



REPUBLIC OF KENYA

COUNTY ASSEMBLY OF KITUI

FIRST COUNTY ASSEMBLY

SECONDESSION (2014)

.....

THE PUBLIC INVESTMENTS & ACCOUNTS COMMITTEE

REPORT

ON THE AUDITED ACCOUNTS OF THE DEFUNCT COUNCILS OF KITUI FOR THE 2011/2012 FINANCIAL YEAR & THE FINANCIAL OPERATIONS OF THE COUNTY GOVERNMENT OF KITUI FOR THE PERIOD FROM 1ST JANUARY TO 30TH JUNE, 2013.

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COUNTY ASSEMBLY OF KITUI
ASSEMBLY BUILDINGS,
KITUI.

DECEMBER 22, 2014

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PREFACE

Mr. Speaker Sir,

I, the Chairman of the Public Investments and Accounts Committee PIC & PAC for the period (2013-2016), having been authorized by the Committee, to present the report, on their behalf, do present this report on the audited accounts of the defunct Councils of Kitui for the **2011-2012 Financial Year** and Financial Operations of the County Government of K Page itui for the period from **1st January to 30th June 2013**.

The tabling of this report is pursuant to the provisions of Standing Order 180, which prescribes the procedures of how select Committees are supposed to work on and dispense with their reports.

Mr. Speaker Sir,

The audit reports by the Auditor-General were laid on the Table of the House on 15th July 2014 in line with the Standing Order No 180 (1) which mandated the Committee to examine them and later interrogated the Accounting Officers concerned with the audit queries in line with the provision of Article 195 of the constitution of Kenya (2010) and the Interim County Assembly Standing Order No. 172.

The committee scrutinized the areas of expenditure, as well as the use thereof, and very importantly on how effectively, efficiently and economically the resources were appropriated and whether the funds were used for intended purposes, or otherwise, and, more importantly, whether the said funds were spent in accordance with the laid down financial regulations and procedures.

All minutes of the Committee's sittings on evidence taken are attached to this report. A record of the proceedings in form of a Verbatim Report, which has been maintained forms part of this Report as required under Standing Order 180 (6).

In addition, the Committee placed on record their appreciation of the assistance rendered to them by the Auditors attached to the Embu branch of the Kenya National Audit Office (KENAO) in cross-examining the witnesses.

Mandate of the Committee

The Committee derives its mandate from Standing Order 186 which states that "there shall be a Select Committee to be designated the County Public Investments and Accounts Committee to be responsible for;

- **The examination of the accounts showing the appropriations of the sum voted by the county assembly to meet the public expenditure and of such other accounts laid before the county assembly as the committee may think fit.**
- **The examination of the reports , accounts and workings of the county public investments;**
- **The examination, in the context of the autonomy and efficiency of the county public investments, whether the affairs of the county public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices;**

The main objective of the Committee is to ensure that public funds are well utilized and the public realizes value for money in all government expenditure. The basis of the Committee's execution of its mandate is annual and special audit reports prepared by the Auditor General.

Committee Membership

The Committee was constituted during the first Session of the 1st County Assembly on August 6th, 2013 when the interim County Assembly Standing Orders came into force and comprises of the following members:-

Hon. Robinson Mativo,	M.C.A.	(Chair)
Hon. Angeline Mbula,	M.C.A	(Vice Chair)
Hon. Peter Mutemi,	M.C.A	(Member)
Hon. Francis Mwalili,	M.C.A	(Member)
Hon. Mwendwa Munyoki,	M.C.A	(Member)

Mr. Speaker Sir,

The Standing Order 186 (4) states that "the County Public Accounts Committee constituted immediately following the general election shall serve for a period of three calendar years and that constituted thereafter

shall serve for the remainder of the county assembly term". Thus having been constituted in May, 2013, the current Committee has the benefit of serving up to May 2016.

The major challenges experienced by the Committee while executing its mandate were;

- i. Lack of adequate time to interrogate all the witnesses affected by the audit queries. This resulted from the fact that the audit reports were committed to the committee too late and enough time was not allocated for the exercise.
- ii. The capacity building workshop for members of the committee which was held from April 9th to 12th and May 30th to 31st, 2014 at La-Mada hotel in Nairobi came too late. Infact, the members gathered that the committee might have been the last one to undergo the induction countrywide.
- iii. Working on the ten (10) audit reports within a duration of the fourteen (14) days approved by the Speaker proved very strenuous for the only five committee members and two clerks only. This was considering that the audit reports had accumulated from the 2011/2012 financial year and that some of the reference materials were very voluminous. For instance, the verbatim report alone from which the committee extracted pertinent information while making observations and recommendations is over 500 pages. In addition, the committee had also to be patient for a couple of weeks as the Hansard Department worked relentlessly to transcribe the massive document. That explains why after the retreat, the committee was forced to seek for more time to continue working on this report. The committee would like to take this opportunity to request that in future, it should be allocated enough resources including time and personnel so as to be able to dispense with audit reports on time.
- iv. Frequent interruptions of the proceedings owing to the following;
 - Lack of seriousness by some Accounting Officers especially those from the executive led by the County Secretary Mr. Stanislaus Musyoka Nyamai who appeared for questioning totally unprepared and thus were unable to respond to the audit queries or submit the required

documents for audit verification. That occasioned frequent dissolutions of the meetings to allow the witnesses more time to go and organize themselves which eventually interfered with the Committee's work plan.

- Willful withholding of crucial information/giving of false or misleading information by some witnesses in a bid to avoid being held accountable for the financial misdeeds highlighted in the audit-report. This led to wastage of time as the committee was forced to unnecessarily take more time cross-examining them.
 - The misconduct of two witnesses namely Mr. Samuel Otieno Owande-the former Clerk, County Council of Kitui and Mr. Daniel Mutuku Twala-the former Treasurer who were reluctant to appear before the committee for questioning; The Committee was forced to spend some considerable time trying to trace the two witnesses who initially defied the invitation but later succumbed to pressure after the matter was referred to the Criminal Investigation Department (CID) for assistance in tracking them.
- v. Lack of an office was also a challenge considering that the Committee was handling sensitive documents relating to the investigation which required safekeeping to guarantee confidentiality.

However, it is the Committee's sincere hope that appropriate measures will be put in place to address such challenges in order to make its work easier while executing its mandate in future.

The above notwithstanding, the Committee discharged its duties as provided by the Standing Orders and the desire to safeguard public interest on how the public funds were expended.

Mr. Speaker Sir;

Allow me to thank the entire Membership of this Committee for their resilience, hard work and commitment to duty despite the challenges which made the taking of evidence and production of this report a success.

Evidence taken during the session

The Committee commenced its sittings on 3rd of October, 2014 and held 26 meetings during which, it interviewed the witnesses.

While perusing the audit reports, the Committee noted that some of the queries related to the 2011/2012 Financial Year on the former Local Authorities were also featured under the special audit report on the financial operations of the County Government for the period from 1st January to 30th June 2013

Mr. Speaker Sir;

The Committee found contradictions between the information provided by the Accounting Officers and the Auditor-General.

The Committee also noted with grave concern the inordinate delay by some of the Accounting Officers in availing required documents to the Auditor-General and to the Committee during the grilling sessions.

Some witnesses just ambushed the Committee and the auditors with audit responses at the evidence stage instead of having provided the information seven (7) days earlier as required under the Public Audit Act, thereby denying the Committee prior preparation, and habit, which should cease.

The Committee noted that if all Accounting Officers had adhered to the laid down financial regulations and procedures, most of the audit queries would not have arisen in the first place.

During its sessions, the Committee took both oral and documentary evidence. While taking the evidence, the Committee was guided by the existing procedures and modalities of operations of the County Assembly derived from the Constitution of the Republic of Kenya, Acts of Parliament, Interim County assembly Standing Orders, conventions, common practices and rulings and directives of the Chair.

Section 226 (1) (5) of the constitution

Section 226 (1) (5) of the constitution stipulates that; “ If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not”.

This constitutional provision had been long overdue. In the past, Accounting Officers had committed financial malpractices with impunity and gotten away with them for lack of an elaborate legislation to hold them accountable. The Committee now calls on Accounting Officers to take notice of this provision and act prudently to safeguard public funds from loss or face dire consequences.

Section 74 of the Public Finance Management Act of 2012

In pursuance of section 226(1)(5) of the constitution of the Republic of Kenya, Section 74 of the Public Finance Management Act of 2012 gives Accounting Officers powers to discipline errant officers under their jurisdiction. The same section of the Act also gives the Appointing Authority of Accounting Officers powers to discipline errant Accounting Officers. Section 74 (3) of the Act empowers the Appointing Authority to revoke appointment of errant Accounting Officers.

Going by previous reports on public expenditure seen by the Committee, Accounting Officers had continuously committed or presided over fiscal indiscipline and malpractices in their dockets/departments with impunity as there was no legal frame work giving appointing authority powers to sanction them. The Committee is glad to note that the enactment of the Public Finance Management Act, 2012 and the requirement for the Appointing Authority to strictly apply provisions of this Act will ensure discipline on use of public funds.

In this report, the Committee has applied Sections 226(1)(5) of the constitution and 74 of the Public Finance Management Act to recommend the investigation, prosecution, disciplining and surcharging of various persons that may have been responsible for the loss of public funds.

APPRECIATION

The Committee would like to thank all the Accounting Officers who appeared before it and provided valuable insights into the issues raised.

The Committee also wishes to record its appreciation for the exemplary services rendered by the auditors from Embu branch of the Kenya National Audit Office. Indeed their commitment and devotion to duty during the proceedings made the work of the Committee and production of this report successful.

The Chairperson of the Committee takes this opportunity to thank all its Members and staff of the County Assembly who were assigned to cover the proceedings for their patience, Sacrifice, endurance and Commitment to public service under very tight schedules which enabled us to successfully accomplish the huge task.

Further, the Committee wishes to thank the Offices of the Speaker and the Clerk of the County Assembly for the necessary support extended to it during the execution of its mandate

Finally, Mr Speaker, the Committee, compliments members of the fourth estate who covered the proceedings for informing the public of its work. In that regard, the committee encourages the local media and elsewhere in the country to continue being more vigilant and work closely with the anti-corruption agencies to weed out the vice in public offices.

Mr. Speaker Sir,

All recommendations made by the Committee were arrived at by consensus after very thorough, objective and constructive deliberations. There was careful scrutiny of evidence and submissions presented by the Accounting Officers and other witnesses.

On behalf of the Committee, I now wish to table the report and urge the House to adopt it and the recommendations therein.

HON. ROBINSON MUTWII MATIVO.

SIGNED

CHAIR-PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE

DATE

We, Members of the Public Investments and Accounts Committee (PIAC) do hereby affix our signatures to this report to affirm the correctness of the contents and support for the report:

Members' Name	Signature
Hon. Robinson Mutwii Mativo
Hon. Angeline Mbula Muthui
Hon. Peter Maithya Mutemi
Hon. Alex Mwendwa Munyoki
Hon. Francis Kilonzi Mwalili

INTRODUCTORY AND GENERAL

LEGAL MANDATE

This report covers the audited accounts of the defunct councils of Kitui for 2011/2012 Financial Year and the financial operations of the County Government of Kitui for the period from 1st January to 30th June 2013 and is issued in accordance with the requirements of Article 229(4) of the Constitution of Kenya.

GENERAL OBSERVATIONS

Arising from the evidence taken, the Committee made the following general observations:-

1. Failure by Accounting Officers to act in time when dealing with the Auditor General

In the course of audit, the Auditor General issues management letters to Accounting Officers to take positive action on audit queries before the final audit report is produced. However, there were several cases where Accounting Officers failed to act on the management letters or acted late, leading to audit queries that would have otherwise been avoided.

In this regard, the Committee recommends that:-

- i. Accounting Officers working for the County Government must always take management letters issued by the Auditor General very seriously and act on them promptly;**
- ii. Where an Accounting Officer fails to ensure that matters capable of being resolved with the Auditor General through timely action are resolved, he /she should be sanctioned by the Appointing Authority.**

2. Lack of Cooperation by some Accounting Officers

At the beginning, the proceedings were subjected to frequent adjournments owing to some witnesses who did not take the committee's work seriously. On many occasions, the Accounting Officers, especially those from the executive side appeared for questioning totally unprepared. This derailed the

pace of the investigation owing to frequent postponing of the sessions to allow the affected officials more time to go and organize themselves in assembling the documents/materials required as evidence or verification. The most uncooperative witnesses in that regard were as follows;

a) The County Secretary (CS), Mr Stansilous Musyoka Nyamai.

As the head of public service and custodian of government documents, the County Secretary was expected to play a leading role in assisting the committee to work smoothly. He was expected to achieve that by invoking the powers entrusted on him to ensure that all the witnesses who by virtue of his office were answerable to him complied with the legal summons and submitted written/oral responses to the audit queries as well as the other documents/materials required for verification as stipulated by the law. However, the CS was not of much help to the committee as attested by the much it struggled in tracing some of the witnesses and getting them to comply with its directives. In addition the committee was unable to extract useful information/explanations from the CS owing to his tendency of dilly-dallying on most issues he was required to give input. He particularly proved difficult to deal with due to the following;

- His inability to provide sufficient answers to very simple and straightforward questions which cast him as indecisive and incompetent. His persistent dithering on most issues raised during the sittings portrayed him as academically challenged and less informed on his duties as the County Secretary hence undermining his credibility as the topmost public servant in the county. The Committee interpreted his weird mannerism as a deceptive pose aimed at frustrating the investigation by withholding crucial information to possibly shield some people from being held accountable in relation to the financial malpractices highlighted by the Auditor-General.
- His inability to invoke the powers entrusted on him to tame the defiant witnesses who apparently were out to derail the investigation by being uncooperative. The Committee had to content with frequent postponing of its sittings owing to the elusive nature of Mr. Owande and Mr. Twala who used to skip the meetings to avoid being interrogated in relation to the audit queries. The CS was forced to seek the intervention of the Criminal Investigation Department (CID) in

tracking two witnesses after the Committee threatened to invoke its constitutional powers to sanction them.

- His inability to verify the legitimacy of documents he submitted for scrutiny. Most of the documents he presented for audit verification failed the admissibility criteria for lacking simple things like signatures.

The Committee observed;

That the County secretary appeared to lack the competence required to effectively handle the challenging tasks of such high-ranking position.

The Committee recommends that;

The CS should strive to improve his performance or risk being impeached by this House for incompetence in line with the provision of section 40 (2) of the County Government Act No. 17 of 2012.

b) The former County Clerk –County Council of Kitui, Mr Samuel Otieno Owande.

- His refusal to submit written/oral responses to the audit queries despite repeated reminder by the committee. Submitting response to audit queries is a legal obligation and hence the Accounting Officer breached the law.
- His unwillingness to appear before the committee for questioning. The Accounting Officer used to skip the sittings without permission which interfered with the committee's work plan. As earlier stated, the witness was forced to honor the summons after the County Secretary sought the help of CID in tracing him.

Further, in the course of interrogating the witness, the Committee discovered the following;

- That the Accounting Officer had absconded duty for several months which was contrary to the civil service Code of Regulations which provides for immediate interdiction of public servants who forsake duty for more than 7 working days without permission.

- That as Mr Owande's employer, the County Government of Kitui failed to take appropriate action against him for deserting duty which saw him continuing to draw salary until the 1st October, 2014, when the same was stopped after having been paid **Ksh. 393,820.00** irregularly
- That the Accounting Officer left Kitui without handing over office as required hence leaving the Council's Assets, Liabilities and other crucial documents unaccounted for.

The Committee noted the following;

- i. That Accounting Officer may have committed serious financial malpractices which made him afraid of appearing before the committee for questioning in relation to the audit queries.**
- ii. That the failure by the Accounting Officer to appear before the committee and submit responses to the audit queries contrary to law amounted to self-incrimination or admission of guilt.**
- iii. That the Accounting Officer's immediate boss at the time neglected his duty by failing to alert the appointing authority of his desertion of duty in time to ensure appropriate action was taken against him. This included withdrawal of his salary which could have helped in averting the loss of the Ksh. 393,820.00 paid to him while not on duty.**

The Committee recommends the following;

- i. That the County Secretary should follow up on this matter and ensure that Accounting Officer who is still in public service and working for the County Government of Kitui is surcharged for recovery of the Ksh. 393,820.00 paid to him illegally.**
- ii. The CS should also ensure that the Accounting Officer is recalled to do proper handing over of office with a view to having him account for all the council properties which were under his watch.**
- iii. That former Chief Officer is unfit to hold public office for being dishonest, breaching the law and abetting corrupt practices.**

- ❖ To fix accountability on this wayward witness regarding the financial malpractices highlighted by the Auditor-General, the Committee has in another section of this report referred his case for further investigation by the Ethics and Anti-Corruption Commission (EACC).

c) The former County Treasurer-County Council of Kitui-Mr. Daniel Mutuku Twala

- He was also very uncooperative. He initially had refused to appear before the committee but honored the summons later, albeit only once, after realizing that the matter had been referred to the CID. He thereafter disappeared without trace after arguing that he had already retired from public service which apparently insinuated that the committee had no business interrogating him as a private citizen. He also failed to respond to the audit queries even after being told that he was under legal obligation to do.

The Committee observed the following;

- i. That the Accounting Officer may have committed serious financial malpractices which made him afraid of appearing before the committee for questioning in relation to the audit queries.
- ii. That the failure by the former Chief Officer to appear before the committee and submit responses to the audit queries contrary to law was tantamount to admission of guilt.
- iii. That being pursued for culpability of mishandling public resources cannot be limited by lapse of time as the witness implied when he invoked his retirement as the reason for not being investigated by the committee.

The Committee recommends the following;

- i. That his retirement notwithstanding, the Accounting Officer should be pursued and forced to account on how as the former Chief Officer of the defunct council, he managed public resources which were under his control.

- ii. **The County Government should also liaise with the relevant organs with a view to having the former Chief Officer recalled to do proper handing over of office to ensure accountability.**
- ❖ **To fix accountability on this fugitive witness regarding the financial malpractices highlighted by the Auditor-General, the committee has in another section of this report referred his case for further investigation by the Ethics and Anti-Corruption Commission (EACC).**

However, in a positive note, **Mr. Speaker Sir**, the Committee would like to at this juncture compliment the following former Chief Officers for their cooperation and organization in responding to the audit queries and submitting the required documents for audit verification which eased its work.

Ms. Lucy Waema- The Former Clerk-Municipal Council of Kitui
Mr. Henry Waweru- The former Treasurer-Municipal Council of Kitui
Mr. Elijah Mutambuki- The former Clerk-County Council of Mwingi
Mr. Augustus Musyoka-The former Treasurer- County Council of Mwingi
Mr. Antony Naunga- The former Clerk –Town Council of Mwingi
Mr. Oscar Ojwang- The former Treasurer-Town Council of Mwingi

However, the committee would like to clarify that the positive comment about the said witnesses does not imply that they have been let off-the-hook or rather exonerated from being held accountable in the event that they are implicated in financial malpractices highlighted by the Auditor-General.

THE COMMITTEE FINDINGS AND RECOMMENDATIONS

Municipal Council of Kitui -2011/2012:

Accuracy of the financial statements.

The audit revealed the following;

That the Council had not prepared and submitted for audit, Financial Statements for thirteen (13) years from 1983 to 1994/1995 making it to operate in breach of the law.

In absence of certified Financial Statements for 1994/1995 and prior years, the source and accuracy of the opening balances as at 1st July 1995 for the

1995/1996 financial statements and for the subsequent years, including 2011/2012, could not be confirmed.

That the process of sharing of Assets and Liabilities between the Municipal Council and the County Council of Kitui had not been completed as at 30th June, 2012. Consequently, accuracy of the balances reflected in the Council's Financial Statement for the year ended 30th, June, 2012 could not be confirmed.

Responding, the former Town Clerk Ms. Lucy Waema said the Financial Statements for the period in question were prepared and submitted to the auditors but were rejected for lacking supporting documents which could not be traced after being destroyed when a mysterious fire gutted the office block in 2008. Her sentiments were supported by the former Treasurer Mr. Henry Waweru who said that the Council hired the services of a private consultant to reconstruct its books of accounts during the 2008/2009 Financial Year but the records were ruined by the mystic fire.

Mr. Waweru recalled that most Local Authorities countrywide just like the Municipal Council of Kitui had by then not prepared their financial statements for several years as required and when pressure mounted for them to do so, most of them hired consultants to do the job. He said the damage suffered by the Council as a result of the fire was a misfortune which could occur anywhere and the loss could not be blamed on anyone.

Regarding the sharing of Assets and Liabilities between the Municipal Council and the County Council of Kitui, the former town Clerk admitted the observations by the Auditor-General and submitted that the process was being spearheaded by the former Local Government Ministry which had not concluded the exercise by the time the audit was carried out. He reckoned that the issue had been overtaken by events since the Assets and Liabilities now belonged to the County government of Kitui.

The Committee noted the following;

- i. That preparation of reliable and accurate financial statements which was discarded for thirteen (13) years was important in providing the Council with a sound basis for analyzing results of its operations. Nonetheless, the Committee acknowledged the challenges which made the Council to operate without the**

- Financial Statements and poor accounting system for that period.
- ii. That proper questioning of the witness was hampered by unavailability of the evidence destroyed by the mysterious fire.
 - iii. That it was unfortunate that the council operated without an alternative data storage device which could have made retrieval of the lost information possible.
 - iv. That the committee did not derive much from the report prepared by the then City Council of Nairobi regarding the cause of the fire and the extent of damage it caused as it was too superficial. The dossier was prepared at the behest of the council.

The Committee recommends that;

- i. The County Government should install data back-up softwares in all the key public offices both at the County Headquarters and Sub-counties to make retrieval of crucial information possible in the event of such calamities.
- ii. All the Accounting Officers serving the County Government should take necessary steps to ensure that accounts staff in their dockets adhere to high standards of accounting and that they prepare accurate and up to date accounts consistent with the accepted accounting principles and standards as envisioned in the Public Finance Management Act (PFMA).

Sharing Of Assets

The Committee noted the following;

- i. That the value of assets owned by the defunct council could not be determined owing to failure by the then Local Government Ministry to conclude the process of sharing of Assets and Liabilities between the Municipal Council and the County Council of Kitui on time.
- ii. That only the original inventory can provide the truth regarding the total number and value of assets owned by the larger County Council of Kitui before it was split giving birth to the Municipal Council of Kitui, the County Council of Mwingi and the Town Council of Mwingi. Hence the County Government should rely

on the document in determining the whereabouts of assets whose custody was transferred to the splinter councils from the mother council.

While appreciating the mechanism put in place by the Transitional Authority and the County Government of Kitui to ascertain the Assets and Liabilities transferred to the County Government from the defunct councils through the Transitional Authority Technical Committee on Transfer of Assets & Liabilities and the County Sub-committee on Assets and Liabilities respectively, the Committee nonetheless recommends that;

The County Government should within sixty (60) days from the date of adoption of this report start taking stock of all the county assets and liabilities guided by the original inventory. The stock-taking should be done as a prelude to the similar undertaking by the relevant organs including the Transitional Authority and to help in determining public assets which might have been looted by corrupt public servants before and during the transition period with a view to having them recovered in public interest.

Non-current assets

The audit revealed the following;

The Non-Current Assets balance increased from Kshs.68, 954,970.30 as at 30 June 2011 to Kshs.358, 027,697.80 as at 30 June 2012. However, relevant supporting documents including, an updated Fixed Assets Register and ownership documents for various parcels of land and buildings were not made available for audit verification.

Further logbooks for motor vehicles were not registered in the official name of the Council. In the circumstances, it was not possible to confirm the accuracy and ownership of the Non-Current Assets balance of Kshs.358, 027,697.80 as at 30 June 2012.

Replying, the former town Clerk Ms. Waema stated that during the period in question, the Council valued the Assets which resulted in a big difference between the Asset balances for the previous year and current one. She said both the valuation report and Fixed Assets Register were made available for audit verification audit.

She said ownership documents for the various Council properties including the parcels of land and buildings were transferred to the County Government of Kitui and the same were availed to the auditors for verification.

But the committee was more interested in having the Fixed Asset Register subjected to audit verification rather than the valuation report. Other documents it wanted scrutinized by the audit included titles deeds/allotment letters for various pieces of land and logbooks for the motor vehicles in question. In addition, the Committee sought to know if the assets were registered under Municipal Council of Kitui or Kitui Municipal Council since the two names stood for different entities.

In reply, Ms. Waema said that all vehicles belonging to the council were registered under Kitui Municipal Council which she admitted was an error. She cited Municipal Council of Kitui as the correct name under which the vehicles should have been registered. She blamed the oversight on the Kenya Revenue Authority (KRA) which handled the registration. The committee noted that it was the responsibility of those who were running the council to have ensured that the registration details were correctly captured by KRA to avert impacting negatively on its documentation. Waema said the anomaly could have been corrected only that it was discovered too late. She hoped the matter would be sorted out by the County Government which inherited the properties of the defunct council.

On land, she said most parcels owned by the council lacked allotment letters because they were not surveyed. Mr. Waweru added that the said properties were not included in the Fixed Assets Register at the time of the audit for lacking ownership documents. The two former Chief Officers demystified the committee's concern that some of the council's assets could have been looted during the transition period.

The Committee observed the following;

- i. That the colossal increase of the Non-Current assets balance from Kshs.68, 954,970.30 to Kshs.358, 027,697.80 implied that the council had acquired additional property. However, that could not be authenticated owing to failure by the Accounting Officers to avail supporting documents for audit verification.**

Such documents included purchase agreements and ownership certificates for the various assets including parcels of land and buildings.

- ii. That the committee failed to understand how the council managed to secure ownership of some parcels of land even before they were surveyed.

The Committee recommends that;

- i. The County Government should put in place proper systems to facilitate accurate recording of all the assets owned by the former municipality and also guarantee their security
- 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 any lost property recovered

Receivables/ Debtors

The audit revealed the following;

The Receivables/ Debtors balance decreased from Kshs.55, 302,569.50 as at 30 June 2011 to Kshs.54, 578,748.45 as at 30 June 2012. However, the relevant supporting documents including, debtors' ledger and related schedules were not made available for audit verification. Further, debtor's age-analysis and circularization were not undertaken during the year.

In addition, although the Council made a provision for bad and doubtful debts of Kshs.561, 208.30 during the year, the Council did not have a policy on provision for bad and doubtful debts.

Under the circumstances, the accuracy and recoverability of the Receivables/ Debtors balance of Kshs.54, 578,748.00 as at 30 June 2012 could not be confirmed.

Replying, the former Town Clerk Ms. Waema observed that the Council maintained individual debtors' ledgers in LAI FOMS from which the accuracy of the figures regarding the Receivables/ Debtors balance could be confirmed. She said the same information was availed for audit verification.

She admitted that the debtors' age-analysis and circularization was not done during the year in question and attributed the failure to most attention having been directed at dealing with the high number of transactions involving land owners who were the main debtors at the time.

She refuted the committee's assertion that the Council did not have a policy on bad and doubtful debts. She said the policy was developed and approved by the Finance, Staff and General Purposes Committee on 11th February, 2011.

The committee sought to know if the Council knew how much it owed ratepayers with Mr. Waweru answering in the positive. He explained that the Council maintained updated records on the number of ratepayers and what it owed them. The former Chief Officer recalled a time when the Council published a list of all the debtors and the amount they owed it in a whole page of the Daily Nation. He said the list involved defaulters who were owed over Ksh. 30,000 by the Council and that the same information was still available.

But the Committee was of the view that the Council should have been raising demand notes for payment before putting the data/information in the LAI FOMS. It further deemed it better had the Council been writing to the debtors' first to confirm if they still existed and secondly, if they were aware of what the Council owed them. The Committee viewed that to have been the easiest way the correct balance on the debt could have been ascertained.

The Committee observed the following;

- i. That substantial amount of revenue could have remained uncollected owing to the ineffective collection methods and giving the debtors' notice of payment which the council relied on.**
- ii. That the best approach the council should have applied to enforce payment from debtors was issuing demand notes for payment instead of publishing details of the debtors in the print media.**
- iii. That the under-collection of revenue signaled negligence or rather laxity by the Accounting Officers in pursuing debt collection.**
- iv. That most of the revenue collected might have been misappropriated due to the weak accountability systems.**

The Committee recommends that;

To achieve efficiency in revenue collection and optimize on management, the County government should fast-track the modernization of its financial systems including acquisition of an integrated platform and an automated revenue management system with the objective of;

- **Providing citizens with convenient and secure payment options for different services provided by the county**
- **Having the ability to monitor revenue collection from several sources on real time basis and to minimize cash handling by revenue collectors.**

Cash and cash equivalents

The audit revealed the following;

The Cash and Cash Equivalents balance decreased from Kshs.834, 900.55 as at 30 June 2011 to Kshs.350, 200.05 as at 30 June 2012. The balances reflected in the financial statements however, were derived from the bank statements instead of cashbook balances.

Further, included in the monthly bank reconciliation statements as at 30 June 2012, are stale cheques amounting to Kshs.2,702,523.00 and unbanked cash of Kshs.6,373,450.00 in respect to GRF cashbook.

The Council's records also indicate under-banking of revenue totaling Kshs.1, 843,672.00, while revenue overbanked through contras amounted to Kshs.1, 459,517.00.

Consequently, the accuracy of the Cash and Cash Equivalents balance of Kshs.350, 200.05 as at 30 June 2012 could not be ascertained.

Replying, Mr. Waweru admitted the existence of stale cheques amounting to Ksh. 2,702,523 which were not written back to the cashbook. He said that happened as a result of an oversight on the part of the management but the anomaly was corrected to reflect the correct cash book balance involving a debit of Ksh. 305,603 as recommended by the auditors.

He further said a proper bank reconciliation statement was prepared as per the agreement with the auditors. He also admitted to availability of unbanked cash amounting to Ksh. 6,373,450 which he said was as a result of the money being spent directly on operations before banking. But the Committee was dissatisfied with his submission for not giving reasons why the following happened;

- Inclusion of the Ksh. 2,702,523 for the stale cheques in the bank reconciliation
- Spending of Ksh. 6,373,450 before it was banked as required by law
- Under-banking of revenue amounting to Ksh. 1, 843,672.00.

Mr. Waweru attributed the stale cheques to the failure by some payees to collect and cash them before the lapse of six (6) months. He said that cheques are bound to become stale if they are not cashed before the lapse of six months which is provided in law. He also blamed the occurrence on the financial constraints which faced the Council at the time. He said the Council found itself literary operating on overdrafts and the bank statements were always on the negative. He said payment cheques were being written but could not be taken for cashing as the bank would not clear them owing to the negative balance.

He said the council had an overdraft of Ksh. 4.2 million at the time he took over as the treasurer but after two years in office he streamlined the accounting system resulting in normalization of the bank accounts.

The committee sought to know why some payment cheques were written in favor of the Municipal Council of Kitui and under what circumstances the Council paid itself contrary to financial regulations.

It further questioned why numerous cheques would be written and taken for cashing the same day that is on 31st January 2011 from the same account instead of doing so through a single cheque.

Mr. Waweru admitted that some transactions done by his predecessor contravened financial regulations and attributed that to his hurriedness to clear some pending bills in readiness to hand over office to him. The committee suspected that some money may have been misappropriated as a result of the dubious transactions with Mr. Waweru saying that he thought the payment vouchers were supported by valid receipts.

Further, the committee questioned why some payment cheques were written in favor of certain officials instead of the Council's name. Replying, the former Treasurer cited the existing overdraft as the reason. He said the bank could not have honored the cheques if they were written in the Council's name because the account was overdrawn and hence posting a negative balance.

He said he was tempted to violate some financial regulations due to the pressure to provide essential services including garbage collection which involved fuelling of the vehicles. He said all that required steady flow of cash. He said there are times when circumstances can force one to make a decision, however bad, to make things work. He said he acted in the interest of public good but the committee noted that his actions were irregular and open to abuse. The committee further stated that there was no proof that the money irregularly withdrawn benefited the people.

The Committee noted the following;

- i. That factoring the figure of Ksh. 2,702,523.00 for the stale cheques in the bank reconciliation could have been an attempt to cover up for fraud.**
- ii. That the former Treasurer did not produce evidence to prove that all the money withdrawn irregularly from the bank to fund emergency services was used for the intended purpose**
- iii. That the former Treasurer breached financial regulations by making irregular expenditures under the guise of promoting public good.**
- iv. That the Accounting Officers relied on questionable accounting system which was open to abuse and manipulation and which might have led to misappropriation of public funds.**
- v. That the former Chief Officer backtracked on his promise to avail the cancelled stale cheques for audit verification hence misleading the committee.**
- vi. That the existence of the Ksh. 4.2 million Overdraft cited by the Accounting Officer could not be confirmed following his failure to produce evidence to that effect.**

The Committee recommends that;

The Ethics and Anti-Corruption Commission (EACC) should carry out further investigation into this matter with a view to

holding suspects accountable should misapplication of public funds be affirmed and to have the lost amounts recovered.

Payables/Creditors

The audit revealed the following;

The Payables/Creditors balance increased from Kshs.16, 910,253.00 as at 30 June 2011 to Kshs.20, 360,660.60 as at 30 June 2012. However, the relevant supporting documents including, an updated creditors' ledger and related schedules were not made available for audit verification.

Consequently, it has not been possible to confirm the accuracy of the Payables/Creditors balance of Kshs.20, 360,660.60 as at 30 June 2012.

Responding to the observations, the former Town Clerk Ms Waema said the Creditors' Ledger was maintained but it was not up to date as at the time of the audit. She said the document was later updated as recommended by the auditors and submitted for audit scrutiny.

The Committee observed the following;

- i. That the Ksh. 20, 360,660.60 debt could not be authenticated owing to the failure by the former Chief Officers to avail the supporting documents for audit verification.**
- ii. That the Creditors Ledger submitted by the two Accounting Officers for audit verification and which they purported to be the updated version appeared to be a fabrication.**

The Committee recommends that;

- i. The County Government should always maintain up-to-date records of creditors with relevant supporting documents.**
- 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**

Bank Overdraft.

On the bank overdraft, audit revealed the following;

The Council's financial statements reflected a bank overdraft of Kshs.2, 811,567.00 as at 30 June, 2012. However, approval of the overdraft by the Minister was not provided for audit confirmation.

The overdraft was therefore being operated by the Council contrary to the Local Government Act, Cap 265.

Responding, Ms Waema admitted the observation by the Auditor-General and submitted that the amount quoted was as result of bank reconciliation involving unrepresented cheques. The Committee sought to know if operating the overdraft had been sanctioned by the relevant minister with the official replying in the negative. She said the issue required no approval by the minister as required since it was not an actual bank transaction but one emanating from the uncashed cheques. She said the only actual overdraft concerning the Council was for Ksh. 4,558.85 only which accrued from bank charges. She cited the overdraft figure of Ksh2, 811,567.00 cited in the audit report as a misrepresentation. She said no approval was sought from the minister since the amount involved of Ksh 4, 558.85 had no significant implication. She disputed committee's suggestion that she failed to seek the approval because the amount was too little.

She cited the other actual overdraft concerning the Council as that involving a bank account used by the Kenya Roads Board (KRB). She said the Board used to channel funds for road projects through the account which attracted bank charges after remission was stopped hence the overdraft. She said the Board discarded partnership with the Council in favour of the newly formed Kenya Rural Roads Authority (keRRA).

The Committee;

Faulted the Accounting Officer for operating an overdraft without authority from the relevant minister.

The Committee recommends that;

All Accounting Officers working for the County Government must always abide by the laid down financial regulations,

directives and procedures to ensure sound/prudent management of public funds.

Long-term loans

The audit revealed the following;

The Long-Term Loans balance stood at Kshs.33, 755,695.20 as at 30 June, 2012. However, relevant supporting documents including, the loans register/ledger and loans agreements were not made available for audit verification.

In the circumstances, it has not been possible to confirm the accuracy and validity of the Long-Term Loans balance of Kshs.33, 755,695.20 as at 30 June 2012.

Replying, Ms Waema admitted to the observation by the Auditor-General and submitted that the Council wrote to the National Housing Corporation (NHC) requesting for copies of the loan agreements but no response was forthcoming.

The committee talked of the need for the loan agreements to be pursued considering that the audit query would most likely be repeated in the next report to be released by the Auditor-General regarding the accounts of the County Government which became the custodian of the houses after inheriting them from the defunct Local Authorities. The committee noted that the matter was serious as it involved public property constructed using taxpayers' money.

But Waema expressed reservations at accessing such information from the two agencies with ease due to fact that the Local Authority had ceased to exist. She said the onus of meeting the liabilities as of now lied with the County Government to which ownership of all the Assets and Liabilities belonging to the extinct municipality were transferred. Hence, she argued that the County Government was better placed to engage the two institutions over the missing documents to facilitate offsetting of the loan.

Mr Waweru clarified that the total of the Kshs.33, 755,695.20 captured in the audit report as the long-term loan balance was a combination from two different credit facilities namely the National Housing Cooperation (NHC)

and the Local Governments Loans Authority (LGLA). He said LGLA was being administered by the national Treasury which kept the required records. He said the role of the council was to post the transaction figures in its books of accounts.

The Committee observed the following;

- i. That the legitimacy of the Kshs.33, 755,695.20debt could not be ascertained owing to the failure by the Accounting Officers to avail the supporting documents for audit verification**
- ii. That servicing of the loan was inconsistent and that it had taken long to be cleared.**

The Committee recommends the following;

- i. That being responsible for settling the debt, the County Government should liaise with Ministry of Devolution and National Planning which inherited the Local Governments Loans Authority (LGLA) which previously administered the credit facility with a view to establishing if the loan was legitimate and if so, make arrangements to clear the debt to avoid its property being auctioned or attached by the lenders.**
- ii. That the County Government should also make an inventory of all the houses whose construction was funded through the loan with a view to establishing if they still existed or some had been acquired illegally by corrupt individuals.**

Renewals Fund

The audit revealed the following;

Section 219 of the Local Government Act, Cap 265 of the Laws of Kenya requires the Council to create and set aside adequate renewals funds to cater for the partial or entire replacement of some or all of its assets, which, owing to depreciation or other cause will require at some future date, to be replaced.

During the year under review, the Council opened a renewals funds account and set aside Kshs.170, 000.00. However, the amount set aside appeared

inadequate to finance the replacement of the Council's non-current assets which stood at Kshs.358, 027,697.80 as at 30 June, 2012.

It was also not clarified how the Council intends to finance future replacement of its depreciable Non-Current Assets in the absence of adequate and tangible renewals funds.

Responding, Waema said the Council had set aside a provision of Ksh. 120,000 annually for the Renewals Fund in line with its policy. However, she said providing for the account at the time proved somehow difficult owing to the financial challenges the Council was facing. She said it could have been imprudent for the Council to tie money in the Renewals Fund an account hoping to spend it at later date at the expense of delivering crucial services to the people. She said the Council's failure to provide for the kitty at the time did not amount to violation of the law as that was occasioned by scarcity of funds. She was reacting to the Committee's assertion that she flouted Section 219 of the Local Government Act, Cap 265 which advocated for establishment of the fund.

Her argument was supported by Mr Waweru who said no law was violated as all that was required of them was to set aside an annual budget of Ksh 120,000 for the kitty which was done. He said the only question which could arise out of the matter was whether the amount they allocated was enough considering the multiplicity of Assets that were to be catered for.

The Committee noted the following;

That while appreciating that the Accounting Officer observed the law by creating and setting aside Ksh.120, 000.00 for Renewals Fund; she nonetheless failed to ensure the kitty was adequately provided for as required and considering that value of the Non-Current assets to be catered for stood at Ksh. 358,027,697.80.

The Committee makes the following recommendation;

- i. That Accounting Officers for the County Government must always abide by the legal provisions governing the management of public funds.**
- ii. The County Government must come up with a policy on how replacement of its depreciating assets will be financed.**

Construction of town hall

The audit revealed the following;

The Council undertook to construct a Town Hall at a cost of Kshs.7, 199,490.00. However, records provided for audit verification indicated that expenditure totalling Ksh. 8,051,432.20 had been incurred on the project as at 30 June, 2012.

Further, a report of the Ministry of Public Works indicated that the construction work was not done to the required standards and the construction of the Town Hall had stalled. As at the time of the audit verification in August 2012, the contractor was not on site while an additional expenditure of Kshs.4,234,001.80 had been incurred, thereby increasing the total expenditure on the Project to Kshs.12,285,434.00.

Under the circumstances, the propriety of the above expenditure could not be confirmed. In addition, it could not be ascertained whether the Council got value for money on the total expenditure so far incurred on the project.

Responding, Ms Waema admitted that the initial cost building of the town hall stood at Ksh. 7,199,490.00. However, she said the cost changed upwards after variation in the scope of work was done. She said the initial plan was to rely on the existing base of the damaged building but which was found to be weak to hold the upper structure after an assessment was done. She said that prompted the management board to grant approval for the extra work at a cost of Ksh. 1, 297,338.00 which saw the total cost of the whole project rising to Ksh.8, 496,828.00. She said minutes of the meeting which endorsed the additional work were available.

She said the Ksh. 4,234,001.00 cited in the audit report as an additional expenditure was the budget meant for the proposed alterations which were never approved. She ruled out the total expenditure of the project having reached Ksh. 12,285,434.00 as indicated in the audit report. She assured the Committee that the work done by the contractor met the expected standards. She said the project was implemented as per the recommendations outlined by the ministry of public works in a report dated 16th May 2012.

The Committee opined that any variation in the scope of work should have been approved by the Tender Committee as required by the Public Procurement Act but not the management committee as the Accounting Officer indicated.

It also questioned the relevance of the meeting which purported to have endorsed the additional works saying it was attended by departmental heads who had no legal mandate to grant the approval. Hence the committee deemed the minutes cited by the Accounting Officer in respect to this matter as null and void.

Basing judgement on the report by Ministry of Public Works regarding the work done, the Committee concluded that the Council did not get value for money in relation to the Ksh8, 496,828.00 spent on the project. This was particularly due to its failure to consult with the necessary technical arms prior to commencement of the work.

Replying, the former town Clerk concurred that the minutes she referred to were for a HOD meeting held in March 2010 after the Local Authorities had been dissolved. She said the HODs recommended for the additional works in their capacity as the Management Board. She said the Tender Committee gave nod to the additional works and offered to search for minutes on the same. However, she clarified that she was not the Town Clerk when the transactions were taking place.

She said the Council did not make payment of Ksh 4 million in respect of the extra work as stated in the audit report. She said when she reported for duty, she found the construction work underway and that she is the one who wrote to the Ministry of Public Works to verify if the specifications provided in the Bill of Quantities were okay. She was replying to concern by the Committee on the standard of work delivered by the contractor.

The Committee observed the following;

- i. That only the tender committee had the mandate to approve the variation in the scope of work and not the management committee as the Accounting Officer submitted. In that regard, the approval granted by the management committee**

- was null and void because the group comprised departmental heads who lacked the basis to sanction the extra work.
- ii. That there was no evidence to show that the extra Ksh 1,297,338.00 was spent on the project
 - iii. That there was likelihood of the council having gotten no value for money regarding the Ksh 8,496,828.00 spent on the project as intimated by the following;
 - Lack of certification by the Ministry of Public Works confirming the quality of work performed by the contractor.
 - Lack of in-put by the technical organs who were not consulted to give the necessary advice before the actual work started.
 - iv. That the decision by the county government to renovate the same building not so long after it was accomplished by the council implied that the work done was substandard.
 - v. That implementation of the project was mired in irregularities right from the beginning to the end.

The Committee recommends that;

- i. 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 confirmed and to have the lost amounts recovered
- ii. The two Accounting Officers are unfit to hold public office for contravening procurement regulations.

County Council of Kitui-2011/2012

As stated earlier in this report, the proceedings were frequently distracted especially owing to the misconduct of two former Chief Officers namely Mr. Samuel Otieno Owande and Mr. Daniel Mutuku Twala who served as Clerk and Treasurer of the defunct County Council of Kitui. The committee had a hard time dealing them due to their lack of cooperation. The duo were unwilling to comply with the committee's directives derived from the

provisions of the Constitution and the public audit Act. They both failed to submit responses to the audit queries despite being repeatedly informed by the committee that responding to the queries was a legal obligation. In addition, they kept being elusive and opted to face the committee after learning that the intervention of the CID had been sought to help in tracing them. However, Mr. Twala appeared for questioning only once and disappeared till the sittings ended.

The audit queries were as follows;

Accuracy of the Financial Statements

The audit revealed the following;

As previously reported, the Council has not prepared and submitted for audit financial statements for twelve (12) years from 1982 to 1992/1993. The Council has therefore continued to be in breach of the law. In absence of certified financial statements for 1992/1993 and prior years, the source and accuracy of the opening balances as at 1 July 1993 for the 1993/1994 statements, and for the subsequent years, including 2011/2012 could not be confirmed.

The process of sharing of assets and liabilities between the Council and the County Council of Mwingi had not been completed by 30 June 2012.

Consequently, accuracy of the Council's financial statements for the year ended 30 June 2012 could not be confirmed.

The Committee noted the following;

- i. That the reluctance by the two Accounting Officers to appear before the committee and submit responses to the audit queries contrary to the law amounted to self-incrimination or admission of guilt.**
- ii. That the failure to prepare financial statements for such a long period signaled laxity or rather negligence on the part of the Accounting Officers.**

The Committee recommends that;

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 the lost amounts recovered.

Non-current assets

The Non-Current Assets balance increased from Kshs.667, 500,275.00 as at 30 June 2011 to Kshs.685, 318,084.00 as at 30 June 2012. However, relevant supporting documents including, an updated Fixed Assets Register, ownership documents and valuation reports for various parcels of land and buildings were not made available for audit verification.

Further, logbooks for motor vehicles were not registered in the official name of the Council. In the circumstances, it was not possible to confirm the accuracy and ownership of the Non-Current Assets balance of Kshs.685, 318,084.00 as at 30 June 2012.

The Committee noted the following;

- i. That the increase of the Non-Current assets balance from Kshs.667, 500,275.00 Kshs.685, 318,084.00 could not be ascertained owing to failure by the Accounting Officers to avail the supporting documents for audit verification.**
- ii. That the unavailability of the supporting documents could have been masterminded to cover up for fraud.**

The Committee recommends 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 the culpable in the event misapplication of public assets is confirmed and to ensure properties which were acquired illegally are recovered.

Receivables/ debtors.

The Receivables/ Debtors balance increased from Kshs.135, 453,080.00 as at 30 June 2011 to Kshs.146, 729,651.50 as at 30 June 2012. However, the relevant supporting documents including debtors' ledger and related schedules were not made available for audit verification.

Included in the debtors balance are long outstanding staff imprests amounting to Kshs.5, 008,454.00.

Staff imprests amounting to Kshs.1, 343,997.00 were written off without the approval of the full Council and authorization of the Minister.

The Council made a general provision for bad and doubtful debts of Kshs.7, 708,976.00 as per Council's policy, but this was contrary to the approved template requirement of a specific approval.

The Council disclosed Contribution In Lieu of Rates (CILOR) of Kshs.46, 375,764.00 in the financial statements, while the supporting schedule reflected a balance of Kshs.44, 046,296.00, resulting to unreconciled or unexplained difference of Kshs.2, 329,468.00.

The Committee noted the following;

- i. That the increase of the Receivables/Debtors balance from Kshs.135, 453,080.00 to Kshs.146, 729,651.50 could not be authenticated owing to failure by the Accounting Officers to avail the supporting documents for audit verification.**
- ii. That the government had lost substantially on account of imprests defaulting and attributed the situation to laxity, negligence and or failure by Accounting Officers to enforce clear government regulations and procedures on imprests.**
- iii. That the Accounting Officer violated financial regulations by writing off the staff imprests without the approval of the full Council and authorization of the then Minister for local government.**

The Committee recommends that;

- i. That the County Government should maintain up-to-date records of debtors and ensure measures are put in place to collect revenue from the outstanding debtors**
- ii. Accounting Officers for the County Government should ensure strict adherence to government regulations and procedures on imprests to guard against malpractices.**

- iii. That the County Secretary should follow up on this matter and ensure that all the outstanding imprests are fully recovered from the beneficiaries within a period of two (2) years from the date of adoption of this report. In cases where he is unable to justify non-recovery within the stipulated period, he should recommend for surcharging of the Accounting Officer responsible for issuing the imprests. The CS should also direct the county treasury to put in place adequate control measures to check against future imprest defaulting.
- iv. That the two former chief officers namely Mr. Samuel Otieno Owande and Mr. Daniel Mutuku Twala are unfit to hold public office for gross negligence of duty and abetting corrupt practices.

Cash and cash equivalents

The Cash and Cash Equivalents balance decreased from Kshs.10, 880,855.00 as at 30 June 2011 to Kshs.5, 401,784.00 as at 30 June 2012. However, relevant supporting documents, including updated main cashbook and monthly bank reconciliation statements were not made available for audit verification.

The statement of cash flows reflects Cash and Cash Equivalents of Kshs.53, 609,556.00, while the statement of financial position shows a balance of Kshs.5, 401,784.00 as at 30 June 2012, resulting to unreconciled or unexplained difference of Kshs.48,207,772.00.

The Council underbanked revenue amounting to Kshs.28, 483,952.00 during the year.

As a result, it has not been possible to ascertain the accuracy of the Cash and Cash Equivalents balance of Kshs.5, 401,784.00 as at 30 June 2012.

The Committee noted the following;

- i. That the decrease of the Cash and Cash Equivalents balance from Kshs.10, 880,855.00 to Kshs.5, 401,784.00 could not be validated owing to failure by the Accounting Officers to avail supporting documents for audit verification.
- ii. That the unavailability of the supporting documents may have been masterminded to cover-up for fraud.
- iii. That the under banking of revenue amounting Ksh. 28, 483,952.00 and the citing of the varying figures of Ksh 53,609,556.00 and Ksh.

5,401,784 in the statement of cash flows and the statement of financial position respectively which resulted in an unexplained difference of Ksh. 48,207,772.00 could have been occasioned by fraud.

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 in the event that misappropriation of public funds is affirmed and to ensure the lost amount is recovered.**

Payables/ creditors, accruals and provisions

The Payables/Creditors, Accruals and Provisions balance increased from Kshs.22,836,237.00 as at 30 June 2011 to Kshs.45,832,500.00 as at 30 June 2012. However, the relevant supporting documents, including an updated creditors' ledger and related schedules were not made available for audit verification.

Statements of account from creditors reflected balances which differed with the financial statements balances.

The Council did not make a provision for audit fees in the statement of financial performance for the year.

Consequently, the accuracy of the payable/creditors, Accruals and Provisions balance of Kshs.45, 832,500.00 as at 30 June 2012 could not be confirmed.

The Committee observed the following;

- i. That the increase of the Payables/Creditors, Accruals and Provisions balance from Kshs.22, 836,237.00 to Kshs.45, 832,500.00 could not be ascertained following failure by the Accounting Officers to avail supporting documents for audit verification.**
- ii. That public funds may have been misappropriated as a result of the accounting irregularities presided over by the Accounting Officers.**

The Committee recommends that;

- i. The County Government should always maintain up-to-date records of creditors with relevant supporting documents on all payments made.**
- ii. Also, the County Government should not pay any creditor without firstly establishing that a service/good was rendered/delivered to the council/county government.**
- iii. That the Ethics and Anti-Corruption Commission should carry out further investigation into this matter with a view to taking appropriate legal action against the culpable in the event that swindling of public funds is affirmed and to ensure the lost amount is recovered.**

Net assets/capital and reserves

The Net Assets/Capital and Reserves balance increased from Kshs.785, 416,506.00 as at 30 June 2011 to Kshs.786, 617,019.50 as at 30 June 2012. However, the relevant supporting documents, including the ledgers, analyses or schedules were not made available for audit verification.

Under the circumstances, the accuracy and validity of the Net Assets/Capital and Reserves balance of Kshs.786, 617,019.50 as at 30 June, 2012 could not be confirmed.

The Committee noted the following;

- i. That increase of the Net Assets/Capital and Reserves balance from Kshs.785, 416,506.00 to Kshs.786, 617,019.50 could not be ascertained due to failure by the Accounting Officers to avail supporting documents for audit verification.**
- ii. That the unavailability of documents to support the increase of the Net Assets/Capital and Reserves balance from Kshs.785, 416,506.00 to Kshs.786, 617,019.50 could have been masterminded in order to cover-up for fraud or other malpractices committed.**

The Committee recommends 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 in the event that corruption is detected and to have the lost public resources recovered

Financial Improprieties

The Council paid hardship allowances totaling Kshs.1, 113,000.00 during the year, but the same had not been approved in the terms and conditions of service.

The Council paid Country Side General Merchants Kshs.4, 099,654.00 for repair and servicing of the Council's grader. However, procurement records indicating how the supplier was identified and subsequently awarded the tender were not provided for audit review. Further, service mechanical report was not provided for audit confirmation of actual work done.

Consequently, the Council was in breach of the financial regulations and the propriety of the above payments could not be confirmed.

The Committee observed the following;

- i. That the Accounting Officer made the government to incur a loss amounting to Ksh 1,113,000.00 by approving irregular payments.**
- ii. That the Ksh. 4,099,654.00 paid to Side General Merchants under dubious circumstances amounted to outright theft of public funds.**

The Committee recommends the following;

- i. The County Secretary should use the means at his disposal to ensure that the former Chief Officer who is still in public service and working for the County Government of Kitui is surcharged to have the Ksh. 1,113,000.00 paid out illegally recovered.**
- ii. That the Ethics and Anti-Corruption Commission (EACC) should carry out further investigation into this matter with a view to taking appropriate legal action against the culpable should stealing of public funds be affirmed and to ensure the lost amount is recovered**

Renewals Funds

Section 219 of the Local Government Act, Cap 265 requires the Council to create and set aside adequate renewals funds to cater for the partial or entire replacement of some or all of its assets, which, owing to depreciation or other cause will require at some future date to be replaced.

The statement of financial position reflects a renewals funds balance of Kshs.6, 228,791.00 as at 30 June, 2012. However, the amount is not represented by a similar amount in the bank, as the bank account showed an amount of Kshs.2, 858,761.00.

Further, the amount invested was inadequate to finance the Council's non-current assets worth Kshs.685, 318,084.00 as at 30 June 2012. It was also not clarified how the Council intends to finance future replacement of its depreciable non-current assets in the absence of adequate and tangible renewals funds.

The Committee noted the following;

- i. That the Accounting Officers breached the law by failing to provide enough for the Renewals Fund**
- ii. That the varying figures of Ksh 6, 228,791.00 and Ksh 2, 858,761.00 in respect of the Renewals Fund reflected in the statement of financial position and in the bank /account respectively could have been a ploy to cover up for fraud.**

The Committee recommends 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 the culpable in the event that swindling of public funds is confirmed and to ensure the lost amount is recovered.

County Council of Mwingi-2011/2012

Accuracy of the financial statements

The audit revealed the following;

As previously reported, the Council prepared and submitted for audit financial statements for the years 1999/2000 and 2000/2001, which were not supported by the relevant books of accounts and other records.

The process of sharing assets and liabilities between the Council and the County Council of Kitui had not been concluded as at 30 June 2012. Amended copies of the financial statements for 2011/2012 have not been submitted to date. Consequently, accuracy of the financial statements for the year ended 30 June 2012 could not be confirmed.

In response, the former County Clerk Mr. Elijah Mutambuki admitted the Auditor-General's observation regarding the unavailability of supporting documents for the Financial Statements but absolved himself from blame on the same. He said it was his predecessors who had failed to avail the documents for audit verification. He said it was not possible for him to produce the documents later as they were destroyed by a mysterious fire which gutted the office block on 29th of May 2009.

He said the process of sharing Assets and Liabilities between the County Council of Mwingi and the County Council of Kitui was yet to be determined due to a court dispute pitting the Kenya Commercial Bank (KCB) Vs the County Council of Kitui over non-payment of a loan secured by the Council to purchase a motor grader with registration Motor Grader KAB 306 Q. He said the County Council of Mwingi had been cited as the second respondent in the case for having custody of the machine.

Regarding the Financial Statement, he said the document was amended but its submission for audit scrutiny was overtaken by events since the audit certificate had already been issued by the time it was ready.

Commenting on the outbreak of mysterious fires which rocked many local authorities countrywide, the committee attributed the occurrence to deliberate schemes by rogue Chief Officers who were determined to destroy evidence linking them to financial scandals.

On the sharing of Assets and Liabilities between the two Local Authorities, the committee hoped that the matter would be sorted out since the County Government and the Transitional Authority had put in place mechanism to come up with a solution.

The Committee observed the following;

- i. That the outbreak of the mysterious fires which rocked many councils in the past was an evil scheme by corrupt Chief Officers who were determined to destroy evidence linking them to financial scandals
- ii. That proper questioning of the Accounting Officers was hampered by unavailability of crucial documents which were destroyed by the mysterious fire.

The Committee recommends that;

That the County Government should do the following;

- i. The County Government should ensure that key public buildings and other installations are fitted with firefighting equipment for use when such disasters strike. Such gadgets include fire extinguishers and smoke detectors.
- ii. The County Government should also install alternative data storage devices or backups in key public offices to safeguard total loss of very crucial documents when such calamities occur.

Non-current assets

The Auditor-General reported the following;

The Council's Non-Current Assets balance increased from Kshs.125, 064,889.00 as at 30 June 2011 to Kshs.129, 075,162.00 as at 30 June 2012. However, relevant supporting documents including, an updated Fixed Assets Register and ownership documents for various parcels of land and buildings were not made available for audit verification.

Further, logbooks for motor vehicles Reg. Nos.KBJ746U and KAW703Z and motorcycle KBL001G were not registered in the official name of the Council.

In the circumstances, it was not possible to confirm the accuracy and ownership of the Non-Current Assets balance of Kshs.129, 075,162.00 as at 30 June 2012.

In response, Mr. Mutambuki accepted that the council did not have an updated Fixed Assets Register at the time which he attributed to lack of a valuation report. He said the council carried out valuation of its assets on 10th

December, 2012 to facilitate updating of its Assets Register. He told the committee that the register was ready and available for examination.

On land, he attributed lack of ownership documents for certain parcels to the adjudication exercise which had not been completed but was on-going in some parts of Mwingi at the time. However, he said with time, the Council managed to get some title deeds for the following parcels of land; Mwingi/Ngoo/1092, Migwani/Kyamboo/592 and Tseikuru A /315. He referred the committee to appendix viii and ix where listing of all the parcels with and without titles was fixed.

The former Clerk admitted that the motor vehicles Reg. Nos. KBJ 746U and KAW 703 Z and motorcycle KBL 001 G were erroneously registered under Mwingi County Council instead of County Council of Mwingi and attributed the anomaly to an oversight committed during the gazettement of the Council way back in 1989. He explained that he attempted to correct the error when he assumed office and wrote a letter to the then Minister for Local government and the Kenya Government Printer but his request could not be considered without a resolution of the Council. The committee noted that the council was exposed to legal complications owing to the erroneous registration of its motor vehicles.

The Committee noted the following;

- i. That updating the Fixed Assets Register did not require a valuation report as the Accounting Officer submitted.**
- ii. That the value of the fixed Assets was cast in doubt owing to use of erroneous procedure in updating the Fixed Assets Register.**

The Committee recommends that;

- i. The County Government should put in place systems to facilitate accurate recording of all the assets belonging to the former County Council and also ensure their security.**
- ii. 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 culpable in the event that misapplication of public resources is confirmed and to ensure assets which were acquired illegally are recovered.**

Cash and cash equivalents

The Auditor-General reported that;

The cash and cash equivalents balance increased from Ksh. 7,102,112.00 as at 30th June 2011 to Ksh. 29,211,707.00 as at 30th June 2012. However, the balances reflected in the financial statements were derived from the bank statements instead of cashbook balances. Consequently, the accuracy of the cash and cash equivalents balance of Ksh. 29,211,707.00 as at 30 June 2012 could not be ascertained.

In reply, the former Treasurer Mr. Augustus Musyoka admitted the Auditor-General's observations that the balances reflected in the Financial Statement were derived from the bank statements instead of the cashbook balances. He said the Accounts Department was grappling with huge workload owing to shortage of staff. He said the department was being served by only one accountant at the time which hampered accomplishment of most assignments. He said although he was deployed as the Treasurer, he sometimes was being forced to perform the duties of the accountant to make things move. However, he said bank reconciliation was carried out later following recommendations by the auditors.

The Committee;

Observed that the Cash Book was not being updated regularly as required hence occasioning doubt as to whether all the revenue collected was being banked intact as required

The Committee recommends that;

Accounting Officers must always ensure that accurate, comprehensive and up to date accounts are prepared and submitted for audit before statutory deadlines.

Receivables/debtors

The Auditor-General reported the following;

The receivables /debtors balance increased from Ksh. 39,982,917.00 as at 30 June 2011 to Ksh. 41,595,714.00 as at 30 June 2012. However, the balance reflected in the financial statements under Contribution In Lieu of Rates (CILOR) OF Ksh. 4,235,138.00 differs with Ksh. 5,143,999.00 shown in the Council's records.

Further, the council charged provision for bad and doubtful debts of Ksh. 993,268.00 in the statement of financial performance while notes 3 to the financial statements reflected a figure of Ksh. 160,017.00. The variance of Ksh. 833,251.00 has not been reconciled or explained.

In the circumstances, the accuracy and recoverability of the receivables/debtors balance of Ksh. 41,595,714.00 as at 30 June 2012 could not be confirmed.

Mr. Mutambuki attributed the difference of balance reflected in the Financial Statements versus that shown in the Council records to an error performed in the book of accounts. He said reconciliation was carried out after the audit resulting in the correct balance of Ksh. 4,235,138.00. He said the observation by the Auditor-General regarding the provision for bad and doubtful debts was correct and that changes made in respect of the same were included in the amended copy of the Financial Statement. He said the Council charged the provision for bad and doubtful debts at 3 per cent at the time in line with the policy emanating from a resolution of the Council. Further, the former Clerk noted that most doubtful debts involved unpaid plot rents. To him, most debts incurred by the Central Government could not be treated as bad debts since it had the ability to clear the liabilities without much struggle.

The Committee;

Observed that this matter would not have appeared in this report as an audit query had the Accounting Officer ensured timely action in rectifying the error

The Committee;

Holds the Accounting Officer responsible for the delay in resolving this matter and recommends that in future, he must ensure that matters capable of being resolved with the Auditor-

General are resolved promptly failure to which he be sanctioned by the appointing authority.

Payables/creditors, accruals and provisions

The Auditor-General reported that;

The payables /creditors, accruals and provisions balance decreased from Ksh. 6,871,005.00 as at 30 June 2011 to Ksh 4, 749,734.00 as at 30 June 2012. However, a balance of Ksh. 811,867.00 relating to Mwingi famous station was not reflected in the creditor's ledger.

Further, the council did not produce for audit confirmation, creditors' statement to support Kangama contractors' balance of Ksh. 1,634,285.00. Also, the council did not make a provision for audit fees in the financial statements. Consequently, the accuracy of the payable/creditors, accruals and provisions balance of Ksh. 4,749,734.00 as at 30 June 2012 could not be confirmed.

Replying Mr. Mutambuki said the audit query related to policy issues and sought the committee's permission to have the former accountant Mr. James Musyimi to respond to the issues raised. Mr. Musyimi explained that the balance of Ksh. 811,867.00 not reflected in the creditors' ledger related to a statement by the creditors. He said reconciliation was carried out in line with earlier recommendation by the auditors which resulted in the correct balance of Ksh. 775,650.00 and which was factored in the amended account. He further said the balance of Ksh. 1,634,285.00 relating to Kangama contractors was obtained after the audit. He said the failure to provide for the audit fees was an oversight and that the same was rectified and featured in the amended copy.

The Committee;

Heard evidence that this matter had been resolved as the Accounting Officers had acted on the anomalies in question to the satisfaction of the Auditor-General

Nonetheless, the Committee recommends that;

- i. The County Government should maintain up-to-date records of creditors with relevant supporting documents on any payments made to them.**
- ii. Also, no creditor should be paid without it being established first that a service/good was rendered/delivered to the council/the county government**

Renewals Fund.

The Auditor-General reported that;

Section 219 of the Local Government Act Cap 265 of the laws of Kenya requires the council to create and set aside adequate renewables fund to cater for the partial or entire replacement of some or all of its assets which owing to depreciation or other cause will require at some future date to be replaced.

During the year under review the council opened a Renewals Fund account and set aside Ksh 600,000 which had an interest of Ksh 32,861. However the amount invested appear inadequate to finance Non-Current Assets worth Ksh 129, 075,162. It was also not clarified how the council intends to finance the future replacement of its depreciable Non-Current assets in absence of adequate Renewals Fund.

Mr. Mutambuki admitted the observation by the Auditor-General regarding the inadequate provision to the Renewals Fund which he attributed to financial constraints which the Council faced at the time. He said revenue collection was very low compared to the expenditures. For example, he said 2 % of the revenue collected catered for training levy, 10 % for recurrent allocation, 65 % for service delivery and 35 % for personnel ratio totaling to 100 %. He said it was from such constrained budget that the provision for the renewals fund was also to be considered. In that regard, he said he did his best in providing for the kitty in view of the limited resources and the conditionality of the Local Authority Transfer Fund (LATF).

The Committee observed the following;

- i. That while appreciating that the Accounting Officer obeyed the law by creating and setting aside Ksh.600, 000.00 for the Renewals Fund; he nonetheless failed to ensure it was adequately provided for as required by law. This was considering that enough money**

was required to cater for the multiplicity of the Non-Current assets belonging to the council and whose value stood at Ksh. 129, 075,162.

- ii. That the Accounting Officer could not clarify how future replacement of the depreciable Non-Current assets would be catered for which implied that the council operated without a policy on the same contrary to expectation.
- iii. That savings to the Renewals Fund would have increased significantly had the former Chief Officers been making regular provisions to the account as required by law.

The Committee recommends the following;

- i. That Accounting Officers for the County Government must always abide by the legal provisions governing management of public funds.
- ii. The County Government must come up with a policy on how replacement of its depreciable assets will be financed.

Net assets, capital and reserves

The Auditor-General reported that;

The Net assets, Capital and Reserves balance increased from Ksh 165,278, 913 as at 30th June 2011 to Ksh 195,132,848 as at 30th June 2012. However the relevant supporting documents including the ledgers, analysis and schedules were not made available for audit verification. Under the circumstances, the accuracy and validity of the Net assets, Capital and Results balance of Ksh 195,132,848 as at 30th June 2012 could not be confirmed.

Mr. Mutambuki admitted the Auditor-General's observation that the supporting documents were not availed for audit verification. However, he said the ledger was later prepared and was available for audit scrutiny. He admitted that the failure to prepare the document on time was due to an oversight on his part and apologized for that. He said reconciliation on the figures in question was done and the same was indicated in the final statements of the Council's accounts. The committee stated that its ultimate goal was to ensure public resources are spent prudently.

The Committee;

Noted with concern that had the Accounting Officer ensured timely action in availing the Creditors Ledger and the schedules for audit verification, this matter would not have appeared in this report as an audit query

The Committee;

- i. Holds the accounting officer responsible for the delay in resolving this matter and recommends that in future, he must ensure that matters capable of being resolved with the Auditor-General are resolved promptly failure of which he be sanctioned by the appointing authority**
- ii. Accounting Officers must ensure that accurate, comprehensive and up to date accounts are prepared on time and submitted for audit before the statutory deadlines.**

Town Council of Mwingi -2011/2012

Accuracy of the financial statements

The Auditor-General reported that;

As previously reported, the process of division of Assets and Liabilities between the Council and the County Council of Kitui had not been completed by 30 June 2012.

Further, the source and accuracy of the opening balances for the 1997/1998 financial statements as at 01 July 1997 and for the subsequent years, including 2011/2012, could not be confirmed in the absence of audited and certified accounts for the previous years. In addition, amended financial statements for 2011/2012 have not been submitted to date.

Consequently, it was not possible to confirm the accuracy and completeness of the council's financial statements for the year ended 30 June 2012.

Replying, the former town Clerk Mr. Antony Naunga accepted that the division of Assets and Liabilities between the Council and the County Council of Kitui had not been completed by 30 June 2012. He said the exercise was

being undertaken by a team from the then Ministry of Local Government led by the Permanent Secretary which was not through with the task by the time the audit was carried out.

Regarding the delay in submission of the amended financial statements for 2011/2012 financial year, Mr. Naunga pointed out that he was not in a position to amend the accounts for the said period because he had already handed over office to the Town Administrator by the time the statements were received on 22nd September, 2014.

The lapse of time notwithstanding, the committee emphasized the need for division of the Assets and Liabilities between the two former Local Authorities to be carried out since the transitioning period was still unfolding. The committee deemed that to be necessary to enable the County Government which inherited the properties to update its records. In that regard, the committee welcomed the decision by the County Government and the Transitional Authority to set up forums to address the matter.

But the committee was more interested in examining the amended accounts which were to be handed over to the County Government but were not made available for audit verification. It noted that the amended figures were doubtful since they were not verified by the auditors. The committee expressed worry of having material differences in the amended accounts which could end up affecting the financial position of the County Government in relation to the outcome of 2013/2014 audit report.

The Committee observed the following;

That the County Government which inherited the assets and liabilities owned by the defunct council could not harmonise its records owing to the failure by the then Ministry of Local government to expedite the division of Assets and Liabilities between the Town Council of Mwingi and the County Council of Kitui. Hence, there is need for the pending exercise to be concluded as a matter of urgency to enable the County Government up-date its records.

The Committee recommends that;

The County Government should partner with the Transitional Authority in expediting the division of the assets and liabilities

between the defunct councils in order to update its records accordingly and secure the assets for the sake of public interest.

Non-current assets

The Auditor-General reported that;

The Non-Current Assets balance increased from Kshs.105, 059,689.00 as at 30 June 2011 to Kshs.114, 277,557.00 as at 30 June 2012. However, the appended Fixed Assets schedule under Note 7 does not clearly show how the balance increased from Kshs.105, 059,689.00 to Kshs.114, 277,557.00. The Fixed Assets Register was not updated and it omitted the accumulated depreciations. Land ownership documents were not made available for audit verification. The Council also did not provide a schedule of buildings amounting to Kshs.34, 105,000.00 before depreciation of Kshs.2, 647,625.00 as at 30 June 2012. In the circumstances, the ownership and accuracy of the Non-Current Assets balance of Kshs.114, 277,557.00 as at 30 June 2012 could not be confirmed.

Replying, Mr. Naunga linked the increase of the Non-Current Assets balance to purchase of additional office equipment by the council which was done in the course of the year. He said the Fixed Assets Register had not been prepared at the time of the audit which explained why the accumulated depreciations were omitted in the document. He admitted that land ownership documents were not availed for audit verification because the council had not secured them owing to the adjudication exercise which had not been completed but was underway then. He however, produced three copies of title deeds which he said were processed and acquired by the council after the audit exercise was concluded. But the committee was more interested in examining the ownership documents for the other parcels of land which were unavailable.

The Committe noted the following;

- i. That the increase of the Non-Current Assets balance from Kshs.105, 059,689.00 to Kshs.114, 277,557.00 could not be ascertained due to lack of supporting documents. In addition, the Accounting Officers failed to offer convincing explanation on how the increase came about.**

- ii. That the inclusion of office equipments in the Fixed Assets Register yet they dont fall under that category could have an attempt to cover-up for fraud.
- iii. That the two former Chief Officers namely Mr. Antony Naunga and Mr. Oscar Ojwang'-the former town Clerk and Treasurer respectively- neglected their duty by failing to keep an updated Fixed Assets Register which was a necessary task.
- iv. That the failure by the Accounting Officers to avail ownership documents for the various parcels of land for audit verification cast doubts on the existetence or rather security of the the assets.
- v. That the omissions/irregularities committed by the Accounting Officers may have been aimed at facilitating misappropriation of public funds.

The Committee recommends that;

That the Ethics and Anti-Corruption Committee (EACC) should carry out further investigation into this matter with a view to having appropriate legal action taken against the former Chuef Officers should they be implicated in corruption and to have any lost public resources recovered.

Renewals Fund

The Auditor-General reported that;

Section 219 of the Local Government Act, Cap 265 requires the Council to create and set aside adequate renewals funds to cater for the partial or entire replacement of some or all of its assets, which, owing to depreciation or other causes, will require at some future date, to be replaced.

However, the Council did not set aside any renewals funds during the year, against the Council's Non-Current Assets balance of Kshs.114, 277,557.00 as at 30 June 2012.

The Council was therefore in breach of the law. Further, it has not been clarified how the Council intends to finance future replacement of its depreciable Non-current Assets in absence of renewals funds.

Replying, Mr. Naunga denied that the Council had not set aside a provision for the Renewals Fund. He said contrary to the observation, the Council had

made a provision of Ksh. 99,760 for the kitty. However, he said it became untenable to provide for it due to unavailability of funds.

Referring to the balance sheet, the committee acknowledged that the Ksh. 99,000 the Accounting Officer was talking about was actually reflected in it but questioned why the amount was not reflected in the bank statement from the Kenya Commercial Bank (KCB)-Mwingi branch where the kitty's account was held and which showed it had nothing. Mr. Ojwang's' added more twist into the issue when he came up with a different story that the council operated an extra account for the Renewals Fund held at the Cooperative Bank, Mwingi branch where the money for the purpose was being deposited. But the Committee disapproved Mr. Ojwang's submission and referred him to the written response to the audit queries the two former Chief Officers submitted to the committee which showed the council operated only one bank account for the Renewals Fund No. 1103981800 held at the local branch of the KCB. The encounter prompted the former Treasurer to change his mind and came up with a different version of the story that the council actually operated two bank accounts for the fund with one at the KCB and the other at the Cooperative Bank. He pledged to bring bank statements to that effect on 28th November, 2014 but he reneged.

The Committee observed the following;

- i. While appreciating that the council did open a bank account for Renewals Fund, provision for the same remained inadequate which contrived the law that is Section 219 of the Local Government Act, Cap 265.**
- ii. That there was an attempt by the Accounting Officers to mislead the committee by giving inaccurate information as follows;**
 - That the council had provided Ksh. 99,760.00 for the Renewals Fund yet such information was not reflected in the bank statement from the Kenya Commercial Bank where the council operated the only bona fide account for the kitty.**
 - That the council operated an extra bank account for Renewals Fund at the Cooperative Bank, Mwingi branch where deposits in respect of the fund were being made. The Accounting Officer failed to honor his promise to produce documentary evidence in form of details of the bank and bank statements for audit verification.**

- iii. That the two Accounting Officers contravened Chapter six (6) of the Constitution (2010) on leadership and integrity by deliberately giving the committee false information while on oath.

The Committee made the following recommendations;

- i. That the two former Chief Officers who are still in public service are unfit to hold public office for violating Chapter 6 of the Constitution on leadership and integrity.
- ii. That Accounting Officers must always abide by the legal provisions governing management of public funds.
- iii. The County Government must come up with a policy on how replacement of its depreciating assets will be funded/financed

Cash and cash equivalents

The Auditor-General reported that;

The Cash and Cash Equivalents balance decreased from Kshs.7, 205,757.00 as at 30 June 2011 to Kshs.1, 931,418.25 as at 30 June 2012. However, the Council did not maintain the main cash books and as a result, the sources of the cash books balances used to prepare bank reconciliations were unclear. In the circumstances, it was not possible to confirm the accuracy and validity of the Cash and Cash Equivalents balance of Kshs.1, 931,418.25 as at 30 June 2012.

In response, Mr. Naunga admitted to the findings by the Auditor-General and submitted that the cash books were later updated and reconciliation done. He said he was in possession of the two related documents which he had only managed to secure the previous day after some struggle and which he offered to present for audit review. He said he previously struggled to get the documents in vain. But the committee stated that it was more interested in examining the main cash books with a view to confirming if the balances reflected therein were correct. However, the committee expressed satisfaction with response submitted by the Accounting Officer regarding the bank reconciliations and declared that the matter had been resolved.

The Committee noted the following:

- i. That the Accounting Officers neglected their duty by failing to maintain the main cash book which was a necessary task.

- ii. That availability of the document would have helped the council to realise the following;
 - Recording receipts and payments of cash including transactions relating to bank
 - Knowing the balance of cash in hand and at bank at any point of time
 - And to minimize fraud on petty cash
- iii. That the council relied on questionable data in preparing the bank reconciliations since the main cash book which should have been used was not available.

The Committee recommends that;

- i. Accounting Officers must ensure that account staffs deployed in county ministries always prepare accurate, comprehensive and up to date accounts which should be submitted for audit before statutory deadlines.
- ii. 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 in the event that misappropriation of public funds is affirmed and have lost amounts recovered

Receivables/debtors

The Auditor-General reported that;

The Receivables/Debtors balance increased from Kshs.11, 768,707.00 as at 30 June 2011 to Kshs.13, 734,939.00 as at 30 June 2012. However, debtors' ledgers were not maintained. Further, the financial statements reflects under note 5 imprests balance of Kshs.2,037,839.00 and salary advances amount of Kshs.123,860.00 although, the underlying records produced for audit verification showed balances of Kshs.1,561,146.00 and Kshs.172,900.00 for imprests and salary advances respectively. In addition, debtors' age analysis and provision for bad and doubtful debts were not made during the year. In the circumstances, it was not possible to confirm accuracy and recoverability of the Receivables/Debtors balance of Kshs.13, 734,939.00 as at 30 June 2012.

Replying to the observations, the former Town Clerk admitted the findings by the Auditor-General regarding the increase of the Receivables/Debtors balance and non-maintenance of the debtors' ledger. However, he said the imprests and salary advances had fully been recovered from the beneficiaries by 28th February, 2013. He further said the debtors register was also updated. However, the committee felt that the witness had missed the point regarding the imprests balance and salary advances. It noted that the underlying issue highlighted by the Auditor-General on the two issues was the variance of the figures involved; that is Kshs.1, 561,146.00 for the imprests balance and Ksh. 172, 900.00 for the salary advances as shown in the financial statements vis-à-vis the underlying records produced for audit verification but not the recovery of the money alone which the Accounting Officer seemed to be preoccupied with. During the course of the investigation, the witness admitted to not having handed over office properly as required. The committee observed that the written materials submitted by the witnesses should be scrutinized to confirm if the accounts had been amended to reflect the correct balances as it had been directed by the Auditor-General.

The Committee observed the following;

- i. That the increase of the Receivables/Debtors balance from Kshs.11, 768,707.00 to Kshs.13, 734,939.00 could not be ascertained due to the failure by the Accounting Officers to avail supporting documents for audit verification.**
- ii. That the Accounting Officers neglected their duty by failing to maintain the debtors 'ledger which was a necessary task considering that it was in the document where detailed information about customers who dwelt with the council on credit terms was to be posted. Hence failure to keep the crucial document exposed the council to the risk of incurring losses through bad debts. This is because without up-to-date information on the debtors, the council lacked the mechanism for monitoring/ pursuing defaulters.**
- iii. That failure by the council to implement appropriate systems and processes necessary to maintain a healthy flow of funds could have exposed it to financial crisis considering that cash flow is the lifeblood of any organization.**
- iv. That the difference on the imprests balance and salary advances amounts captured in financial statements as Kshs.2,037,839.00 and Kshs.123,860.00 respectively but shown**

as of Kshs.1, 561,146.00 and the Ksh 172, 900.00 in other records could have been an attempt to cover up for fraud.

The Committee recommendsthat;

- i. The county government should 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 should follow up the matter and ensure that the two former Chief Officers namely Mr. Antony Naunga and Mr. Oscar Onyango who are still in public service are recalled to do proper handing over for accountability purpose.**
- iii. That the Ethics and Anti Corruption Commission (EACC)should step in and carry out further investigation into this matter with a view to taking appropriate legal action against suspects in the event that embezzling of public funds is confirmed and to have the lost amounts recovered**

Payables/creditors, accruals and provisions

The Auditor-General reported that;

The Payables/Creditors, Accruals and Provisions balance increased from Kshs.2,852,691.00 as at 30 June 2011 to Kshs.5,321,528.00 as at 30 June 2012. However, the creditors' ledgers were not updated. Further, the Council did not produce statements or invoices to support creditors' balances totaling Ksh. 2, 704,412.00. In the circumstances, the accuracy of the Payables/Creditors Accruals and Provisions balance of Kshs.5, 321,528.00 as at 30 June 2012 could not be confirmed.

Responding, Mr. Naunga admitted the findings by the Auditor-General regarding the increase of the Payables/Creditors, Accruals and Provisions balance from Ksh.2,852,691.00 as at 30 June 2011 to Ksh.5,321,528.00 as at 30 June 2012 and the failure to keep the creditors ledger updated. However, he said updating of the creditors' ledger was later done and the correct balance on Payables/Creditors Accruals and Provisions handed over to the County government. The Accounting Officers failed to explain why there were no statements or invoices in support of the creditors' balances totaling Ksh. 2,704,412.00. The committee stated that it was more interested in examining

the supporting documents and having them to audit verification. Mr. Ojwang gave an undertaking to avail the documents on 28th November, 2014 but he did not.

The Committee made the following observations;

- i. That the increase of the Payables/Creditors, Accruals and Provisions balance from Kshs.2,852,691.00 to Kshs.5,321,528.00 could not be ascertained due to failure by the Accounting Officer to avail supporting documents for audit verification. Such documents included creditors' registers, original contract agreements, invoices, delivery notes, statements, schedules and payrolls to justify the increase.**
- ii. That the Accounting Officers neglected their duty by failing to keep the creditors ledger updated yet the document was vital in providing knowledge about which suppliers the council owed money, and how much. In addition, it is where relevant information on how the increment on the creditors balance would have been recorded. Thus without the document, the council was exposed to the possibility of being swindled by fraudsters through manipulation of data or rather faked claims.**
- iii. That the unavailability of the supporting documents could have been masterminded to cover up for fraud**

The Committee recommends that;

- i. The County Government Should not pay any creditor without first establishing that the service/good for which the claim is made was rendered/delivered to the former councils/or the County Government.**
- ii. The County Government should always maintain up-to-date records of creditors with relevant supporting documents for payments made.**
- iii. That the Ethics and Anti Corruption Commission (EACC) should carry out further investigation into this matter with a view to taking appropriate legal action against suspects in the event that misappropriation of public funds is confirmed and to have the lost amounts recovered.**

LATF projects

The Auditor-General reported that;

During the year, the Council received a sum of Kshs.39, 431,035.00 LATF grants from the Central Government. However, the Council did not implement projects worth Kshs.3, 896,435.00. The Council therefore breached the LATF guidelines besides denying the local residents the intended services. It was therefore not possible to confirm the funds earmarked for the projects have been properly accounted for as at 30 June 2012.

Mr. Naunga admitted to the observations by the Auditor-General and submitted that the Ksh. 3, 896,435.00 which was not spent on the intended projects was diverted to pay salaries for employees of the council. He said the Council was experiencing a cash crunch at the time as a result of the sharp decrease in revenue collection occasioned by the unexpected ban on sand harvesting from which the council earned revenue through collection of cess. He said the council was left with no choice but to divert the project funds to curtail a looming crisis over delayed payment of salaries.

The Committee sought to know what measures the council put in place to boost revenue collection after the lucrative sand harvesting business was outlawed and to ensure the targeted projects whose implementation was affected after the allocated funds were channeled to another purpose were later implemented. Responding, the former Town Clerk said the issue which occurred in 2011/2012 had been overtaken by events since collection of cess had become the responsibility of the County Government. The former Town Treasurer (Mr. Ojwang) admitted the committee's assertion that diverting the Ksh. 3, 896,435.00 million to payment of staff salaries contravened financial regulations. However, in a bid to step up revenue collection, the Accounting Officer said the Council teamed up with the Provincial Administration to sensitize the community against haphazard sand harvesting practices in a bid to have the ban lifted.

The Committee made the following observations;

- i. That the Accounting Officers violated the LATF guidelines by diverting the kshs. 3,896,435.00 meant for development projects to pay staff salaries**
- ii. That it was not clear if the diverted amount was used on paying the council staff as the Accounting Officer failed produce evidence to that effect**

The Committee recommends that;

- i. The County Government should always ensure that funds earmarked for public projects are properly spent and accounted for.**
- ii. That the Ethics and Anti Corruption Commission (EACC) should step in and carry out further investigation into this matter with a view to having appropriate legal action taken against suspects in the event that misappropriation of public funds is confirmed and to have the lost amounts recovered**

Financial Improprieties

The Auditor-General reported that;

An amount of Kshs.32, 176.00 meant for Kalisasi Secondary School Project was used to pay fees for the area councilor who was pursuing a certificate course in County Governance at the Jomo Kenyatta University of Agriculture and Technology (JKUAT), contrary to the financial regulations requirements. The Council paid M/s Mwingi Hardware Kshs.149, 404.00 for supply of building materials for construction of a classroom at Kyethani Secondary School. However, at the time of the audit the materials had not been delivered. In the circumstances, the propriety of the expenditure totaling Kshs.181, 580.00 incurred by the Council during the year could not be confirmed as a proper charge to public funds.

Responding, Mr. Naunga admitted the Auditor-General's observation that Ksh. 32,176 meant for a project at Kalisasi secondary school project was used to pay fees for the area councilor who was pursuing a certificate in county governance at JKUAT contrary to the financial regulations. However, he said the amount was fully recovered from his allowances and the Committee was satisfied with his submission.

Regarding the advance payment of Ksh Kshs.149, 404.00 paid to M/s Mwingi Hardware for supply of building materials , the Accounting officer said there was evidence to proof that the building materials were later delivered to Kyethani secondary school contrary to the observation by the Auditor-General. He said it was only that the supplier had not acted by the time the

audit was carried out beginning from 1st of February, 2013. The committee pointed out that only communication from the school to that effect could convince them that the supplier finally honored his obligation by delivering the required materials on site.

The committee read a sinister motive in the decision by the Accounting Officer to pay for the materials before they were delivered on site which was a gross violation of the procurement regulations. Mr. Ojwang' insisted that the council adhered to the normal procurement procedures when tendering for the supply of the building materials

The Committee made the following observations;

- i. That the Accounting Officer contravened procurement regulations by making advance payment of Kshs. Kshs.149, 404.00 for goods which had not been delivered, a move which might have been motivated by a desire to fleece public funds. In addition, the committee discovered that the purported hardware did not exist which meant the payment was processed using a bogus name.**
- ii. That the Accounting Officer failed to produce evidence confirming delivery of the building materials to Kyethani secondary as he submitted.**
- iii. That the Accounting Officer breached financial regulations by diverting the Kshs.32, 176.00 meant for a project at Kalisasi Secondary School to the pay college fees for the area Councilor.**

The Committee recommends that;

- i. The County Government should ensure that goods, works or services should be procured in accordance with the Public Procurement and Disposal Act, 2005 and related regulations of 2006.**
- ii. That the Ethics and Anti Corruption Commission (EACC) should step in and carry out further investigation into this matter with a view to having appropriate legal action taken against suspects in the event that misappropriation of public funds is affirmed and to have the lost amounts recovered**

- iii. **The Accounting Officers who are still in public service are unfit to hold public office for contravening procurement regulations and abetting corrupt tendencies.**

FINDINGS & RECOMMENDATIONS ON THE FINANCIAL OPERATIONS OF THE COUNTY GOVERNMENT OF KITUI AND DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD FROM 1ST JANUARY TO 30TH JUNE 2013

Introduction.

This report covers the operations of County Government of Kitui comprising the Executive, the Assembly, the defunct Municipal Council of Kitui, County Council of Kitui, and defunct County Council and Town Council of Mwingi. These Local Authorities ceased operations with the enactment of the County Government Act, 2012 which repealed the Local Government Act, Cap 265.

Kitui County Executive and Assembly

Improper Handing Over/Taking Over from the Defunct Local Authorities

The Auditor-General reported that;

There was no proper handing over/ taking over of the defunct Local Authorities' assets and liabilities by the Transition Authority as required by Ministry of Local Government circular of 18th February, 2013. This is because the Transition Authority only directed the former Council's officials to only hand over official documents, assets and office equipment in their possession.

The Committee noted the following;

- i. **That the Transitional Authority failed to give the exiting councils clear communication on how they were required to hand over their assets and liabilities to the County Government which resulted in the improper handing over/taking over process.**
- ii. **That the then Interim County Secretary Mr. Fredrick Martin Muli on his part failed to enforce an efficient and transparency handing over/taking over process in line with the guidelines issued by the Transitional Authority to guide the exercise. This compromised the security of the assets due to lack of accountability and the fact that their custody had not officially been shifted to the**

county government and which for matter was not under any obligation to safeguard them. This implied that there was real risk of assets like public land, vehicles, computers and other equipment being stolen due to lack of proper records on their location, codes, number, size, etc.

The Committee recommends that;

- i. To assist the County Government obtain correct closing balances of assets and liabilities transferred from the defunct Local Authorities, Transition Authority should ensure that proper handing over by the former chief officers is done as per the above circular.
- 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 the Accounting Officers should they be implicated in corruption and to have assets which might have been acquired illegally recovered.

Current Assets and Liabilities

The Auditor-General reported that;

(i) Cash and Bank Balances

During the period under review, the former Local Authorities operated several bank accounts. The Interim Principal Finance Officer wrote to the clerks of the former Councils vide letter dated 03 May 2013 referenced CGK/SCMU/ADM/Vol. I/ (07) , advising them to close the bank accounts and transfer the balances to the County Revenue Account held at Kenya Commercial Bank.

However, the following observations were made from the examination of the Council bank records to determine whether Section 28 of the County Governments Public Finance Management Transition Act, 2013 was complied with.

County Council of Mwingi

	Bank	Account	Balance as per latest statement(Ksh.)
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1	KCB	LATF	Balances as at 06 July 2013 Kshs.20,744,626.35. Kshs.20,742,426 transferred to County Government Current account on 24.07.13
2	Equity	Salaries	Balance as at 13 June 2013 Kshs.2,335,272. No evidence of closure and transfer of funds to the revenue fund account.
3	Equity	GRF	Balance as at 13 June 2013 Kshs.1,005,248. No evidence of closure and transfer of funds to the revenue fund account.
4	Equity	LATF	Balance as at 22 May 2013 Kshs.53,565.85. No evidence of closure and transfer of funds to the revenue fund account.
5	KCB	Savings/ Renewals	Details not available
6	KCB	KRB	Details not available
7	KCB	EU	Details not available
8	KCB	GRF	Details not available

County Council of Kitui

	Bank	Account	Comments
1	Equity Bank	Local Authority Transfer Fund	Balance as per latest bank statement as at 31 March 2013 Kshs.1,044,997.15. No evidence of closure and transfer of funds to the revenue fund account.
2	National Bank	Local Authority Transfer Fund	
3	National Bank		Balance as per latest bank statement as at 30 April 2013 Kshs.0.00

		Poverty Reduction	
4	National Bank	General Rate Fund	Balance as per latest bank statement at 30 June 2013 Kshs.17, 457.37. No evidence of closure and transfer of funds to the revenue fund account.
5	Co-Operative	Local Authority Transfer Fund	Balance as per latest bank statement) as at 30 June 2013 Kshs.15, 022. No evidence of closure and transfer of funds to the revenue fund account.
6	Equity Bank	Salaries	Balance as per latest bank statement as at 14 May 2013 Kshs.94, 872.15. No evidence of closure and transfer of funds to the revenue fund account.
7	Family Bank	Local Authority Transfer Fund	Details not available
8	Equity Bank	<i>KaziKwaVijana</i>	Balance as per latest bank statement as at 24 August 2013 Kshs.23, 770. No evidence of closure and transfer of funds to the revenue fund account.

Municipal Council of Kitui

	Bank	Account	Balance as per latest statements (Ksh)
1	KCB	LATF	Balance as 16 May 2013 Kshs.900, 629.60. Amount transferred to County Government Recurrent account Kshs.898, 829.60 on 20 May 2013.
2	Equity	<i>Kazikwa Vijana</i>	Balance as at 30 September 2013 Kshs.1, 045 No evidence of closure.

3	National Bank	GRF	Balance as at 30 April 2013 Ksh.(2,000). No evidence of closure and transfer of the deficit to County revenue fund account.
4	Co-operative Bank	Renewals Account	Balance as at 14 January 2013 Kshs.169,448.60. No evidence of closure and transfer of funds to the revenue fund account.
5	KCB	KRB	Balance as at 14 January 2013 Ksh. (11,458.85). No evidence of closure and transfer of deficit to County revenue account.
6	Equity	GRF	Balance as at 30 June 2013 Kshs.1, 100,729. No evidence of closure and transfer of funds to the revenue fund account.
7	KCB	EU	Details not available
8	KCB	GRF	Details not available

Town Council of Mwingi

	Bank	Account	Balance as per latest statement(Ksh)
1	KCB	General Rate Fund	Balance Ksh. (19,531.85). No evidence of Closure and transfer of funds to the revenue fund account.
2	KCB	Salaries	Kshs.838,010.15 Transferred to Revenue account on 24 July 2013
3	KCB	LATF	Kshs.1,615,474.50 Transferred to Revenue account on 24 July 2013
4	KCB	Kenya Roads Board	Ksh.(2,627.60) Transferred to Revenue account on 24 July 2013

5	KCB	KazikwaVijana	Balance as at 30 June 2013 Kshs.9, 600 No evidence of closure and transfer of funds to the revenue fund account.
6	Equity	Operations and Maintenance	Balance as at 29 June 2013 Ksh (747.90) No evidence of closure and transfer of the deficit to County revenue account.
7	Equity	Salaries	Details not available. No evidence of closure of account
8	Co-Operative	Renewal Fund	Balance as at 4 July 2013 Kshs.106, 007.80. No evidence of closure and transfer of funds to the revenue fund account.

It was further observed that no board of survey was constituted to establish the correct cash on hand and bank account balances for the defunct local authorities, which would subsequently form the opening balances for County Government. Cash books were also not ruled off in order to form a distinct boundary between the incoming authority and the former Councils.

The Committee;

Faulted the Accounting Officers for the following;

- Spending revenue to the tune of Ksh 121,065,001 contrary to clear directive by the Ministry of Local Government which required them to ensure that all the revenue collected during the transition period was banked intact in the General Rates Fund (GRF) account as stipulated by law. It is worth to note that this happened even though the County Government which was still at its infancy received a total of Ksh 273,681,740.00 from the national government to cater for operational costs. The funds were disbursed between 24th April and 1st July, 2013.
- Failure to comply with the directive by the interim Principal Finance Officer which required them to ensure that all the bank accounts were shut by and the balances thereof transferred to the County Revenue Account in line with the provision of section

28 of the County Governments Public Finance Management Transition Act, 2013.

- Failure to constitute a Board of Survey and to rule off the cash books as required which may have been a deliberate move to cover-up for fraud.

The Committee recommends that;

- i. The County treasury should ensure that any bank account operated by the defunct councils which might still be active is closed forthwith and the balances therein transferred to the County Revenue Account as required by law.
- ii. 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.
- iii. The affected Accounting Officers are unfit to hold public office for contravening the law.

Debtors Balances

The Auditor-General reported that;

The former Councils prepared statements of all debtors as at 28 February 2013 but these were not taken over, confirmed and recorded in the County Government records. The Councils continued to collect revenue and bank the same in their bank accounts. In the circumstances, there was no clear cut off point for confirmation of any movements which could have taken place on debtors taken over. The County Government did not carry out any procedures to ensure completeness, accuracy or correctness of the list of debtors handed over. The debtors indicated in the handing over report prepared by the defunct local authorities are as listed below:

Former Local Authority	Amount (Ksh)
Town Council of Mwingi-	13,611,079
County Council of Mwingi-	41,755,731
County Council of Kitui-	158,096,600
Municipal Council of Kitui-	<u>55,139,957</u>
Total	<u>268,603,367</u>

The Committee observes the following;

- i. That the debt figure amounting to Ksh 268,603,367.00 which county government inherited from the four defunct councils was mistrustful owing to the following;**
 - Failure by the County Government to perform the required procedures to ensure correctness of the list of debtors handed over.**
 - Unavailability of supporting documents for audit verification. The documents included debtors' registers, copies of invoices and demand notices.**
- ii. That failure by representatives of the Transitional Authority who to confirm the debtors records as they took over from the defunct councils on behalf of the County Government left the details open to manipulation by corrupt public servants keen to enrich by taking advantage of any arising loophole to swindle public funds**
- iii. That the high debt figures portrayed laxity/negligence on the part of the former Chief Officers in pursuing revenue collection.**

The Committee makes the following recommendations;

- i. That the County Government should not pay any debtor before establishing beyond doubt that a service/good was rendered/delivered to the council/county government.**
- ii. That the County Government should always maintain debtor's ledgers capturing all specific details of the debtors and ensure cut-off procedures are performed and circularization of the debtors done whenever the need arises to seal loopholes which corrupt public officers could rely on to embezzle public funds. Also, a board of survey should be formed to confirm the debtors' balances.**
- iii. 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 the Accounting Officers should they be implicated in corruption.**

Creditors and Payables

The Auditor-General reported that;

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:

Former Local Authority	Amount (Ksh)
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>
Total	<u>194,797,863</u>

The Committee notes the following;

- i. That the accuracy of the creditors' balance of Ksh. 194,797,863.00 could not be ascertained owing to failure by the Accounting Officer to avail supporting documents for audit verification. The documents included; creditors registers, original contract agreements, invoices, delivery notes, demand notes from suppliers, statements, schedules and payrolls.
- ii. That the county government risked being swindled through fictitious claims for failing to maintain proper records of the legitimate creditors for making referencing when effecting outstanding payments.
- iii. That the failure to keep details of the creditors may have been deliberate move aimed at creating an opportunity for stealing of public funds.

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 28th 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 affected Accounting Officers should they be implicated in corruption.

Fixed Assets

The Auditor-General reported that;

The former Local Authorities prepared handing over reports for Non-Current assets as at 28th 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>
Total	<u>1,280,998,107</u>

The Committee notes the following;

- i. That the Transitional Authority failed to enforce an efficient and transparent takeover of the Non-Current assets from the defunct councils resulting in lack of accountability which might have been exploited leading to loss of public funds.
- 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 might have

been engineered to undermine accountability with a view to facilitating misappropriation of public resources.

The Committee recommends;

- 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 the Accounting Officers accountable should they be implicated in corruption.
- iii. That the representatives of the Transitional Authority 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 took over from the defunct councils on behalf of the County Government and are still in public service are unfit to hold public office for gross negligence of duty which compromised the security of public assets.

Revenue Collection and Accounting

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:

Former Local Authority	Amount (Ksh.)
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>
Total-	<u>70,395,392</u>

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 observes the following;

- i. That there is possibility of public funds having been misappropriated owing to the following omissions and irregularities committed by the Accounting Officers;**
 - **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 which left them open to misuse by corrupt individuals.**
 - **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 to pre-empt corruption.**
 - **Failure to secure all the receipt books which were under the custody of the scrapped councils to pre-empt corruption.**
- ii. That the omissions and irregularities committed were either due to incompetence, sheer negligence or deliberate failure on the part of the Accounting Officers to facilitate theft of public funds.**

The Committee 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 in the event that embezzling of public public funds is confirmed and to have the lost amounts recovered

Procurement of Goods and Services

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	<u>871,200</u>
Total			<u>6,172,700</u>

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.)
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249	12/06/2013	Office Fittings	964,250
368	27/06/2013	Office Fittings	<u>612,880</u>
Total			<u>1,577,130</u>

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	<u>630,000</u>
Total			<u>1,594,250</u>

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	<u>2,992,100</u>
Total			<u>4,072,030</u>

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;

That the blatant violation of procurement regulations as enumerated below pointed to possibility of public funds having been misappropriated;

- **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 outrightly 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 was not 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 Accounting Officers involved 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 corruption.

Payments

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>
The Total				<u>1,993,000</u>

The Committee observed the following;

That the propriety of the above expenditure could not be confirmed owing to the following;

- Failure by the Accounting Officers to produce the vouchers used to process the dubious payments for examination by the committee.
- Failure by the Accounting Officer 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.
- The inability by the Accounting Officers 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.**

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;

Was satisfied that the unavailability of the statements for fuel drawn and work-tickets of motor vehicles fueled could have been masterminded by the officials concerned 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 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 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;

- i. **That failure by Interim County Secretary Mr Fredrick Martin Muli to sign the handing over documents implied that the County Government had not officially taken over from the defunct council. This in addition implied that the transfer of the custody of the assets and liabilities from the defunct council to the county government was not officially which compromised the security of the assets as the latter was under no obligation to safeguard neither could it be held responsible for any loss.**
- ii. **Thus failure by Mr Muli to endorse the handing over documents appeared like deliberate move aimed at creating an opportunity for looting or illegal acquisition of public properties.**

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 any looted public property recovered

Current Assets and Liabilities

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 28th 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 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.

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;

- i. That the Accounting Officers abdicated their duty by failing to maintain the debtors ledger which was a necessary task considering that the document was to help the council in keeping track/monitoring the debtors with regard to 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 keeping proper details of debtors is very crucial when it comes to pursuing defaulters and hence the council was at risk of suffering financial losses/bad debts for failing to maintain the crucial document.
- iii. That the failure by the Accounting Officers to maintain the important document could have been a wilful omission aimed at stifling accountability and hence creating room for theft of public funds.
- 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 revenue collection.
- 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 could have been an attempt to cover up for fraud.
- 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 corruption. 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 should maintain up-to date records of debtors and ensure that measures are put in place to collect revenue from the outstanding debtors.**
- ii. The 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 confirmed and to have any lost amounts recovered**

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;

- 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. The 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 owed by a law firm and particulars in respect of the outstanding statutory deductions amounting to kshs. 3,884,672.00.**
- ii. That committe faulted the Accounting Officers officers for poor record keeping which jeopardised the security of public assets.**

The Committee made the following recommendations;

- i. That the County Government should always maintain up-to-date records of its creditors to pre-empt being swindled through fictitious claims.**
- ii. That the County Government should not pay any creditor without first establishing that a service/good was correctly rendered to the Council/County Government.**
- iii. That the Ethics and Anti-Corruption Commission (EACC) should carry out further investigation into this matter with a view to holding suspects accountable in the event that misappropriation of public funds is affirmed and to have the lost funds recovered.**

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;

- 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 the accounting officers abdicated their duty by failing to maintain a comprehensive Fixed Assets Register which was to help the council in achieving 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 by the Accounting Officers to maintain a comprehensive Fixed Assets Register to record all the assets and to code them could have been a willful omission aimed at facilitating corruption.
 - iv. That the following omissions and or irregularities may have been motivated by ulterior motives;
 - Understating of the value of the council's assets by Ksh Kshs.3, 237,829
 - 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

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 there is possibility of public funds having been misappropriated owing to the following irregularities and or omissions committed by the Accounting Officers and which appeared like a deliberate move aimed at facilitating corruption.**
 - Failure 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.**
 - 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;**
 - That the long outstanding revenue receipt books were returned and accounted for as required by financial regulations.**
 - That the former Chief Officers surrendered all the unused receipt books on charge.**
 - That the counter foil receipt books register was ruled off to pre-empt them from being used on fraudulent transactions.**
- ii. 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 confirmed 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;

- i. **That the Accounting Officers breached financial regulations by authorizing/approving irregular payments which resulted in misspending or rather 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 two beneficiaries.

Other Findings

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

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. (Ksh)
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>

Total-

724,130

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
250/2/2013	Construction of Library Yumbisye	<u>1,006,230</u>
Total		<u>3,047,450</u>

The Committee observed the following;

That the above transactions were marked by blatant violation of procurement and financial regulations which was possibly engineered to create room for embezzling of 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 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**

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 failure by Interim County Secretary Mr Fredrick Martin Muli to sign the handing over documents implied that the County Government had not officially taken over from the defunct council. This in addition implied that the transfer of the custody of the assets and liabilities from the defunct council to the county government was not official which compromised the security of the assets as the latter was under no obligation to safeguard them neither could it be held responsible for any loss.**
- ii. Thus failure by Mr Muli to enforce an efficient and transparent handing over process as required appeared like deliberate move aimed at creating an opportunity for looting or illegal acquisition of public property.**

The Committee recommends that;

- i. The County Government/Transition Authority should ensure that proper handing over by the former chief officers of the Councils is done without further delay.**
- ii. The Ethics and Anti-Corruption Commission (EACC) should investigate 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 public assets or those which were acquired illegally by corrupt individuals recovered.

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:

Name	Bank	Period Reconciliations Not Done
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 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 was 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:

Account Particulars	Bank	Statement Period
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
KaziKwaVijana	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 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 amount 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. Debtors 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 failure by the Accounting Officers to avail the supporting documents for audit verification. The documents 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 4,982,555.00 which remained un-surrendered or accounted for.**
- iii. That the government had lost on 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 neglected their duty by failing to do the following necessary tasks;
- Updating the debtors' registers.
 - Entering details of primary records such as receipts, invoices
 - Reconciling the debtors balances in respect to Mast Lease (Kshs.539, 189), Contribution in Lieu of Rates (Kshs.53, 862,705) and House Rent (Kshs.328, 000) with the debtors' statements.
 - Enforcing the recovery of long outstanding imprests amounting to Kshs.4, 982,555.

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 or rather the outstanding creditors balance of Ksh. 95,675,676.00 was doubtful owing to the following;**
 - **Failure by the Accounting Officers to avail supporting documents for audit verification. The documents included creditors' registers, original contract agreements, invoices, delivery notes, statements, schedules, fee notes and payrolls.**
 - **Inclusion in the creditors' balance of questionable debt figures totaling Ksh. 11,174,618.00. The figures were as follows;**
 - **Kshs.3, 459,500 featured as bursaries.**
 - **Kshs.694, 000 owed the council by unspecified creditor(s).**
 - **Kshs.10, 980,000 owed to a firm of Advocates**
 - **Kshs.6, 535,420 owed to firm of Advocates out of which the council made a part payment of Ksh. 2, 000,000 .00.**

- **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 the unsupported figures in the main debt smacked of an attempt to cover-up for fraudulent transactions.**
- **Other council records showing a different figure of Ksh. 59,341,951.00 as the outstanding creditors' balance. This marked a variance of Ksh. 36,233,725.00hence raising suspicion on the correct outstanding balance which the defunct council transferred to the County Government.**

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**

Fixed Assets

The former County Council of Kitui did not maintain a comprehensive Fixed Assets Register to record Council assets and there was no inventory record indicating location of movable assets for ease of identification and confirmation. No valuation of assets was done. Included in the list of items to be handed over were four (4) motor vehicles and a grader whose values were reading nil, while details of furniture, equipment and computers amounting to Kshs.468, 507 were not recorded in the Assets Register. Some computers, equipment's and furniture's were not recorded in the assets register, while a listing of assets inventory did not show serial numbers or special identification of the equipment, furniture and computers.

A physical verification of Council assets revealed that the following officers were issued with the listed assets but did not return them upon ceasing to be employees of the Council:

Date Issued	To whom Issued	Asset Particulars
22/2/2012	Clerk's office -Mr. Kimwele.	Laptop and IPAD
22/2/2012	Treasurer's office - Mr. Alfred Kitoo.	Laptop and IPAD
30/5/2012	Chairman's office -John Mang'uye.	Laptop and IPAD

Further, it was noted that a Laptop issued to a Council official got lost but the Council had no policy on assets lost by its staff, resulting to no recovery. In addition, Laptops and IPADS purchased on 25/02/2013 at a cost of Kshs.392, 900 were not recorded in the Council's records and neither was the payment voucher made available for audit review. In the circumstances, accuracy of the balances and security of the assets that were handed over to the County Government could not be established.

The Committee noted the following;

- i. That there is possibility of public funds having been misappropriated owing to the irregularities and or omissions committed by the Accounting Officers and which appeared like a deliberate move aimed at facilitating corruption.**
- ii. That the Accounting Officers neglected their duty by failing to do the following;**
 - To maintain a comprehensive Fixed Assets Register to record Council assets**
 - To maintain an inventory record indicating location of movable assets for ease of identification and confirmation**
 - Carry out valuation of the council's assets.**
 - To ensure that council assets allocated to individual were returned or surrendered after upon ceasing to be employees of the Council:**

The Committee recommends that the County Government should do the following;

- i. Put in place systems that will facilitate accurate recording of all assets of the former County Council and also ensure their security.**
- ii. Use the means at its disposal to ensure that all the council assets which were acquired illegally are recovered with immediate effect. This should include the 3 laptops and 3 IPADS issued to Mr Michael Kimwele (Clerk's office), Mr Alfred Kitoo (Treasurer's office) and Mr John Mang'uye (Chairman's office) respectively.**
- iii. 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 resources be affirmed and to enforce recovery of lost assets.**

Revenue Collection

The Council continued collecting revenue and banking the proceeds in Salaries account at Equity Bank and General Rate Fund account after 28 February 2013. The revenue collected and banked as from 1 March to 30 April 2013 amounted to Kshs.22, 150,498. Further, there were no cut off procedures to show the revenue receipt books handed over to Transition Authority and the cut-off point where the County Government started collecting revenue. This rendered proper accountability of these accountable documents doubtful and may lead to loss of revenue.

The Committee noted the following;

- i. That there was no compliance with the directive by the then Ministry of Local Government which required Accounting Officers to ensure that collected revenue was banked at the County Revenue Collection Account only.**
- ii. That failure to perform cut-off procedures on the revenue receipt books handed over to the Transitional Authority left the accountable documents open to misuse by corrupt public officers.**
- iii. That in the course of interviewing the witnesses, the committee discovered that there existed fictitious or unauthorized bank account for LATF No.01003051896000held at the National Bank –Mutomo Branch- where proceeds from revenue collection continued to be banked up to the tune of Ksh 5,787,320.00 out of**

which the former cashier of the council Ms. Anne Mwikali Charles admitted to withdrawing Ksh 5, 060, 000.00 following instructions by the Clerk and the Treasurer.

The Committee recommends that;

- i. That 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 affirmed and to have any lost money recovered**
- ii. The officers concerned namely Mr Samuel Otieno Owande-the Clerk and Ms. Anne Mwikali Charles-the Revenue Collector both of whom are still in public service as well as Mr Daniel Mutuku Twala (retired) are unfit to hold public office for abetting corruption**

Personnel Costs

The Council implemented the new Collective Bargaining Agreement (CBA) on February 2013 and paid salary arrears of Kshs.7, 961,225. The salary increment occasioned by the new CBA was not originally budgeted for and there was no approved supplementary budget authorizing the expenditure. The Council irregularly offered double relief to its employees which in effect reduced PAYE payable by Kshs.534, 520.

The Committee;

Faulted the Accounting Officers for implementing the new Collective Bargaining Agreement (CBA) against unapproved budget contrary to the law/financial regulations.

The Committee recommends that;

- i. Laws governing statutory deductions should be complied with by deducting all taxes on incomes and remitting the same to Commissioner of Domestic Taxes.**
- ii. Further, funds appropriated should be spent by the County in accordance with the budget.**

Other Findings

(a) LATF Account Payments-Unaccounted for Funds

The Council did not make available for audit confirmation payment vouchers with expenditure totaling to Kshs.7,307,812. Further, scrutiny of bank statements revealed that the Council/County made various payments through electronic funds transfer as indicated below:-

Date	Amount (Ksh.)
27/02/2013	-2,797,000
2/1/2013	-2,134,000
7/3/2013	-2,000,000
8/3/2013	<u>-4,008,940</u>
Total	<u>-10,939,940</u>

However, payment vouchers, details or purpose of the payments were not made available for audit.

(b) Unsupported Expenditure – GRF Account

An audit of GRF Account revealed that payments vouchers amounting to Kshs.3, 429,014 were not made available for audit while transfers listed below amounting to Kshs.6, 100,000 were not supported by payment vouchers:

Date	Amount (Ksh.)
26/3/2013	4,000,000
2/5/2013	<u>2,100,000</u>
Total	<u>6,100,000</u>

(c) Procurements made on cash basis

Cheques for procuring the Governor's and Deputy Governors' furniture and stationary all totaling to Kshs.1,186,700 were written in the name of the payment cashier indicating that the purchase was done on cash basis. Details of the payment vouchers are shown below:

Cheque No.	Date	Amount (Ksh.)
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10276	05/04/2013	129,700
10277	05/04/2013	502,000
10278	05/04/2013	<u>555,000</u>
Total		<u>1,186,700</u>

Irregular Payment of Legal Fees

The Council paid a firm of Advocates Kshs.10, 915,618 vide bank transfer on 26/02/2013. Included in the amount is Kshs.10,786,301 which did not have fee notes and was supported by a letter dated 31 July 2012 by a former clerk vide letter Ref: CC/17/18/XVII/212 as evidence of outstanding debt due from the Council. In the circumstances, it was not possible to establish propriety of expenditure incurred on legal fees.

(e) Payments made by Council/County against no Approved Budget

The Council made payments totaling to Kshs.50, 818,081 from its various accounts after 28 February 2013 as analyzed below:

Account Number	Amounts (Ksh.)
GRF Account	Kshs.20, 010,090
LATF Account	Kshs.17, 990,865
Salaries Account	<u>Kshs.12, 817,126</u>
	<u>Kshs.50, 818,081</u>

However, we were not able to establish whether the expenditure was made in accordance with budget approved by Parliament and County Assembly as required by County Governments Public Finance Management Transition Act,2013 section 8(2) (c) since the budget was not made available for audit confirmation.

The Council also made payments amounting to Kshs.12, 248,287 from the GRF account. However, the payments were not recorded in the LAIFOM system and payment vouchers were not made available for audit to indicate what was being paid for.

The Committee observed the following;

- i. That the legitimacy of expenditures totaling to Ksh. 63,066,368 or even more could not be ascertained owing to the failure by the**

- Accounting Officers to avail supporting documents for audit verification.
- ii. That the unavailability of documents to support the payments could have been masterminded to cover-up for fraud.
 - iii. That the Accounting Officers violated procurement regulations by;
 - Opting to purchase the furniture on cash basis instead of relying on prequalified contractors
 - Incurring expenditure beyond the set limit of Ksh 500,000.00 for cash purchases.

The Committee recommends that;

- i. 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 the culpable should misappropriation of public funds be confirmed and to have the lost amounts recovered.
- ii. The County Treasury should ensure that all expenditures are accounted for and are incurred as per the approved estimates, and in accordance with the procurement law.
- iii. The County Government should not spent public funds without appropriation and approval by the County Assembly as required by law.
- iv. The Accounting Officers concerned are unfit to hold public office for the blatant violation of procurement and financial regulations.

Defunct County Council of Mwingi

Improper Handing-Over to the County Government

There was no proper handing-over of the former County Council of Mwingi assets and liabilities to the Transition Authority as required by the Ministry of Local Government circular of 18th 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. Further, 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 above circular. In the absence of confirmed closing balances of assets and liabilities from the former Councils, the County Government will have no proper basis for opening balances in its books of accounts.

The Committee noted the following;

- i. That failure by the then Interim County Secretary Mr Fredrick Martin Muli to endorse the handing over documents implied the following;**
 - That he failed to enforce an efficient and transparent handing over/taking over process between the defunct council and County Government in line with the guidelines issued by issued by the then Ministry of Local Government.**
 - That the transfer of the council's assets and liabilities to the County Government was not official and that the County Government had not officially taken over from the defunct council.**
 - That the omission might have been motivated by a sinister motive.**

The Committee recommends that;

- i. The Transition Authority should facilitate recall of Chief Officers of the defunct Local Authorities and ensure that proper handing over of assets and liabilities of the Councils, including personnel is done.**
- ii. The Ethics and Anti-Corruption Commission (EACC) should investigate this matter with a view to holding suspects accountable should corrupt dealings with regard to the handling of the public assets be affirmed and to enforce recovery of any property which might have been acquired illegally.**

Current Assets and Liabilities

(i) Cash and Bank Balances

(a) Failure to Prepare Monthly Bank Reconciliation Statements

The Council did not prepare monthly bank reconciliation statements for the period 1 January to 30 June 2013, for the following three bank accounts:

Account Name	Bank
LATF	-Equity
Kenya Roads Board	-KCB
Renewal	-KCB

(b) Accuracy of Monthly Bank Reconciliations

Although the Council prepared bank reconciliations statements for Salaries Account and GRF Account held at Equity Bank Mwingi Branch, the monthly bank reconciliations were inaccurate as detailed below: Salaries bank account (Equity) reconciliations contained two stale Cheques totaling to Kshs.1, 925,645 and dated July 2012 but which had not been written back into the cashbook as at 30 June, 2013 as shown below:

Date	Cheque No.	Amount (Ksh.)
9/7/2012	000608	44,000
31/07/2012	000611	<u>1,881,645</u>
Total		<u>1,925,645</u>

GRF Account reconciliations contain stale Cheques totaling to Kshs.82, 400 which had not been written back into the cashbook as listed below:

January		
Date	Cheque No.	Amount (Ksh)
09/7/2012	001599	5,000
17/7/2012	001605	5,500
19/7/2012	001610	4,000
06/6/2012	001550	11,700
19/6/2012	001568	<u>3,900</u>
Total		<u>30,900</u>

February

8/8/2012	001632	<u>32,000</u>
		<u>32,000</u>

March

05/9/2012	001699	12,500
10/9/2012	001706	<u>7,000</u>
Total		<u>19,500</u>

Therefore, accuracy and completeness of the cashbook balances could not be established and this may lead to loss of funds.

(c) Closure of Bank Accounts

As indicated below, the Council did not comply with Section 28 of the County Governments Public Finance Management Transition Act, 2013 which required that the banks accounts of the defunct Local Authorities be closed. Although the Interim Principal Finance Officer wrote an internal memo addressed to former Councils' Chief Executive Officers to close the bank accounts and transfer the balances to the County Revenue Account opened at KCB by 03 May 2013, the memo and a circular from the Transition Authority to that effect were not complied with as indicated below:

	Account	Bank	Balance as per latest statement(Ksh)
1	LATF	KCB	Balances as at 03 June 2013 Kshs.20,744,626.35.Amount transferred to County Current account Ksh. 20,742,426
2	Salaries	Equity	Balance as at 13 June 2013. No evidence of closure and transfer of funds to the revenue fund account.
3	GRF	Equity	Balance as at 13 June 2013. No evidence of closure and transfer of funds to the revenue fund account.
4	LATF	Equity	Balance as at 22 May 2013 Kshs.53, 565.85. No evidence of closure and transfer of funds to the revenue fund account.
5	Savings/ Renewals	KCB	Details not available

6	KRB	KCB	Details not available
7	EU	KCB	Details not available
8	GRF	KCB	Details not available

(d) Failure to Constitute 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. Also, amount of cash and bank balances (part of assets) being handed over to the County Government was not indicated in the handing over report. During the transition period, the cashbook was not ruled off to show where the Local Authority stopped operations and the point where the County Government started. As a result, accuracy of cash and bank balances handed over/ taken over could not be confirmed.

The Committee;

- i. Heard evidence that this matter had been resolved as the Accounting Officer had acted on the anomalies in question to the satisfaction of the Auditor-General.
- ii. However, it noted with concern that had the Accounting Officer ensured timely action in resolving this matter; the same would not have appeared in this report as an audit query.

The Committee;

Holds the accounting officer responsible for the delay in resolving this matter and recommends that in future, he must ensure that matters capable of being resolved with the Auditor-General are so resolved promptly failure of which he be sanctioned by the appointing authority.

(e) Payments made by the Council against no Approved Budget

The Council made payments totaling to Kshs.39, 342,396 from three of its accounts after 28 February 2013 which was the cut-off date. However, it was

not possible to establish whether the expenditure was made in accordance with approved budget, as required by County Governments Public Finance Management Transition Act,2013 section 8(2) (c) as no information was made available to that effect. Below are the details of the withdrawals:

Account Particulars	Amount (Ksh)
GRF Account-	3,003,469
Salaries Account	14,421,926
LATF Account-	<u>21,917,001</u>
Total	<u>39,342,396</u>

The Committee;

Heard evidence that this matter had been resolved as the Accounting Officer had produced evidence to proof that the council had secured the approval of the then Interim Principal Finance officer Mr Walter J. Oselu to spend the Ksh. 39,342,396.00. Thus, the expenditure was within the law as it had been ratified by the representative of the Transitional Authority as required.

The Committee recommends that;

In future, the Accounting Officer should ensure that issues raised by the Auditor-General are dealt with expeditiously to avoid inviting unnecessary audit queries.

(ii) Debtors Balances

The Council handed over debtors amounting to Kshs.41, 755,731 made up of CILOR (Kshs.4, 235,138), rates from Kiambere (Kshs.2, 510,755) and plot rents (Kshs.35, 009,838). However, accuracy of the balances could not be confirmed since there were no invoices or demand notes issued to plot or stall owners. Also, the Council did not maintain updated debtors' ledgers to record movements of debtors' in respect to plot rent/rates. Further, records in the manual registers differed with the LAIFOM system.

The Committee;

Heard evidence that this matter had been addressed as the Accounting Officer had availed documentary evidence in support of the outstanding debtors' balance of Ksh. 41, 755,731.00.

However, the Committee recommends that;

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.

(iii) Creditors/Payables

The Council prepared a statement of assets and liabilities as at 28 February 2013 reflecting creditors' balance of Kshs.30, 743,583 to be handed over to the County Government. Accuracy of the balances could not be confirmed since the Council did not circularize the creditors for independent third party confirmation of the balances.

The creditors balance includes Kshs.30, 000,000 relating to a loan borrowed by the Council from Kenya Commercial Bank. However, it was not possible to verify and confirm the correctness of the balance as the Council did not make available for audit the loan agreements, ledgers and other related records. It was also noted that the loan forms a basis of a legal case still pending at the High Court in Machakos.

The Committee;

Heard evidence that the Accounting Officer produced evidence to proof that the Ksh 30,000,000.00 loan which the Council secured from the Kenya Commercial Bank (KCB) was legitimate.

However, the Committee recommends that the County Government should do the following;

- i. Make arrangement to off-set the debt which it inherited from the defunct council to avoid paying more in future courtesy of the interest it continued to attract.**

- ii. Not honor payment claims from the other creditors without properly establishing that services/goods were rendered/delivered or that funds had been advanced to the Council.
- iii. Maintain up-to date records of creditors with detailed information and relevant supporting documents.

Fixed Assets

The Council listed assets amounting to Kshs.114, 330,162 in the handing-over memorandum. The figure was not complete since several movable assets were not valued and therefore no monetary values were placed on them. Further, the Council carried out revaluation of assets in December 2012, but a comprehensive Fixed Assets Register for recording assets was not maintained. Also, ownership documents (logbooks) for the following motor vehicles/cycles were not made available for audit confirmation:

Registration Number	Make
KUZ 475	Land-Rover
KAR 579L	Toyota Pick up
KAB 306Q	Grader
KAW288Z	Motor Bike
KAW289Z	Motor Bike

The log books for the motor vehicles/cycles were said to have been destroyed in a fire disaster that occurred at the Council’s premises on 29th May 2009. No effort appears to have been made to apply for new log books.

The Committee;

Heard evidence that this matter had been resolved as the Accounting Officer had acted on the anomalies in question to the satisfaction of the Auditor-General. He availed evidence to proof that the supporting documents in question were destroyed when a mysterious fire gutted the council offices. The evidence was in form of a validated/credible report on the cause and extent of the damage caused by the inferno.

The Committee recommends that;

The County Government of Kitui should ensure that all assets transferred from the former Council are valued, properly recorded and secured. Ownership documents for all assets should be obtained from the relevant authorities.

Revenue Collection

The Council continued collecting revenue after 28 February 2013 and banking the same in Salaries and General Rate Fund accounts held at Equity bank. The revenue collected and banked in these accounts as from 1 March to 30 April 2013 amounted to Ksh.6, 570,892. Further, there was no board of survey constituted to draw a line between the revenue receipt books handed over and the cut-off point where the County started collecting revenue.

The Committee;

- i. Faulted the Accounting Officers for the following omissions;**
 - Delay in opening the County Revenue Account which forced the former Chief Officers to bank proceeds from revenue collections in the in Salaries and General Rate Fund accounts held at the Equity bank contrary to the directive issued by the extinct Ministry of Local Government.**
 - Failure to constitute a Board of Survey as required to draw a line between the revenue receipt books handed over to the county government and the cut-off point where the County started collecting revenue for accountability purpose.**

The Committee recommends that the County Government should do the following;

- i. Ensure proper accountability for revenue collections is enhanced by putting in place strong internal control systems.**
- ii. Carry out investigation to establish the following;**
 - Whether there were any fraudulent transactions resulting from the failure to draw a line between the revenue receipt books handed over to the County Government and the cut-off point where the latter started collecting revenue.**

- **Whether the unmarked revenue receipt books might have been used corruptly.**

Other Findings

LATF Account Payments

Payments made by Council/County against no Approved Budget

The Council made payments totaling to Kshs.39, 259,996 from GRF, Salaries and LATF Accounts after 28 February 2013 which was the cut-off date. However, no approved budget was seen for this expenditure.

Staff Payroll

The Council implemented salary increments occasioned by the new CBA in February 2013. However, the salaries had not been budgeted for and there was no supplementary budget approved for the same. The Council backdated the payments to 1 September 2012 and paid salary arrears without deducting PAYE of Kshs.1, 282,635.

The Committee;

Was not persuaded by the Accounting Officer's submission that failure to enforce deduction of the PAYE amounting to Ksh. 1, 282,635.00 was due to an oversight as that was a statutory obligation.

The Committee recommends that;

- i. The County government should ensure that PAYE arrears are recovered from the beneficiaries.**
- ii. Statutory deductions should be effected in line with the existing laws and the same remitted to relevant authorities. Further, only funds appropriated should be spent by the County Government.**

Former Town Council of Mwingi

Improper Handing over to the County Government

There was no proper handing over of the former Town Council of Mwingi's assets and liabilities to the Transition Authority as required by 18th February 2013 circular from Ministry of Local Government. The letter submitting list of assets, liabilities and human resource reference TCM/16/1/VOL.V/45 dated 28 February 2013 addressed to the Permanent Secretary, Office of the Deputy Prime Minister and Ministry of Local Government and copied to the Chairman Transition Authority, was not acknowledged by the Permanent Secretary nor the Chairman of the Transition Authority. The handing and taking over report did not include cash and bank balances as at 28th February, 2013. Accuracy of the assets and liabilities balances handed over could therefore not be confirmed.

The Committee made the following observation;

- i. That the Transitional Authority/Ministry of Local Government or their representatives failed to oversee a proper handing over of the assets and liabilities belonging to the former Local Authority which compromised their security.**
- ii. That the improper handing over could have been masterminded to undermine accountability and thus pave way for stealing of public assets. The same could have been the reason why the cash and bank balances were not factored in the handing over report.**

The Committee recommends that;

- i. The Transition Authority should ensure that a proper handing over is done by the former Council's chief officers to enable the County Government have proper basis and accurate opening balances for its books of account.**
- 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 assets be confirmed and to enforce recovery of the lost assets.**

Current Assets and Liabilities

Cash and Bank Balances

Non-Preparation of monthly Bank Reconciliations Statements

The Council did not prepare monthly bank reconciliations statements for the period 1 January to 30 June 2013 in respect to the following bank accounts:

Name	Bank
Kenya Roads Board	KCB
Kazi Kwa Vijana	KCB
Operations and Maintenance	Equity
Salaries	Equity
Renewal Funds	Co-operative

Accuracy of Monthly Bank Reconciliations Statements

Although the Council prepared monthly bank reconciliation statements for Salaries, LATF and GRF Accounts, all held with KCB Mwingi Branch, the reconciliations reflected long outstanding stale cheques as at 30th April 2013 as shown below:

Account Particulars	Stale Cheques (Ksh)
Salaries Account- KCB	3,829,902
LATF Account - KCB	5,652,352
GRF Account-KCB	5,166,399

As at the time of audit inspection in September, 2013, all the stale cheques had not been written back into the cashbooks. This renders accuracy of the cashbook balances doubtful and may also lead to irregular transactions taking place undetected.

(c) Closure of Bank accounts

As indicated below, the County Government did not comply with section 28 of the County Governments Public Finance Management Transition Act, 2013. Although the Interim Principal Finance Officer through letter no. CGK/SCMU/ADM/Vol 1/ (07) wrote to various former Councils to close down the accounts on 03 May 2013 and transfer the amounts to the County revenue account at KCB, it was noted that the accounts were not closed.

(d) Failure to Constitute Board of Survey

The Council did not constitute a board of survey to establish the correct cash and bank balances as at 28 February 2013. Further, the cashbooks were not ruled-off to indicate the dates on which the defunct Local Authority ceased operations and the Transition Authority/ County Government took over.

(e) Missing Bank Statements

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

	Bank	Account	Period
1	KCB	General Rate Fund	1 May to 30 June 2013
2	KCB	Salaries	1 June to 30 June 2013
3	KCB	LATF	7 May to 30 June 2013
4	KCB	Kenya Roads Board	1 January to 10 February 2013, 11 May to 30 June 2013
5	KCB	KazikwaVijana	1 January to 30 June 2013.
6	Equity	Operations and Maintenance	1 January to 31 January 2013.
7	Equity	Salaries	1 January to 30 June 2013.

Failure to produce bank statements for audit contravenes the Public Finance Management Act, 2012 and Public Audit Act, 2003 which require that all documents necessary for audit should be made available for verification.

The Committee noted the following;

- i. That the Accounting Officers failed to comply with the accounting procedures and practices which seemed like a deliberate move aimed at facilitating theft of public funds or due to incompetence or sheer negligence on the part of the Accounting Officers.**

The Committee recommends that the County Government should do the following;

- i. Ensure that any bank account operated by the former Local Authorities which might have remained active is closed forthwith and the balances thereof transferred to the County revenue account and legal action taken against the concerned officers for disregarding lawful instructions**
- ii. Further ensure that bank reconciliations are done to establish the correct balances to be transferred to the County revenue fund account.**
- iii. Also, boards of survey should be formed at the close of each year for confirmation of closing cash and bank balances.**
- iv. 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 culpable should misappropriation of public funds be confirmed and to have the lost amounts recovered.**

Debtors

The Council prepared handing over memorandum reflecting debtors' balance of Kshs.14, 769,194, which included an amount of Kshs.2, 037,839 shown as outstanding Imprest. Also, staff advance of Kshs.44, 000 as at 28th February 2013 was not disclosed in the statement. The balance also included Kshs.12, 731,355 rent arrears which was not supported with any detailed listing. As a result, the debtors' balance of Kshs.14, 769,194 handed over to the County Government is incorrect.

The Committee noted the following;

- i. That the Ksh. 14,769,194.00 debtors balance could not be authenticated owing to failure by the Accounting Officers to avail supporting documents for audit verification.**
- ii. That the failure by the Accounting Officers to include in the handing over report the Ksh. 44,000.00 given as staff advances could have been an attempt to cover up for fraud.**

The Committee recommends that;

- i. The County Government should put in place proper systems to ensure prompt recording of debtors.**
- ii. Also, a debt collection policy should be developed to facilitate recoverability of outstanding debts.**
- iii. 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 have the lost amounts recovered.**

(iii) Creditors

The Council prepared a statement of assets and liabilities as at 28 February 2013 reflecting creditors' balance of Kshs.18, 378,113 to be handed over to the County Government. However, no circularization of the creditors was done to facilitate independent third party confirmation of the balances. Further, invoices or statements supporting the creditors' balances were not made available for audit confirmation. Included in the creditors' balance was an amount of Kshs.6, 912,865 listed as contingent liability which arose out of two legal actions instituted against the Council. No details of the liability were made available for audit review.

An amount of Kshs.7, 015,458 payable to LAPTRUST is reflected as actuarial deficit but the source and accuracy of the figure could not be confirmed as it was not reflected in the Council's records and was also not supported. Legal fees of Kshs.194, 290 payable to a firm of Advocates could not be confirmed since the Council did not provide supporting fee notes. It was further observed that the Council when preparing the handing-over report failed to include other creditors amounting to Kshs.2, 016,672. Consequently, creditors' balance of Kshs.18, 378,113 indicated in the handing-over report is inaccurate and cannot be relied upon.

The Committee observed the following;

That there is possibility of public funds having been misappropriated owing to the irregularities and omissions committed by the Accounting Officers and which seemed like a ploy to facilitate corruption.

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 or supplied to the Council and is fully supported.**
- 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 any lost money recovered**

Fixed Assets

The Town Council of Mwingi, according to the handing-over memorandum had assets amounting to Kshs.80,844,882 as at 28th February, 2013 and included Ksh. 1,944,000 for motor vehicles and motor cycles. However, the Council did not code all its assets or indicate their locations, making it impossible to confirm existence of the assets.

The Committee noted the following;

That the security of the Fixed Assets was compromised owing to the failure by the Accounting Officer to ensure they were coded for ease of identification, security and accountability as required.

The Committee recommends that;

- i. All assets transferred from the former Council should be properly coded, recorded and secured by the County Government.**
- ii. The Ethics and Anti Corruption Commission (EACC) should carry out further investigation into this matter with a view to holding suspects accountable should under-hand deals regarding the management of the Fixed Assets be confirmed.**

Revenue Collection

The Council continued collecting revenue after 28 February 2013 and banked the same in its General Rate Fund account held at Kenya Commercial Bank. The revenue collected and banked in these accounts from 1 March to 30 April 2013 amounted to Kshs.15, 789,788. The Transition Authority was also

collecting revenue using receipt books of the former Council without officially taking-over the receipt books. There was no well demarcated line between the transactions under the former Local Authority and the incoming County Government. The revenue collected amounting to Kshs.15, 789,788 was collected using unofficial receipt books and proper accountability of the same could not be confirmed.

The Committee observed the following;

- i. That most of the revenue collected before and during the transition period might have been misappropriated owing to lack of proper accountability systems to check corruption.**
- ii. That the representatives of the Transitional Authority led by the Interim County Secretary neglected their duty of ensuring the cut-off procedures were performed on the surrendered revenue collection receipt books for accountability purpose and to pre-empt corruption.**
- iii. That without cut-off procedures, the surrendered receipt books were left open to misuse by corrupt public officers.**

The Committee recommends that;

- i. The County Government should put in place proper systems to enhance accountability of revenue collections/or rather put in place strong internal control systems to ensure proper accountability of revenue collections.**
- ii. All receipt books used to collect revenue after 28th February 2013 and unused receipt books should be reconciled to confirm that all receipt books were handed over to the Transition Authority and that none was used to collect revenue irregularly.**
- iii. The Ethics and Anti-Corruption Commission (EACC) should carry out further investigation into this matter with a view to holding suspects accountable if misappropriation of public funds is confirmed and to have any lost money recovered.**

Procurement of Goods/Services

The Council procured receipt books from a supplier on various dates at a cost of Kshs.360,000 through direct procurement without satisfying requirements of the Public Procurement and Disposal Act, 2005.

The Committee observed the following;

That the Accounting Officer's submission that the procurement of the receipt books directly from the supplier was due to an emergency was not convincing as that was in contravention of the procurement regulations.

The Committee recommends that;

- i. All procurements by the County should be done in accordance with the laid down procurement procedures.**
- ii. The Ethics and Anti-Corruption Commission (EACC) should carry out further investigation into this matter with a view to having appropriate legal action taken should misappropriation of public funds be confirmed and to have the lost amounts recovered.**

Expenditures

Payments made by Council against no Approved Budget

The Council made payments totaling to Kshs.7, 434,793 from Salaries and GRF accounts after 28 February 2013 as shown below:

Particulars	Amount (Ksh)
Salaries Account	-4,132,364
GRF account	<u>-3,302,429</u>
Total	<u>-7,434,793</u>

The payments were mainly for salaries and other miscellaneous expenses. However, it was not possible to confirm that the expenditures had been budgeted and approved.

The Committee noted the following;

- i. That the miscellaneous expenditures could not be authenticated due to unavailability of supporting documents.**

- ii. That the Accounting Officers contravened the law by incurring expenditure against no approved budget. In addition, the cash spent had not been appropriated by the County Assembly as the law requires.

The Committee recommends that;

- i. The County Treasury should ensure that all expenditure are accounted for and are incurred in accordance with the approved budgets.
- ii. The Ethics and Anti-Corruption Commission (EACC) should carry out further investigation into this matter with a view to having appropriate legal action taken should the former chief officers be implicated in corruption.

Conclusion

The foregoing observations clearly indicate that the process of taking over of assets and liabilities, including staff of the former Council was not properly handled due to apparent lack of leadership by officials of Transition Authority who had the responsibility to ensure a smooth and seamless transition process. The County Government should however ensure full control of functions, including revenue collection, recording and proper accounting for the same while awaiting guidance from the National Treasury based on the accounting and reporting systems to be developed by the Public Sector Accounting Standards Board in accordance with Section 194 of the Public Finance Management Act, 2012.