audit Committee)

The Internal Audit Unit provides oversight across all financial operations and reports directly to the Board Audit Committee, in line with Section 73 of the PFM Act and IPPF standards.

### 2.3 Core Components of the Financial Management Framework

2.3.1 Inputs

Policies and Regulations (e.g. PFM Act, Water Act, IFRS/IPSAS)

Planning and Budgeting Assumptions

Revenue Streams (e.g. water sales, sewerage, reconnection fees, grants, and donations)

Purchase Requisitions and Work Plans

2.3.2 Processing Systems

- Cashbook and Banking
- Procurement and Contract Management
- Creditors and Debtors Management
- Inventory and Fixed Assets Management
- General Ledger and Chart of Accounts
- Payroll and Statutory Deductions
- Internal Controls and Approvals

### 2.3.3 Outputs

- Monthly and Quarterly Management Reports
- Annual Financial Statements
- Variance Analysis and Budget Performance Reports
- Regulatory Reports (e.g. WASREB KPIs, County Treasury submissions)
- Audit Reports and Compliance Reviews

## 2.4 Planning and Budgeting

Budgeting is a critical planning and control tool. MARWASCO shall prepare an annual budget aligned with its Strategic Plan and approved by the Board of Directors. The budgeting process includes:

- Departmental forecasts and cost center submissions
- Consolidation by the Finance Manager
- Review by the Managing Director and Finance Committee
- Approval by the Board

The Company recognize and establish cost centers including:

a. Office of the MD
b. HRM
c. TSM
d. Finance
e. Commercial
f. ICT
g. Internal Audit
h. Supply Chain Management

## 2.5 Revenue Management

I. MARWASCO's revenue sources include:

- Sale of water and sewerage services
- Reconnection and termination fees
- Exhaust services
- Application and inspection fees
- Customer deposits (recorded as liabilities). MARWASCO will open customer deposit accounts, establish the deposit amount to be paid by each customer, and provide guidance on what happens to the old customers. As a matter of policy, all new customers are required to make deposits to MARWASCO.

ii. No organization revenue shall be received in cash by MARWASCO.

iii. All revenue remitted to the company's bank account either through electronic transfer (EFT or Mobile Money transfer) or depositing of a cheque and the customers submit banking slips to MARWASCO for reconciliation.

iv. The Finance Department is responsible for revenue reconciliation, reporting, and compliance with approved tariffs.

This complies with provisions of Water Act, 2016 – Section 74; and WASREB Tariff Guidelines

## 2.6 Expenditure Management

All expenditure must be:

- Authorized in accordance with the approved annual budget
- Supported by valid documentation (e.g. LPO, invoice, GRN)
- Paid through MARWASCO's official bank accounts
- Reviewed for budget availability and compliance

Variance analysis shall be conducted monthly to compare actual vs. budgeted performance and corrective actions taken promptly to address significant deviations. Budget variations are acceptable to up to a maximum of 20% of the approved budget.

This complies with the provisions of PFM Act, 2012 – Section 149; Public Procurement and Asset Disposal Act, 2015

## 2.7 Accounting and Record-Keeping

MARWASCO shall maintain a commercial accrual-based accounting system that incorporates:

- Non-cash adjustments (e.g. depreciation, accruals, provisions)
- Capital and operational expenditure tracking
- Integration with procurement, payroll, and asset modules
- A structured Chart of Accounts (see Appendix B)

All books and records shall be maintained in accordance with provisions of:

- Companies Act, 2015
- State Corporations Act, Cap. 446
- The Exchequer and Audit Act
- Public Audit Act, 2015

## 2.8 Financial Reporting

The accounting system shall generate reports that meet both internal and external requirements, including:

- Monthly and quarterly management reports
- Annual financial statements (IPSAS-compliant)
- Regulatory submissions to WASREB and County Government
- Donor and development partner reports (if applicable)

## 2.9 Audit and Oversight

i. MARWASCO's accounts shall be audited annually by the Office of the Auditor-General, in accordance with, Public Audit Act, 2015; State Corporations Act, Cap. 446 – Section 14(3, Government Financial Regulations and Procedures – Chapter 21.
ii. The Internal Audit Unit shall conduct risk-based audits and report to the Board Audit Committee.
iii. Audit findings shall be tracked and addressed through a formal follow-up mechanism.

# CHAPTER THREE – ACCOUNTING POLICIES AND REGULATIONS

## 3.1 Purpose

This chapter outlines the accounting principles, regulatory framework, and financial reporting standards that guide MARWASCO's financial management. It ensures that the Company's financial records and statements are prepared consistently, transparently, and in compliance with applicable laws and professional standards.

*Guided by Companies Act, 2015 (revised from Cap. 486); Public Finance Management Act, 2012; Water Act, 2016; Income Tax Act, Cap. 470; International Financial Reporting Standards (IFRS); International Public Sector Accounting Standards (IPSAS); Government Financial Regulations and Procedures*

## 3.2 Financial Year

MARWASCO's financial year shall run from 1st July to 30th June, in line with the fiscal calendar prescribed under the Public Finance Management Act, 2012.

## 3.3 Books of Accounts and Financial Statements

MARWASCO shall maintain proper books of accounts that record all assets, liabilities, income, expenditure, contracts, and other financial transactions. At the end of each financial year, the following statements shall be prepared:

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Cash Flows
- Statement of Changes in Equity
- Notes to the Financial Statements

These statements shall be prepared in accordance with IFRS and IPSAS and audited as required under Section 80 of the PFM Act and Section 23 of the Public Audit Act, 2015.

## 3.4 Accounting System

MARWASCO shall operate a commercial accrual-based accounting system that incorporates:

- Non-cash adjustments (e.g. depreciation, provisions, accruals)
- Capital and operational expenditure tracking
- Integration with budgeting, procurement, payroll, and asset management modules

The system shall conform to standards set by the Institute of Certified Public Accountants of Kenya (ICPAK) and be aligned with Government Financial Regulations and Procedures, Section 21.4.

## 3.5 Significant Accounting Policies

### 3.5.1 Basis of Preparation

Financial statements shall be prepared under the historical cost convention, unless otherwise stated, and in accordance with IFRS and IPSAS.

### 3.5.2 Accrual Accounting

Revenue shall be recognized when earned, and expenses when incurred, regardless of when cash is received or paid.

### 3.5.3 Consistency

Accounting methods shall be applied consistently. Any changes must be disclosed in the financial statements, including the rationale and impact.

### 3.5.4 Foreign Currency Translation

- Functional currency: Kenya Shillings (KES)
- Transactions in foreign currencies shall be translated at the exchange rate on the transaction date
- Year-end balances shall be translated at the closing rate
- Exchange differences shall be recognized in the Statement of Comprehensive Income

## 3.6 Fixed Assets and Depreciation

### 3.6.1 Recognition and Valuation

a. Tangible assets with a useful life >1 year and cost ⩾ Kshs 25,000 shall be capitalized
b. Donated assets shall be recorded at fair value or donor valuation
c. Assets shall be recorded at historical cost less accumulated depreciation and impairment

### 3.6.2 Depreciation Method

Depreciation shall be charged on a straight-line basis over the asset's useful life as per table 1:

Table 1: Appreciation rates for various assets

| Asset Class | Depreciation Rate |
|---|---|
| Buildings | 2% |
| Plant, Machinery & Equipment | 12.5% |
| Office Equipment | 12.5% |
| Computers & Accessories | 30% |
| Motor Vehicles & Motorcycles | 25% |
| Furniture & Fittings | 12.5% |
| Meters | 12.5% |
| Software | 30% |

The depreciation is in compliant with the Income Tax Act, Cap. 470 – Second Schedule (Wear and Tear Allowances)

### 3.6.3 Impairment of Assets

Asset impairment refers to a significant and unexpected reduction in the value of asset money, meaning it's no longer worth what it was originally recorded for in the company's books.

Assets shall be reviewed annually for impairment. If the carrying amount exceeds the recoverable amount, an impairment loss shall be recognized in the income statement.

### 3.7 Loose Tools

Loose tools (e.g. workshop tools) shall be exposed over time. The difference between opening and closing balances shall be written off annually to the Income and Expenditure Account.

### 3.8 Inventories

a. Inventories shall be valued at the lower of cost and net realizable value.
b. Cost includes purchase price, transport, and handling.
c. Valuation method: Weighted Average Cost
d. Obsolete or damaged stock shall be written down to net realizable value.

The recommended process is in line with the IPSAS 12 – Inventories.

### 3.9 Debtors and Receivables

a. Shall be stated at nominal value less provisions for doubtful debts.
b. Provisioning shall be based on aging analysis and recovery history.
c. Debtors shall be reviewed monthly and reconciled with the General Ledger

### 3.10 Creditors and Payables

i. Stated at cost and recognized when goods/services are received.
ii. Accruals shall be made for obligations incurred but not yet invoiced.
iii. Payables shall be reconciled monthly with supplier statements.

### 3.11 Provisions

Provisions shall be recognized when:

- A present legal or constructive obligation exists.
- It is probable that an outflow of resources will be required.
- A reliable estimate can be made.

In line with the IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets

### 3.12 Cash and Cash Equivalents

For cash flow reporting, cash and cash equivalents include:

- Cash in hand
- Bank balances
- Short-term deposits
- Less: bank overdrafts

## CHAPTER FOUR – PLANNING AND BUDGETING PROCEDURES

### 4.1 Introduction

Budgeting is a critical planning, operational, and control tool for MARWASCO as a commercially oriented water and sanitation service provider. Each financial year, the Company shall prepare a comprehensive budget to guide resource allocation, service delivery, and performance monitoring.

A budget is a quantified financial plan prepared and approved prior to a defined period. It outlines expected revenues, planned expenditures, and capital investments aligned with strategic objectives. The process of preparing the budget is referred to as budgeting, while budgetary control involves comparing actual performance against the budget to inform corrective action.

*A budget is telling your money where to go instead of wondering where it went. – John C. Maxwell*

### 4.2 Budget Structure and Content

Each annual budget shall include the following components:

#### 4.2.1 Introduction

- Overview of the Company's mandate and operational context
- Highlights of major developments in the previous year (e.g., restructuring, digitization, policy shifts)
- Linkage to the Strategic Plan and corporate objectives

#### 4.2.2 Executive Summary

- Summary of key budget priorities and financial outlook
- High-level overview of revenue and expenditure projections

#### 4.2.3 Strategic Objectives

- Financial sustainability targets (e.g., cost recovery, tariff adequacy)
- Operational goals (e.g., reduction of Non-Revenue Water, improved billing efficiency)
- Alignment with the Water Services Regulatory Board (WASREB) Key Performance Indicators (KPIs)

#### 4.2.4 Performance Review

Analysis of prior year's performance, including:

- Water production and distribution
- Non-Revenue Water (NRW) trends
- Customer growth and new connections
- Tariff adjustments and revenue collection.
- Operating surplus/deficit

#### 4.2.5 Key Assumptions

- Capital investment plans.
- Projected water production increases

- Tariff changes (if any)
- Inflation and exchange rate assumptions
- Regulatory or policy changes

*Note: Assumptions should be consistent with macroeconomic indicators published by the National Treasury and Central Bank of Kenya (CBK, 2024).*

## 4.3 Budget Development Procedures

### 4.3.1 Governance and Participation

- The budgeting process shall be led by the Finance Department and coordinated through a Budget Committee comprising all Departmental Heads. The Finance Department will guide the process using a standardized budgeting template (Annex 21) for consistency across the organization.
- The Board of Directors (BOD) provides strategic oversight and final approval.

### 4.3.2 Budgeting Steps

MARWASCO will follow systematic steps in budgeting with key responsibilities among the various managers as outlined in table 2:

Table 2: Budgeting steps and responsibilities

| Step | Activity | Responsibility |
|---|---|---|
| 1. | Departmental estimates prepared (O&M, CapEx, HR) | Heads of Departments |
| 2. | Consolidation of estimates | Finance Manager |
| 3. | Review and alignment with strategic priorities | MD, Finance, and Budget Committee |
| 4. | Presentation to Finance & Administration Committee | Managing Director |
| 5. | Final approval by Board of Directors | Board of Directors |

## 4.4 Revenue Forecasting

The responsibility for the revenue forecasting shall be led by Technical Services Department

### 4.4.1 Water Production Forecast

- Based on treatment capacity, historical output, and planned expansions
- Adjusted for process losses e.g., NRW (typically 15–25%)
- Master meters and SCADA data used for accuracy.

Example Calculation:

> Current monthly production: 450 $m^3$

> Planned capacity increase: +50 $m^3$

> Process loss (20%): 10 $m^3$

>Forecasted production: 490 $m^3$/month

#### 4.4.2 Sales Forecast

- Derived from water production minus NRW.
- Segmented by customer category (domestic, commercial, institutional)
- Tariff structure applied per WASREB guidelines

Reference: WASREB Tariff Guidelines (2021), Section 4.2 – Revenue Projections

**Responsibility**: Commercial and Finance Department

### 4.5 Expenditure Budgeting

#### 4.5.1 Recurrent Expenditure

Prepared by cost center and includes the following categories:

- Personnel costs (salaries, DSAs, benefits)
- Administrative expenses (utilities, office supplies)
- Operational costs (chemicals, fuel, repairs)
- Board and governance expenses (Sitting allowances, transport reimbursement, airtime allowances).
- Sewerage operations (if applicable)

#### 4.5.2 Capital Expenditure (CapEx)

The process to compute the capital expenditure shall be led by Technical and Finance Department, as per Public Finance Management Act, 2012 – Section 123: Development Budgeting and cover:

- Covers new infrastructure, major renewals, and equipment.
- Linked to Strategic Plan and Asset Management Plan
- Includes funding sources (e.g., internal surplus, grants, loans)

### 4.6 Budget Approval and Adoption

- Draft budgets are reviewed by the Managing Director and submitted to the Finance & Administration Committee.
- Board of Directors grants final approval.
- Approved budgets are shared with relevant departments and uploaded to the Enterprise Resource Planning (ERP) system for implementation.

### 4.7 Budget Monitoring and Control

- Monthly and quarterly budget performance reports are prepared by the Finance Department.
- Variance analysis is conducted to compare actual vs. budgeted figures.
- Significant deviations trigger corrective actions or budget revisions.

> Reference: International Public Sector Accounting Standards (IPSAS 24) – Presentation of Budget Information

### 4.8 Budgeting Timelines

| Key activity | Timelines |
|---|---|
| Strategic Planning review | December – January |
| Departmental Budget Drafting | February – March |
| Consolidation and Internal Review | April |

| | |
|---|---|
| Board Approval | May |
| Budget Implementation | July – June |

The key deadlines are:

- By 30th March – Departmental Heads submit budget estimates to Finance Manger (FM).
- By 30th April Finance Manager to consolidate the departmental estimates into organizational budget and forward it to Managing Director (MD).
- By 30th May Managing Director presents the consolidated organizational budget to Board Finance Sub Committee
- By 30th June the Board approves the consolidated budget
- By 30th March, MARWASCO to present Annual Development Plan (ADP) to the County's Department of Water Services (DWS) for resource allocation.
- Where approval by the board is needed outside the planned period, the board may convene a Special Board Meeting to review and approve the budget.

# CHAPTER FIVE – ACCOUNTING FOR INCOME

## 5.1 Purpose

This chapter outlines the procedures for recognizing, recording, and safeguarding MARWASCO's internal revenue. It ensures compliance with the Public Finance Management Act, 2012, the Water Act, 2016, and applicable International Public Sector Accounting Standards (IPSAS), particularly IPSAS 9 (Revenue from Exchange Transactions).

## 5.2 Revenue Categories

MARWASCO's internal revenue streams include:

a. Water and Sewerage Revenue
b. Connection and Reconnection Fees
c. Other Service Charges (e.g., exhaust services, meter testing)

All revenue must be accounted for in accordance with the accrual basis of accounting as required under IPSAS 1 and PFM Act Section 74.

## 5.3 Revenue Accounting Cycle

### 5.3.1 Meter Reading

For efficient meter reading:

i. The service area is zoned for efficient meter reading.
ii. Meter readers are assigned specific routes and must follow them strictly.
iii. Readings are taken monthly on designated dates and reflect actual consumption.
iv. Large consumers' meters are read weekly.
v. Meter readers submit daily logs to the Billing Supervisor, including anomalies (e.g., locked premises, faulty meters, leakages).
vi. At least 10% of readings per zone are randomly verified by an independent officer to deter collusion.
vii. Meter readers are rotated periodically to reduce familiarity with customers.
viii. Data loggers are used to enhance accuracy and traceability.
ix. 5.3.2 Meter Reading Procedures

| Procedure | Responsibility |
|---|---|
| Prepare meter reading schedules | Commercial Manager |
| Assign meter readers to zones | Commercial Manager |
| Record readings on pre-printed sheets or data loggers | Meter Readers |
| Submit readings to Billing Supervisor | Meter Readers |
| Verify accuracy and completeness | Billing Supervisor |
| Compile monthly meter reading report | Commercial Manager |

## 5.4 Billing Procedures

Billing is conducted monthly based on verified meter readings. Delays in billing affect revenue recognition and cash flow. The procedure and responsibility for billing are outlined below:

| Procedure | Responsibility |
|---|---|
| Update customer accounts with readings | Commercial Manager |
| Generate and verify exception reports | Commercial Manager |
| Approving corrections and generate bills | Billing Supervisor & Commercial Manager |
| Dispatch bills to customers | Commercial Manager |
| Maintain bill delivery register | Billing Supervisor |
| Resolve billing queries | Customer Relations Officer |

MARWASCO will always ensure that billing complies with the Water Services Regulatory Board (WASREB) Tariff Guidelines and reflect the approved tariff structure.

## 5.5 Billing Reports

The following reports are generated monthly for monitoring and audit purposes:

| Report | User |
|---|---|
| Current Billing Report | Area Supervisor |
| Receipts Report | Area Supervisor |
| Aging Debtors Analysis | Commercial Manager |
| Meter Reading Exception Report | Commercial Manager |
| Disconnected Consumers Report | Area Supervisor |
| Disconnection/Reconnection List | Area Supervisor |
| Revenue Analysis by Area | Commercial Manager |
| Adjustment Report | Commercial Manager |
| Active Connections Report | Area Supervisor |
| Water Consumption Report | Commercial Manager |

## 5.6 Revenue Recognition

Revenue is recognized in the period in which it is earned, not when cash is received, in line with the accrual concept and IPSAS 9. The amount billed each month is recorded as income for that month.

Finance will ensure grants from partners through MARWASCO accounts are recognized in the budget for MARWASCO as part of sources of revenue if the funds have been channeled via MARWASCO accounts. This shall be through creation of sub accounts for each project.

For grants implemented by donors directly with technical support from MARWASCO, this source of revenue shall be recognized as in-kind donations with a certificate and updated asset register.

Where the organization has secured loans for its business, this shall be recognized in books of accounts managed through a sub account.

MARWASCO will recognize "any other services that may be chargeable from time to time and which the company deems viable" to give room to recognize new revenue sources in future.

## 5.7 Revenue Collection Procedures

### 5.7.1 Receipting

- All payments are acknowledged using system-generated receipts with unique serial numbers.
- Receipts must include customer name, zone, connection number, units billed and payment type.
- In case of system failure, manual receipts are issued and later reconciled with system entries.
- Direct bank payments are receipted upon confirmation.

### 5.7.2 Daily Reconciliation

- The Revenue Cashier prepares a daily summary of receipts and attaches bank deposit slips.
- The Revenue Officer verifies the receipts and updates the Receipt Cash Book.
- Cancelled receipts are retained for audit and must be cross-referenced.

For proper accountability, the procedure outlined below with responsibility for each personnel will be followed:

| **Procedure** | **Responsibility** |
|---|---|
| Custody and issuance of receipt books | Commercial Manager |
| Receipt, banking, and daily summary | Revenue Cashier / Area Supervisor |
| Verification of receipts and deposits | Accountant |
| Updating Receipt Cash Book | Accountant |

## 5.8 Banking Arrangements

MARWASCO operates the following accounts:

- Revenue/Expenditure Account (Current)
- Customer Deposits Account (Savings)

Revenues are banked directly by the customers and banking slips are submitted to MARWASCO for record keeping and reconciliation with bank balances.

## 5.9 Accounting Entries

### 5.9.1 Revenue Recognition

- Dr. Debtors Control Account

- Cr. Water Income / Sewerage Income / Other Income

### 5.9.2 Receipts from Customers

- Dr. Receipt Cash Book

- Cr. Debtors Control Account / Customer Account

### 5.9.3 Connection & Reconnection Fees

- Dr. Receipt Cash Book

- Cr. Other Income / Customer Deposits

All entries must be supported by source documents and posted promptly to the General Ledger.

# CHAPTER SIX – DEBTORS, PREPAYMENTS, AND ADVANCES

## 6.1 Purpose

This chapter outlines the policies and procedures for managing debtors, prepayments, and advances at MARWASCO. It ensures that all receivables are accurately recorded, monitored, and recovered in accordance with the Public Finance Management Act, 2012, the Water Act, 2016, and applicable International Public Sector Accounting Standards (IPSAS), particularly IPSAS 9 (Revenue from Exchange Transactions) and IPSAS 23 (Non-Exchange Revenue).

## 6.2 Debtors' Management

### 6.2.1 Debtors Management System

MARWASCO shall maintain a centralized Debtors Management System to record and monitor all customer arrears related to water and sewerage services. The system shall:

- Capture all outstanding balances and payment arrangements.
- Track disconnections, reconnections, and penalties.
- Generate reports for decision-making and audit purposes.

All receivables shall be stated at nominal value, net of provisions for doubtful debts.

### 6.2.2 Recovery Procedures

The Commercial Manager shall oversee debtor recovery using the following procedures:

1. **Account Maintenance**: Maintain an up-to-date ledger for each customer

2. **Monthly Review**: Review accounts and issue reminders for overdue balances

3. **Disconnection List**: Generate disconnection lists for overdue accounts, including reconnection fees

4. **Reconnection List**: Generate reconnection lists only after full settlement of arrears and penalties

5. **Monitoring**: Ensure only accounts that have been cleared are reconnected

6. **Demand Notices**: Issue formal demand letters for accounts exceeding Kshs 10,000 overdue by 30+ days

7. **Escalation**: Submit a list of major defaulters to Management monthly for further action, including legal enforcement under Water Act, 2016, Section 77

8. **Compliance Monitoring**: Continuously monitor adherence to payment arrangements

### 6.2.3 Legal Enforcement

Where a customer breaches a payment agreement or defaults, the Company may:

- Terminate water supply in accordance with Water Act, 2016, Section 94
- Initiate legal proceedings to recover the debt under the Civil Procedure Act, Cap. 21. MARWASCO may seek the services of the County Attorney to actualize this process.

## 6.3 Bad Debts and Provisions

### 6.3.1 Provisioning Policy

- The Finance Manager shall review disputed or long-outstanding debts monthly.
- A general provision of 5% shall be applied to the total outstanding balance, subject to review.
- Provisions shall be recognized in accordance with IPSAS 29 (Financial Instruments)

### 6.3.2 Write-Off Policy

- Debts exceeding Kshs 50,000 require Board approval for write-off.
- Debts below that threshold may be written off by the Managing Director with Board notification.

Write-offs shall only occur after:

- Exhaustion of all legal and recovery measures
- Documentation of due diligence and cost-benefit analysis

## 6.4 Key Controls for Debtors

- Maintain individual customer accounts and reconcile monthly.
- Maintain a prepayments schedule and reconcile with the General Ledger
- Maintain an Imprest Register for all advances.
- All imprest forms must be approved by Heads of Departments and reviewed by Finance.

### 6.4.1 Debtors Reports

| Code | Report | Frequency | User |
|---|---|---|---|
| DRU-01 | Aged Debtors Analysis | Monthly | Revenue accountant |
| DRU-02 | Movement in Provision for Doubtful Debts | Annual | Finance Manager |

## 6.5 Prepayments

MARWASCO shall maintain a schedule of all prepayments and deposits for goods and services. The schedule shall be:

- Updated monthly
- Reconciled to the General Ledger
- Reviewed by the Finance Manager

Examples include rent, insurance premiums, and supplier deposits.

## 6.6 Imprest and Advances

### 6.6.1 Definition and Purpose

An imprest is a fixed cash advance issued for approved operational or travel-related expenses. It ensures timely execution of activities while maintaining financial discipline.

6.6.2 Categories

- **Business Imprest**: For operational activities (e.g., workshops, fieldwork)
- **Travel Imprest**: For official travel, both in-country and out-of-country

### 6.6.3 Imprest Issuance

- Issued upon submission of a duly completed Imprest Application Form (MARWASCO/AF/07) template presented in (Annex 7) within 48 hours before planned travel or field activity.
- Must be approved by the Head of Department and authorized by the Finance Manager

Supporting documents include:

- Activity plan or invitation letter
- Approved budget line
- Procurement requisition (if applicable)

### 6.6.4 Surrender and Accountability

- Imprest must be surrendered within 48 hours of return using Imprest Accounting Form (MARWASCO/AF/08) using template in Annex 8
- Attach valid receipts and an activity report (copied to the Head of Department)
- Unspent funds must be returned to the cashier and receipted.
- Overspent amounts (if justified) must be approved by the Head of Department and Finance Manager
- No new imprest shall be issued until previous ones are fully accounted for.

Reference: Public Finance Management Act, 2012 – Section 127 (2)(b): "An accounting officer shall ensure that all money appropriated is used for the intended purpose."

6.6.5 Multiple Imprests

- No staff shall hold more than one unaccounted imprest unless implementing multiple approved activities.
- Exceptions must be approved in writing by the Head of Department and Finance Manager

## 6.7 Travel Imprest

### 6.7.1 In-Country Travel

- Per-dem rates apply for meals and accommodation.
- Day trips attract meal allowances only.
- Fuel and vehicle costs are reimbursed only with valid receipts.
- No reimbursement for trips using MARWASCO vehicles.

### 6.7.2 Out-of-Country Travel

- Subsistence allowance paid as per Board-approved rates.
- Rates guided by Salaries and Remuneration Commission (SRC) circulars.
- Must be supported by invitation letter and approved travel plan.

6.8 Accounting for Imprest

The steps and responsibility for accounting for the imprest are as outlined below:

| **Step** | **Responsibility** |
|---|---|

| | |
|---|---|
| Submit Imprest Accounting Form with receipts | Imprest Holder |
| Review and approve documentation | Accountant |
| Reconcile and record expenditure | Accountant |
| Assign correct vote heads and cost centers | Accountant |
| Authorization of the imprest accounting documents | Managing Director |
| Update Imprest Ledger | Accountant |
| File documents for audit trail | Finance Department |

# CHAPTER SEVEN – ACCOUNTING FOR EXPENDITURE

## 7.1 Purpose

This chapter outlines the procedures for recognizing, recording, and managing both recurrent and capital expenditures at MARWASCO. It ensures that all expenditures are properly authorized, accurately recorded, and aligned with the approved budget, in accordance with the Public Finance Management Act, 2012, the Water Act, 2016, and applicable International Public Sector Accounting Standards (IPSAS), particularly IPSAS 1 (Presentation of Financial Statements) and IPSAS 17 (Property, Plant, and Equipment).

## 7.2 Scope

These procedures apply to all expenditures incurred by MARWASCO for goods, services, and capital projects, whether funded internally or through external grants and loans. All expenditure must be:

- Budgeted and approved in advance
- Supported by valid documentation
- Charged to the correct accounting codes
- Recorded on an accrual basis

## 7.3 Accounting Basis

MARWASCO shall apply the accrual basis of accounting, as required under IPSAS 1 and PFM Act Section 74. This means:

- Expenditures are recognized when goods or services are received, not when payment is made.
- Commitments are recorded once a purchase order or contract is issued.
- Liabilities are recognized when invoices are received and verified.

## 7.4 Classification of Expenditure

Expenditures are classified into:

### 7.4.1 Recurrent Expenditure

Includes day-to-day operational costs such as:

- Salaries and wages
- Utilities (electricity, water, internet)
- Office supplies and consumables
- Repairs and maintenance
- Fuel and transport.
- Insurance and statutory payments

### 7.4.2 Capital Expenditure (CapEx)

Includes long-term investments in infrastructure and equipment, such as:

- Construction of water and sewerage infrastructure
- Purchase of vehicles, plant, and machinery
- ICT systems and hardware

- Major rehabilitation works.

Reference: Public Finance Management Act, 2012 – Section 123: Development Budgeting

### 7.5 Expenditure Authorization and Coding

- All expenditures must be charged to the correct vote head and accounting code as per the approved budget.
- The Finance Department shall maintain and disseminate an official Chart of Accounts aligned with the National Treasury's classification standards.
- Departmental heads are responsible for ensuring that expenditure is coded correctly and do not exceed approved budget limits.

### 7.6 Procurement and Receipt of Goods and Services

- All procurement must comply with the Public Procurement and Asset Disposal Act, 2015 and MARWASCO's internal procurement policy.
- Goods and services must be received and inspected by the User Department and Procurement Unit.
- A Goods Received Note (GRN) template in Annex 12 or Service Completion Certificate must be issued and signed by the officer responsible.
- No payment shall be processed without proper acknowledgment of receipt.

### 7.7 Payment Processing

The payment processing procedures are outlined, with steps, requisite activity, and responsibility.

| Step | Activity | Responsibility |
|---|---|---|
| 1 | Submit invoice with supporting documents | Supplier / User Department |
| 2 | Verify delivery and documentation | Procurement & User Department |
| 3 | Match invoice to Purchase Order and GRN | Accounts Payable Officer |
| 4 | Approve payment voucher | Head of Department & Finance Manager |
| 5 | Authorize payment | Managing Director / Authorized Signatory |
| 6 | Record transaction in General Ledger | Accountant |

All payments must be supported by:

- Approved Purchase Order
- Delivery Note or Service Report
- Invoice
- Payment Voucher
- Budget availability confirmation

### 7.8 Payment Methods

Payments shall be made via Electronic Funds Transfer (EFT) or cheque, in line with PFM Act Section 109.

Cash payments are discouraged and only permitted for petty cash transactions below Kshs 5,000.

All payments must be acknowledged by the payee through a stamped receipt or signed payment confirmation.

### 7.9 Petty Cash Expenditure

- A petty cash float shall be maintained for minor operational expenses.
- A float of 100,000 Kshs will be maintained by Finance Department. This will always be replenished after full surrender of dispensed cash. Payments will only be made upon submission of complete and fully authorized documentation by the Accounting Officer.
- All petty cash disbursements must be supported by petty cash vouchers and receipts.
- For segregation of responsibility, FM will assign responsibility for keeping the petty cash to one of the staff within the department and conduct random inspections and cash counts to confirm the funds are not used for non-official activities.
- Petty Cash expenses shall be limited to Kshs 10,000 per transaction approved by Finance Manager and Authorized by MD.
- The petty cash register shall be reconciled monthly and reviewed by the accountant.

### 7.10 Expenditure Reporting and Monitoring

- The Finance Department shall prepare monthly and quarterly expenditure reports comparing actual vs. budgeted figures.
- Variance analysis shall be conducted and shared with Departmental Heads and the Managing Director.
- Significant variances (not to exceed 20% of the approved budget) must be explained, and corrective action proposed.

Reference: IPSAS 24 – Presentation of Budget Information in Financial Statements

### 7.11 Internal Controls and Audit Trail

- All expenditure transactions must be traceable through a complete audit trail.
- Supporting documents must be securely filed and retained for at least seven (7) years, in line with Kenya Revenue Authority (KRA) requirements.
- The Internal Audit Unit shall conduct periodic reviews to ensure compliance with expenditure procedures.

## CHAPTER EIGHT – PAYROLL PROCEDURES

### 8.1 Purpose

The payroll system at MARWASCO is designed to ensure accurate, timely, and lawful compensation of employees. It supports compliance with statutory obligations, promotes transparency, and integrates with the Company's financial and human resource systems. This chapter outlines the procedures for payroll preparation, processing, disbursement, and reporting in accordance with Employment Act, 2007; Income Tax Act (Cap. 470); National Hospital Insurance Fund Act, 1998; National Social Security Fund Act, 2013; Data Protection Act, 2019 and Labour Institutions Act, 2007

### 8.2 Objectives of the Payroll System

The payroll system shall:

i. Compute salaries and wages based on approved contracts, hours worked, allowances, and deductions.
ii. Ensure statutory compliance with PAYE, NSSF, NHIF, and other legal deductions.
iii. Manage employee benefits such as leave, insurance, and pension contributions.
iv. Generate pay slips and reports for employees, auditors, and regulators.
v. Integrate with accounting and HR systems for seamless financial and personnel management.
vi. Enable employee self-service for pay slip access and tax documentation.
vii. Maintain confidentiality and data security in line with the Data Protection Act, 2019

### 8.3 Payroll Policy

MARWASCO shall maintain a monthly payroll for all contracted employees in line with their employment terms.

a. The Finance Manager is responsible for payroll preparation, in coordination with the Human Resource Manager (HRM).
b. No payroll changes shall be made without written authorization from the Finance & Administration Manager.
c. All salaries shall be paid via bank transfer to employee accounts by the last working day of each month.
d. Payroll shall be finalized by the 25th of each month and submitted to the bank by the 27th of the same month.
e. Statutory deductions shall be remitted to relevant authorities within the timelines prescribed by law.

### 8.4 Payroll Preparation Procedures

The steps, key activities and responsibility for the preparation and approval of payroll are outlined below.

| Step | Activity | Responsibility |
|---|---|---|
| 1 | Submit Payroll Change Advice (new hires, terminations, salary changes) | HRM |
| 2 | Review and approve changes | Finance Manager |
| 3 | Input changes into payroll system | HRM |
| 4 | Generate draft payroll reports (net pay, deductions, bank transfers) | HRM |
| 5 | Review and validate reports | Finance Manager |
| 6 | Approve payroll for payment | Managing Director |
| 7 | Process salary payments and statutory deductions | Accountant |
| 8 | Update General Ledger and file reports | Accountant & HRM |

### 8.5 Payroll Documentation Requirements

For new employees, the following documents must be submitted before inclusion in payroll:

- Appointment letter
- Staff number
- KRA PIN certificate
- NSSF and NHIF registration numbers
- Bank account details.
- Copy of national ID

### 8.6 Payment Processing for temporary, Seconded personnel and Casuals

#### 8.6.1 Temporary personnel

The payment for the temporary staff will be processed as per their contract terms and conditions.

#### 8.6.2. Staff on Secondment

i. Staff seconded too MARWASCO and subsequently assigned managerial roles by MARWASCO are entitled to monthly responsibility allowance at rate of 20% of the salary of the Substantive position at MARWASCO. This allowance will be paid through MARWASCO's payroll system.
ii. The top up rates are capped at either 20% of the seconded staff basic salary or the difference between their basic salary, whichever is higher.
iii. The payment shall be in inform of responsibility allowance and be subject to taxation as per the applicable Kenyan laws.

### 8.6.3 Casuals

As the Human Resources Policy and Procedures Manual, casuals are categorized into unskilled, semi-skilled and skilled casuals. These are remunerated at daily rates which are derived from the recommended minimum[1] wage summarized in the table below:

| SNO | Category of Casual | Minimum Wage (Kshs) | Proposed MARWASCO Wage rate (Kshs) |
|---|---|---|---|
| 1 | Unskilled Casuals | 775 | 800 |
| 2 | Semi-skilled Casual | 836 - 877 | 900 - 1000 |
| 3 | Skilled Casual | 1000 | 1200 – 1500 |

These remunerations will be reviewed periodically to ensure they remain aligned to market realities and compliance with legal requirements for minimum wages.

8.6.4 Bakuli Pump attendants and Security Guards

i. Bakuli Pump attendants are entitled to a weekly non-taxable extraneous allowance of Kshs 3,000 per person per week to facilitate their work in shift.
i. Bakuli Security guards' remuneration
ii. The amount will be reviewed periodically to adjust for inflation and adjustment for cost of living.
iii. The payment may be made weekly or as lumpsum for 4 weeks in a month.
iv. The security guards seconded at Bakuli are entitled to monthly non-taxable allowance of Kshs 15,000 per person per month based on SRC guidelines and is capped at Kshs 18,000 per Month.
v. The rates may be adjusted at MARWASCO's discretion based on the financial capacity and fair compensation principles.

8.6.5 Board Allowances and payment procedures

Board members are entitled to night outs, sitting allowances and transport re-imbursement when on MARWASCO official duties. The rates for the allowances are as per section 13.9.1 of this policy.

The allowances are subject to tax, if the amount is within the taxation threshold as per the provisions of the Income Tax Act.

8.6.6 Compensation for overtime and lunch allowances

Staff working overtime and during lunch break are eligible for allowances at rates stipulated in section 13.9.2 of this policy.

## 8.7 Statutory and Non-Statutory Deductions

### 8.7.1 Statutory Deductions

- PAYE: Deducted and remitted monthly to KRA under the Income Tax Act (Cap. 470)
- NSSF: Deducted and remitted under the NSSF Act, 2013

[1] Regulation of Wages and Conditions of Employment Act, November 2024.

- NHIF: Deducted and remitted under the NHIF Act, 1998

### 8.7.2 Non-Statutory Deductions

- SACCO contributions
- Pension scheme contributions
- Loan repayments
- Union dues (if applicable)

Total deductions shall not exceed two-thirds of gross salary, according to the Employment Act, Section 19.

## 8.8 Payroll Disbursement

- Salaries are disbursed via EFT to employee bank accounts.
- The accountant prepares payment instructions and submits them to the bank with supporting schedules.
- Statutory deductions are remitted to respective authorities by the 9th of the following month, in line with KRA and NHIF deadlines.
- Pay slips are generated and distributed electronically or in sealed envelopes.

## 8.9 Payroll Reporting and Record-Keeping

The following reports are generated monthly:

| **Report** | **Purpose** | **User** |
|---|---|---|
| Net Pay Report | Salary disbursement | Accountant |
| Statutory Deductions Report | Compliance tracking | Finance Manager |
| Payroll Summary | Board reporting | MD & Board |
| Payroll Journal | Ledger posting | Accountant |
| Employee Payslips | Individual reference | Employees |

Annual Financial Statements Presentation to the Office of Auditor General is on the 30th of August each year. Financial Statement is to be prepared by ICPAK licensed accountant and of good standing.

All payroll records shall be retained for at least 7 years in compliance with KRA and Labour Institutions Act requirements.

## 8.10 Penalties and Recovery

- Any penalties arising from employee non-compliance with statutory obligations (e.g., late KRA returns) shall be recovered from the employee's salary.
- The Finance Manager shall ensure timely recovery and remittance of such penalties.

# CHAPTER NINE – CREDITORS AND ACCRUALS MANAGEMENT SYSTEM

## 9.1 Purpose

The Creditors and Accruals Management System ensures that all liabilities—whether invoiced or accrued, accurately recorded, monitored, and settled in a timely and transparent manner. This supports:

- Financial accuracy and integrity
- Compliance with statutory and regulatory frameworks
- Effective cash flow and supplier relationship management
- Audit readiness and accountability.

This system is guided by the Public Finance Management Act, 2012, Income Tax Act (Cap. 470), Water Act, 2016, and applicable International Public Sector Accounting Standards (IPSAS), particularly IPSAS 19 (Provisions, Contingent Liabilities and Contingent Assets) and IPSAS 1 (Presentation of Financial Statements).

## 9.2 Objectives

i. Maintain accurate records of all payables and accrued expenses.
ii. Ensure timely reconciliation and settlement of supplier accounts.
iii. Preventing penalties, interest, or reputational damage due to delayed payments.
iv. Support budgetary control and financial planning.
v. Strengthening internal controls and audit trails.

## 9.3 General Creditors Management

### 9.3.1 Supplier Records and Ledger Maintenance

The Finance Department shall maintain a Creditors Register capturing all unpaid suppliers of goods and services.

Each supplier shall have an individual ledger account showing:

- Opening balance
- Invoices received
- Payments made
- Outstanding balances

### 9.3.2 Monthly Reconciliation

i. A monthly creditors listing shall be prepared and reconciled with the Creditors Control Account in the General Ledger.
ii. Any discrepancies must be investigated and corrected promptly.
iii. Debit balances in supplier accounts must be reviewed monthly and resolved.

### 9.3.3 Supplier Statement Reconciliation

Supplier statements shall be obtained monthly and reconciled against internal records.

Reconciliations must be:

- Prepared by the Accountant

- Reviewed and signed by the Finance Manager
- Filed for audit purposes

## 9.4 Recognition and Processing of Creditors

| Step | Activity | Responsibility |
|---|---|---|
| 1 | Receive invoice and verify against LPO, Delivery Note (DN), Goods Received Note (GRN), inspection report, and procurement minutes | Accountant |
| 2 | If documents are incomplete or inconsistent, return to Inventory Officer for clarification | Accountant |
| 3 | Record invoice in the **Supplier Invoice Register** | Accountant |
| 4 | Update the **Creditors Ledger** if all documents are valid and authorized | Accountant |
| 5 | Ensure expense is within approved budget | Finance Manager |
| 6 | Conduct monthly reconciliation and prepare **Creditors Report** | Accountant |

Reference: Public Procurement and Asset Disposal Act, 2015 – Sections 147–149 (Payment and Contract Management)

## 9.5 Accruals and Provisions

### 9.5.1 Year-End Accruals

At the end of each financial year, the Finance Department shall accrue for:

- Validly incurred but unpaid expenses (e.g., utilities, retention money, unpaid invoices)
- Services received but not yet invoiced.
- Contractual obligations are due but unsettled.

These accruals shall be recognized in line with IPSAS 19 and PFM Act Section 74.

### 9.5.2 Review and Reversal

- The Finance Manager shall review all accruals after the end of the financial year.
- Any liabilities deemed unlikely to materialize shall be reversed.
- Supporting documentation must be retained for audit purposes.

## 9.6 Controls and Reporting

### 9.6.1 Internal Controls

- Maintain individual supplier accounts and a consolidated control account.
- Conduct monthly reconciliations of supplier statements.
- Segregate duties between invoice processing, approval, and payment.
- Ensure all payments are supported by complete documentation.

### 9.6.2 Monthly Reporting

The accountant shall prepare a Monthly Creditors Report including:

- Supplier statement reconciliations
- Aged creditors analysis (e.g., 0–30, 31–60, 61–90, 90+ days)
- Accruals listing
- Summary of disputed or long-outstanding balances

This report shall be reviewed by the Finance Manager and submitted to the Managing Director.

### 9.7 Supplier Relationship Management

MARWASCO shall maintain open communication with suppliers regarding payment timelines and dispute resolution.

Prompt payments shall be prioritized to avoid penalties and maintain trust.

Disputes shall be resolved within 14 working days of notification.

In line with Water Act, 2016 – Section 72: Financial Management of Water Service Providers

### 9.8 Integration with Accounting Systems

The Creditors and Accruals System shall be integrated with the Company's Enterprise Resource Planning (ERP) or accounting software.

Real-time updates shall be enabled for:

- Purchase orders
- Invoice matching
- Payment processing
- Ledger postings

# CHAPTER 10 - OVERVIEW OF THE PROCUREMENT POLICIES AND PROCEDURES

## 10.1 Policy Direction

MARWASCO Procurement for goods, services and works shall be as per MARWASCO procurement Policy and Procedure Manual that has been aligned with The Public Procurement and Disposal Act, 2015 and Regulations, 2020. This is to ensure transparent and accountable procurements and build trust and confidence among stakeholders as far as MARWASCO operations and engagements are concerned.

The Public Procurement and Disposal Act 2020 aim to achieve the following objectives in public procurement.

a. To maximize economy and efficiency.
b. To promote competition and ensure that competitors are treated fairly.
c. To promote the integrity and fairness of those procedures.
d. To increase transparency and accountability in those procedures.
e. To increase public confidence in those procedures and
f. To facilitate the promotion of local industry and economic development.

The Company will be expected to adhere to these basic principles for all procurements carried out.

## 10.2 Procedures

MARWASCO shall follow the procedures and processes outlined in the Procurement Policy and Procedure Manual for MARWASCO and in line with public procurement and disposal Act 2015 in the procurement of goods, services and works.

Payments for procured goods, services and works will be made in accordance with payment procedures laid out in section 13.3

## 10.3 Authorization Limits

The Local Purchase Order for goods, and Local Service Order (LSO) for services or works shall be approved as follows:

| **Amount** | **Authorized Officials** |
|---|---|
| 0-Ksh.100,000 | Finance Manager |
| Ksh.100,000-Ksh.5,000,000 | Managing Director (MD) |
| Ksh.5,000,000 and above | Board of Directors (BOD) |

# CHAPTER ELEVEN – FIXED ASSETS MANAGEMENT

## 11.1 Purpose

This chapter outlines the policies and procedures for the acquisition, recording, safeguarding, depreciation, and disposal of fixed assets at MARWASCO. It ensures that all assets are:

- Properly recorded and classified.
- Safeguarded against loss, misuse, or deterioration.
- Depreciated and accounted for in accordance with applicable accounting standards.
- Disposed of transparently and in compliance with legal requirements.

Guided by and in compliance with:

- Public Finance Management Act, 2012
- Public Procurement and Asset Disposal Act, 2015
- Water Act, 2016
- Income Tax Act (Cap. 470)
- IPSAS 17: Property, Plant, and Equipment

## 11.2 Definition and Scope

Fixed assets are tangible, non-current assets acquired for use in operations and not intended for resale. At MARWASCO, these include:

- Land and buildings.
- Plant and machinery.
- Motor vehicles
- ICT equipment
- Office furniture and fittings
- Water meters and infrastructure

## 11.3 Capitalization Policy

- Assets with a unit cost of Kshs 25,000 or more and a useful life exceeding one year shall be capitalized.
- Assets below this threshold shall be expensed and recorded in the Stores Register for control.
- Sets of assets (e.g., office furniture) purchased together shall be treated as a single asset for capitalization.
- Donated assets shall be valued and capitalized if they meet the threshold.

## 11.4 Acquisition and Budgeting

- All capital acquisitions must be included in the approved Capital Budget and authorized by the Board of Directors.
- The Finance Manager shall confirm budget availability before procurement.
- Procurement shall follow the procedures outlined in MARWASCO's Procurement Policy, which is aligned to the Public Procurement and Asset Disposal Act, 2015.

### 11.5 Asset Tagging and Registration

Upon receipt or completion, each asset shall be assigned a unique tag number and recorded in the Fixed Assets Register (MARWASCO/AF/06) template presented in Annex 6.

The register shall include:

- Asset description, model, and serial number
- Date of acquisition and cost
- Asset class and location
- Tag number and condition.
- Depreciation rate and accumulated depreciation
- Insurance status

### 11.6 Depreciation Policy

MARWASCO shall use the reducing balance method of depreciation.

Depreciation shall commence in the month of acquisition and cease upon disposal or full depreciation.

The following rates shall apply:

| Asset Class | Useful Life | Depreciation Rate |
|---|---|---|
| Buildings | 40 years | 2% |
| Plant, Machinery & Equipment | 8 years | 12.5% |
| Motor Vehicles | 4 years | 25% |
| Computer Equipment | 3 years | 30% |
| Office Equipment | 8 years | 12.5% |
| Office Furniture & Fittings | 8 years | 12.5% |
| Water Meters | 5 years | 12% |

Reference: Income Tax Act (Cap. 470), Second Schedule – Wear and Tear Allowances

### 11.7 Insurance of Assets

- All insurable assets shall be covered against fire, theft, burglary, and accidental damage.
- The Managing Director shall ensure that insurance policies are procured from reputable providers.
- The accountant shall maintain the insurance registers and policy documents.

### 11.8 Asset Movement and Usage Controls

Movement of assets shall be tracked using:

- Vehicle Movement Register (MARWASCO/AF/15) using the template presented in Annex 15.
- Fixed Assets Movement Register (MARWASCO/AF/16) using the template presented in Annex 16
- Unauthorized relocation or use of assets is prohibited.
- All assets must be used for official purposes only.

### 11.9 Physical Verification
Independent physical verification of all fixed assets shall be conducted twice annually.

Discrepancies shall be investigated, and corrective action taken.

Verification reports shall be reviewed by the Finance Manager and filed for audit.

### 11.10 Disposal of Fixed Assets
Disposal shall comply with Part X of the Public Procurement and Asset Disposal Act, 2015:

Section 128: Establishment of Disposal Committee

Section 129: Disposal Procedures

Section 131: Restrictions on Disposal to Employees

Disposal methods include public auction, transfer to other public entities, or destruction (if unserviceable).

Proceeds from disposal shall be receipted and recorded in the General Ledger.

### 11.11 Accounting Procedures
#### 11.11.1 Acquisition
Dr. Fixed Assets Account

Cr. Accounts Payable / Bank

#### 11.11.2 Depreciation
Monthly depreciation journal:

Dr. Depreciation Expense Account

Cr. Accumulated Depreciation Account

#### 11.11.3 Disposal
Dr. Accumulated Depreciation

Dr. Bank / Receivables (if applicable)

Dr. /Cr. Loss or Gain on Disposal

Cr. Fixed Assets Account

### 11.12 Key Controls
- Fixed Assets Register (Annex 6) maintained and updated continuously.
- Capital expenditure approved by the Board
- Asset tagging and coding upon acquisition.
- Movement tracked using approved forms
- Regular physical verification and reconciliation with General Ledger
- Adequate segregation of duties in asset management
- All vouchers stamped “PAID” upon settlement.

## 11.13 Reporting Requirements

| Report | Frequency | Prepared By | Reviewed By |
|---|---|---|---|
| Fixed Assets Movement Schedule | Quarterly | Accountant | Finance Manager |
| Fixed Assets Verification Report | Semi-Annually | Accountant | Finance Manager |
| Reconciliation with General Ledger | Monthly | Accountant | Finance Manager |
| Updated Fixed Assets Register | Continuous | Accountant | Finance Manage |

# CHAPTER TWELVE – INVENTORIES MANAGEMENT

## 12.1 Purpose

This chapter provides a structured framework for the management of inventories at MARWASCO. It ensures that:

- ✓ Optimum stock levels are maintained to support uninterrupted operations.
- ✓ Inventory is safeguarded against loss, theft, or deterioration.
- ✓ Accurate records are maintained for financial reporting and audit purposes.
- ✓ Inventory valuation and control comply with applicable laws and accounting standards.

This is guided by and in compliance with Public Finance Management Act, 2012; Public Procurement and Asset Disposal Act, 2015; Water Act, 2016; Income Tax Act (Cap. 470); IPSAS 12: Inventories

## 12.2 Inventory Valuation Policy

- Inventories shall be valued at the lower of cost and net realizable value.
- Cost includes purchase price, transport, handling, and other costs incurred to bring the inventory to its current location and condition.
- The weighted average cost method shall be used for valuation.
- If net realizable value falls below cost (e.g., due to obsolescence or damage), the inventory shall be written down accordingly.

## 12.3 Inventory Records and Documentation

All inventory items shall be recorded in the Stock Ledger (MARWASCO/AF/19) using template in (Annex 19) maintained by the Finance Department and in Bin Cards maintained in the stores by the Stores Manager/Officer.

Upon receipt, items are verified and posted to the Bin Card and Stock Ledger.

All stock movements (receipts and issues) must be recorded promptly and accurately.

Low-value consumables (e.g., stationery, kitchen items) are expensed directly and tracked via bin cards.

## 12.4 Physical Stock Counts and Reconciliation

Quarterly physical stock counts shall be conducted by an officer independent of the Stores Clerk.

Results shall be reconciled with bin cards and the Stock Ledger.

Variances must be investigated, and corrective action taken with a report to Finance Manager and MD.

A Stock Count Report shall be prepared and reviewed by the Finance Manager.

This shall be done in line with PFM Act, 2012 – Section 149: Internal Controls and Asset Management

## 12.5 Inventory Control and Stock Levels

Maintaining optimal stock levels is essential to avoid:

- Stock-outs that disrupt operations and reduce customer satisfaction.
- Overstocking that ties up capital and increases storage costs.

The goal is always to ensure uninterrupted service while minimizing excess inventory. The Supply Chain Management Team will be guided by the following practices in setting the maximum and minimum stock levels:

**1. Monthly Usage-Based Restocking**

- Restocking levels will be based on average monthly consumption of materials like pipes, fittings, chemicals, and spare parts.
- Historical usage data helps forecast demand and avoid stock outs.

**2. Minimum and Maximum Stock Thresholds**

- The department will establish minimum stock levels to trigger reordering before depletion. For example, minimum stocking level can be set at 25% to avoid stock out
- There is also a need to set maximum stock limits to avoid overstocking and wastage.
- The chosen thresholds vary by item type, lead time, and criticality.

**3. Categorization by Criticality**

- High-priority items (e.g., chlorine, repair clamps, meters) can have higher restocking buffers.
- Non-critical items can follow leaner inventory models.

**4. Lead Time Consideration**

- Restocking levels must account for supplier lead times and potential delays.
- Items with longer procurement cycles require larger buffer stocks.

**5. Maintenance and Emergency Preparedness**

- Include provisions for emergency repairs and seasonal demand spikes (e.g., during droughts or floods).
- Maintain a contingency stock for disaster response and rapid deployment.

**6. Integration with Budgeting and Procurement**

- Monthly restocking plans should be aligned with budget cycles and procurement schedules.
- Departments should submit updated usage and restocking forecasts before budget planning begins.

The setting of maximum and minimum stock levels will allow sufficient lead time for procurement as per the Procurement Policy and Procedures Manual.

### 12.5.1 Stock Level Definitions

| Level | Definition |
|---|---|
| **Reorder Level** | The point at which a purchase requisition voucher (Annex 10) must be initiated to replenish stock. It is set above the minimum level to account for lead time and usage variability. |
| **Minimum Stock Level** | The lowest acceptable quantity before a stock-out risk arises. Acts as a buffer for emergencies. |
| **Maximum Stock Level** | The highest quantity that should be held to avoid overstocking, considering usage rate, delivery time, and storage capacity. |

### 12.5.2 Factors Considered in Setting Stock Levels

i. Usage rate and consumption trends
ii. Lead time for procurement and delivery.
iii. Storage space availability
iv. Risk of obsolescence, spoilage, or deterioration
v. Price volatility and seasonal availability
vi. Economic order quantity (EOQ) analysis

## 12.6 Stores Requisition and Issue Procedures

To obtain inventory from stores:

| Step | Activity | Responsibility |
|---|---|---|
| 1 | Raise **Stores Requisition Voucher (MARWASCO/AF/17)** in triplicate using template in Annex 17. | User Department |
| 2 | Approve requisition | Section Head |
| 3 | Issue stock based on approved requisition | Stores Clerk |
| 4 | Record issue in **Stores Issue Voucher (MARWASCO/AF/18)** using template in Annex 18 | Stores Clerk |
| 5 | File one copy in stores, send one to Finance | Stores Clerk |
| 6 | Prepare journal entry to expense issued stock | Accountant |
| 7 | Review and approve journal entry | Finance Manager |
| 8 | File journal voucher (Annex 9) and supporting documents | Accountant |

## 12.7 Reporting and Reconciliation

| Report | Frequency | Prepared By | Reviewed By |
|---|---|---|---|
| Physical Stock Count Report | Quarterly | Stores Officer | Finance Manager |
| Reconciliation to General Ledger | Quarterly | Accountant | Finance Manager |
| Inventory Listing with Book Values | Monthly | Accountant | Finance Manager |

## 12.8 Key Controls

- Access to stores restricted to authorized personnel.
- All receipts and issues supported by approved documentation.

- Segregation of duties between requisition, approval, and issuance
- Periodic review of slow-moving and obsolete stock
- Inventory write-offs approved by the Managing Director and documented.
- All inventory adjustments posted to the General Ledger with supporting evidence.

# CHAPTER THIRTEEN – CASH MANAGEMENT

## 13.1 Purpose

This chapter establishes a robust framework for managing cash at MARWASCO to ensure:

- All payments are properly verified, authorized, and documented.
- Cash availability is aligned with operational needs and financial planning.
- Compliance with statutory obligations and internal controls is maintained.

This is guided and in compliance with:

- Public Finance Management Act, 2012
- Income Tax Act (Cap. 470)
- Water Act, 2016
- IPSAS 2: Cash Flow Statements
- Central Bank of Kenya (CBK) Prudential Guidelines

## 13.2 Cash Receipts and Banking Procedures

### 13.2.1 Receipt of Funds

a. All cheques and direct bank deposits must be receipted using official MARWASCO receipts (Annex 2) in quadruplicate.
b. Direct bank transfers are acknowledged using bank deposit advice and receipted accordingly.
c. Receipts must be coded using the Chart of Accounts (Appendix B) and analysis codes.

### 13.2.2 Banking

- All cheques must be banked as soon as they are received and no later than the next business day.
- The accountant shall prepare and file bank pay-in slips and reconcile them with receipts.

### 13.2.3 Monthly Reconciliation

a. The accountant shall conduct monthly reconciliation of bank deposits and transfers with bank statement.
b. Discrepancies must be investigated immediately and reported to the Finance Manager.

## 13.3 Payment Procedures

### 13.3.1 Payment Categories

Payments may be made to:

a. Suppliers of goods and services
b. Staff (salaries, imprests, airtime)
c. Contractors and consultants
d. Petty cash replenishment

### 13.3.2 Payment Documentation

All payments must be supported by a Cheque Payment Voucher (MARWASCO/AF/03) [Annex 3] and the following:

i. Supplier invoice / GRN (Annex 14)

ii. Local Purchase Order (LPO) templated presented in (Annex 11)
iii. Goods Received Note (GRN)
iv. Delivery Note and Inspection Certificate
v. Contract completion certificate (for work)
vi. Professional fee notes (for services)

#### 13.3.3 Cheque and EFT Payments

All payments must be recorded in the Cheque Payment Register (MARWASCO/AF/04), presented in Annex 4.

a. Cheques must be crossed and never pre-signed.
b. Cancelled cheques must be stamped "VOID" and recorded accordingly.
c. All supporting documents must be stamped "PAID."

These practices shall conform to Public Procurement and Asset Disposal Act, 2015 – Sections 147–149

### 13.4 Payment Approval and Authorization Limits

Within the context of this section, the FM and Head of Departments will check and confirm that the payments paperwork has been subjected to due diligence and requests for payment are valid. They will approve the documentation to proceed to the next stage of payment processing subject to authorization by the MD. The authority to release funds after approval of the relevant paperwork remains exclusively with the Managing Director.

| **Approver** | **Approval Limit** | **Authorization to Release Funds (Payment)** |
|---|---|---|
| Head of Department | Up Kshs 30,000 | Managing Director |
| Finance Manager | Up to Kshs 100,000 | Managing Director |
| Managing Director | Up to Kshs 5,000,000 | Managing Director |
| Board of Directors | Above Kshs 5,000,000 | Board |

MARWASCO Accounts shall have three signatories, including Managing Director, Finance Manager and any other Manager co-opted as signatory. All payments must always be signed by at least two authorized signatories, with Managing Director being a Mandatory signatory.

### 13.5 Bank Management and Reconciliation

i. Banking arrangements must be approved by the Board and executed by the Managing Director.
ii. Monthly bank reconciliations must be prepared by the accountant and reviewed by the Finance Manager.
iii. Non-reconciling items must be investigated and adjusted through journal entries.

This shall comply with PFM Act, 2012 – Section 149

### 13.6 Petty Cash Management

#### 13.6.1 Policy and Float

i. A petty cash float of Kshs 100,000 shall be maintained for minor operational expenses.

ii. Petty cash shall not be used for workshops, travel, per diems, fuel, or salary advances.
iii. All cash must be securely stored in locked safe and insured.

#### 13.6.2 Request and Disbursement

a. Requests must be made using a Petty Cash Voucher (MARWASCO/AF/05) accounting form, presented in Annex 5 and approved by the accountant.
b. The recipient must sign for the funds and account for them on the same day, unless otherwise approved.
c. Individual transactions from petty cash shall be limited to Kshs 10,000 unless expressly authorized by the Managing Director or his / her delegated representative.

#### 13.6.3 Accounting and Replenishment

i. Petty cash must be accounted for with original receipts and activity details.
ii. Replenishment is triggered when the balance falls below Kshs 20,000.
iii. A payment voucher is raised and supported by all Petty Cash Vouchers (PCVs) and receipts.

The accounting and replenishment procedures are in line with the IPSAS 2 – Cash Flow Statements.

### 13.7 Cash Flow Management

- ✓ The Finance Manager shall prepare annual cash flow projections and review them monthly.
- ✓ Cash flow statements shall be prepared annually for financial reporting.
- ✓ Cash availability shall guide payment scheduling and investment decisions.

### 13.8 Insurance and Security

i. All cash in transit and on premises shall be insured.
ii. The level of insurance shall reflect the risk exposure and security measures in place.
iii. Surprise cash counts shall be conducted by the accountant using Cash Count Form (Annex 20) and reported to the Finance Manager.

### 13.9 Allowances and Airtime

#### 13.9.1 Board of Directors

When the Board meets or travels for official MARWASCO business, the members are entitled:

Night outs of Kshs 16,800 for Board Chair and 14,000 for board member and transport reimbursement based on mileage, valid fuel receipts, or public transport receipts.

Sitting allowances of Kshs 15,000 for Board Chair and Kshs 10,000 for each member during board meetings conducted within Marsabit.

#### 13.9.2 Staff Per Diem and overtime

Paid as per current circular from the Salaries and Remuneration Commission (SRC), approved rates for official travel.

Staff who are verified to have worked overtime are entitled to monetary compensation of Kshs 1,000 per day worked.

The need for overtime work will be determined by the supervisor and documented. Any employee who abuses overtime will not receive any compensation.

Any employee who by virtue of work is unable to go for lunch break is entitled to a lunch allowance.

Job Group Q and above Kshs 2000; K to P Kshs 1000 and all other lower levels Kshs 500 per day

### 13.9.3 Airtime Allowance

The airtime allowance is a benefit offered by MARWASCO to staff to enhance their official communication ability in execution of the company business. The airtime allocation is based on the level of communication expected for various roles and is meant to complement staff's communication expenses while on duty

This benefit shall only be extended to staff depending on the company's financial health.

| Designation | Monthly Airtime (Kshs) |
|---|---|
| Senior Managers (MD, Line Managers) | 10,000 |
| Middle-Level Managers | 3,000 |
| Field Officers, Meter Readers, GIS Officers | 2,000 |
| Support Staff (admin assistants, security guards, receptionists) | 1,000 |

## 13.10 Key Cash Management Controls

The Finance Department shall consistently practice cash management control measures that include:

i. Three signatories for all bank transactions
ii. Weekly petty cash reconciliation
iii. Monthly bank reconciliations
iv. Secure storage and insurance of cash
v. Surprise cash counts and audit trails.

# CHAPTER FOURTEEN – RESERVES MANAGEMENT

## 14.1 Purpose

This chapter outlines the policy and procedures for establishing, maintaining, and utilizing financial reserves at MARWASCO. Reserves are essential for ensuring financial sustainability, asset renewal, and operational stability in the face of unforeseen events or long-term capital needs.

This is guided by State Corporations Act, Cap. 446 – Section 16; Public Finance Management Act, 2012; Water Act, 2016; IPSAS 1 (Presentation of Financial Statements) and IPSAS 19 (Provisions, Contingent Liabilities and Contingent Assets)

## 14.2 Policy Statement

MARWASCO shall establish and maintain appropriate financial reserves to:

- Support the replacement and renewal of depreciating assets.
- Stabilize operations during periods of revenue shortfall or unexpected expenditure.
- Comply with statutory and regulatory requirements.
- Promote long-term financial sustainability and service continuity.

All reserves shall be created, maintained, and utilized in accordance with Board-approved policies and applicable laws.

## 14.3 Types of Reserves

### 14.3.1 Depreciation Reserve

- Funded annually through depreciation charges on fixed assets.
- Used exclusively for the replacement or rehabilitation of depreciated infrastructure and equipment.
- Recorded in accordance with IPSAS 17 and Income Tax Act (Cap. 470) – Second Schedule

### 14.3.2 Sinking Fund

a. Established to accumulate funds for major capital replacements (e.g., treatment plants, pipelines extensions and replacement)
b. Contributions made annually based on asset lifecycle planning and capital investment forecasts.
c. Invested in secure, interest-bearing instruments approved by the Board.

### 14.3.3 Stabilization Reserve

- Provides a financial buffer against operational shocks (e.g., drought, tariff delays, inflation)
- May be used to smooth cash flow and maintain service delivery during revenue shortfalls.
- Target balance: equivalent to 3–6 months of operating expenditure

### 14.3.4 Other Reserves

May include:

- Insurance Reserve – to cover deductibles or uninsured losses.
- Legal Contingency Reserve – for pending litigation or regulatory penalties
- Donor Conditional Reserves – restricted for specific projects or programs.

All additional reserves must be approved by the Board and disclosed in the financial statements.

### 14.4 Reserve Funding and Appropriation

- Reserve contributions shall be included in the annual budgeting process and approved by the Board.
- Surplus funds, after meeting operational and statutory obligations, may be allocated to reserves.
- The Board may direct the use of surplus funds in writing, in accordance with State Corporations Act, Section 16

### 14.5 Reserve Utilization

Withdrawals from reserves must be:

- Justified by a documented need
- Supported by a Board resolution or delegated authority.
- Aligned with the purpose for which the reserve was established.

All reserve movements shall be recorded in the General Ledger and disclosed in the Annual Financial Statements.

### 14.6 Monitoring and Reporting

| **Activity** | **Frequency** | **Responsible Officer** |
|---|---|---|
| Movement in Reserves Report | Annually | Finance Manager |
| Reserve Balances Reconciliation | Quarterly | Accountant |
| Reserve Adequacy Review | Annually | Finance Manager & Managing Director |
| Disclosure in Financial Statements | Annually | Finance Manager |

### 14.7 Internal Controls

- Reserve accounts shall be maintained separately from operational accounts.
- All reserve transactions must be supported by documentation and approved by authorized signatories.
- The Internal Audit Unit shall review reserve management annually and report to the Audit Committee

# CHAPTER FIFTEEN – GENERAL LEDGER MANAGEMENT

## 15.1 Purpose

This chapter outlines the structure, functionality, and control procedures of MARWASCO's General Ledger (GL) system. The General Ledger (GL) serves as the central repository for all financial transactions and balances, ensuring accurate, timely, and auditable financial reporting in compliance with:

- Public Finance Management Act, 2012
- Water Act, 2016
- Income Tax Act (Cap. 470)
- State Corporations Act, Cap. 446
- IPSAS 1 (Presentation of Financial Statements)
- IPSAS 2 (Cash Flow Statements)
- IPSAS 17 (Property, Plant, and Equipment)

## 15.2 System Overview

MARWASCO shall maintain a Pastel-based General Ledger system integrated with all key financial and operational modules. The system must be capable of:

Capturing all income and expenditure transactions (as defined in Chapters 5 and 8) and interfacing with the following subsystems:

a. Debtors Management System
b. Creditors and Accruals System
c. Cashbook and Banking System
d. Inventory Management System
e. Fixed Assets Register
f. Payroll and Human Resource System

## 15.3 Chart of Accounts and Coding Structure

The Chart of Accounts (COA) shall be developed in line with the National Treasury's classification standards and tailored to MARWASCO's operational needs.

Each account shall have a unique code and description, structured to allow:

- Departmental and cost center tracking
- Project and activity-level reporting
- Budget vs. actual comparisons

- The COA shall be reviewed annually and updated with Board approval.

## 15.4 General Ledger Analysis Codes

- In addition to the COA, analysis codes shall be used to enable multi-dimensional reporting (e.g., by funding source, project, or donor).
- These codes shall be embedded in all transaction entries and maintained in the ERP system.
- The structure of analysis codes shall be documented in the Appendices of this manual.

## 15.5 Balances Maintained in the General Ledger

The GL system shall maintain and report the following balances:

- Monthly actuals
- Year-to-date actuals
- Prior year comparatives
- Approved budgets
- Variance reports (actual vs. budget)

All balances must be reconcilable to source documents and subsidiary ledgers.

## 15.6 General Ledger Reports

The system shall generate the following reports for internal control, management decision-making, and statutory compliance:

| Report | Frequency | Users |
|---|---|---|
| Income and Expenditure by Cost Centre | Monthly | Finance Manager, MD, Board |
| Consolidated Income and Expenditure (Current vs. Prior Year) | Monthly | Finance Manager, MD, Board |
| Actual Expenditure vs. Budget | Monthly | Finance Manager, MD, Board |
| Funding Gap Analysis | Monthly | Finance Manager, MD, Board |
| Balance Sheet (Current vs. Prior Year) | Monthly | Finance Manager, MD, Board |
| Financial Statements (Comprehensive Income, Financial Position, Cash Flow, Changes in Equity) | Annually | Finance Manager, MD, Board, External Auditors |

## 15.7 Internal Controls and Audit Trail

- All GL entries must be supported by approved source documents (e.g., payment vouchers, journal vouchers, receipts).
- Journal entries must be reviewed and approved by the Finance Manager.
- The system must maintain an audit trail of all entries, including user ID, date, and time stamp.
- Access to the GL system shall be restricted based on user roles and responsibilities.

## 15.8 Reconciliation and Review

- The accountant shall reconcile all control accounts (e.g., debtors, creditors, bank, inventory, fixed assets) to GL monthly.
- Reconciliation reports shall be reviewed and signed off by the Finance Manager.
- Any discrepancies must be investigated and resolved within 10 working days.

## 15.9 Year-End Procedures

- The Finance Department shall close the books annually in accordance with the fiscal year (July–June).
- Year - end adjustments (e.g., accruals, provisions, depreciation) shall be posted and documented.
- Final accounts shall be prepared in line with IPSAS and submitted to the Auditor-General as required under PFM Act Section 80.

## CHAPTER SIXTEEN – FINANCIAL AND OPERATIONAL REPORTING PROCEDURES

### 16.1 Purpose

This chapter establishes a structured framework for financial and operational reporting at MARWASCO. It ensures that timely, accurate, and relevant reports are generated to support decision-making, regulatory compliance, performance monitoring, and stakeholder accountability.

Guided by Public Finance Management Act, 2012; Water Act, 2016; State Corporations Act, Cap. 446; IPSAS 1 (Presentation of Financial Statements); WASREB Regulatory Guidelines and Performance Indicators and Companies Act, 2015 (for statutory reporting obligations)

### 16.2 Reporting Principles

All reports shall be:

- **Timely**: Prepared and submitted within prescribed deadlines
- **Accurate**: Based on verified data and reconciled with source systems
- **Compliant**: Aligned with applicable laws, IPSAS standards, and WASREB requirements
- **Actionable**: Structured to support decision-making and performance improvement
- **Transparent**: Shared with relevant stakeholders, including the Board, regulators, and development partners

### 16.3 Annual Financial Reporting

MARWASCO shall prepare annual financial statements for each fiscal year (July–June), including:

a. Statement of Financial Position
b. Statement of Comprehensive Income
c. Statement of Cash Flows
d. Statement of Changes in Equity
e. Notes to the Financial Statements

These shall be:

- Prepared in accordance with IPSAS.
- Audited by the *Office of the Auditor-General* or an approved external auditor.
- Reviewed and approved by the Board of Directors.
- Submitted to WASREB, the National Treasury, and other stakeholders as required.

In compliance with PFM Act, 2012 – Sections 80–83; Water Act, 2016 – Section 72

### 16.4 Monthly and Quarterly Reporting

MARWASCO's accounting system shall generate monthly and quarterly reports to support internal management and regulatory oversight. These include:

#### 16.4.1 Financial Reports

| No. | Report | Frequency |
|---|---|---|
| 1 | Income by Source | Monthly |

| No. | Report | Frequency |
|---|---|---|
| 2 | Income & Expenditure by Cost Centre | Monthly |
| 3 | Consolidated Income & Expenditure (Current vs. Prior Year) | Monthly |
| 4 | Actual vs. Budget Performance | Monthly |
| 5 | Cash Flow Projections | Annually |
| 6 | Funding Gap Analysis | Monthly |
| 7 | Balance Sheet (Current vs. Prior Year) | Quarterly |
| 8 | Bank Reconciliation Statements | Monthly |
| 9 | Aged Debtors (General & Staff) | Monthly |
| 10 | Movement in Provision for Doubtful Debts | Quarterly |
| 11 | Inventory Listing with Book Values | Monthly |
| 12 | Aged Creditors Listing | Monthly |
| 13 | Accruals and Prepayments Schedule | Monthly |
| 14 | Supplier Statement Reconciliations | Monthly |
| 15 | Fixed Assets Movement Schedule | Quarterly |
| 16 | Payroll Reconciliation to General Ledger | Monthly |
| 17 | Movement in Reserves | Monthly |
| 18 | Cash Flow Statement | Quarterly |

This is done in line with IPSAS 1 & 2; WASREB Reporting Guidelines

### 16.4.2 Operations and Maintenance Reports

These reports support technical and service delivery monitoring:

| No. | Report | Responsibility | Frequency |
|---|---|---|---|
| 1 | Water Production ($m^3$/day) | Technical Services Manager | Monthly |
| 2 | Water Demand ($m^3$/day) | Technical Services Manager | Monthly |
| 3 | Non-Revenue Water (NRW %) | Technical Services Manager | Monthly |
| 4 | New Connection Applications | Technical Services Manager | Monthly |
| 5 | Connections Completed | Technical Services Manager | Monthly |
| 6 | Total Active Connections | Commercial Manager | Monthly |
| 7 | Bursts Reported | Technical Services Manager | Monthly |
| 8 | Bursts Repaired | Technical Services Manager | Monthly |

| No. | Report | Responsibility | Frequency |
|---|---|---|---|
| 9 | Disconnections | Technical Services Manager | Monthly |
| 10 | Reconnections | Technical Services Manager | Monthly |
| 11 | Customer Complaints Reported | Billing Supervisor | Monthly |
| 12 | Complaints Resolved | Billing Supervisor | Monthly |
| 13 | Lease & License Fees (%) | Managing Director | Monthly |
| 14 | Average Tariff per $m^3$ | Commercial Manager | Monthly |
| 15 | Collection Efficiency (%) | Commercial Manager | Monthly |
| 16 | Operating Ratio (%) | Commercial Manager | Monthly |
| 17 | Staff Establishment | Human Resources Manager | Monthly |
| 18 | Staff per 1,000 Connections | Technical Services Manager | Monthly |
| 19 | Personnel Cost as % of O&M | Technical Services Manager | Monthly |

In compliance with WASREB Performance Indicators (Impact Report Series)

### 16.5 Report Review and Approval

i. All reports shall be reviewed by the Finance Manager and submitted to the Managing Director for approval.
ii. Key reports shall be presented to the Finance & Administration Committee and the Board of Directors
iii. Regulatory reports shall be submitted to WASREB, and other oversight bodies as required.

### 16.6 Reporting Calendar and Deadlines

| Report Type | Deadline |
|---|---|
| Monthly Reports | By the 10th of the following month |
| Quarterly Reports | Within 15 days after quarter-end |
| Annual Financial Statements | By 30th September (3 months after year-end) |
| WASREB Annual Report Submission | As per WASREB's published schedule |

### 16.7 Internal Controls and Data Integrity

i. All reports must be based on reconciled data from the General Ledger and operational systems.
ii. Supporting schedules and working papers must be retained for at least 7 years.
iii. The Internal Audit Unit shall periodically review the accuracy and completeness of reports.

# CHAPTER SEVENTEEN – AUDITING ARRANGEMENTS

## 17.1 Purpose

This chapter outlines the framework for internal and external auditing at MARWASCO. It ensures that the Company's financial operations, internal controls, and compliance practices are independently reviewed to promote transparency, accountability, and continuous improvement.

The process is guided by and in compliance with the following statutes:

- Public Finance Management Act, 2012
- State Corporations Act, Cap. 446
- Companies Act, 2015
- Water Act, 2016
- Public Audit Act, 2015
- International Standards on Auditing (ISA)
- International Professional Practices Framework (IPPF) for Internal Auditing

## 17.2 Internal Audit Function

### 17.2.1 Mandate and Independence

- The Internal Audit Unit (IAU) shall operate independently under the oversight of the Audit Committee of the Board.
- The Internal Auditor shall report administratively to the Managing Director and functionally to the Board Audit Committee, in line with Section 73 of the PFM Act and IPPF standards.

### 17.2.2 Objectives of Audit

a) Evaluate the adequacy and effectiveness of internal controls, risk management, and governance processes.
b) Ensure compliance with applicable laws, policies, and procedures.
c) Assess the reliability and integrity of financial and operational information.
d) Review the efficiency and effectiveness of operations and use of resources.
e) Provide assurance on the safeguarding of assets.

### 17.2.3 Scope of Work

i. Financial audits (e.g., revenue, expenditure, payroll, procurement)
ii. Operational audits (e.g., water production, NRW, customer service)
iii. Compliance audits (e.g., tax, statutory deductions, regulatory licenses)
iv. ICT audits (e.g., billing system, ERP controls)
v. Special investigations and forensic audits as requested by Management or the Board

### 17.2.4 Audit Planning

- The Internal Auditor shall prepare an Annual Risk-Based Audit Plan aligned with MARWASCO's strategic objectives and risk profile.
- The plan shall be approved by the Board Audit Committee and reviewed quarterly.

### 17.2.5 Reporting and Follow-Up

Internal audit reports shall be submitted to the Managing Director and Board Audit Committee

Each report shall include findings, risk ratings, recommendations, and management responses.

The Internal Auditor shall track implementation of audit recommendations and report progress quarterly.

## 17.3 External Audit

### 17.3.1 Statutory Audit

- MARWASCO's annual financial statements shall be audited by the Office of the Auditor-General (OAG) or an auditor appointed under Article 229 of the Constitution and Section 23 of the Public Audit Act, 2015
- The audit shall be conducted in accordance with International Standards on Auditing (ISA)

### 17.3.2 Scope

Review of financial statements for accuracy, completeness, and compliance with IPSAS-

Assessment of internal controls and adequacy of risk management strategies

Evaluation of compliance with applicable laws, including:

- MARWASCO HR, Finance and Procurement Policies
- Companies Act, 2015
- Water Act, 2016
- State Corporations Act, Cap. 446
- Public Procurement and Asset Disposal Act, 2015
- Income Tax Act, Cap. 470

### 17.3.3 Audit Process

- The Finance Manager shall prepare draft financial statements by 30th September each year.
- The external auditor shall conduct fieldwork, issue a Management Letter, and present the Audit Report to the Board
- The final audited financial statements shall be submitted to:
  i. WASREB
  ii. County Government of Marsabit
  iii. National Treasury
  iv. Other stakeholders as required.

## 17.4 Audit Committee of the Board

### 17.4.1 Composition and Mandate

The Audit Committee shall comprise at least three non-executive Board members with financial and governance expertise.

Its mandate includes:

- Reviewing internal and external audit reports
- Overseeing risk management and internal controls
- Approving the internal audit plan
- Monitoring implementation of audit recommendations

In line with the State Corporations Act, Cap. 446 – Guidelines on Audit Committees (2018)

### 17.5 Audit Documentation and Retention

All audit working papers, reports, and supporting documentation shall be securely stored for at least 7 years.

Access to audit files shall be restricted to authorized personnel only.

The Internal Auditor shall maintain an Audit Issues Tracker to monitor resolution of findings.

## Appendix A: List of Accounting Forms

| Form Number | Form Description |
|---|---|
| MARWASCO/AF/01 | Financial Management Systems Manual Amendment form |
| MARWASCO/AF/02 | Receipt |
| MARWASCO/AF/03 | Cheque Payment Voucher |
| MARWASCO/AF/04 | Cheque Payment Register |
| MARWASCO/AF/05 | Petty cash Voucher |
| MARWASCO/AF/06 | Fixed Assets Register |
| MARWASCO/AF/07 | Advance and Imprest Application Form |
| MARWASCO/AF/08 | Imprest Accounting Form |
| MARWASCO/AF/09 | Journal Voucher |
| MARWASCO/AF/10 | Purchase Requisition Voucher |
| MARWASCO/AF/11 | Local Purchase Order |
| MARWASCO/AF/12 | Goods Received Note |
| MARWASCO/AF/13 | Cash Flow Forecast Form |
| MARWASCO/AF/14 | Supplier Invoices /GRN Register |
| MARWASCO/AF/15 | Vehicle Movement Register (Work Tickets) |
| MARWASCO/AF/16 | Fixed Assets Movement Register |
| MARWASCO/AF/17 | Stores Requisition Voucher |
| MARWASCO/AF/18 | Stores Issue Voucher |
| MARWASCO/AF/19 | Stock Ledger Card |
| MARWASCO/AF/20 | Cash Count Form |
| MARWASCO/AF/21 | Monetary Adjustment Advice |
| MARWASCO/AF/22 | Non-monetary Adjustment Advice |
| MARWASCO/AF/23 | Cheque Remittance Advice |

## Appendix B: CHART AND STRUCTURE OF ACCOUNTS

| ACCOUNTING GROUPS | RANGE | TYPE |
|---|---|---|
| Income | 1000 - 1999 | Income and Expenditure |
| Expenditure | 2000 - 3999 | Income and Expenditure |
| Fixed Assets | 4000 - 4999 | Balance Sheet |
| Current Assets | 5000 -5999 | Balance Sheet |
| Current Liabilities | 6000 – 6999 | Balance Sheet |
| General/Capita/Reserve Funds | 7000 - 7999 | Balance Sheet |

| CODE | ACCOUNT DESCRIPTION |
|---|---|
| | **INCOME** |
| 01-101 | Water Revenue |
| 01-102 | Exhauster hire |
| 01-103 | Water bowser |
| 01-104 | County Government Support |
| 01-105 | Grants |
| 01-101 | Water Revenue |
| 01-102 | Exhauster hire |
| | |
| | **EXPENDITURE** |
| 04-101 | Board Allowances (Sitting and Travels) |
| 04-102 | Honoraria |
| | |
| | **Operations & Maintenance** |
| 03-101 | Communication (mail, email, telephone) |
| 03-102 | Bank charges and interests for overdrafts |
| 03-103 | Hospitality Expenses(Catering, Conferences) |
| 03-104 | Computers and Computer Accessories |
| 03-105 | Office Supplies |
| 03-106 | Printers, Copiers and Scanners |
| 03-107 | Stationery |
| 03-108 | Daily Subsistence Allowance (DSA) |
| 03-109 | PR(Public Relations, Advertisement, Announcements) |
| 03-110 | Professional Fees- Audit & Legal |
| 03-111 | Printing and Reproduction |
| 03-112 | Security Services(Bakuli security) |
| 03-113 | Water Treatment Chemicals |
| 03-114 | Billing Software services and Maintenance |
| 03-115 | Staff Welfare |
| 03-116 | Fuel, Oil & Other Lubricants |
| 03-117 | Regulatory Levies, Licenses & Permits |
| 03-118 | Training and Development(Capacity Building) |
| 03-119 | Depreciation |
| | |
| | ASSETS |
| | |
| | **NON-CURRENT ASSETS** |

| | |
|---|---|
| 05-101 | Water Supply Infrastructure |
| 05-102 | Accum. Dep. – Water Supply Infrastructure |
| 05-103 | Land, Buildings and Stations |
| 05-104 | Accum. Dep. – Land, Buildings |
| 05-105 | Office Machinery and Equipment |
| 05-106 | Accum. Dep. – Office Machinery and Equipment |
| 05-107 | Motor Vehicles & Motorcycles |
| 05-108 | Accum. Dep. – Motor Vehicles & Motorcycles |
| 05-109 | Office Furniture and fittings |
| 05-110 | Accum. Dep. – Office Furniture and fittings. |
| 05-111 | Computers and Accessories |
| 05-112 | Accum. Dep. – Computers and Accessories |
| 05-113 | Office Equipment |
| 05-114 | Accum. Dep. – Office Equip. |
| | |
| | **CURRENT ASSETS** |
| 06-101 | Staff Imprests & Advances |
| 06-102 | Stocks |
| 06-103 | Debtors |
| 06-104 | Deposits Receivable |
| 06-105 | Prepayments |
| 06-106 | Bank Accounts |
| 06-107 | Petty Cash |
| | |
| | **EQUITY AND LIABILITIES** |
| | |
| | **CURRENT LIABILITIES** |
| 07-101 | Accrued Expenses |
| 07-102 | Creditors |
| 07-103 | Net Salary |
| 07-104 | Statutory Salary Deductions |
| 07-105 | Misc/Other Salary Deductions |
| 07-106 | Customers Deposits |
| | |
| | **EQUITY** |
| 08-101 | Share Capital |
| 08-102 | Retained Earnings |
| 08-103 | Government Development Grants |
| 08-104 | External Aid Grants |
| 08-105 | Loans |

# Annexes

## Annex 1: Financial Management System Manual Amendment Form

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | | | |
|---|---|---|---|---|
| ADDRESS 69-60500, MARSABIT | | PHONE +254 76 5726 432 | FAX | |
| Manual reference section | Proposed amendment | Amendment approval (sign and date) | Amendment effected by | Revised manual circulated (Yes/No) |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

## Annex 2: Receipts

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | | |
|---|---|---|---|
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | FAX | |
| RECEIPT No. | | DATE | |

Received from…………………………………………………………………………………...........

Sum of Kshs………………………………………………………………………………………………….

Cents…………………………………………………………………………………………………………..

Being payment of:

| DETAILS | ACCOUNT CODE | AMOUNT KSHS |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |

Cash/Cheque No……………………………………………

Cashier's Signature…………………………………………

## Annex 3: Cheque Payment Voucher

**VOTEHEAD ..........................................**
**BUDGETED AMOUNT ..............................**
**ACTUAL BALANCE ...............................**

| **MARSABIT WATER AND SEWERAGE COMPANY LIMITED** | | | |
|---|---|---|---|
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | FAX | |
| CHEQUE PAYMENT VOUCHER NO. | | DATE | |
| PAYABLE TO: | | | |
| CHEQUE NO: | | | |
| | | | |

**Payment in respect of:**

| DETAILS | | ACCOUNT CODE | AMOUNT KSHS/ | |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| **Total** | | | | |

| | |
|---|---|
| CHECKED BY: ACCOUNTANT | |
| PASSED BY: FINANCE MANAGER | |
| AUTHORISED BY: MANAGING DIRECTOR | |

**COLLECTED BY ..........................................................................**
**IDENTIFICATION ......................................................................**
**SIGNATURE ..............................................................................**
**DATE.........................................................................................**

## Annex 4: Cheque Payment Register

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | | |
|---|---|---|---|
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | | FAX |
| CHEQUE PAYMENT REGISTER | | | |
| CHEQUE NUMBER | | | AMOUNT KSHS |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

## Annex 5: Petty Cash Voucher

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | | | | |
|---|---|---|---|---|---|
| ADDRESS 69-60500, MARSABIT | | PHONE +254 76 5726 | FAX | | |
| PETTY CASH VOUCHER | | | | | |
| VOUCHER NO | | | DATE | | |
| DETAILS | | | ACCOUNT CODE | | AMOUNT KSHS |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| TOTAL | | | | | |
| RECOMENDED BY: SUPERVISOR | | | | | |
| AUTHORISED BY: ACCOUNTANT | | | | | |
| RECEIVED BY | | | DATE | | |

## Annex 6: Fixed Asset Register

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | | | | | | |
|---|---|---|---|---|---|---|---|
| ADDRESS 69-60500, MARSABIT | | PHONE +254 76 5726 432 | | | | FAX | |
| FIXED ASSETS REGISTER | | | | | | | |
| ASSET CATEGORY | | | DEPRECIATION RATE | | | | |
| ASSET NUMBER | DESCRIPTION AND SERIAL NUMBER | LOCATION | PURCHASE DATE | COST | ACCUMULATED DEPRECIATION | BOOK VALUE | DISPOSAL AMOUNT |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

## Annex 7: Advance and Imprest Application Form

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | | | |
|---|---|---|---|---|
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | | FAX | |
| ADVANCE/IMPREST APPLICATION FORM | | | | |
| IMPREST FORM NO | | | | |
| NAME OF STAFF | | | | |
| JOB GROUP | | P/NO. | | |
| AMOUNT REQUESTED IN FIGURES | | | | |
| AMOUNT REQUESTED IN WORDS | | | | |
| PURPOSE FOR WHICH IMPREST IS REQUESTED AND TRIP DATES. | | | | |
| DATE IMPREST REQUIRED | | | | |
| EXPECTED DATE OF SURRENDER | | | | |
| VEHICLE REQUIRED | | YES/NO | | |
| VEHICLE NO. | | | | |
| VEHICLE TYPE | | | | |
| RECOMMENDED BY HOD | SIGN | | DATE | |
| CHECKED BY ACCOUNTANT | SIGN | | DATE | |
| AUTHORISED BY FM /MD | SIGN | | DATE | |
| AMOUNT RECEIVED | | | DATE | |
| NAME OF RECIPIENT | | | SIGNED | |

## Annex 8: Imprest Accounting Form

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | | | | |
|---|---|---|---|---|---|
| ADDRESS 69-60500MARSABIT | PHONE +254 76 5726 432 | | | FAX | |
| IMPREST ACCOUNTING FORM | | | | | |
| IAF NUMBER | | | | | |
| NAME OF STAFF | | | | | |
| JOB GROUP | | | P/NO | | |
| AMOUNT ISSUED | KSHS | | DATE | | |
| AMOUNT ACCOUNTED FOR | KSHS | | DATE | | |
| DIFFERENCE | KSHS | | | | |
| DATE | EXPENDITURE DETAILS | | ACCOUNT CODE | AMOUNT KSHS | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| CHECKED HOD | SIGN | | DATE | | |
| AUTHORISED CM/MD | SIGN | | DATE | | |
| Amount returned (Kshs) | | Receipt No. | | DATE | |
| Amount Clamed Kshs) | | | | SIGNED | |
| NAME OF STAFF | | | | DATE | |

## Annex 9: Journal Voucher

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | |
|---|---|---|
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | FAX |
| JOURNAL VOUCHER | | |

| JV NO. | | DATE | |
|---|---|---|---|

| ACCOUNT NAME | | ACCOUNT CODE | AMOUNT | |
|---|---|---|---|---|
| | | | DR | CR |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| PREPARED BY | SIGN | | DATE | |
|---|---|---|---|---|
| CHECKED BY (Accountant) | SIGN | | DATE | |
| AUTHORISED BY (FM) | SIGN | | DATE | |

## Annex 10: Purchase Requisition Voucher

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | |
|---|---|---|
| ADDRESS 69-60500MARSABIT | PHONE +254 76 5726 432 | FAX |

| PURCHASE REQUISITION NO. | | DATE | |
|---|---|---|---|

| DESCRIPTION & PURPOSE REQUIRED | QTY | UNIT PRICE | AMOUNT |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| TOTAL | | | |

| | | | | | |
|---|---|---|---|---|---|
| REQUESTED BY: | | SIGN | | DATE | |
| CHECKED AND RECOMMENDED BY: Head of Department | | SIGN | | DATE | |
| PASSED BY: FM | | SIGN | | DATE | |
| APPROVED BY: MD | | SIGN | | DATE | |

**BUDGET AMOUNT ………………………………..**

**BALANCE ……………………………………………..**

## Annex 11: Local Purchase Order (LPO)

**LPO NO:**

| **MARSABIT WATER AND SEWERAGE COMPANY LIMITED** | | |
|---|---|---|
| ADDRESS 69-60500. MARSABIT | PHONE +254 76 5726 432 | FAX |

| DATE: |
|---|

ISSUED TO: ........................................................................................................................

OF ADDRESS:

..................................................................................................................................

ATTN:

..................................................................................................................................

Please supply the following items on or before: ..................................................................................................................

| ITEM | QTY | UNIT | ITEM DESCRIPTION | UNIT PRICE | TOTAL AMOUNT |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| TOTAL | | | | | |
| QUOTATION/CONTRACT/TENDER NO | | | | DATE | |
| PURCHASE REQUISITION NO. | | | | DATE | |

Prepared By Procurement: ............................... Signature:........................ Date:.................................

Checked BY FM: ............................... Signature:........................

Date:...............................

Approved By MD: ............................... Signature:........................ Date:...............................

## Annex 12: Goods Received Note (GRN)

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | |
|---|---|---|
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | FAX |

GRN NO:……………..........................

| GOODS RECEIVED NOTE |
|---|

Receive the items listed below from:……………………….Address……………………. E - mail……..............................

| ITEM NO. | DESCRIPTION | UNIT | QUANTITY | VALUE | STOCK LEDER CARD NO. |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

LPO No………………………………Cost……………………………………Invoice No……………………………

Delivery Note No………………...Cost Centre ………..…………………Date…………………..…………….

Inspection and Acceptance Committee has verified the goods and certified them to be in order.

Name……………………………………..Signature………..Designation……………Date…………..

Name……………………………………..Signature………..Designation…………..Date…………..

.

Name……………………………………..Signature………..Designation…………..Date…………..

.

Receiving Officer…………………………….Signature…………………..Designation……………..

Original (White) ---- Accounts to accompany invoice

Duplicate (Blue) ---- Stores to accompany Delivery Note

Triplicate (Pink) ----- Book Copy

## Annex 13: Cash flow forecast Form.

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | |
|---|---|---|
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | FAX |

| CASH FLOW FORECAST |
|---|

| | KSHS | KSHS |
|---|---|---|
| CASH POSITION AT MONTH END | | |
| BANK A/C 1 | | |
| BANK A/C 2 | | |
| BANK A/C 3 | | |
| BANK A/C 4 | | |
| TOTAL CASH AVAILABLE | | |
| | | |
| EXPECTED RECEIPTS | | |
| | | |
| EXPECTED FUNDS AVAILABLE | | |
| | | |
| EXPECTED EXPENDITURE FOR FOLLOWING MONTH PER BUDGET | | |
| MINIMUM CASH REQUIREMENTS | | |
| SURPLUS / (DEFICIT) FUND BALANCES | | |
| | | |

| | | |
|---|---|---|
| PREPARED BY | SIGN | DATE |
| REVIEWED BY | SIGN | DATE |

Annex 14: Supplier Invoice / GRN Register

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | | | | | | |
|---|---|---|---|---|---|---|---|
| ADDRESS 69-60500, MARSABIT | | | PHONE +254 76 5726 432 | | | FAX | |
| SUPPLIER INVOICES/GRN REGISTER | | | | | | | |
| NO | LPO | GRN | INVOICE NO. | SUPPLIER | AMOUNT | RECEIVED BY | DATE |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

## Annex 15: Vehicle Movement Register / Work ticket

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | | | | | | | | | | | | | |
| ADDRESS 69-60500, MARSABIT | | PHONE +254 76 5726 432 | | | | | FAX | | | | | | | |
| | | | | | | | | | | | | | | |
| | | | VEHICLE DAILY WORK TICKET | | | | | | TICKET NO. | | | | | |
| | | | | | | | | | | | | | | |
| PREVIOUS WORK TICKET NO. | | | VEHICLE REGISTRATION NO. | | | | | | TYPE | | | | | |
| Driver's Name and Number | | | Number, Name and Designation of Authorizing Officer | | | | | | Specimen Signature of Authorizing Officer | | | | | |
| 1 | | | 1 | | | | | | | | | | | |
| 2 | | | 2 | | | | | | | | | | | |
| 3 | | | 3 | | | | | | | | | | | |
| Date | Driver's No. | Details of journey and Route In full | No. and Signature of Person authorizing Journey | | Oil Filled(liters) | Fuel Filled (Litres) | | Fuel & Oil Purchase Order NO or Cash Voucher NO. | Time | | Speedometer Reading End of Journey | Kilometers of Journey | | |
| | | | No. | Signature | | | | | Out | In | | | | |
| | | | | | | | | | | | | | | |
| SUMMARY OF WORK TICKET | | | | | | | | | | | | | | |
| Total fuel Used (Ltr) | | Fuel in tank to be carried forward (ltr) | | | | | | Km per Litre (fuel) | | | Certified all entries checked | | | |
| Total oil Used (Ltr) | | Total Distance Covered (km) | | | | | | Km per Litre (oil) | | | Designation……..<br>……………. | | | |
| Defects identified: | | | | | | | | | | | | | | |

## Annex 16: Fixed Asset Movement Register

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | | | | |
|---|---|---|---|---|---|
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | FAX | | | |
| FIXED ASSETS MOVEMENT REGISTER | | | | | |
| ASSET NUMBER | DESCRIPTION & SERIAL NUMBER | CURRENT LOCATION | REASON FOR MOVEMENT | DATE OF MOVEMENT | NEW LOCATION |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| REQUESTED BY: | | SIGN | | DATE | |
| AUTHORISED BY: | | SIGN | | DATE | |
| RECEIVED BY | | SIGN | | DATE | |

Annex 17: Stores Requisition Voucher

| | | |
|---|---|---|
| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | |
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | FAX |
| STORES REQUISITION VOUCHER | | |
| SRV NO: | DATE | |
| USER DEPT | | |
| POINT OF USE | | |
| STOCK CODE | DESCRIPTION | QUANTITY |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | TOTAL | |

| | | | | |
|---|---|---|---|---|
| REQUISITION BY | | SIGN | | DATE |
| AUTHORISED BY | | SIGN | | DATE |

## Annex 18: Stores Issue Voucher

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | |
|---|---|---|
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | FAX |
| **STORES ISSUE VOUCHER** | | |

| | | | |
|---|---|---|---|
| SIV NO. | | DATE | |
| USER DEPT. | | | |

| NO. | STOCK CODE | DESCRIPTION OF GOODS | ACCOUNT CODE | STOCK LEDGER CARD NO. | QTY | AMOU N T |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| REQUISITION BY | | SIGNATURE | | DATE | |
| RECEIVED BY | | SIGNATURE | | DATE | |
| ISSUED BY | | SIGNATURE | | DATE | |

## Annex 19: Stock Ledger Card

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | |
|---|---|---|
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | FAX |
| STOCK LEDGER CARD | | |

| STOCK LEDGER CARD NO. | |
|---|---|
| ITEM DESCRIPTION: | |
| ITEM CODE NO. | |

| REORDER LEVEL | | REORDER QTY | | UNIT OF ISSUE | LOCATION |
|---|---|---|---|---|---|
| MINIMUM LEVEL | | MAXIMUM LEVEL | | | |

| DATE | GRN/SIV NO. | QUANTITY | | | | AMOUNT | |
|---|---|---|---|---|---|---|---|
| | | IN | OUT | BALANCE | UNIT COST | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

## Annex 20: Cash Count Form

| MARSABIT WATER AND SEWERAGE COMPANY LIMITED | | |
|---|---|---|
| ADDRESS 69-60500, MARSABIT | PHONE +254 76 5726 432 | FAX |
| CASH COUNT CERTIFICATE | | |

| NUMBER | | DATE | |
|---|---|---|---|

| BREAKDOWN | AMOUNT | | |
|---|---|---|---|
| X 1,000 | | | |
| X 500 | | | |
| X 200 | | | |
| X 100 | | | |
| X 50 | | | |
| X 40 | | | |
| X 20 | | | |
| X 10 | | | |
| X 5 | | | |
| X 1 | | | |
| X -/50 | | | |
| TOTAL | | | |

| | | | |
|---|---|---|---|
| COUNTED BY | | SIGN | DATE |
| VERIFIED BY | | SIGN | DATE |
| CHECKED BY | | SIGN | DATE |

## Annex 21: Sample MARWASCO Budget Template (PFMA & County-Compliant) – *Delete and replace text*

**Section 1: Budget Summary**

| Budget Item | Amount (KES) | Notes |
|---|---|---|
| Total Revenue (AIA + Grants) | | Include water sales, donor funds, etc. |
| Total Recurrent Expenditure | | Must not exceed total revenue |
| Total Development Expenditure | | ≥30% of total budget (PFMA Sec. 107) |
| Surplus / Deficit | | Ensure sustainability |

**Section 2: Revenue Breakdown**

| Revenue Source | Estimated Amount (KES) | Notes |
|---|---|---|
| Water Sales | | Metered and unmetered connections |
| Connection Fees | | New installations |
| Grants & Transfers | | County/National allocations |
| Appropriation-in-Aid (AIA) | | Internally generated revenue |
| Other Income | | Penalties, service charges, etc. |

**Section 3: Recurrent Expenditure**

| Category | Budget (KES) | PFMA Compliance Notes |
|---|---|---|
| Salaries & Wages | | Must comply with county wage ceilings |
| Operations & Maintenance | | Prioritize efficiency |
| Utilities (Electricity, Fuel) | | Essential services |
| Office Expenses | | Stationery, ICT, etc. |
| Training & Capacity Building | | Staff development |

| | | |
|---|---|---|
| Audit & Legal Compliance | | PFMA, Data Protection Act, Water Act |

**Section 4: Development Expenditure**

| Project | Budget (KES) | Timeline | Notes |
|---|---|---|---|
| Borehole Drilling | | Q1–Q2 | Community priority |
| Pipeline Extension | | Q2–Q3 | Target underserved areas |
| Water Treatment Upgrade | | Q3–Q4 | Align with health standards |
| ICT Infrastructure | | Q1–Q4 | Billing, monitoring, e-payment systems |

Section 5: Monthly Cash Flow Forecast

| Month | Opening Balance | Inflows | Outflows | Closing Balance |
|---|---|---|---|---|
| January | | | | |
| February | | | | |
| March | | | | |
| April | | | | |
| May | | | | |
| June | | | | |
| July | | | | |
| August | | | | |
| September | | | | |
| October | | | | |
| November | | | | |
| December | | | | |

**Section 6: Compliance Checklist**

| Requirement | Status (✓/✗) | Notes |
|---|---|---|
| PFMA Sec. 107: Recurrent vs Development Ratio | | ≥30% development expenditure |
| Wage ceilings approved by County Assembly | | Must be documented |
| Budget ceilings issued via County Budget Circular | | Reference circular number |
| Public participation documented | | Attach minutes or summary |
| Debt levels within sustainable limits | | PFMA Sec. 107(2)(e) |

HARAMBEE

COUNTY GOVERNMENT OF MARSABIT
THE CRADLE OF MANKIND

MARSABIT WATER AND SEWERAGE COMPANY LIMITED
MARWASCO
QUALITY AND ACCESSIBLE WATER FOR ALL

# MARWASCO Offices, next to the office of the Governor, Marsabit


254 726 689 803

www.marwasco.co.ke

info@marwasco.co.ke

MARWASCOMARSABIT

@MarwascoM_bt

**Scan for more info**