

# Kitui County Assembly

## THE HANSARD

First County Assembly - Second Session

Thursday 2<sup>nd</sup> July, 2015

The County Assembly met at 3:03 PM

(The Speaker {Hon. George Ndotto} entered the Chamber at three minutes past three O'clock accompanied by the Mace)

### PRAYERS

(The Deputy Speaker recited the prayer and proceeded to the Chair)

(The Mace was placed on the Table)

**The Speaker (Hon. George M. Ndotto):** Next Order.

**The County Assembly Clerk (Mr. Mutambuki):** Order No. 1, Administration of Oath.

**The Speaker:** Next Order

**The County Assembly Clerk:** Order No. 2, Communication from the Chair.

**The Speaker:** Next Order

**The County Assembly Clerk:** Order No. 3, Messages.

**The Speaker:** Next order.

**The County Assembly Clerk:** Order No. 4, Petitions.

**The Speaker:** Next Order

**The County Assembly Clerk:** Order No. 5, papers.

**The Speaker:** Next order.

**The County Assembly Clerk:** Order No.6, Notices of Motions.

**The Speaker:** Next order.

**The County Assembly Clerk:** Order No.7, Statements- schedule of business for the plenary and committees for the week ending the 10<sup>th</sup> July 2015- a designated member of the County Assembly house business committee

**The Speaker:** Hon. Jane Mutua

**Hon. Jane Mutua (Member for Kauwi Ward):** Thank you Mr Speaker Sir that pursuant to the provision of the interim County Assembly standing orders No. 36 and 41 (2) (a) I beg to lay on the table a statement to inform the County Assembly of the business coming before the house next week;

**SCHEDULE OF COMMITTEE SITTINGS AND PLENARY FOR THE WEEK ENDING FRIDAY, 10<sup>TH</sup> JULY, 2015.**

**A) COMMITTEE SITTING FOR THE NEXT WEEK ENDING ON 10<sup>TH</sup> JULY 2015**

TIME	VENUE	TUESDAY 7 <sup>TH</sup> JULY, 2015	WEDNESDAY 8 <sup>TH</sup> JULY, 2015	THURSDAY 9 <sup>TH</sup> JULY, 2015
9.00AM- 11.00 AM	BOARD ROOM	House Business Committee	Plenary	House Business Committee
	ROOM 2	Health and Sanitation Committee		Basic Education, Training and Skills Development Committee
	ROOM 3	Agriculture, Water and Irrigation Committee		Culture, Youth, Sports and Social Services Committee
	ROOM 4	Environment, Energy, Mining, Natural Resources and Tourism Committee		Committee on Implementation and Delegated Legislation
11.30AM- 12.45PM	ROOM 2	Administration and Coordination of County Affairs Committee	Plenary	Lands, Infrastructure and Urban Development Committee
	ROOM 3	Agriculture, Water, and Irrigation Committee		Culture, Youth, Sports and Social Services Committee
	ROOM 4	Trade, Industry, ICT and Cooperatives Committee		Public Accounts and Investments Committee
	BOARD ROOM	Liaison Committee		Finance and Planning Committee
	SPEAKER'S OFFICE	Procedure and Rules Committee		Procedure and Rules Committee
2.30PM- 5.00PM	KEFRI Chamber	Plenary	Plenary	Plenary

B) SCHEDULE OF PLENARY FOR WEEK ENDING 10<sup>TH</sup> JULY 2015

**1. Tuesday 7<sup>th</sup> July, 2015: AT 2.30 P.M.**

i) **Laying of Paper**

Report on Study visit to Mining Industries in Kenya: Devki Steel Company, Athi River Mining Company, Taita Taveta County- Kishushe Mining Area, Base Titanium Company (*Chairperson, Committee on Trade, Industry, ICT and Cooperatives*).

ii) **Notice of Motion**

Report on Study visit to Mining Industries in Kenya: Devki Steel Company, Athi River Mining Company, Taita Taveta County- Kishushe Mining Area, Base Titanium Company (*Chairperson, Committee on Trade, Industry, ICT and Cooperatives*).

iii) **Motion**

Motion on Adoption of the Committee on Public Investments and Accounts Report on the Audited Accounts for the defunct Councils of Kitui 2011/2012 and the financial operations of the County Government of Kitui for the period from 1<sup>st</sup> January to 30<sup>th</sup> June, 2013 (*Resumption of business interrupted on 2<sup>nd</sup> July, 2015*).

**2. Wednesday 8<sup>th</sup> July, 2015: AT 9.00 A.M.**

i) **Motion**

Motion on Adoption of the Committee on Public Investments and Accounts Report on the Audited Accounts for the defunct Councils of Kitui 2011/2012 and the financial operations of the County Government of Kitui for the period from 1<sup>st</sup> January to 30<sup>th</sup> June, 2013. (*Resumption of business interrupted on 7<sup>th</sup> July, 2015*)

**3. Wednesday 8<sup>th</sup> July, 2015: AT 2.30 P.M.**

i) **Motion**

Motion on Adoption of the Committee on Public Investments and Accounts Report on the Audited Accounts for the defunct Councils of Kitui 2011/2012 and the financial operations of the County Government of Kitui for the period from 1<sup>st</sup> January to 30<sup>th</sup> June, 2013 (*Resumption of business interrupted on 8<sup>th</sup> July, 2015 during the morning sitting*).

**4. Thursday 9<sup>th</sup> July, 2015: AT 2.30 P.M.**

i) **Statements**

a) Schedule of Business for the Plenary and Committees for the week ending on 17<sup>th</sup> July, 2015 (*Designated Member of the House Business Committee*).

b) Response to the Request for a Statement from Hon Boniface M. Katumbi to the Chairperson Committee on Trade, Industry, ICT and Cooperatives.

- c) Response to the Request for a Statement from Hon Boniface M. Katumbi to the Chairperson, Committee on Administration and Coordination of County Affairs.

i) **Motions**

- a) Motion on Adoption of the Trade, Industry, ICT and Cooperatives Committee Report on Study visit to Mining Industries in Kenya: Devki Steel Company, Athi River Mining Company, Taita Taveta County- Kishushe Mining Area, Base Titanium Company (*Chairperson, Committee on Trade, Industry, ICT and Cooperatives*).
- b) Motion on Adoption of the Committee on Public Investments and Accounts Report on the Audited Accounts for the defunct Councils of Kitui 2011/2012 and the financial operations of the County Government of Kitui for the period from 1<sup>st</sup> January to 30<sup>th</sup> June, 2013. (*Resumption of business interrupted on 8<sup>th</sup> July, 2015*).

**Note:** This programme is also available on the Kitui County Assembly website [www.kituicountyassembly.org](http://www.kituicountyassembly.org). Thank you Mr Speaker.

**The Speaker:** Next Order.

**The County Assembly Clerk:** Order No. 8-Motion and Bills- motion on adoption of the report by the committee on public accounts and investments on consideration of the audited accounts of the defunct councils of Kitui for the 2011/2012 financial year and the financial operations of the County Government of Kitui for the period from 1<sup>st</sup> January to 30<sup>th</sup> June, 2013- chairperson committee on Public investments and accounts committee- a resumption of business interrupted during the sitting of 1<sup>st</sup> July 2015.

**The Speaker:** Hon. Mativo you want assistant or you want to continue?

**Hon. Robinson Mativo (PIC/PAC Chair):** Mr Speaker thank you, I want to be assisted by my vice chair because I have got a sore throat Hon. Speaker, thank you.

**The Speaker:** Who is the vice chair of this committee? Hon. Mbula.

**Hon. Angeline Mbula (PIC/PAC V.Chair/ MCA Kyuso Ward):** Thank you Mr Speaker...

**The Speaker:** Is it because she is a lady?

**Members:** Yes

*(Speaker Chuckled)*

**Hon. Angeline Mbula (PIC/PAC V.Chair/ MCA Kyuso Ward):** Thank you Mr Speaker and before I waste too much time, I would kindly request that we continue from where my chairman left...

**The Speaker:** Page?

**Hon. Angeline Mbula** (PIC/PAC V.Chair/ MCA Kyuso Ward): Page 72 the last sub topic on creditors and payables. Hon. House are we there?

**The Speaker:** Yes wait until they are all there, page 72.

**Hon. Angeline Mbula** (PIC/PAC V.Chair/ MCA Kyuso Ward): Page 72 the last sub topic on creditors and payables.

**The Speaker:** Are we all there?

**The Members:** Yes

**The Speaker:** Yes continue

**Hon. Angeline Mbula** (PIC/PAC V.Chair/ MCA Kyuso Ward): During the period under review, it was noted that the County Government did not keep any record of creditors taken over from the previous local authorities or its new creditors. The creditors indicated in the handover reports prepared by the defunct local authorities are listed below:

<b>Former Local Authority</b>	<b>Amount (Ksh)</b>
Town Council of Mwingi	9,128,383
County Council of Mwingi	30,743,583
County Council of Kitui	95,675,676
Municipal Council of Kitui	<u>59,250,221</u>
<b>Total</b>	<b><u>194,797,863</u></b>

**The Committee notes the following;**

- i. That the correctness of the creditors' balances of Ksh. 194,797,863.00 could not be ascertained owing to the unavailability of supporting documents which included the following;**
  - **Creditors registers,**
  - **Original contract agreements,**
  - **Invoices,**
  - **Delivery notes,**
  - **Demand notes from suppliers**
  - **Statements,**
  - **Schedules**
  - **And payrolls.**
- ii. That failure by the County Government to maintain records of the legitimate creditors exposed it to the risk of being swindled through fictitious claims.**
- iii. That there is possibility that the unavailability of the creditors' records was masterminded to cover-up for fraud.**

**The Committee recommends that;**

- i. The County Government should not pay any creditor without first establishing that a service/good was rendered/delivered to the council/county government.**

- ii. The County Treasury should maintain various records such as creditor's ledgers and registers to accurately record creditors and also carry out regular reconciliations. The creditors transferred from the Local Authorities should be circularized to ascertain the correct creditors' balances as at 28<sup>th</sup> February 2013.
- iii. The Ethics and Anti Corruption Commission (EACC) should carry out further investigation into this matter with a view to having appropriate legal action taken against the concerned Accounting Officers should they be implicated in corruption.

**Sub-topic on Fixed Assets Mr Speaker,**

The former Local Authorities prepared handing over reports for non-current assets as at 28<sup>th</sup> February, 2013 totaling to Kshs.1, 280,998,107. However, there was no record of takeover by the County Government to have custody of the assets. Non-current assets balances handed over by former Local Authorities are analyzed below:

Former Local Authority	Amount (Ksh)
Municipal Council of Kitui	371,319,087
County Council of Kitui	682,773,311
County Council of Mwingi	114,330,162
Town Council of Mwingi	<u>112,575,547</u>
<b>Total</b>	<b><u>1,280,998,107</u></b>

The Committee notes the following Mr Speaker;

- i. That the then Interim County Secretary Mr Fredrick Martin Muli who represented the Transitional Authority abdicated his duty of ensuring the takeover of the Non-Current assets by the County Government from the scrapped councils was efficient and transparent.
- ii. That the unavailability of records to prove that the County Government had officially taken over the custody of the Non-Current Assets from the defunct councils may have been engineered to undermine accountability and hence create an opportunity for stealing public resources.

The Committee recommends that;

- i. That proper systems should be put in place to ensure that assets transferred from the former Local Authorities and those purchased by the County Government are recorded and secured. The same should be put into proper use for the benefit of the citizens.
- ii. The Ethics and Anti Corruption Commission (EACC) should carry out further investigation into this matter with a view to holding suspects accountable should misappropriation of

- public resources be confirmed and to have and to have any lost property recovered.
- iii. The concerned Accounting Officers namely the then Interim County Secretary Mr Fredrick Martin Muli, the then Interim Transition Coordinator Mr Nicholas Kitua and the then Interim Principal Finance Officer Mr Walter J. Oselu who are still in public service are unfit to hold public office for abdicating their cardinal duty of enforcing an efficient and transparent handing over/taking over as directed by the Transitional Authority.
  - iv. That their negligence on the handing over/taking over process may have been exploited leading to misappropriation of public resources.

### **Under Revenue Collection and Accounting Mr Speaker**

Due to the delay in opening of the County Government Revenue Account, the former Councils continued collecting and banking revenue collections in their accounts and spending, contrary to the existing financial regulations. The revenues were collected as shown below:

<b>Former Local Authority</b>	<b>Amount (Ksh.)</b>
Municipal Council of Kitui-	15,884,714
County Council of Kitui-	22,150,498
County Council of Mwingi-	16,570,892
Town Council of Mwingi-	<u>15,789,788</u>
<b>Total-</b>	<b><u>70,395,392</u></b>

Further, the County Government did not take stock and record all receipts books that were to be handed over by the Councils. The revenue collectors continued with the revenue collection before cut off procedures were done to distinguish revenue collected by County Government and the former Councils. The County Government is yet to ensure that all receipts books are accounted for as records in the LAIFOM were not updated and the Manual Counterfoil Receipts book registers for some Councils reflected long outstanding receipt books.

The County Government also did not secure the receipt books which were under the custody of the defunct local authorities. This may result into misuse of the receipts books by unscrupulous employees.

**The Committee Mr Speaker observes the following;**

- i. **The Accounting Officers committed/presided over irregularities and omissions as listed below which might have resulted in theft of public funds;**
  - **Delay in opening the County Government Revenue Account which provided a loophole for the exiting councils to continue collecting revenue and banking the money in**

- their accounts contrary to the financial regulations in place.
- The failure to take stock and record all receipt books that were to be handed over by the defunct councils.
  - Allowing revenue collection to continue before ensuring cut-off procedures were performed to distinguish between the revenue collected by the former councils and the County Government.
  - Their failure to secure all the receipt books which were under the custody of the scrapped councils.
- ii. That the irregularities/omissions committed were either due to incompetence, sheer negligence or deliberate failure on the part of the Accounting Officers aimed at creating room for swindling of public funds.

The Committee Mr Speaker therefore recommends that;

- i. The County Government should put in place an effective self-regulating internal control system to ensure that all revenue received is recorded and accounted for, and all receipt books issued for revenue collection are also accounted for.
- ii. The Ethics and Anti- Corruption Commission (EACC) should carry out further investigations into this matter with a view to having appropriate legal action taken against suspects should theft of public public funds be affirmed and to have any lost amounts recovered

## Procurement of Goods and Services

### (i) Non-Compliance with Procurement Law and Regulations

The County Government procured various goods and services amounting to Kshs.14, 726,110 through restricted tendering. Although it was explained that a prequalified list from Salaries and Remuneration Commission (SRC) was used to request for quotations, the list was not made available for audit. Also, conditions set out on restricted tendering under section 73(1) of the Public Procurement and Disposal, Act, 2005 were not met. In addition, goods and services were paid for before delivery. The goods and services procured are indicated below: -

#### Supply of Office Furniture

Cheque No.	Date	Particulars	Amount (Ksh.)
382	28/6/2013	Supply of Office Furniture	1,114,300
386	28/6/2013	Supply of Office Furniture	3,287,200
367	28/6/2013	Supply of Office Furniture	900,000
365	27/6/2013	Supply of Office Furniture	871,200
		<b>Total</b>	<b><u>6,172,700</u></b>

The quotations listed above appear to have been split, contrary to Section 30(1) of the Public Procurement and Disposal, Act 2005.

**Office Fittings**

Cheque No.	Date	Particulars	Amount (Ksh.)
249	12/06/2013	Office Fittings	964,250
368	27/06/2013	Office Fittings	612,880
		<b>Total</b>	<b><u>1,577,130</u></b>

There was no report by the inspection and acceptance committee as required by Public Procurement and Disposal Regulations, 2006 section 17(1).

Cheque No.	Date	Particulars	Amount (Ksh.)
250	13/06/2013	Office Fittings	964,250
385	28/06/2013	Office Fittings	630,000
		<b>Total</b>	<b><u>1,594,250</u></b>

The above purchases were made from one supplier on the dates shown above. The delivery note and invoice had a similar number 1001 and were both dated 05/06/2013 while the Local Purchase Order No's 1740525 and 1740526 were dated 06/06/2013. It was not clear how the goods were delivered before being ordered. The above payments were made before inspection and acceptance of goods was done as required by Public Procurement and Disposal Regulations, 2006 section 17(1).

**Office Stationery**

Cheque No.	Date	Particulars	Amount (Ksh.)
267	13/06/2013	Supply of office stationery	1,079,930
384	28/06/2013	Supply of office stationery	2,992,100
		<b>Total</b>	<b><u>4,072,030</u></b>

Although the payment voucher was prepared on 28 June 2013, the invoices and delivery notes were dated 14 July 2013. The above payment was made before inspection and acceptance of the goods was done.

**Apparent Collusion on Procuring Goods and Services**

Scrutiny of documents attached to payment vouchers supporting payments made to suppliers of various goods showed that they shared contact details. This was an indication that the companies were related to each other as shown below:

Mensa General Suppliers and Syprus Engineering shared contact address and were both supplying office furniture.

Ariel Limited and Great Grace companies supplied office furniture and shared contact address

Entthert Building and Construction and Keviha Suppliers supplied office fittings and shared contact address.

The Committee noted the following Mr Speaker;

That there was high possibility of public funds having been misappropriated in view of the blatant violation of the procurement regulations by the Accounting Officers as summarized below;

- Approving payments before delivery, inspection and acceptance of the goods was done as required under the Public Procurement and Disposal Act, 2005.
- Failure by the Accounting Officers to avail the prequalified list from SRC which they purportedly used to request for quotations for audit verification. They instead produced for audit examination, a fabricated document which was out rightly rejected by the Committee.
- Sharing of contact details by the following firms namely Mensa General Suppliers and Syprus Engineering, Ariel Limited and Great Grace companies and Entthert Building and Construction and Keviha Suppliers which could not have been a coincidence.

The Committee recommends that;

- i. The County Government should ensure that all procurements are done as per the Public Procurement and Disposal Act, 2005 and related 2006 regulations. Also, these procurements should be investigated and officers found to have been involved surcharged for not adhering to the public procurement law while performing their roles.
- ii. The Ethics and Anti- Corruption Commission (EACC) should carry our further investigations into this matter with a view to having appropriate legal action taken against the Accounting Officers should they be implicated in corruption and to have any lost amounts recovered.
- iii. The Concerned Accounting Officers namely the then Interim County Secretary Mr Fredrick Martin Muli, the then Interim Principal Finance/Accounting Officer Mr Walter J. Oselu and the then Interim Procurement Officer Mr Gibson Jamura Kanyi are unfit to hold public office for gross violation of the procurement regulations and abetting corrupt practices.

## Payments

### (i) Payment of Allowances

Examination of the County Governments expenditure records revealed that lunch allowances were paid to officers of the County as shown below without indicating the period/days and the rates the lunch allowances were based on:

PV.	No.	Date	Cheque No.	Payee	Amount (Ksh.)
17		13/6/2013	20	Various	870,000
226		05/6/2013	85	Various	375,000
227		05/6/2013	106	Various	300,000
451		27/06/2013	374	Various	224,000
352		27/6/2013	352	Various	<u>224,000</u>
				<b>The Total</b>	<b><u>1,993,000</u></b>

The Committee observed the following;

That the propriety of the above expenditure amounting to Ksh. 1,993,000.00 could not be ascertained owing to the following;

- Failure by the Accounting Officers to produce the vouchers used to process the dubious payments for examination by the committee.
- Their failure to re-submit for audit review the same payment vouchers they availed during the time of the audit raised eye brows and affirmed that they were determined to hide something regarding the suspicious payments.
- Their inability to come out clearly through written or oral presentation on the criteria used to determine the payments for each beneficiary in terms of the rates and the number of days considered.

The Committee recommends that;

- i. Allowances should be paid in accordance with Government financial regulations and procedures and should be fully supported.
- ii. The Ethics and Anti- Corruption Commission (EACC) should carry out further investigations into this matter with a view to holding suspects accountable should misappropriation of public funds be confirmed and to have any lost amounts recovered.

**(ii) Un-accounted for Fuel**

The Council made advance payment amounting to Kshs.889, 100 on 16/05/2013 to Kitui Total Petrol for fuel drawn by its motor vehicles. However, statements of fuel drawn and work-tickets of motor vehicles fueled were not attached to the work ticket to support the payment as the regulations require.

After considering submission by the accounting officer, the committee was not persuaded by his explanation.

Hence the committee therefore Mr Speaker observed that;

The unavailability of the statements of fuel drawn and work-tickets of motor vehicles fueled could have been masterminded to cover-up for fraud

The Committee recommends that;

- i. Payment vouchers for fuel used by the County should be supported with vehicle work tickets, statements of fuel drawn and appropriate invoice.
- ii. The Ethics and Anti- Corruption Commission (EACC) should carry out further investigations into this matter with a view to holding the Accounting Officers accountable should they be implicated in corruption.

### IT Control Environment

Assessment of how the County has put in place structure to govern and manage the information systems in place revealed the following:

#### Management of IT Operations

In order to effectively and efficiently govern and manage the IT operations, the County is yet to develop some of the key ICT documents including:

- ICT policies and procedures
- Network Diagram
- Business Continuity Plans
- Disaster Recovery Plans

#### IT Organization Structure

The County IT department has five (5) personnel. However, the officers do not have defined roles and responsibilities on how to oversee the IT operations hence there is no clear segregation of duties.

#### Staff Training on IFMIS

Twenty (20) officers of the County have been formally trained on IFMIS at their offices. However only ten (10) staff have rights to access two modules of the system i.e. plan to budget and procure to pay.

#### IT Budget

The County has an allocation of Kshs.125, 000,000 for ICT in the budget. No detailed breakdown on how the budgeted money will be spent was provided.

#### Hardware

The following observations were made on hardware components:-

### **Computers and Accessories**

The County had received nineteen (19) computers, fifteen (15) special orange CDMA modems and one scanner from The National Treasury (IFMIS Department) which will be solely used for IFMIS. The Interim ICT Manager has not been able to carry out an assessment of the ICT Status and Infrastructure of the County. There was no ICT register kept or assessment of the existing infrastructure done.

### **Data Centre**

The County has four (4) data center (server room) previously used for LAIFOMS. A physical inspection of the data centers at the former County Council of Kitui and former Municipal Council of Kitui indicated that there were no adequate physical and environmental controls such as smoke detectors and fire extinguishers. The situation was the same in Mwingi Town Council and County Council of Mwingi although the latter two (2) also lacked air conditioning.

### **Network Connectivity**

There is no established Wide Area Network at the County to connect the various Sub-County offices. There is a Local Area Network at the Tanathi (Headquarters) and at former Municipal Council of Kitui offices, former Mwingi Town Council, former County Council of Mwingi which does not interlink the systems and applications in place. It was however explained that the County Government has not invested in networking because its current offices are temporary and would not wish to invest a lot in temporary offices

### **Software**

The applications in place at the County are as follows:

#### **G-PAY**

The County had received one computer from the National Treasury which is dedicated for G-Pay. One officer initially trained on G-Pay was transferred and no other officer in the County has been trained to operate the system. However, the County got another Chief Finance Officer who should be trained on G -Pay.

#### **IPPD**

The County has fully installed the IPPD system and the payroll beginning June 2013 was processed using the system. One (1) trained user who is the manager in charge and operator. There is need to train more officers on use of G-Pay.

### **Integrated Financial Management Information System (IFMIS)**

As at the time of audit in September 2013, Kitui County Government had not started operating IFMIS developed by the National Treasury. The County was instead using a manual system for payments/expenditures, although the hardware and software for the system had already been made available and staff to handle the system had also been trained. No proper explanation was offered for the failure to roll out the system.

The Committee Mr Speaker made the following observations;

That the general ICT up take process in the county has been somehow slow owing to the slow expansion of the information and communication networks.

To propel this vital sector which undoubtedly is expected to play a vital role in county's development plans, the Committee recommends that;

- i. That the County government should develop and implement an ICT master-plan with a view to among others achieving the following;
  - Establishing the Wide Area Network (WAN)/ to boost network connectivity in the county and to link the sub-county offices.
  - Digitizing public services/facilitating online delivery of Government services and data capture right from the grassroots level.
  - Putting in place the IFMIS system to facilitate standard financial management including budgeting, accounting and reporting to help in tackling corruption in the county by allowing the public to monitor the tendering process and how public funds are expended.
  - Developing the key ICT documents like ICT policies and procedures, Network diagram, Business continuity plans and Disaster recovery plans in order to effectively and efficiently govern and manage its IT operations,
  - Speed up the process of establishing an ICT park in the county/ consider progressively rolling out free WI-FI in major towns.
  - Develop the human resource capacity through education to improve the ability to perform tasks effectively in a digital environment.
  - Develop various promotional and educational programmes to encourage use of ICT by residents of the county.
- ii. That the County Assembly on its part should enact legislations that make it possible for ICT to become a key pillar of development in the county.
- iii. Increase budgetary allocation towards information communication and technology (ICT) infrastructure with a view to realizing a digital economy.

### **Former Municipal Council of Kitui Improper Handing Over to the County Government**

There was no proper handing over of the former Municipal Council of Kitui assets and liabilities to the Transition Authority as required by the circular from Ministry of Local Government. The letter submitting list of assets, liabilities

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and human resource reference CAK/15/53/ (23) dated 19 July 2013 to the County Secretary, was not acknowledged by the County Secretary. The Interim County Secretary, taking over did not sign the memo. The statement did not set out a debt management strategy as per Ministry circular. The statement also did not set out assumption underlying the debt management strategy and an analysis of the sustainability of the amount of debt actual and potential.

**The Committee observed the following Mr Speaker;**

- i. That failure by Interim County Secretary to sign the handing over documents implied that the County Government had not officially taken over the custody of the assets and liabilities from the defunct council. That further implied that the County Government was under no obligation to safeguard the assets and hence legally, it could not be held responsible for any loss.**
- ii. That the perpetual failure by the then Interim County Secretary Mr Fredrick Martin Muli failure to endorse the handing over documents prepared and submitted by the former chief officers may have been a ploy aimed at creating an opportunity for misappropriation of public resources.**

**The Committee recommends that;**

- i. The Transition Authority should ensure that proper handing over by the former chief officers of the Council is done without further delay.**
- ii. The Ethics and Anti-Corruption Commission (EACC) should investigate this matter with a view to holding the Accounting Officers accountable should they be implicated in corruption and to have public assets which might have been acquired illegally recovered.**

#### **Current Assets and Liabilities**

##### **i) Cash and Bank Failure to close Bank Accounts**

The Municipal Council did not comply with the Transition Authority circular which required that local authorities close all bank accounts operated by them by 28<sup>th</sup> February 2013. This was followed by an internal memo no. CGK/SCMU/ADM/Vol I(07) of 3rd May 2013 from the Principal Finance Officer addressed to all chief officers of defunct local authorities under the County, requiring that the bank accounts be closed and balances transferred to the County revenue account at KCB. All these circulars were not complied with since the Council continued to operate the accounts beyond the deadline date.

##### **Cash and Bank Balances Handed Over**

The Council did not constitute a board of survey to establish the correct cash on hand as at 28 February 2013. The handing over memorandum did not show amount

of cash and bank (part of assets) balances being handed over to the County Government. The cash books were also not ruled off to reflect the cutoff date between the defunct Local Authority and the Transition Authority transactions. It was therefore not possible to establish the closing balances for the local authorities and the opening balances for the incoming County Government.

The committee Mr Speaker noted the following;

- i. That the response by the witnesses on this audit query was not convincing and that the failure to close the bank account could have been a wilful omission aimed at sustaining an opportunity for misappropriation of public funds. The same could have been the case for the failure to constitute a Board of Survey and to rule off the cash books as stipulated under financial regulations.
- ii. That the Accounting Officers failed to comply with the clear directive by the Transitional Authority and the Interim Principal Finance Officer which required them to close the council's bank account by 28th February, 2013 and transfer the balances thereof to the County revenue account at KCB.

The Committee recommends that;

The County Government should ensure that any bank account operated by the former councils which might still be active is closed forthwith and the balances thereof transferred to the County revenue account.

The Committee recommends that;

- i. The Ethics and Anti-Corruption Commission (EACC) should carry out further investigation into this matter with a view to holding suspects accountable should theft of public funds be confirmed and to enforce recoverability of any lost amounts.

**(ii) Debtors**

The Council did not maintain debtors' ledger to record movements of debtors, in particular plot rent/rates. The rent and rates debtors balances as shown in the handing over memorandum amounting to Kshs.46,068,235 differed with the LAIFOMS balances of Kshs.81,609,241 by Kshs.35,541,006. No explanation was offered for this discrepancy.

The debtors' balance of Kshs.55, 139,957 includes an amount of Ksh. 155,620 relating to staff advances as at 28 February 2013. However, the Council did not provide a list of the advance holders to support the figure. Further, Council records showed outstanding staff advance as at 28 February 2013 of Kshs.46, 840 thereby creating unexplained difference of Ksh. 108,780. No explanation was offered for failure to recover the advances from the employees in time.

The Committee made the following observations Mr Speaker;

- i. That maintaining an updated Debtors Ledger by the council was a necessary task as the document would have helped it in keeping track/monitoring the debtors regarding the following;
  - How much the council owed them in form of plot rent and land rates
  - Their performance in paying the debts hence reducing the risk associated with revenue loss through fraud and bad debt
  - Minimizing the risk of defaulting.
- ii. That failure by the Accounting Officers to keep the necessary document may have been a wilful omission aimed at stifling accountability and hence create room for theft of public funds.
- iii. That the failure by the council to maintain proper records of the debtors exposed it the possibility of suffering bad debts as pursuing anonymous defaulters would have been challenging.
- iv. That the high debt figure of ksh 46,068,235.00 featured in the handing over memorandum incriminated the Accounting Officers for their dismal performance on collection of revenue.
- v. That the discrepancy of Kshs 35,541,006 resulting from the varying figures of Ksh. 46,068,235.00 and Ksh. 81,609,241.00 used in the handing over memo and the LAIFOMS respectively in relation to the rent and rates debtors balance was suspicious and pointed to possibility of public funds having been misappropriated.
- vi. That the unexplained difference of Ksh. 108,780.00 relating to staff advances which resulted from the varying figures of Ksh. 155,620.00 and Ksh. 46,840.00 featured in different council records smacked of foul play on the part of the Accounting Officers. In addition, the authenticity of the total amount awarded as staff advances could not be confirmed owing to the failure by the Accounting Officer to produce the list of the advance holders for audit verification. Further the Accounting Officers neglected their duty by failing to ensure the misappropriated amount was recovered from the beneficiaries.

The Committee recommends that;

- i. The County Government to maintain up-to date records of debtors and ensure that measures are put in place to collect revenue from the outstanding debtors.
- ii. The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) should step in and carry out further investigation into this matter with a view to subjecting suspects

**to justice should misappropriation of public funds be confirmed and to have any lost amounts recovered.**

**Creditors...**

**The Speaker:** Hon. Mbula you can take a glass of water for a minute.

*(Hon. Angeline Mbula took a glass of water for a minute)*

**Hon. Angeline Mbula (V. chair PAC/PIC):** Thank you Mr Speaker, lets continue members on creditors;

The Council prepared a statement of assets and liabilities as at 28 February 2013 reflecting creditors balance amounting to Kshs.59, 250,221 which included an amount of Kshs.1, 117,081 payable to a contractor. By the date of the handing over memorandum, the contractor had not performed any work for the Council. Loans totaling to Kshs.33, 755,695 payable to NHC (Kshs.21, 400,947) and LGLA (Ksh. 12,354,748) could not be confirmed since the Council did not provide loan agreements and loan registers. The Council did not provide particulars of outstanding statutory deductions amounting to Kshs.3, 884,672. The figure was not analysed to show penalties and interest charged, thereby making it difficult to identify the principal amounts.

It was also observed that the Council did not maintain creditor's ledger to record statutory deductions. In addition, an amount of Kshs.510,358 payable to a firm of Advocates could not confirmed since the Council did not provide fee notes or list of cases handled.

**The Committee noted the following Mr Speaker;**

- i. That the debt figure of kshs.59, 250,221.00 could not be ascertained due to the failure by the Accounting Officers to avail the supporting documents for audit verification. Such documents included the loan agreements and loan registers in respect of the Ksh33, 755,695.00 secured from NHC and LGLA, fee notes in respect of the kshs. 510,358.00....

**The Speaker:** hon. Mbula it is not called Local Government and soemthing...

*(Laughter)*

**The Speaker Its Local Government Loans Authority**

**Hon. Angeline Mbula (V. chair PAC/PIC):** Yeah, thank you Mr Speaker... Local Government Loans Authority owed by a law firm and particulars in respect of theoutstanding statutory deductions amounting to kshs. 3,884,672.00.

- ii. That failure by the Accounting Officers to ensure good record keeping undermined their commitment to safeguard public assets.

The Committee made the following recommendations;

- i. That the county government should do the following;
  - Ensure that up-to-date records of creditors are always maintained.
  - It should not pay any creditor without first establishing that a service/good was correctly rendered to the Council/County Government.
- ii. That the Ethics and Anti-Corruption Commission (EACC) should step in and carry out further investigation into this matter with a view to holding the Accounting Officers accountable should they be implicated in corruption.

#### **Fixed Assets**

The Council prepared a handing over report as at 28 February 2013 showing assets amounting to Kshs.371, 319,087, out of which Kshs.15, 482,130 related to movable assets. However, the former Municipal Council of Kitui did not maintain a comprehensive Fixed Assets Register to record the assets. The Council did not code all its assets and also did not indicate location of its assets.

The Council revalued its assets in December 2012 but did not take into account the fair values of movable assets which amounted to Kshs.18, 719,959. The value of the assets was understated by Kshs.3, 237,829.

The Committee made the following observations Mr Speaker;

- i. That the figure of kshs.371, 319,087.00 cited in the handing over report as the total value for the Fixed Assets owned by the former council could not be authenticated owing to failure by the Accounting Officers to produce the supporting documents for audit verification.
- ii. That keeping a comprehensive, detailed and updated Fixed Assets Register was a necessary task as the document was crucial in helping the council to achieve the following;
  - Tracking and fully accounting for all the assets hence deterring theft. Thieves are far less likely to steal fixed assets if they know they are fully accounted for and will be missed if taken.
  - Providing details on location and who is responsible for their custody
  - Providing information on when the assets are due for maintenance. This is especially important with plant machinery and vehicles. keeping fixed assets well maintained helps to prevent unexpected failures.
- iii. That the failure to maintain a comprehensive Fixed Assets Register and to code all its assets may have been a willful

omission on the part of the Accounting Officers aimed at facilitating fraudulent transactions.

- iv. That the following omissions could have been motivated by ulterior motives;
  - Understating of the value of the council's assets by Ksh Kshs.3, 237,829
  - and overlooking the fair values of movable assets after revaluation was done.

The Committee recommends that;

- i. The County Government should ensure that all assets of the former Council are secured and recorded at their fair values.
- ii. That the Ethics and Anti-Corruption Commission (EACC) should carry out further investigation into this matter with a view to holding suspects accountable should misappropriation of public funds be affirmed and to have any lost amounts recovered.

**Revenue Collection Mr Speaker,**

The Council continued collecting revenue and banking in Renewals Fund and General Rate Fund accounts after 28 February 2013. The revenue collected and banked as from 1 March to 30 April 2013 amounted to Kshs.15,884,714. The revenue was not banked intact since as at the time of audit in September, 2013 an amount of Kshs.567,735 had not been banked and had been spent directly.

Also, there were long outstanding revenue receipt books which were yet to be returned and accounted for. Further, the taking over authority did not take all the Councils unused receipt books on charge. Therefore, revenue was still being collected using the defunct Council's receipt books. The counter foil receipt books register was not ruled off to indicate when the Council exited and entry of the new entity.

The Committee noted the following;

- i. That the Accounting Officers presided over accounting irregularities/omissions which might have occasioned misappropriation of public funds.
- ii. That the irregularities/omissions listed below could have been by design to sustain an opportunity for misappropriation of public funds;
  - Failure by the Accounting Officers to comply with the then Ministry of Local Government directive on ensuring that all the revenue collected was banked intact in the County Revenue Account held at KCB.
- iii. Failure by the representatives of the Transitional Authority led by the then Interim County Secretary Mr Fredrick Martin Muli and who were taking over on behalf of the County Government to ensure the following the following;

- That the long outstanding revenue receipt books were returned and accounted for as required by the financial regulations.
  - That the former chief officer surrendered all the unused receipt books.
  - That the counter foil receipt books registered was ruled off to prevent them from being used on fraudulent transactions.
- iv. That most of the revenue collected before and during the transition period may have been embezzled owing to the omissions committed by the accounting officers.

The Committee recommends that;

- i. The County Government should always comply with the provisions of Public Finance Management Act, 2012 and all revenue collected should be banked intact and promptly.
- ii. That the Ethics and Anti-Corruption Commission (EACC) should carry out further investigation into this matter with a view to having appropriate legal action taken against suspects should misappropriation of public funds be affirmed and to have any lost amounts recovered.

### Personnel Costs

The Municipal Council of Kitui prepared handing over report containing names of employees to be handed over and included two officers who had been transferred out of the Council. It was further observed that the Council was paying out Kshs.153, 000 per month as hardship allowance and yet Kitui is not listed as hardship area. During the period under review, the Council had paid Ksh. 612,000. The Council was also paying the Clerk acting allowance of Kshs.7, 522 per month and the Treasurer Special Duty Allowance of Kshs.12, 634 per month. However, no Ministerial Advisory Committee authority approving these payments was made available for audit verification.

Further, the Council implemented the new CBA in February 2013, and paid salary increment totaling to Kshs.9, 309,112. The salary increase was however not budgeted for and there was no supplementary budget approved for the increased salary and arrears.

The Committee observed the following;

- i. That the Accounting Officers breached financial regulations by authorizing/approving irregular payments which resulted in misappropriation of public funds

The Committee recommends the following;

- i. That the County Government should always adhere to the laid down financial regulations when incurring expenditure. Further, only appropriated funds should be spent by the County.
- ii. That the County Secretary should follow up on this matter and ensure the Accounting Officers are surcharged to have the Ksh. 612,000.00 paid out illegally as hardship allowance recovered. In addition, the CS should ensure that the total amount paid out as acting allowance and special duty allowance to the Clerk and the Treasurer respectively without the necessary approval is calculated and recovered from the beneficiaries.

### Other Findings

#### (i) Expenditures

#### Payments made by Council/County against no Approved Budget

The Council/County made the following payments after 28 February 2013. However, it was not possible to establish whether the expenditure was made in accordance with the approved budget by Parliament and County Assembly as required by County Governments Public Finance Management Transition Act, 2013 section 8(2) ( c ). The Council/County spent Kshs.17, 300,023 against no approved budget between March and June 2013 as shown below:

GRF account	-Kshs. 13, 198, 952
LATF account	-Ksh. <u>4, 101, 071</u>
	<b><u>Kshs. 17, 300, 023</u></b>

#### Unsupported Additional Expenses on Projects

Bills of quantities for some projects include provisions for Engineers miscellaneous expenses. No explanation was offered by the Council for inclusion of these expenses in the projects. The payment vouchers did not reflect specific expenses covering this item. As at the time of audit inspection, the Council had spent Kshs. 724, 130 under this particular item as follows:

Project Description	Engineers Misc. (Kshs)
Classrooms at Mbusyani Sec School	35,000
Construction of Science Lab	150,000
Drift at Ndia Nzine	50,000
Street Lighting	224,130
Science Lab. Nzakame Laboratory	150,000
Construction Works Kakumi	30,000
Sand Dam- Upper Ngiini	50,000
Construction of Class	<u>35,000</u>
<b>Total-</b>	<b><u>724,130</u></b>

### Construction of Classroom Kyunduani

Payment voucher for expenditure of Kshs.975, 212 for construction of Kyunduani classroom was prepared before the project was completed i.e. on 28 February 2013 while the project was completed on 8 April, 2013. No explanation was provided for the anomaly.

### Tenders awarded without following procurement regulations Construction of Town Toilet

According to the Public Procurement and Disposal Regulations, 2006 section 59 (1), a procuring entity that conducts procurement using the request for quotations method pursuant to section 88 of the Act shall be subject to the procurement thresholds set out in the First Schedule. The first schedule sets a maximum of Kshs.500, 000 for class C entities. However, the Council through quotations awarded a contract at a cost of Kshs.987, 431 for construction of a town toilet at the Council's offices, therefore surpassing the threshold by Kshs.487, 431.

### Supply of Building Materials and Computer Accessories

The Council during the year awarded a general tender for supply of building materials and computers accessories to some two merchants. The Council directly purchased items costing Kshs.2, 852,111 from both merchants. It would appear that the intention was to prevent fair and open competition as intended by Section 34 (1) of the Public Procurement Act, 2005 since no quotations were invited. It could also not be confirmed whether or not the building materials and computer accessories were inspected and accepted by Inspection and Acceptance Committee as required by Public Procurement and Disposal Regulations, 2006 under section 17(1).

### Supply of Tyres for Tractor

The Council procured tyres for a tractor at a cost of Kshs.300, 000 but did not maintain a list of prequalified suppliers of tyres during the period under review. It was not possible to establish how the three suppliers who submitted quotations were identified. In the circumstances, the tyres may not have been competitively procured and the Council may not have gotten value for money. In addition, there was no evidence for confirmation that the tyres were fitted to the tractor.

### Community Based Projects

During the period under review, the Council implemented various projects through community based approach. However, building materials supplied at a total cost of Kshs.3, 047,450 were not inspected and accepted by the committee. Details of the items are as indicated below:-

Date	Project Description	Amount (Ksh.)
23/02/2013	Construction of Classroom KwaNgindu	237,600
27/02/2013	Construction of Classroom- Umuu	321,300
25/02/2013	Maternity Wing Kauma Dispensary	1,153,150

25/02/2013	Construction of Classroom at Nyekini	329,170
25/02/2013	Construction of Library Yumbisye	<u>1,006,230</u>
	<b>Total</b>	<b><u>3,047,450</u></b>

The Committee observed the following;

That the above transactions were marked by blatant violation of procurement and financial regulations which possibly were castigated to create room for embezzling the public funds.

The Committee recommends that;

- i. The County Government should ensure that all the expenditures incurred are accounted for and should be as per the approved estimates.
- ii. Also, goods, works or services should be procured in accordance with the Public Procurement and Disposal Act, 2005 and related regulations of 2006.
- iii. The Ethics and Anti-Corruption Commission (EACC) should step in and carry out further investigation into this matter with a view to holding suspects accountable should theft of public funds be confirmed and to have the lost amounts recovered.

#### Defunct County Council of Kitui

##### Improper Handing-over to County Government

There was no proper handing over of the former County Council of Kitui assets and liabilities to the Transition Authority as required by the Ministry of Local Government circular of 18 February ,2013. Although the former Clerk to the Council prepared a statement of assets and liabilities as at 28 February 2013, the handing over letter dated 28 March 2013 was only signed by the former Clerk to the Council.

The Interim County Secretary taking over did not sign the letter, raising doubt on authenticity of the report. The statement did not set out a debt management strategy and also assumptions underlying the debt management strategy as well as an analysis of the sustainability of the actual amount of debt and potential liabilities required by the Ministry circular.

The Committee noted the following;

- i. That the representatives of the Transitional authority led by the then interim County Secretary Mr Fredrick Martin Muli failed to enforce a proper handing over of the former councils assets and liabilities to the Transitional Authority has required by the ministry of local Government circular of 18th February 2013. The other former trantional authority required to work with Mr Muli in enforcing an efficient and transparent handing over/taking over

process who also failed in their duties included in the then interim County transitional coordinator Mr Niculus Kitua and the then interim principle finance office Mr Walter Osero.

- ii. That failure by the Interim County Secretary to sign/acknowledge the handing over letter/documents meant that the the custody of the council's assets and liabilities was not officially transferred to the County Government an omission which may have been deliberate and circled has creating an opportunity to looting of public assets.

The Committee recommends that;

- i. The Transition Authority should ensure that proper handing over by the former chief officers of the council is done without further delay.
- ii. The Ethics and Anti-Corruption Commission (EACC) should investigate this matter with a view to holding suspects accountable should misappropriation of public resources be confirmed and to enforce recovery of assets which might have been acquired illegally.

Current Assets and Liabilities

Cash and Bank Balances

**Non-Preparation of Monthly Bank Reconciliation Statements**

The Council did not prepare monthly bank reconciliation statements for the following accounts:

<b>Name</b>	<b>Bank</b>	<b>Period Reconciliations Not Done</b>
Kazi Kwa Vijana	Equity	January to June 2013
Poverty Reduction	National Bank	January to June 2013
LATF	Equity	April to June 2013
LATF	National Bank	January to June 2013
LATF	Family Bank	January to June 2013
LATF	Co-Operative Bank	January to June 2013

Accuracy and completeness of transactions recorded in these accounts could not be ascertained.

**Accuracy of Monthly Bank Reconciliation Statements**

The Council prepared monthly bank reconciliations for GRF account for the month of January 2013 which reflected two stale cheques numbers 9872 dated 27/06/2012 and 9879 dated 04/07/2012 for Kshs.256,776 and Kshs.21,072, respectively. As at the time of audit inspection in September 2013, the two cheques had not been written back into the cash book. The reconciliation also reflected

under-debits and over-debits of Kshs.171, 916 and Kshs.1, 169,580 respectively, but which were not supported with detailed analysis for confirmation of what the entries represent. The correctness and accuracy of transactions in these accounts could not be established.

### **Non- Closure of Bank Accounts**

Interim Principal Finance Officer through letter CG/CFO/4/1/8 dated 20<sup>th</sup> May 2013, instructed various banking institutions where the defunct local authorities held accounts to close all Councils' bank accounts and transfer the balances to the County Revenue Account. The instruction were however not complied with as the accounts were not closed.

### **Cash Board of Survey**

The Council did not constitute a board of survey to establish the correct cash on hand and bank balances as at 28 February 2013 to be handed over to the County Government. The cash books were not ruled off to indicate the correct closing balances for the County Council and opening balances for the County Government. The Council did not indicate the amount of cash and bank balances (part of assets) to be handed over to the County Government.

### **Missing Bank Statements**

The following bank statements were not made available for audit review:

<b>Account Particulars</b>	<b>Bank</b>	<b>Statement Period</b>
LATF	National	1/5/2013 to 30/06/2013
LATF	Equity	15/05/2013 to 30/06/2013
Poverty Reduction	National	1/5/2013 to 30/06/2013
LATF	National	1/4/2013 to 30/06/2013
LATF	Co-Operative	1/1/2013 to 30/06/2013
LATF	Family	1/1/2013 to 30/06/2013
Kazi Kwa Vijana	Equity	1/1/2013 to 30/06/2013

**The Committee observed the following;**

**That the failure by the Accounting Officers to comply with the laid down accounting procedures/standards and the directive issued by the Interim Principal Finance Officer on closure of the bank accounts could have been a deliberate effort intended at creating loopholes for swindling public funds.**

**The Committee Mr Speaker recommends that;**

- i. The Ethics and Anti-Corruption Commission (EACC) should carry out further investigation into this matter with a view to holding suspects accountable should misappropriation of public funds be confirmed and to have any lost amounts recovered.**

- ii. **The two Accounting Officers namely Mr Samuel Otieno Owande (who is still in public service and working for the county Government of Kitui) and Mr Daniel Mutuku Twala (retired) are unfit to hold public office for violating financial regulations**

#### **Debtors**

The Council had debtors amounting to Kshs. 158, 096,600 according to the list attached to the handing over report. The list was not supported with detailed schedules of individual debtors. The debtors' registers maintained by the Council was not kept up-to date. Also, details of primary records such as receipts, invoices were not entered in the ledgers. Debtor's balances in respect to Mast Lease (Kshs. 539,189), Contribution in Lieu of Rates (Kshs. 53,862,705) and House Rent (Kshs. 328,000) had no supporting documents and were also not reconciled with debtors' statements. Further, there were long outstanding imprests amounting to Kshs. 4, 982,555 which had not been surrendered or accounted for as at the time of audit in September, 2013.

The Committee noted the following;

- i. **That the debt figure/or rather the outstanding debtors' balance of Ksh. 158, 096,600 could not be ascertained owing to the failure by the accounting officers to avail the supporting documents for audit verification. The documents in question included detailed schedules of individual debtors/debtors register, copies of invoices and demand notices etc.**
- ii. **That the performance of the Accounting Officers on recovery of imprests was wanting owing to the substantial amount of Ksh. 4,982,555 which remained un surrendered or un accounted for.**
- iii. **That the government had lost an account of imprest defaulting and this was not in the interest of taxpayers.**
- iv. **That the Accounting Officers exhibited negligence/laxity in enforcing clear government regulations and procedures on management of imprests leading to the non-recovery of the substantial sum.**
- v. **That the accounting officers were liable for negligence of duties for failing to carry out the following necessary task;**
  - **Updating debtor register**
  - **Entering details of primary records such as receipt and invoices.**
  - **Reconciling debtor's balances in respect for mass lease ksh. 539,189.00 contribution in lieu of rates ksh 53,862,705.00 and house rent kshs 328,000 with the debtor's statement.**
  - **Enforcing the recovery of long outstanding imprest amounting to ksh 4,982, 555.00**

The Committee recommends that;

- i. **The County Government should do the following;**

- Institute sufficient stringent measures to ensure that ministry officers strictly adhere to the laid down government financial regulations and procedures on imprests to guard against malpractices
  - Maintain accurate and up-to date records of debtors' and ensure that measures are put in place to collect revenue from the outstanding debtors.
- ii. The County Secretary must use all means at his disposal to ensure that all the outstanding imprests are fully recovered from the beneficiaries most of whom are still in public service and working for the County Government of Kitui.
- iii. The Ethics and Anti-Corruption Commission (EACC) should step in and carry out further investigation into this matter with a view to holding suspects accountable should misappropriation of public funds be confirmed and to have any lost money recovered.

### Creditors

The Council prepared a statement of assets and liabilities as at 28 February 2013 reflecting creditors' balance of Kshs.95, 675,676 to be handed over to the County Government. The Council did not maintain an updated creditors' ledger to record creditors' transactions and details like invoices, demand or fee notes, neither did the Council circularize the creditors to confirm balances.

A Scrutiny of other records indicated creditors amounting to Kshs.59,341,951, thereby raising doubt on accuracy of the figure reflected in the list attached to handing-over report. Bursaries amounting to Kshs.3, 459,500 were reflected as creditors, but it was not possible to establish how they were disclosed as creditors since no supporting documents were seen.

Included in the balance of creditors handed over is amount of Kshs.694, 000 indicated owed to County Council of Kitui but no details were made available for audit confirmation.

The Council's records indicate Kshs.10, 980,000 owed to a firm of Advocates as at 28 February 2013. Fee notes made available for audit amounted to only Kshs.1, 741,000 while creditors' ledger did not contain details of transactions with the law firm. Another firm of Advocates was also reflected as being owed Kshs.6, 535,420 as at 28 February 2013 and was paid Kshs.2, 000,000 on 7 March 2013 although no fee note was made available for audit confirmation.

The Council also indicated another firm of advocates as being owed legal fees amounting to Kshs.15,090,894 as at 28 February 2013, after being paid Kshs.10,915,618 vide bank transfer on 26/02/2013. However, no other fee notes were made available for confirmation additional services rendered by the firm.

**The Committee observed the following;**

- i. That the credit figure/outstanding creditors balance of Ksh. 95,675,676.00 was mistrustful due to the following;
- Failure by the Accounting Officers to avail supporting documents for audit verification. The documents in question included; creditors

registers, original contract agreements, invoices, delivery notes, statements, schedules, fee notes and payrolls. Further, the inclusion in the creditors' balance of the following questionable debts figures totaling Ksh. 11,174,618.00. the figures were as follows;

- a. Kshs.3, 459,500 featured as bursaries.
  - b. Kshs.694, 000 owed the council by unspecified creditor(s).
  - c. Kshs.10, 980,000 owed to a firm of Advocates
  - d. Kshs.6, 535,420 owed to firm of Advocates out of which the council made a part payment of Ksh. 2, 000,000 .00.
  - e. Ksh. 15,090,894.00 owed to a firm of advocates as legal fees out of which the council had paid Kshs.10, 915,618.
- Factoring unsupported figures in the main debt marked or unattempt to cover up fraudulent transactions.
  - Other council records showing a different figure of Ksh. 59,341,951.00 as the outstanding creditors' balance. This marked up a variance of Ksh. 36,233,725.00 hence raising suspicion on the correct outstanding balance which the defunct council transferred to the county government.

The Committee recommends that Mr Speaker;

- i. The County Government should maintain up-to date records of creditors with relevant supporting payments.
- ii. Also, the County Government should not pay any creditor without first establishing that a service/good was rendered/delivered to the Council/County Government to avoid...

*(Hon. Robinson Mativo chair for PAC committee stood in his place)*

**The Speaker:** Yes Hon. Chairman public accounts committee.

**Hon. Robinson Mativo (Chair for PAC):** Mr Speaker Sir, from observation of members, this document or motion is really long, I would request where we have reached because its very crucial Mr Speaker that you allow for adjournment until possibly continue during the next week during the plenary sitting Mr Speaker Sir.

**The Speaker:** Well, lets Hon. Mbula finish the committee recommendations then I will put the question, or had you finished?

**Hon. Angeline Mbula:** No

**The Speaker:** Ok, finish Hon. Mbula.

**Hon. Angeline Mbula:** The Committee recommends that;

- i. The County Government should maintain up-to date records of creditors with relevant supporting payments.
- ii. Also, the County Government should not pay any creditor without first establishing that a service/good was

rendered/delivered to the Council/County Government to avoid losing public funds by paying for faked/arrogated claims.

- iii. The Ethics and Anti Corruption Commission (EACC) should carry out further investigation into this matter with a view to holding suspects accountable should embezzling of public funds be confirmed and to have the lost amounts recovered.

**The Speaker:** Well, Hon. Members there is the request of the Hon. Cahir for public accounts committee we stop there so that we can digest what we have heard this afternoon and then we finish of what is remaining next week on Tuesday. Is that the mood of the house? Or you want us to continue? Should we continue or should we stop..?

**The Member:** We stop.

**The Speaker:** We stop there?

*As many as are of that opinion say Ayes!*

***The Members:*** ayes!

*As many as of the contrary opinion say No!*

*(Silence)*

**The Speaker:** The Ayes have it. Right, hon. Members that is the end of this afternoon session in the order paper. This is a long report and I congratulate the two honourable members. Not many of us can read this document the way they have done. It is not easy. Reading for two hours continuously. Hon. Mbula has been reading for the last two hours, continuously, it is not easy.

I can assure you it is not easy, I congratulate them and I hope you finish the remaining bit next Tuesday. Can we adjourn the house Hon. Members?

## **Adjournment**

**The Speaker:** Hon. Members the house now stands adjourned until next week on Tuesday 7<sup>th</sup> of July 2015 at 2.30 pm

**The County Assembly rose at 4: 35 pm**