

**REPUBLIC OF KENYA**  
**COUNTY ASSEMBLY OF MACHAKOS**

**OFFICIAL REPORT**

**Tuesday, 25<sup>th</sup> May, 2021**

The House met at 2.35 p.m.

*[The Deputy Speaker (Hon. Museku) in the Chair]*

PRAYERS

**Hon. Deputy Speaker:** Can you ring that bell for 10 minutes, please.

*(Quorum Bell rung)*

Okay, I think we have quorum. Tell the Serjeant-at-Arms to stop ringing the bell, we proceed.

PAPERS LAID

**Hon. Deputy Speaker:** Hon. Members, on this Order, we have two Papers to be laid. The first one is by Hon. Joseph Musau and the second one by Hon. Alex Kamitu. Hon. Musau.

REPORT ON MACHAKOS COUNTY BURSARY FUND FOR  
THE YEAR ENDED 30TH JUNE, 2018

**Hon. Musau:** Mr. Speaker, I beg to lay the following Paper on the floor of the House today, Tuesday, 25<sup>th</sup> May 2021; the Public Accounts and Investments committee report on the Financial Statements for the Machakos County Bursary Fund for the year ended 30<sup>th</sup> June 2018.

**Hon. Deputy Speaker:** Thank you, Hon. Musau. Hon. Alex Kamitu.

THANKS OF THE ASSEMBLY FOR THE EXPOSITION OF PUBLIC POLICY CONTAINED IN  
THE ADDRESS OF THE GOVERNOR DELIVERED ON 25TH MAY, 2021

**Hon. Kamitu:** Hon. Speaker, I beg to lay the following Paper on the floor of the House today, Tuesday, 25<sup>th</sup> May 2021; the Governor's address to the Assembly delivered on 25<sup>th</sup> May 2021. Thank you, Hon. Speaker.

**Hon. Deputy Speaker:** Thank you, Hon. Kamitu.

NOTICES OF MOTIONS

**Hon. Deputy Speaker:** Hon. Members, under this Order, we again have two Notices of Motion. The first one will be moved by Hon. Joseph Wambua Musau and the second one by Hon. Alex Kamitu. Hon. Joseph.

REPORT ON MACHAKOS COUNTY BURSARY FUND FOR  
THE YEAR ENDED 30TH JUNE, 2018

**Hon. Musau:**

Mr. Speaker, THAT aware that Article 229(5) of the Constitution provides that the Auditor General may audit and report on the accounts of any entity that is funded from public funds;

Further aware THAT Article 229(7) of the Constitution says that an audit report shall be submitted to Parliament or the relevant County Assembly;

Cognizant THAT the audit report on Financial Statements for the Machakos County Bursary Fund for the year ended 30<sup>th</sup> June, 2018 was received in the Assembly on 20<sup>th</sup> September, 2019;

Further aware THAT the report was committed to the committee on Public Accounts and Investments pursuant to Standing Order 185(2)(b) and (c) that states that ‘the Public Accounts and Investments committee shall be responsible for examination of reports, accounts and workings of the County public investments and whether the affairs of the public investments are being managed in accordance with sound financial business principles and prudent commercial practices.’

Mr. Speaker, aware THAT the committee after receipt of the report conducted several meetings with the accounting officer of the fund together with officers from the office of the Auditor General;

Hon. Speaker, I wish to give notice of motion that this House discusses and approves the Public Accounts and Investments committee report on the Financial Statement of the Machakos County Bursary Fund for the year ended 30<sup>th</sup> June, 2018.

Thank you, Mr. Speaker.

**Hon. Deputy Speaker:** Thank you Hon. Musau. Hon. Alex Kamitu.

THANKS OF THE ASSEMBLY FOR THE EXPOSITION OF PUBLIC POLICY CONTAINED IN  
THE ADDRESS OF THE GOVERNOR DELIVERED ON 25TH MAY, 2021

**Hon. Kamitu:**

Hon. Speaker, THAT aware that Standing Order 18(1) provides that the Governor shall address a special sitting of the Assembly once every year and may address the Assembly at any time;

Aware THAT H.E. the Governor, Dr. Alfred N. Mutua addressed the Assembly on 25th May, 2021;

Noting THAT the Governor's address outlined the roadmap which the County Government of Machakos should take to ensure the county realizes high economic growth;

Aware THAT Standing Order 20(4) provides that whenever the Governor delivers an address, a Member may as soon as is practicable thereafter, lay the address on the table of the Assembly following the reading of such address;

Further aware THAT Standing Order 20(5) requires that the debate on the Governor's speech should not exceed four sitting days;

Hon. Speaker, I wish to give notice of the motion that pursuant to the provisions of Standing Order 20(5), the thanks of the Assembly be recorded for the exposition of public policy contained in the Governor's address delivered during the sitting of the Assembly on 25<sup>th</sup> May, 2021.

Thank you, Hon. Speaker.

**Hon. Deputy Speaker:** Thank you, Hon. Kamitu.

### STATEMENT

BUSINESS FOR THE HOUSE FROM 25<sup>TH</sup> MAY TO 8<sup>TH</sup> JUNE, 2021

**Hon. Kamitu:** Hon. Speaker, the House Business Committee met on Monday, 24<sup>th</sup> May, 2021 and 25<sup>th</sup> May 2021 to prioritize business for the House pursuant to the provisions of Standing Order 151 (5). The committee balloted business for the House as follows:

Tuesday, 25<sup>th</sup> May, 2021

*Morning at 10.00 a.m.*

Address to the Assembly by His Excellency Dr. Alfred N. Mutua, the Governor of Machakos County.

*Afternoon, at 2.30 p.m.*

Audit report on financial statements of Machakos County Bursary Fund for the year ended 30<sup>th</sup> June, 2018 by Public Accounts and Investments Committee (PAIC) by Hon. Joseph Musau, Chairperson PAIC.

Wednesday, 26<sup>th</sup> May, 2021

*Morning at 10.00 a.m.*

Motion that pursuant to the provisions of Standing Order 20 (5), the Thanks of the Assembly be recorded for the exposition of public policy contained in the address of the Governor during the sitting of the Assembly delivered on 25<sup>th</sup> May, 2021 by Hon. Alex Kamitu, Minority Leader.

*Afternoon at 2.30 p.m.*

- a) Motion on the amendment of the Assembly calendar of the Second Assembly of Machakos for the Fifth Session (regular sessions) approved on 10<sup>th</sup> March, 2021 by the House Business Committee.
- b) Motion that pursuant to the provisions of Standing Order 39(3)(b), the House discusses the Message from the Senator, Hon. Agnes Kavindu Muthama by Hon. Moses Mitaa, Majority Party Whip.
- c) Motion of adjournment of the sittings of Wednesday, 2<sup>nd</sup> June, 2021 to allow sectoral committees conduct budget interrogations with the County Executive Committee Members by Hon. Moses Mitaa, Majority Party Whip.

Tuesday, 8<sup>th</sup> June, 2021

*Morning at 10.00 a.m.*

Report of Transport and Public Works committee on departmental performance report for the year 2019/2020 by Hon. Daniel Mbevi, Chairperson, Transport and Public Works committee

*Afternoon at 2.30 p.m.*

Report of Implementation committee on the status of the implementation of the Machakos County Trade Licensing Act, 2014 by Hon. Fredrick Muthoka, Chairperson, Implementation Committee.

Thank you, Hon. Speaker.

**Hon. Deputy Speaker:** Thank you, Hon. Kamitu.

### MOTION

#### REPORT ON MACHAKOS COUNTY BURSARY FUND FOR THE YEAR ENDED 30TH JUNE, 2018

**Hon. Deputy Speaker:** Hon. Members, under this Order, we have one motion which will be moved by Hon. Joseph Wambua Musau. He is going to move the motion and read the report and we shall have the debate at another sitting because this being a Public Accounts and Investments committee report, Members will need to internalize it so that when they are participating in the debate, they can be able to be factual as it is a very important report to the House. Hon. Joseph Musau.

**Hon. Musau:**

Mr. Speaker, THAT aware that Article 229(5) of the Constitution provides that the Auditor General may audit and report on the accounts of any entity that is funded from public funds;

Further aware THAT Article 229(7) of the Constitution says that an audit report shall be submitted to Parliament or the relevant County Assembly;

Cognizant THAT the audit report on Financial Statements for the Machakos County Bursary Fund for the year ended 30<sup>th</sup> June, 2018 was received in the Assembly on 20<sup>th</sup> September, 2019;

Further aware THAT the report was committed to the committee on Public Accounts and Investments pursuant to Standing Order 185(2)(b) and (c) that states that 'the Public Accounts and Investments committee shall be responsible for examination of reports, accounts and workings of the County public investments and whether the affairs of the public investments are being managed in accordance with sound financial business principles and prudent commercial practices;

Mr. Speaker, aware THAT the committee after receipt of the report conducted several meetings with the accounting officer of the fund together with officers from the office of the Auditor General;

Hon. Speaker, I wish to move the motion that this House discusses and approves the Public Accounts and Investments committee report on the

Financial Statement of the Machakos County Bursary Fund for the year ended 30th June, 2018.

At this point Mr. Speaker, I would urge Hon. Munyao to second my motion.

**Hon. Munyao:** Hon. Speaker, I second.

**Hon. Deputy Speaker:** Thank you. Hon. Musau you may proceed with the report.

**Hon. Musau:** Hon. Speaker, the report of Auditor General on the Financial Statements of Machakos County Bursary Fund for the year ended 30<sup>th</sup> June, 2018 was received in the office of the Clerk on 20<sup>th</sup> September, 2019 pursuant to Article 229(7) of the Constitution that states that Audit Reports shall be submitted to Parliament or the relevant County Assembly. On receipt of the draft audit report, the accounting officer prepared amended financial statements which were received by the Auditor General on 21<sup>st</sup> August 2019.

The audit report was committed to Public Accounts and Investments committee pursuant to Standing Order 185(2)(b) and (c) that states that “the Public Accounts and Investments Committee shall be responsible for examination of reports, accounts and workings of the County Public Investments and whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.”

#### *Committee Mandate*

Hon. Speaker, the Public Accounts and Investments Committee is established pursuant to Standing Order 185(1) and (2), that states that there shall be a select committee to be designated the County Public Accounts and Investment Committee which shall be responsible for:-

- a) 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.
- b) The examination of the reports, accounts and workings of the County Public Investments;
- c) 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.

#### *Committee Membership*

Hon. Speaker, the Public Accounts and Investment Committee comprises of the following Honorable members:

- |                          |                 |
|--------------------------|-----------------|
| 1. Hon. Joseph .Musau    | – Chairperson   |
| 2. Hon. Winfred Mutua    | – V/Chairperson |
| 3. Hon. Paul Museku      | Member          |
| 4. Hon. Alice Nzioka     | “               |
| 5. Hon. Johana Munyao    | “               |
| 6. Hon. Josephat Kasyoki | “               |
| 7. Hon. Peter Mutiso     | “               |

#### *Background Information*

##### *The Audit Process*

Hon. Speaker, the audit process takes the following stages:

---

**Disclaimer:** The electronic version of the Official Hansard Report is for information purposes only. A certified version of this Report can be obtained from the Hansard Editor, Machakos County Assembly.

1. Letter of understanding sent to the audited entity.
2. Entrance meeting with the management of the auditee.
3. Audit queries raised and feedback sought.
4. Exit Meeting is held.
5. Management letter is issued to audit officers and response sought.
6. Draft audit report is issued to auditee and response sought.
7. Final Audit report issued.
8. Reporting to Parliament or the Assembly.
9. Deliberation of reports by parliamentary and county Assemblies committees.
10. Reporting by Parliamentary and County Assembly committees.
11. Follow up on implementation of recommendations.

### *Types of Audit Opinions*

Hon. Speaker, according to the public audit regime in Kenya, there are 4 types of audit opinions:

1. Unqualified  
It means that the financial statements are clean and give a true and fair view of the financial position of a public entity.
2. Qualified Opinion  
It means that the financial statements are, by and large, fairly presented. However, there are specific discrepancies which could include an incorrect accounting policy, unrecoverable debts, mis-stated inventories or a discrepancy not recurring in the financial statements.
3. Adverse Opinion  
It means that the financial misstatements, individually or in aggregate, are both material and pervasive to the financial statements. Simply, the report is bad.
4. Disclaimer Opinion  
This means that the Auditor General was unable to obtain sufficient audit evidence upon which to base an opinion. In short, the available financial statement could not be relied upon to warrant an opinion. This is the worst form of opinion the Auditor General can issue.

### *The Role of Parliament and County Assemblies in Public Audit*

Hon. Speaker, in line with Article 229(8) of the Constitution of Kenya, the role of Parliamentary and County Assembly committees is to determine outstanding audit issues and ensure appropriate action is taken.

The law requires these bodies to prepare a committee report on the audit findings, for action by investigative agencies, which include the Police, Office of the Director of Public Prosecutions (ODPP), Director of Criminal Investigations (DCI), and the Ethics and Anticorruption Commission (EACC)

### *Committee Sittings and Evidence Taking*

Hon. Speaker, the Assembly received the Auditor General's report on the financial statements of Machakos County Bursary Fund for the year ended June, 2018 on 20<sup>th</sup> September, 2019 pursuant to Article 229(7) of the Constitution. The report had a *disclaimer opinion* implying that the available financial statement could not be relied upon to warrant an opinion.

Consequently on 24<sup>th</sup> February, 2020 at 10.00 a.m. the Committee held a meeting with Accounting Officer of Machakos County Bursary Fund and representatives of the Auditor

General at the Assembly Chamber to respond on the queries raised in the Audit report pursuant to Article 226(2) of the Constitution that provides that the Accounting Officer of a County Public entity is accountable to the County Assembly for its financial management.

Hon. Speaker, the following are the issues raised by the auditor and their responses as prepared by the accounting officer. The Committee has made its observations and recommendations below each of the responses.

*1) Incomplete trial balance and lack of supporting ledgers*

The trial balance provided for audit was incomplete as it omitted transactions relating to the period ended 30<sup>th</sup> June, 2017 despite this being the first year of preparing the fund financial statements. Further, the ledgers in support of the balances in the Trial balances were not made available. Consequently, the accuracy and completeness of the Trial balance and resultant financial statements thereof as at 30<sup>th</sup> June, 2018 could not be confirmed.

*Response*

The trial balance was availed together with the supporting schedules for list of beneficiaries, administration expenses and bank charges in the amended financial statements.

*Committee Observation*

Hon. Speaker, the committee observed as follows:

- a) During the time of audit, the trial balance provided was incomplete and deficient of some transactions done in the previous financial year.
- b) Further, at the same time of audit, it was observed that the ledgers to support the trial balance were not provided.
- c) The accounting officer submitted to the Auditor an amended version of the financial statements but this was later after the final audit certificate had been prepared, hence the amended report submitted had no effect.
- d) In the absence of supportive documents, the Auditor General could not be sure whether the expenditure relating to the trial balance was valid and if it followed the laid-out procedures and this is a contributor to the disclaimer opinion.

*Committee Recommendations*

Hon. Speaker, considering the above observations, it is evident that the Auditor was not served with or satisfied with the statement of trial balance and related documents. The committee therefore recommends that the accounting officer should do a restatement of the statement on trial balance including in it all the supportive ledgers and submit to the Auditor general for recheck so that the query is closed to avoid it recurring as a prior year issue.

*2) Presentation and disclosures of the Financial Statements*

The annual report and financial statements as presented for audit did not meet the International Public Sector Accounting Standards (accrual basis) reporting framework. The inconsistencies noted are:

- a) The Report is not titled (Headed) on pages 2-11.
- b) The Chairperson's report is titled 'Fund Administrators report'.
- c) Statement of financial position is not signed off by the fund accountant.
- d) Statement of changes in net assets has no header on the last two columns.
- e) Pagination is inconsistent: pages 12, 13, 14 and 15 are missing in the report.

- f) Financial statements for the period ended 30<sup>th</sup> June 2017 have not been rendered for audit.
- g) The comparative figures in the financial statements cannot be confirmed as this is the first year the fund has prepared and submitted statements for audit; and
- h) There are numerous spelling mistakes in the report.

### *Response*

In response, Mr. Speaker, the management said that the issues raised on presentation and disclosure were addressed in the amended financial statements which were attached on the report by the Auditor General. Further the Financial statements for the period ended 30<sup>th</sup> June 2017 were prepared and presented for audit.

### *Committee Observation*

Hon. Speaker, the committee observed that:

- 1) The accounting officer forwarded to Auditor General an amended version of the financial statements on 21<sup>st</sup> August 2019. The issues raised had been corrected as follows in the respective pages of the amended financial statements of the year under review:
  - a. The headers have been included on pages 2-11.
  - b. The Chairperson's report has been corrected on page 5.
  - c. The statement of financial position has been signed off by the fund accountant on page 10.
  - d. Headers have been inserted on the last two columns of the table of statement of changes in net assets on page 11.
  - e. Paginations have been inserted on pages 12, 13, 14 and 15 of the report.
  - f. The financial statements for the period ended 30<sup>th</sup> June 2017 was submitted on 21<sup>st</sup> August 2019 together with the financial statements for the period ended 30<sup>th</sup> June 2018.
  - g. The comparative figures in the financial statements had been attached on page 9 of the amended version of the financial statement.
- 2) The Accounting Officer did not respond to the issues---

**Hon. Deputy Speaker:** It is okay; I think the ones below there were on 1 so continue with No. 2.

**Hon. Musau:** Okay.

- 2) The Accounting Officer did not respond to the issues raised by the Auditor during the exit meeting
- 3) The Accounting Officer did not also address the matters raised by the Auditor through the draft report sent to him.

### *Committee Recommendations*

Hon. Speaker,

- a) Section 167(1) of PFM Act 2012 stipulates that the administrator of a county public fund shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board. The accounting officer



should therefore ensure that future reports and financial statements presented are in a form that conforms to International Public Sector Accounting Standards (accrual basis) reporting framework.

- b) Pursuant to Section 31(4) of the Public Audit Act of 2015, the accounting officer should always seek to address matters raised in the draft management letter before they are included in the final audit report.
- c) The committee further recommends that for all the statements that were not in the right presentation as per IPSAS, they should be restated and resubmitted to the Auditor for verification and subsequent closure to avoid them recurring in the next audit report.

#### *Revenue-Transfer from County Treasury*

Hon. Speaker, the statement of financial performance reflects transfers from county treasury amount of Ksh.27, 248,016 and disclosed further under note 2 to the financial statements. An analysis of Machakos County Executive Integrated Financial Management Information System (IFMIS) data reveals that Ksh. 122,248,016 was transferred from the County Treasury, Economic item 2640499- Other Current Transfers –Other to the Bursary funds instead of the reported Ksh. 27,248,016.

As a result there is an unexplained variance of Ksh. 95,000,000. Consequently, the accuracy and completeness of reported transfer amount of Ksh. 27,248,016 cannot be confirmed.

#### *Response*

Mr. Speaker, in response the management said that the Department processed a total of Ksh. 122,248,016 to fund the Bursary Fund. A total of Ksh. 27,248,016 was transferred to the Bursary account during the financial year 2017/18. On 13<sup>th</sup> February, 2018, the Department received Ksh. 2,248,016 and on 12<sup>th</sup> March, 2018, it received Ksh. 25,000,000 which sum totals Ksh. 27,248,016. Further, on 2<sup>nd</sup> July 2018, after close of financial year, the Department received another amount of Ksh. 25,000,000 although the money was processed before the close of the financial year 2017/18.

The balance of Ksh. 70,000,000 was processed in the IFMIS but was not transferred to the Bursary Fund Account. The said amount was processed in the IFMIS with anticipation of receiving funds but this was not achieved due to cash flow issues.

#### *Committee Observation*

Hon. Speaker, upon consulting the Office of the Controller of Budget together with the Accounting Officer for invoices in support of the said transactions the committee observed as follows:

1. Invoice number Educ/Rec/11/2017/18 dated 13<sup>th</sup> February, 2018 indicates that Ksh. 25,000,000 was processed in the IFMIS and was paid
2. Invoice number *Educ/bursary/2* dated 8<sup>th</sup> May, 2018 indicates that Ksh. 25,000,000 was processed in the Ifmis and was paid
3. Invoice number *Bursary* dated 8<sup>th</sup> February, 2018 indicates that Ksh. 2,248,016 was processed and was paid
4. Invoice number Educ/Rec/6/Bursaries dated 26<sup>th</sup> June, 2018 indicates that Ksh. 66,000,000 was processed but was not paid
5. Invoice number Bursary dated 24<sup>th</sup> July, 2017 indicates that Ksh. 2,000,000 was processed but was not paid

6. Invoice number Bursary/1 dated 24<sup>th</sup> July, 2017 2017 indicates that Ksh. 2,000,000 was processed but was not paid
7. That a total of Ksh. 52,248,016 was processed, requisitioned and paid to the Bursary account.
8. That a sum of Ksh. 70,000,000, though processed in the IFMIS, was not requisitioned since there was a cash flow problem. The said amount was therefore not paid towards the Bursary fund.
9. That all the information on the details of sum of monies paid to the fund and that not paid to the fund was NOT disclosed to the Auditor during the audit period.

#### *Committee Recommendations*

The accounting officer should provide the Auditor General with detailed explanation of the variance of Ksh. 70,000,000 that was processed by the County Treasury in the IFMIS but not transferred to the bursary fund to facilitate closure of the query.

#### *Bursary*

The statement of financial performance also reflects bursaries expense of Ksh. 34,535,000 and disclosed further under note 8 of the financial statements. However, supporting documentation by way of general ledgers and beneficiaries details were not made available for audit review. Consequently, the validity and accuracy of the bursary expense Ksh. 34,535,000 cannot be confirmed.

#### *Response*

The list of all beneficiaries and the amounts they received totaling Ksh. 34,535,000.00 was availed.

#### *Committee Observation*

The committee found that:-

- a) The accounting officer forwarded to the Auditor General a list of beneficiaries of the Bursary amounting to Ksh.34, 535, 000 as stated in the financial statements. This was later after the audit time. The list beneficiaries included details name of the students, admission number, ward, educational level, name of the institution and amount.
- b) The committee scrutinized the list of beneficiaries and confirmed that a total of Ksh. 34, 535, 000 was paid towards the fund.
- c) Just like in the previous queries, failure to disclose crucial information to the Auditor was a key observation made here by the committee

#### *Committee Recommendation*

The committee recommends that the accounting officer should restate the statement on bursary and in it disclose the supportive ledgers and beneficiaries then resubmit to the Auditor for verification and subsequent closure to avoid the query from recurring in the next audit report.

#### *Cash and Cash Equivalent*

The statement of financial position reflects cash and cash equivalents balance of Ksh. 1, 139,983 and as disclosed under note 10 to the financial statements. However, the certificate of bank balance in support of the balance is for Kenya Commercial Bank Account No.1143632753

instead of fund Bank Account No.1166439682. Consequently, the accuracy and completeness of the reported cash and cash equivalents balances of Ksh. 1,139,983 cannot be confirmed.

#### *Response*

The management said that the correct Bank Certificate for Machakos County Bursary Fund Account No. 1166439682 was availed.

#### *Committee Observation*

The committee observed that:-

- a) The accounting officer provided the certificate of balance from KCB Machakos branch account No. 1166439682 stating the account balance of the fund as at 30<sup>th</sup> June, 2018 to be Ksh. 2,545,782. However, the Statement indicates a bank balance of Ksh. 1,139,983.
- b) The variance of Ksh. 1,405,799 was due to cheques that had not been presented and whose effect was not addressed through preparation of monthly reconciliation.

#### *Committee Recommendations*

The committee recommends that accounting officer should on monthly basis prepare monthly reconciliations to solve cases of variations as provided in Section 54(1) of the Public Finance Management (County Governments) Regulations, 2015

#### *Unspent Balances*

The statement of comparison of budget and actual amounts under revenue reflects unspent balance of Ksh. 9,966,105 both in the final budget and actual on comparison basis. However, the figure is not reported in the statement of financial performance as revenue. Management has not been able to explain nor support what the unspent amount reflects to. Consequently, the accuracy and completeness of the statement of comparison of budget and actual amount figures cannot be confirmed.

#### *Response*

The unspent balance of Ksh. 9,966,105 was the amount carried forward from FY 2016 /17 and shown as revenue in the statement of comparison and actual .The amount of Ksh. 1,139,983 is the unspent balance as at the end of FY 2017/18 and it is shown in note No. 11 in the financial statement.

#### *Committee Observation*

- a) The amount of Ksh. 9,966,105 was the closing balance for the year ended 30<sup>th</sup> June 2017 as indicated in the financial statements for the year ended 30 June, 2017.
- b) The unspent balance as the end of 30<sup>th</sup> June, 2018 was Ksh. 1,139,983 as indicated in the amended financial statements for the year ended 30<sup>th</sup> June, 2018.
- c) The accounting officer did not provide notes in the financial statements as a disclosure on what the figures of Ksh. 9,966,105 and Ksh. 1,139,983 represent.

#### *Committee Recommendations*

Pursuant to section 164(1) of the PFM Act, the accounting officer should strictly adhere to the timelines provided in preparation and submission of financial statements to the Auditor General.

#### *Budget and Budgetary Controls*

---

**Disclaimer:** The electronic version of the Official Hansard Report is for information purposes only. A certified version of this Report can be obtained from the Hansard Editor, Machakos County Assembly.

The statement of comparison of budget and actual amounts reflects approved budget of Ksh. 89,966,105 against actual receipts of Ksh. 37,214,121 resulting in underfunding of Ksh. 52,751,984. The reasons for the underfunding and mitigating measures being put in place to ensure the objectives of the bursaries fund are met in the future have not been outlined.

#### *Response*

The Department processed the bursary as per the budget allocation but due to cash flow issues, it received less than the budgeted amount.

#### *Committee Observation*

The committee observed that during the period under review, the committee confirmed that the fund received less than the budgeted amount due to cash flow challenge.

#### *Committee Recommendations*

- a) The fund administrator should prepare a plan showing the mitigating measures that will ensure the objectives of the fund are met in the event of similar circumstances.
- b) The County Treasury should ensure that monies appropriated for the Bursary fund are provided as budgeted and in the appropriate time.

#### *Late submission of financial statements*

The Fund financial statements were submitted for audit on 22<sup>nd</sup> February, 2019. This was four months late after the statutory deadline of 30<sup>th</sup> September, 2018 and contrary to the provisions of Section 116(7) of the Public Finance Management Act, 2012, the Fund management was in breach of the law.

#### *Response*

In response, the fund management had prepared the financial records and submitted the same to the County Treasury for financial reporting and inclusion in financial statements since inception. The preparation of financial statement for the fund was a response to Audit query for the financial year 2017/18 and hence the delay in preparing and submission of the financial statements.

#### *Committee Observation*

The accounting officer contravened Section 116(7) of the Public Finance Management Act, 2012 and Section 47(1) of the Public Audit Act, 2015 by doing late submission of the Statement. However, the committee was satisfied with the circumstances given by the Accounting Officer that led to the late submission.

#### *Committee Recommendations*

The committee recommends that the accounting officer should for the purpose of future reports adhere to the timelines given in law in preparation and submission of financial statements for audit.

#### *General Observations*

Hon. Speaker, considering the query on incomplete trial balance, disclosures in the financial statement and the query on bursary, the committee notes with a lot of concern that:

1. There was failure to provide supportive documents to the Auditor as required by Section 47(1) and (2) of the Public Audit Act, 2015

2. There was failure to disclose critical information to the Auditor during the audit period.
3. The Accounting Officer did not address any of the issues reported in the draft report.
4. The amended statements said to have been submitted to the Auditor were received later after the final certificate of audit had been received, hence the responses of the amended statements had no consequence.
5. The disclaimer opinion of the report was largely occasioned by lack of supportive documents and failure to disclose information, making the Auditor unable to get an opinion on the financial position of the Bursary fund.

### *General Recommendation*

Hon. Speaker, Section 53 (1) of the PFM Act states that the relevant accounting officer of a state organ or public entity shall within three months after Parliament has considered and made recommendations on the audit report;

- (a) Take the relevant steps to implement the recommendations of parliament on the report of the Auditor-General; or
  - (b) Give explanations in writing to the Parliament on why the report has not been acted upon.
- (2) Failure to comply with the provisions of subsection (1), the accounting officer shall be in contempt of Parliament or County Assembly and upon determination by Parliament or relevant County Assembly, Parliament or relevant County Assembly may recommend administrative sanctions such as removal as the Accounting Officer, reduction in rank among others.

Hon. Speaker, following the specific observations made under each query and the above general observations, the committee recommends that the Accounting Officer should implement the recommendations made in this report and appraise the Assembly within the timelines provided in Section 53(1) of the PFM Act. This will go a long way in ensuring that the entity improves its financial reporting policies to avoid future recurrence of disclaimer opinions.

Conclusively Hon. Speaker, the management of public funds is an issue the Kenyan population is passionate about. A fundamental objective of every government is maintenance of fiscal discipline, resource mobilization, strategic resource allocation, and efficient delivery of public services.

Hon. Speaker, when the devolved system of government was adopted in Kenya, the importance of establishing strong and effective public financial systems at the County level became inevitable.

There has been considerable effort towards establishing the foundations of a sound PFM system in many areas within the devolved system of government in Kenya. Although implementation of the PFM systems in the Counties is still in its formative stages, considerable achievements have been made in many fronts.

It is therefore my privilege and pleasure on behalf of Public Accounts and Investments Committee to table before this Honourable House the report on Financial Statements of Machakos County Bursary Fund for the Year ended 30<sup>th</sup> June 2018 for discussion and adoption. Thank you, Hon. Speaker and Members, for your audience.

**Hon. Deputy Speaker:** Thank you very much, Hon. Joseph Musau, for that report ably read.

*(Question proposed)*

As I had earlier said, we are only going to get the report and from there Hon. Members, the report has also been posted on the wall. I would like you to go and have a look at it. We will take it from there in the House Business Committee and re-ballot the date for the debate after Members have internalized on the report which has been read before this House.

### **ADJOURNMENT**

**Hon. Deputy Speaker:** This House stands adjourned Hon. Members, to resume again on Wednesday, the 26<sup>th</sup> day of May at 10.00 in the morning. Enjoy the rest of your afternoon.

The House rose at 3.22 p.m.