

REPUBLIC OF KENYA
MACHAKOS COUNTY ASSEMBLY

OFFICIAL REPORT

Tuesday, 4th December, 2018

The House met at 10.19 a.m.

[The Speaker (Hon. (Mrs.) Mwangangi) in the Chair]

PRAYERS

Hon. Speaker: At least, Serjeant at Arms, we have quorum. I am being informed so you can put off the bell. Good morning, Hon. Members; we start the sitting. Mr. Clerk, proceed.

COMMUNICATION FROM THE CHAIR
STUDENT FROM MACHAKOS GIRLS HIGH SCHOOL

Hon. Speaker: Hon. Members, under this Order, I just want to report the presence of one fair young lady in the gallery. She is Brenda Mutua and she is a relative of one of us and it is quite encouraging that you also encourage your children and the young ones at home to participate on matters of National and County interest.

She is in Machakos Girls High School and she is going to Form Three. She has an interest in legislation so the works of a legislature that is why she decided to come and see how matters are done here. Welcome Brenda, welcome.

(Applause)

Mr. Clerk, proceed.

STATEMENT
QUERIES ON MACHAKOS PEOPLE'S PARK

Hon. Speaker: Hon. Members, under this Order as listed in the appendix, we have one business by the Hon. Angela Munyasya. Hon. Angela Munyasya.

Hon. (Ms.) Munyasya: Thank you, Madam Speaker. My Statement is to do with the People's Park; pursuant to Standing Order 41(2), I wish to seek a Statement about the Machakos People's Park as follows:

1. When the Machakos People's Park was commissioned.
2. How much in terms of funds has been spent on the project so far.

3. What was the amount approved for the said project and when was the approval done, the dates.
4. How much in percentage of the project has been carried out?
5. How much in percentage is remaining for the project to be completed?
6. Who are the project contractors and how much revenue has the County realized from the said project.

Thank you, Madam Speaker.

Hon. Speaker: Thank you, Hon. Angela. Hon. Members you realize that this is a statement under Standing Order 41(2) and we discussed sometimes back why you have statements and I reminded you of what would be question time in the National Assembly and at that time we remember the ministers were part of the MPs so they would answer when they are still in the Assembly or go back and bring a report.

At the moment, it is different because we do not have CECs who sit with us so what would happen is members would ventilate on the matter and then it would be committed to the relevant committee to take it up with the executive because this is works executed by the executive. Any comments on this statement being sought Hon. Members? Hon. Helen.

Hon. (Ms.) Ndeti: Thank you, Madam Speaker. I am standing here to compliment or to state the member who brought this Statement has done it at the right time because oversight is one of our responsibilities and as we go about our responsibilities it is important to look at projects; massive projects that have been done by the county and see how they benefit the people of Machakos.

So, I think this is very timely and it is very important that we go to the relevant department to give us this information. Thank you, Madam Speaker.

Hon. Speaker: Thank you, Hon. Helen. Hon. Museku.

Hon. Museku: Thank you, Madam Speaker for giving me this opportunity. Thanking the member who has brought this Statement before the House, I think like the Hon. Member who was on the floor has said one of our main tasks as legislators here is to conduct oversight on the executive and make sure that the projects or the funds which have been approved by this Hon. House are used in a noble way.

We have seen over the years when I look back at the previous budgets funds being allocated to the Machakos People's Park, year in, year out and those funds that are being pumped into this project when we go to the actual Park itself, I think the original works which were done initially are the main things you see there.

You rarely see anything new happening in the People's Park yet we keep on pumping money into a project called People's Park. When I looked at the books of account for the period 2015/2016 and 2016/2017 the People's Park had revenues. Remember when we invest money as a county we are putting money in an investment project so that it can ...it is an investment it is supposed to earn the County money. It is supposed to earn us revenue we do not put an investment somewhere where we are not going to get any returns.

Even when we put investments in roads, we expect returns in better movement of our vehicles, better movement of goods and services which will improve the economy. I saw about on average Ksh. 2 million which used to be recorded under People's Park in 2015/2016 and

2016/2017 then from there, it disappeared. We get zero from getting revenue of Ksh. 2 million to a zero and we are still pumping money there.

So, I think it is important the statement which the Hon. Member has brought that we seek to know really what was the...the questions she is putting here are geared to asking ourselves; what was this project all about? Does it have a beginning, does it have an end, does it have a desired outcome out of it or is it just a vote head for pumping money in there for it to be redistributed elsewhere?

The latter might end up being the truth and without even having to wait for some of those things, Madam Speaker, I would request the chair of budget through your Chair for him to go back in previous budgets and actually come up with a tabulation of how much money has been allocated in this project even as we await for them to give us these figures.

It would be important for us to know, and on top of this Madam Speaker, there is even the offices of the Governor; It is another white elephant which we are pumping money year in, you remember during the last supplementary budget, we had a stalemate until we pumped in Ksh. 150 million there. We would like to know also the Governor's offices; how much money has been allocated in the Governor's offices from the time when the project was initiated up to today so that we can be able to hand over that to the implementation committee for them to go and get a logical conclusion to these projects which are consuming tax payers funds. Thank you, Madam Speaker.

Hon. Speaker: Thank you, Hon. Museku. Hon. Kamitu.

Hon. Kamitu: Thank you very much, Madam Speaker. Madam Speaker, I am standing here in regard to...us as an Assembly we have the right to bring such Statements which really we need some answers but Madam Speaker, as you have said also my question goes; fine as much as we would like as a committee for example, the committee for budget for that matter is a normal procedure that Madam Speaker, in such cases we have to summon a CEC who is responsible for that and for this matter Madam Speaker, I do not want to remind the house because it is clear they are very much aware that as an appointment committee, there was a time that we came here so that we may put the CECs in regard to their departments.

Who are we going to get the answers from on the Statement even if we are going to...if you are going to direct a certain committee to going for such answers for these Statements. Where are we going to get the CECs and they are not---

Hon. Speaker: Point of information.

Hon. Kamitu: It is the same House---

Hon. Speaker: Hon. Kamitu, point of information from Hon. Helen Ndeti.

Hon. (Ms.) Ndeti: Thank you, Madam Speaker. I would like to inform the member on the floor that CECs who are the equivalent of ministers in the National Government, their work is to do policy; they do not work. The people who work, the accounting officer in a ministry or in a department is the Chief Officer and Chief Officers are in office so we still have people who can give us the information that we require.

Hon. Speaker: Thank you, Hon. Helen Ndeti. Hon. Kamitu.

Hon. Kamitu: Madam Speaker, I think the Hon. Member, I am very clear in my Statement that fine we are doing a very good job in regard to statements because they are supposed to be answered. All the same Madam Speaker, what we are doing is like there is a saying that there are people who give answers to an envelope or a letter and somebody gives out an answer to a letter while he has not even opened that envelope to read the letter.

So, likewise Madam Speaker, and I am standing here with a lot of appreciation from these same members that even recently the same COs, PAs who are supposed to be answerable to those departments are the same COs, the same CECs who are supposed to be in their places as office bearers and it is just the same House Madam Speaker, that is dilly-dallying and for us as a House Madam Speaker, I am standing here equally with a lot of bitterness with all the House because we are the people who are supposed to approve some of these issues for us to go ahead.

So, Madam Speaker, I have no objection about the Statement that has been brought into this House but my question is where are the COs who are supposed to be answerable to the various committees of this House. Where are the CECs who are supposed to be answerable on the same issues? Thank you, Madam Speaker. That is my contribution.

Hon. Speaker: Point of information Hon. Steve Mwanthi.

Hon. Mwanthi: Thank you, Madam Speaker. I still wanted to inform the member that this House passed Chief Officers last week and they are supposed to be in office and they are supposed to answer any queries or questions directed to their respective directorates. So, I do not know where the problem is or how the house has been dilly dallying, Madam Speaker. Thank you, Madam Speaker.

Hon. Kamitu: Madam Speaker, as I seat---

Hon. Speaker: Hon. Steve Mwanthi. Hon. Ndawa.

Hon. Ndawa: Thank you, Madam Speaker. I just want to inform the Hon. Member from Ekalakala that the House only recommended; it did not approve or give people jobs. You just recommended for the Governor to appoint and they have not yet been appointed.

Hon. Speaker: Hon. Ndawa, can we just be honest with ourselves; were those not people already appointed? Are they not in office? Let us be honest with ourselves and the public that we serve so that we do not split hairs; you know how hard it is split hairs. It is very hard. There are people in office, they were appointed.

(Applause)

In fact, they are gazetted so we take notice as an Assembly we cannot close our eyes to the fact that they were even gazetted; were they not? Seriously.

Hon. Ndawa: Madam Speaker, if I am not forgetting when the report was tabled especially on the side of finance, some of the COs who were recommended were not approved and I remember very well---

Hon. Speaker: Was there an approval for the department of finance by this House?

Hon. Ndawa: No; it was not there because I remember very well a name that was not supposed to be vetted---

Hon. Museku: Point of information, Madam Speaker.

Hon. Speaker: Let us inform each other where we do not remember, Hon. Museku.

Hon. Museku: Madam Speaker, I would like to inform the Hon. Member that the question that has been put to him is that in the department of finance, was there a Chief Officer who was approved by this House for that department? The answer is yes; we did approve a lady by the name of Romano Mwendu in the department of finance and revenue. What we did not approve was what you thought should be approved. Thank you, Madam Speaker.

(Laughter)

Hon. Speaker: Hon. Museku that is out of order; how did you know what he thought.

Hon. Museku: I withdraw, Madam Speaker.

Hon. Speaker: Hon. Kamitu, you had not finished?

Hon. Kamitu: Madam Speaker, we are really moving very positively but I would also like to inform the House that procedurally, the House sincerely approved the COs we are not disagreeing with that but officially, Madam Speaker, you are also aware that a letter should come from this House procedurally from this House to the Governor informing the Governor the number of COs.

Madam Speaker, she is also aware that procedure is also there because I am the eyes of the Government the executive is still waiting an official letter, an official communication from this House. So, as much as we would like to say Madam Speaker, we agree in those areas so my point and my appeal to this Hon. House, Madam Speaker, is that we should sing one song as a House and that is my plea.

(Unusual applause)

Hon. Speaker: But that is a bit disturbing Hon. Ndalana; please stop doing that. It is good to appreciate applaud but not in a manner that disturbs the proceedings of the house. Alright, Hon. Kamitu, proceed.

Hon. Kamitu: So, Madam Speaker, in the same note and with the good statement, let us come together as a team we approve what is practicable that anything that is going to benefit the

electorate who brought us into this House that should be our first mandate. So, I sit down to say, Madam Speaker---

Hon. Speaker: I would have expected the House to applaud what he has just said.

Hon. Kamitu: They are just keeping quiet Madam Speaker; they should do that.

(Laughter)

I really appreciate...

Hon. Speaker: You do not think that he is helping the people? That is what we should clap for all of us.

Hon. Kamitu: Yes, all of us as a team. So, I sit down looking forward for this Hon. House to be one thing so that Machakos people know that members of this House who are really doing things for them. Otherwise, I sit down to say thank you, Hon. Speaker.

Hon. Speaker: Thank you, Hon. Kamitu. Hon. Ndawa.

Hon. Ndawa: Thank you, Madam Speaker. I also want to air my views on this Statement which has been sought by Hon. Munyasya. Madam Speaker, it is my belief that the Statement is sought in good faith. That is what I believe unless I am proved contrary. Madam Speaker, the issues raised here are also very important but some may not be able to assist the Assembly going forward. Like item number one; when the project was commissioned? That one may not be of much help to us. Item number two; how much has been spent.

Hon. Speaker: Point of information from the person seeking the Statement. Hon. Ndawa, Hon. Munyasya.

Hon. (Ms.) Munyasya: Thank you, Madam Speaker. I would appreciate if the member on the floor elaborates the reasons as to why the date of the commissioning of the project is not important because it is always in order for a project to have a beginning and an end date. So, Madam Speaker, I would like the member to elaborate the reason.

Hon. Wambua: More information Madam Speaker, on the same, more information please.

Hon. Speaker: PAIC chair.

Hon. Wambua: Yes, Madam Speaker.

Hon. Speaker: Hon. Musau.

Hon. Wambua: Thank you, Madam Speaker. May I inform the member that, Madam Speaker, in all accounting principles, we must have periodicity and if we talk of period then we

must have a clearly stated starting day; when you talk of a financial year Hon. Ndawa you must quote that day. How can you account without specified dates, Hon. Ndawa. Thank you, Madam Speaker.

Hon. Speaker: Thank you, Hon. Musau.

Hon. Ndawa: Thank you, Madam Speaker, for the information that I am getting from my colleagues, Hon. Members. The reason why I am saying it might not be of much help, remember this is a project which was started by the previous House not this House. And as a House after our term, members of public or the electorate will ask us; what did you initiate as an Assembly, the second Assembly? We will have nothing to answer.

I would request Hon. Members, instead of start looking behind, why don't we look at ways and means of taking Machakos from where we are to the next level because what has passed has passed.

Hon. Speaker: Point of order Hon. Steve Mwanthi. Hon. Ndawa.

Hon. Mwanthi: Thank you, Madam Speaker. I think the Hon. Member is not in order when he is saying just quoting a date of commissioning of a project is a big deal that even should derail this House from doing other businesses. When the Hon. Member had that development motion in this House, it was passed so we are supposed to deal with the past, present and even the future.

So, I do not see any problem with just getting or having the dates when this project was commissioned. Thank you, Madam Speaker.

Hon. Ndawa: Madam Speaker, I do not know whether these Hon. Members are getting me well.

Hon. Speaker: Hon. Ndawa, the ruling from the Chair is that a date of any project is very critical just like the date you were born; everything has a beginning and an end.

Hon. Ndawa: Well-advised.

Hon. Speaker: Proceed to the next point.

Hon. Ndawa: The only item that I had and what I had in mind is just when you are driving a motor vehicle and---

Hon. Speaker: If it is on that point proceed; leave that point on its own. Proceed to the next one.

Hon. Ndawa: Okay, well advised. The other issue Madam Speaker, there is no project which can start without a budget and instead of questioning from the other side why don't we request for the budget that was approved by the previous House that authorized the construction of the People's Park? That is going to be an easier way of getting information because we cannot start a project without a budget and if you spend money without a budget that is misappropriation

of funds. So I believe there was a budget. If we can ask for that budget it will assist us and save us time.

Item number three; the amount approved for that. The contents will be in the same budget that question will be answered by the budget which was approved. Item number four; the percentage of the project. Madam Speaker, this one we can rely on the department of roads and that one we can be able to get that information.

Hon. Speaker: Point of information Hon. Ndawa from Hon. Helen Ndeti.

Hon. (Ms.) Ndeti: Thank you, Madam Speaker. I am wondering whether the Hon. Member is in order; he is talking like he is already responding to the questions that we want answered by the Chief Officer or the CEC in the relevant department. I do not see what exactly he is telling us; can you please follow and give us better in put in this Statement.

Hon. Speaker: Hon. Ndawa.

Hon. Ndawa: Thank you, Madam Speaker. I am not defending anybody; I am just contributing like Hon. Member for Matuu and when I am speaking I will request you to be aware that it is Matuu people speaking not Hon. Ndawa because I am the voice of Matuu and when you are trying to interrupt when I am talking you are interrupting the people of Matuu and---

Hon. Speaker: Hon. Ndawa, you are going overboard. Yes the people of Matuu ward are represented by the Hon. Ndawa in this House but the people of Matuu through Hon. Ndawa must also submit what is right and proper and they must also be informed and they must be corrected when they go out of order because that is the procedure of the House where they sit through their member.

So, Hon. Helen Ndeti is not interrupting; she is just following procedure and informing the people of Matuu through their representative Hon. Ndawa.

(Applause)

Hon. Ndawa, please proceed, you know the rules of the game follow them.

Hon. Ndawa: Well-advised, Madam Speaker. The last part or number five; I do not want to talk about it. About number six; the contractors. I know no contract can be given just anyhow; if you want to know the contractors we do not even have to go to the ministry that we are requesting. The last part; how much has been collected. Madam Speaker, the issue of revenue collection is not within the mandate of the House.

It is within the mandate of the executive and let us concentrate on what is ours and whatever is not ours, kindly Hon. Members, let us give the other side of the Government time to work for the people of Machakos and we also work for the people of Machakos. Finally, Madam Speaker---

Hon. Speaker: Point of information Hon. Ndawa from Hon. Kingo'ri.

Hon. King'ori: Thank you, Madam Speaker. Does the Hon. Member understand the constitution of Kenya where it states about separation of powers? If Hon. Ndawa knows it well he should understand the way it works; we as the Assembly we oversight the Executive, so if they have done something wrong we have to ask and if they have done something right we also have to ask. But he cannot answer when he is not an Executive member of Machakos County. He should also understand the constitution a bit. Thank you, Madam Speaker.

Hon. Speaker: More information from Hon. Mutiso for Hon. Ndawa.

Hon. P.J.Mutiso: Madam Speaker, I would like to inform the Member that we have a finance committee in this House which is under Hon. Mwanthi and it is in order for us to be told how much has been collected from that area among other areas. Thank you.

Hon. Speaker: Hon. Ndawa, did you say it is not the business of this House to know about finances? I hope it was a slip of the tongue.

Hon. Ndawa: Any part which is not within the *nini hii* is withdrawn, Madam Speaker.

Hon. Speaker: Which is not within the *nini hii*; what....

(Laughter)

Hon. Ndawa: Which is not acceptable is withdrawn. What I want to say finally, Madam Speaker.

Hon. Speaker: I believe you appreciate that that was a slip of the tongue?

Hon. Ndawa: Yes and that is withdrawn, Madam Speaker.

Hon. Speaker: Proceed.

Hon. Ndawa: I just want to say one word on what Hon. King'ori has told me about separation of powers that is within the County Governments Act section 30. He said when the Executive does a mistake, it is the right of the Assembly to oversee. I also want to inform him that up to now, the Executive has not done any mistake unless we get the report, that is the time we are going to say things are going the way they are supposed to be going or they are contrary. Thank you, Madam Speaker. I rest my case.

Hon. Speaker: Thank you, Hon. Ndawa. Hon. Members, you remember this was just a Statement seeking information so the matter is committed to the committee on Budget and Appropriations. It is about expenditure of funds and whatever revenue may have been raised. This committee is going to report to this House on or before 13th March, 2019; remember we are going on recess. Thank you, Hon. Members.

MOTION

REPORT OF AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MACHAKOS
COUNTY ASSEMBLY CAR LOAN SCHEME FOR THE YEAR ENDED 30TH JUNE, 2016

Hon. Speaker: We have one business by Hon. Joseph Musau.

Hon. Wambua: Thank you, Madam Speaker; good morning Members. I am Hon. Joseph Musau, MCA Mbiuni Ward, a ward that happens to be very well-represented with around four MCAs, one elected, one nominated, one appointed and another one self-imposed.

(Laughter)

Thank you, Madam Speaker

Hon. Speaker: Where does that come from?

Hon. Wambua: Withdrawn, although communicated.

Madam Speaker, that aware that Article 229(7) of the Constitution states that audit Reports shall be submitted to Parliament or the relevant County Assembly; Further aware that pursuant to Article 229(8) of the Constitution, within three months after receiving an audit report, the Parliament or the County Assembly shall debate and consider the report and take appropriate action;

Cognizant that the Committee on Public Accounts and Investments is established pursuant to Standing Order 185 and is mandated to examine reports, accounts and workings of the County Public Investments;

Remembering that in April, 2018, the Committee undertook interrogation exercise of the Audit Report on Financial Statements of Mavoko Water and Sewerage Company for the year ended 30th June, 2016;

Madam Speaker, I wish to move the motion that this Hon. House discusses and approves the Report of Auditor General on the Financial Statements of Machakos County Assembly Car Loan Scheme for the year ended 30 June, 2016.

I wish to implore Hon. Dr. Peter Mutiso to second this motion.

Hon. Speaker: Do we have a Doctor here?

Hon. Wambua: Incoming doctor Madam Speaker, just about to be a doctor.

Hon. Speaker: If he is not yet a doctor, then he is not.

Hon. Wambua: Prayers for him to be a doctor.

Hon. Speaker: Hon. Musau, don't baptize people.

Hon. Wambua: Thank you, Madam Speaker.

Hon. Speaker: Hon. Mutiso.

Hon. P.J Mutiso: Thank you, Madam Speaker. I second the motion.

Hon. Speaker: Thank you, Hon. Mutiso, Hon. Musau.

Hon. Wambua: Thank you once again. Madam Speaker, the report of Auditor General on the Financial Statements of Machakos County Assembly Car Loan Scheme Fund for the year ended 30th June 2016 was received in the office of the Clerk pursuant to Article 229(7) of the Constitution that states that Audit Reports shall be submitted to Parliament or the relevant County Assembly.

The 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

Madam 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:

- 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.

COMMITTEE MEMBERSHIP

Madam Speaker, the Public Accounts and Investment Committee comprises of the following Hon. Members:

1. Hon. Joseph Musau – Chairperson
2. Hon. Winfred Mutua – V/Chairperson
3. Hon. Agatha Mutunga
4. Hon. Alice Nzioka
5. Hon. Johana Munyao
6. Hon. Josephat Kasyoki
7. Hon. Peter Mutiso

GUIDING PRINCIPLES

Madam Speaker, in the execution of its mandate aforesaid, PAIC is guided by core constitutional and statutory principles on public finance management, as well as established customs, traditions, practices and usages. These principles include the following:

1) Constitutional Principles on Public Finance

Article 201 enacts fundamental principles that guide all aspects of public finance in the Republic. The principles are that:

201(a) there shall be openness and accountability, including public participation in financial matters;

201(d) public money shall be used in a prudent and responsible way; and

201(e) financial management shall be responsible, and fiscal reporting shall be clear.

2) Direct Personal Liability

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

3) Obligations of Accounting Officers

Article 226(2) of the Constitution states that the accounting officer of a county public entity is accountable to the County Assembly for its financial management.

4) Financial Officers and Institutions

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.”

Article 229(8) of the Constitution states that “within three months after receiving an audit report, the parliament or the County Assembly shall debate and consider the report and take appropriate action.”

COMMITTEE SITTING AND EVIDENCE TAKING

Madam Speaker, on 4th June, 2018 the committee held a meeting with the Accounting Officer of Machakos County Assembly who had been invited to respond on various 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.

The queries raised in the audit report relate to the following areas;

- Statement of Cash Flow.
- Statement of Receipts and Disbursements.
- Statement of Net Assets.
- Financial reporting framework.
- Fund Administrator/Manager under Receivership.
- Appointment of Fund Administrator.
- Car Loan.

DETAILS OF THE FINANCIAL STATEMENTS

Query No.1

1. Statement of Cash Flow

i) Contrary to Paragraphs 53 and 53 A of International Public Sector Accounting 1 on presentation of financial statements, no comparative information has been presented in the statement of cash flow in respect of the preceding financial year.

The Accounting Officer responded that the County Assembly had not included the comparative figures for the previous year (2014/2015) in the statement of cash flow and it has been restated in the amended financial statements.

The Committee confirmed that there was no comparative information as stated by the Audit office. However it was noted that a restated financial statement was later prepared and forwarded to the office of the Auditor General for further confirmation.

ii) Interest earned on funds disbursed by the administrator and the corresponding administrative costs of Ksh. 1,781,320 reported in the statement of receipts and disbursement were not taken into account in the presentation of the statement of cash flow.

In response, the Accounting Officer, stated that the County Assembly signed an MoU with Chase Bank that funds transferred would be kept in lien and that the bank would lend out its own money to the members and in return earn the 3 per cent interest as administration expenses. During the Financial year, the total interest earned was Ksh. 1,781,320 and the full amount was used by Chase Bank as administrative cost in administering the fund. This amount was not included in the statement of cash flow but was later included in the statement of cash flow of the amended financial statements.

The committee noted that if Chase Bank used its own money to give car loan to members of County Assembly at 3 per cent interest rate and that the interest earned was to be used as administration cost, then there was no reason to warrant the bank to keep Assembly's money totalling to Ksh. 120,000,000 as lien. This is because the Ksh. 120 million for the Assembly was just kept idle in the bank and for that one year, the money could have been used by the Assembly to transact other business. Hence, the Bank tricked the Assembly in the MoU for its own gain.

Query No.2 : Statement of Receipts and Disbursement

i) The statement of receipts and disbursement is titled statement of receipts and disbursement instead of statement of receipts and payments as prescribed by the Public Sector Accounting Standards Board.

The response was that the County Assembly prepared statements of receipts and disbursements instead of the prescribed statements of receipts and payments and the same has been amended to read statements of receipts and payments. The committee noted the error and recommended that the Accounting officer should in future use the proper technical terms as required in the accounting field.

ii) Prior year comparative figures have been restated as highlighted below without corresponding explanatory notes and disclosures as required under paragraph 54 of IPSAS 3 on Accounting policies, changes in accounting estimates and errors.

Item	Amount reflected in the comparative statement (Ksh)	Amount reflected in the prior year statement (Ksh.)
Receipts from County Treasury	NIL	120,000,000.00
Interest on disbursement	2,894,460.23	NIL

Administrative costs on disbursements	2,894,460.23	NIL
Transfer to reserve fund	NIL	113,400,000.00
Default reserve	NIL	6,600,000.00

The Accounting Officer reported that the County Assembly only received Ksh. 120,000,000 during 2014/2015 and no funds were received during 2015/2016 from the County Executive and hence the reason as to why the assembly reported Nil receipts. Both the total interest received on disbursements and the total administrative costs on disbursements was disclosed under note 8 and note 9 respectively in the amended financial statement.

The assembly reported a transfer to reserve fund and a default reserve for both 2014/2015 and 2015/2016 as shown on page 12 of the amended financial statement. The committee was satisfied with what was reported under receipts from County Treasury owing to the fact that no money was received in the previous year.

However, omission of critical information on interest on disbursement, Administrative costs, transfer to reserve fund and default reserve was noted although the statement was later restated and forwarded to the Auditor General.

The committee recommended that in future there is need for the Accounting Officer to do thorough scrutiny of details in the financial statements to confirm accuracy and make them conform fully to IPSAS standards.

Query No.3: Statement on Net Assets

i) The statement of net assets reflects under non- current assets transfers to reserve fund account and default reserve balances of Ksh. 113,400,000 and Ksh. 6,600,000 respectively and disclosed under Note 5 to the financial statements. These account balances do not qualify as current or non- current assets according to classification and description of assets under paragraph 76 of IPSAS

The Accounting Officer responded that, the assembly classified the amounts of Ksh. 113,400,000 and Ksh. 6,600,000 as current assets since the funds were kept as reserve under lien. The bank used its own funds to lend money to members and the Assembly money deposited with chase Bank only acts as security for money lend by the bank

The committee was satisfied with the response of the Accounting Officer since the money deposited on those accounts were not to be withdrawn since it was inform of lien as stated in the MoU.

ii) Available information indicates that loans totaling Ksh. 113,165,000 had been disbursed under the fund to the members of County Assembly as of 30th June, 2016. An amount of Ksh. 70,469,879 had been recovered leaving an outstanding balance of Ksh. 42,695,121 as at that date. However, the liability is not reflected in the statement of net assets.

In response the Accounting Officer stated that the loan balance outstanding of Ksh. 42,695,121 as at 30th June, 2016 was not included under net assets receivables since the bank used its own funds to lend out to members and hence the loan amount paid is receivable by the bank who is administrator of the fund.

The committee was NOT satisfied with the above response because if the Assembly recorded in the statement Ksh. 113,165,000 as amount disbursed and Ksh. 70,469,879 as amount repaid in the Statement, there was no reasoning of omitting information of unpaid balance of Ksh. 42,695,121. Again even if the bank used its own money to pay the members, the Assembly had already deposited in the bank a corresponding amount totalling Ksh. 113,165,000 in both the reserve accounts. Ksh. 113,165,000, the total deposited in Chase Bank equals Ksh. 70,469,879 for the loan received in addition to Ksh. 42,695,121 which is unpaid loan.

Query No. 4: Financial Reporting Frame work.

Contrary to the guidelines used by the Public Sector Accounting Standards Board the Financial reporting framework has not been disclosed in the statements.

The County Assembly used Accrual Basis Method of financial reporting as stated in the statement of the fund management responsibilities on page 3, paragraph 3 of the amended financial statements.

The committee was satisfied with the response since financial details were captured in the accrual basis since accrual basis format is also recognized in accounting field.

Query No. 5: Fund Administrator/Manager under Receivership

As reported in 2014/2015, the Machakos County Assembly Service Board contracted Chase Bank Limited to administer the car loan fund scheme through a memorandum of understanding dated 24th February, 2014. However on 6th April, 2016 Chase Bank Limited was placed under receivership by Central Bank. During the intervening period funds held by the bank was not accessible. Further interest that ought to have been payable on the deposits and fund balances continue to earn Nil interest. This state of affairs has impacted negatively on the operations of the fund.

The Accounting Officer responded that since April, 2016, Chase Bank had been under receivership and the Assembly was assured by the receiver manager and CBK that the receivership will be lifted. However, the County Assembly was able to access funds to disburse loans to the new MCAs. This state of affairs did not affect the operations of the fund in a significant way as all new applications are currently being processed.

In addition, the Accounting Officer responded that the Assembly placed the funds received in fixed deposit as it is stipulated in the MoU between the County Assembly and Chase Bank. Since Chase Bank was placed under receivership, there was no interest earned on funds placed under fixed deposit as the bank was paying interest on deposits at a rate of 0 per cent.

The committee confirmed that despite the unfortunate occurrence that led Chase Bank to be placed under receivership, the Assembly was able to look for options to run the car loan facility and so beneficiaries were not negatively affected. Again the committee noted that the state of affairs that begot chase bank and also basing on MoU, this could not warrant any accrual of interest as queried by the Auditors.

Query No. 6

Appointment of Fund Administrator

The statement of net assets reflects a reserve balance of Ksh. 120,983,574 for 2014/2015 and Ksh. 120,269,274 as at 30th June, 2016 being transfers from the County Treasury into the fund and accumulated surpluses. The memorandum of understanding between the Machakos County Assembly Service Board and Chase Bank Limited stipulated that:

i) The County Assembly was to transfer Ksh. 130,000,000 into the funds bank account where the money would serve as lien for the car loan scheme fund. However, since inception of the fund and as at 30th June, 2016, only Ksh. 120,000,000 had been transferred into the funds bank account. No explanation was provided by the management for the shortfall.

In response, the Accounting officer stated that during 2014/2015, the County Assembly only received Ksh. 120,000,000 for Car loan fund scheme from the Treasury. The Assembly had 60 members including the Hon. Speaker and the County Treasury considered this when releasing the funds to the Assembly; that is 60 members multiplied by the entitlement of Ksh. 2 million each.

The committee was NOT convinced why the Assembly was to sign an MoU of depositing an excess of Ksh. 10 Million that is Ksh. 130 Million minus Ksh. 120 million to give us Ksh. 10 Million into the Bank Account when it was clear that all the Hon. Members needed Ksh. 120 Million in total. Further by not transferring Ksh. 130 Million as agreed in the MoU was a contravention of MoU.

ii) An amount of Ksh. 6,600,000 representing 5.5 per cent of the funds deposited and non-interest earning was to serve as default reserve.

The Accounting Officer responded that according to the MoU signed between the County Assembly and Chase Bank, a default reserve of Ksh. 6,600,000 was to be established. This was to cushion the bank from default in repayment by members.

The committee observed that a total of Ksh. 120,000,000 was deposited to Chase Bank to fund the loan of members and the bank used its own money to loan the members. In this case the Ksh. 120 Million deposited was acting as security for default, hence there was no reasoning of establishing a default reserve of Ksh. 6.6 Million which is still part of the Ksh. 120 Million. In this case the committee noted that there was no clarity in the MoU. It was ambiguous.

iii) The bank was to manage the car loan scheme fund. However the Machakos Car Loan Scheme fund regulations 2014 section 6(2) requires the Clerk of County Assembly and Ex-official of the fund to administer the fund.

In response, the Accounting Officer responded that according to the County Assembly regulations, the Assembly had two options; for the Assembly to either manage the fund itself or a financial institution manages it on its behalf. The Assembly opted for the management of MCAs scheme by a financial institution. In this query the committee was satisfied with the response.

Query No. 7: Car Loan

Contrary to the Car loan Scheme fund regulations 2014, the loans were issued to the members of County Assembly without;

- i) Valuation reports in the case of second hand vehicles and Manufacturer/Dealer invoices for new vehicles financed.
- ii) Documentary evidence of joint registration of ownership of the vehicles in the name of the fund and the borrowers.

From the foregoing, the fund was in breach of Machakos County Car Loan Scheme fund regulations 2014.

In response the Accounting Officer stated that the assembly considered mostly the loans statements provided by members in offsetting the loans. Given the short time that was remaining to the end of the term, the Assembly only requested members to surrender the original log books

of the cars they had bought and the original title deeds of where they constructed their houses to the office.

The same were retained by the Assembly up to the time when the loans were fully repaid. In this Second Assembly, the Assembly has fully complied with the regulations governing disbursement of loans to the members unlike in the First Assembly.

The committee noted that the action contravened the Machakos County Car Loan Scheme fund regulations 2014. However, a consideration was made on the short time that remained for Hon. Members to exit the Assembly and that the Assembly wanted to be fair in making the members to benefit from the fund and so availing of full documents was not done.

GENERAL OBSERVATIONS

Madam Speaker, in summary the committee observed the following:

1. Lack of comparative information in the statement of cash flow as required by IPSAS.
2. Use of non-accounting terms in the statement of receipts and disbursements.
3. Omission of critical comparative information on interest on disbursement, administrative costs, transfer to reserve fund and default reserve as required by IPSAS.
4. Mix up in classification of entries either as current or non-current assets.
5. Omission of unpaid balance of Ksh. 42,695,121 in the statement of Net Assets.
6. Failure to disclose the financial reporting framework in the statements.
7. In April, 2016, Chase Bank, which was the administrator of the fund was placed under receivership by Central Bank but the operation of the loan facility was not affected.
8. As stated in query 6 on appointment of fund administrator, the Assembly was to deposit Ksh. 130,000,000 in reserve account of Chase Bank as per MoU but the amount transferred was Ksh. 120,000,000. That is 60 members each receiving Ksh. 2 Million. This was breach of MoU
9. Contrary to the Car loan Scheme fund regulations 2014, funds were issued without valuation and documentary evidence but the short time that remained for members to exit necessitated the decision.

RECOMMENDATIONS

Madam Speaker, based on the above observations the committee recommended as follows:

1. When preparing financial statements, provisions of Section 53 of International Public Sector Accounting 1 on formatting should be adhered to so that the statements of the institution match the international standards.
2. The Assembly should negotiate to for another financial institutions to run the loan facility since the element of depositing money to a bank only to stay as reserve accruing no interest and the bank to lend its own money with interest pauses doubt on the MoU signed. Alternatively, the Assembly and Chase Bank can review some of the Sections of the MoU for purposes of clarity.
3. The liability of Ksh. 42,695,121 which was omitted in the Financial statement should be restated in the next audit report as advised by the office of the Auditor General.

4. The deficit of Ksh. 10 Million that was not reflected in query No.6 on appointment of fund administrator should be restated in the next audit report.
5. Pursuant to Section 31 of Public Audit Act 34 of 2015, the County Assembly of Machakos should within three months submit a report to the Auditor General on how it has addressed the recommendations and findings contained in this report.

CONCLUSION

Madam Speaker, government accounting and financial reporting aims at protecting and managing public money and discharge accountability. In achieving ambitious socio-economic goals, developing countries require public sector institutional capacity for setting and implementing public policy, which in turn necessitates government accounting reforms.

A good accounting standard needs representation from the entire spectrum of stakeholders to retain its integrity.

A transparent due process will therefore allow outsiders to see the interactions and compromises among the key participants in the development of acceptable accounting rules.

It is therefore my privilege and pleasure on behalf of Public Accounts and Investments Committee to table before this Hon. House, the report on Financial Statements of County Assembly of Machakos Car Loan Scheme Fund for the Year ended 30th June, 2016 for discussion and adoption.

Thank you Madam Speaker, thank you Members for audience.

Hon. Speaker: Thank you, Hon. Musau.

(Question proposed)

I hope it doesn't sound Greek when it comes to accounts. Maybe Hon. Dominic Ndambuki and the chair of PAIC may be the people who lead us on these Hon. Members. Hon. Ndawa.

Hon. Ndawa: Thank you, Madam Speaker. I first start by congratulating the chairperson of the committee for this elaborate report on the issue of loans. Madam Speaker, I don't want to talk much on this, but I will just go straight to the recommendations of the committee because the other part is very clear but the only concern I have before I go there is on page 11; the Assembly was required to part or to deposit Ksh. 130 million to Chase Bank to facilitate the issue of car loans.

Madam Speaker, it is evident that calculation was done and the required amount was Ksh. 120 million not Ksh. 130 million, there is a difference of Ksh.10 million. Madam Speaker, it is not clear the Ksh. 10 million was meant for what because if we have 60 members including the Speaker in the Assembly and each is entitled to Ksh. 2 million, just simple calculation and it is Ksh. 120 million.

So, I fail to understand whether there was a hidden agenda between those who were entering to this Memorandum of Understanding. The difference of Ksh. 10 million Madam Speaker is not little money so that is the only concern I had.

Then going to the recommendations, I will only talk about recommendation number two, Madam Speaker; the Assembly should negotiate for another financial institution to run the loan

facility since the elements of depositing money to the bank only to stay as a reserve accruing no interest and the bank to lend its own money. Madam Speaker, that part I totally agree with the committee.

It is quite unfair if we give the bank our own money and instead of using our money to give to members, the bank assumes and resolves to use its money so that it can make interest forgetting that they have our money. Madam Speaker, Ksh. 120 million for the Assembly and Ksh. 120 million for Chase Bank I do not see whether there is any difference; money is money.

Chase Bank ought to have requested for a facilitation fee; they use our money then they charge us something little but not to use their money giving our money not having interest and charging interest on us. That was quite unfair Madam Speaker, and this should not be allowed at any other time to continue. Apart from being politicians we are also businessmen and there is no way a business person will allow his money to stay in the bank and no returns that he/ she are getting from that money. Madam Speaker, that point is very clear and we should ensure that we abide by it.

Madam Speaker, the other recommendation is about making follow up for the recommendation that we get from the Auditor General; it is good that when we get advice from that body, it is good that we ensure we follow the advice and we make use of it so that the Assembly can be able to be within law. Madam Speaker, the report is very okay and I support it 100 per cent and I would request, Madam Speaker because this is a report of the First Assembly and we are on the Second Assembly.

I do not know whether what was happening in that time is what is happening nowadays because since we came to this Hon. House, some managed to get car loans and also managed to get mortgages. Some managed to get car loans but managed not to get the mortgages. Madam Speaker, it is also not clear because a member like Hon. Ndawa of Matuu; I gave out my title deed to secure a mortgage and up to date, I have not received that money and there is no official communication to say what is the embargo making me not to get that mortgage.

Madam Speaker, it is going to be unfair if Chase Bank has Assembly money and is not giving members of this Hon. House, monies which they are entitled to; it is not fair. So, Madam Speaker, I would request your intervention and also the intervention of the House to ensure that members get what they are entitled to get. Thank you, Madam Speaker.

Hon. Speaker: Hon. Member, I can assure you the current CASB that I chair is being very fair with the members and you notice that every member had to register a charge on the property which they used and the car logs had to be done joint registration. As to the issue of whether you applied and you haven't received your money, it is getting late and that is a concern that should be raised with the administrator of the funds that is the Assembly Mr. Nzangi and CASB is going to take it up.

I know for sure there is money we have been asking from the County Treasury to disburse funds after the first chunk got exhausted and it hasn't been forthcoming but we will ask so that every member gets that money. It is your right actually it's a term of your service and it is your right so we will continue asking for it and I think the report will be coming very soon on that very particular matter.

It good you have brought it up, it is related, it is not irrelevant, and it is related to what is on the table. Any other member who may want.....Hon. Cosmus.

Hon. Masesi: Thank you, Madam Speaker. If you allow me, first I would like to appreciate and thank God for taking care for the members who were at Malaysia; we are back safely and secondly appreciate also members who are present for making sure that we beat the timelines of reporting back to the Assembly the report of the Chief Officers.

Madam Speaker, I am happy again as the entity of roles of oversight again Madam Speaker we are also looking at ourselves on how we are running on money matters which is very clear we need a lot of openness and transparency when it comes to money matters. Madam Speaker, I have looked well at the report and I have seen issues on how the Assembly acquired monies, the last Assembly things were not that tight.

Madam Speaker, we have faced it rough for this Second Assembly to access the monies because a lot of requirements were needed. Madam Speaker, my concern is if the mode of repayment is being done through our salaries, I don't see why the Assembly should be given very tough requirements; there has to be way of making sure that us as Hon. Members we see some leniency when it comes to the terms and requirements of the car loans.

Hon. Speaker: Hon. Cosmos, when you are at that point, if you can pause there; the Assembly passed regulations and the regulations put the terms of getting the loans and the mortgages. If the Assembly feels that the terms are too tough, you just need to bring the regulations back here for amendments but remember the SRC has also given its terms and the regulations must be in agreement with the terms of the SRC. I know you are talking about charging the properties and joint registration of the logbooks; that is a requirement by the SRC and so the Assembly had to adopt it in its regulations. Proceed, please.

Hon. Masesi: Thank you, Madam Speaker. Again, I have seen that in the MoU, I am trying to imagine 3 per cent of Ksh. 120 million be used as administration cost which is very high. Ksh. 120 million, we have seen that there is Ksh. 6.6 million which is hanging somewhere. Madam Speaker, that money should be used by the Assembly to earn some interest? The MoU needs to be revisited soonest and the Service Board needs to draft something which will benefit the Assembly in terms of running of the money.

Madam Speaker, it is too worrying that this Assembly can't do something because I have seen the National Assembly sign to pursue and do some laws which will benefit the National Assembly. Madam Speaker, I do not know how this Assembly will one time get the grant monies which other Hon. Members are getting, our brothers in the National Assembly.

Madam Speaker, we need to do something and we look at the ways how this Hon Members can benefit also; I don't know whether we are able to draft our laws which can be effected by the National Assembly, but now, Madam Speaker, where you meet as the Speakers you need to question how this members will benefit also by the grant; those monies which are not meant for being repaid back.

Hon. Speaker: Point of information Hon. Cosmos before I declare you out of order.

Hon. P.J Mutiso: I want to inform the member that there is the County Assemblies Forum which is working on that; they are even pursuing that and there are also other matters which are not finished right now and they are working on that. So, we will be informed as soon as possible when they are through. Even there is a matter which is in court on the same among

other issues so we will let you know. Even, Madam Speaker, is aware about it, so I think you will be informed as soon as possible.

Hon. Speaker: Hon. Mutiso and Hon. Pauline are representatives of the assemblies in that forum so they should be giving you information and it has already started to come; remember if you can share which is not part of this, the County Assemblies Forum made noise to the President of the Republic of Kenya in Mombasa about car grants and he was not very amused. So, that may tell you where you are heading. Car grants where you are just given to buy a car and not paying anything, you understand?

You understand the feeling of the people of Kenya that you people are already earning too much money which is not true and wait and see where the National Assembly is heading Parliament on the Bill they passed. So, if they get something, of course we will also demand that we also get something. The question is; what about Wanjiku, what about Mwikali and Wambua, will they allow it? Alright let us proceed. Some hard questions to ask!

Hon. Masesi: Thank you, Madam Speaker for that good stuff. Madam Speaker, lastly, I want to believe that this House will be happy to have a report of this kind concerning our committee allowances and our plenary allowances. Madam Speaker, where I want to believe we have the SRC ceilings which are made to be Ksh. 80,000 per member per year, our last report of the CoB showed that we only managed Ksh. 26,000 which is far much below the ceilings of the SRC. Madam Speaker, with those few comments, I wish to rest my case. Thank you.

Hon. Speaker: Thank you Hon. Masesi. Hon. Mutinda.

Hon. Mutinda: Thank you, Madam Speaker. Let me start by thanking the chairman and the committee for the good work done and say I have just some few remarks to make. Madam Speaker there is the issue of the Ksh. 10 million which was given out which was above the Ksh. 120 million which was supposed to be given to the 60 Hon. Members. I think the report does not exhaustively explain where the Ksh. 10 million went and I think a follow up should be done on the same so that we know how the money was used.

The other thing is on the money which was deposited and was not used but used as security for default. I think ideally the money was supposed to be issued out to Hon. Members and Madam Speaker, all bank monies are pregnant; if you deposit there they should give some money, if you borrow you should pay some interest. So, I think there is more report and more information should also be given as to the interest which should have been earned from the Ksh. 120 million so that we may see how it went and also if Ksh. 120 million was given, how was the depositors paid their interest if the bank used their money to give to loans to members of county Assembly. Then how was the depositors given the interest on what they had given to the bank.

The other thing I would request is the issue of the current; the summation of the issue of the current Assembly and I was just asking for clarity whether the issue of the current Assembly was in the report and if it was not in the report maybe we wait when it comes to the report. Otherwise, I think the process of issuing of loans is still ongoing because some of us have not received.

The other thing Madam Speaker is the time the fund administrator should own the contract of staying with your money. That time maybe should be taken to be five years because now we found a bank which was managing our funds and we continued with it and with all the

frustrations we are seeing here every now and then. So, I think every service board which comes into being should have a timeline to manage the funds, to have a source or fund administrators who will manage that fund for a certain period so that we don't leave it as if is all forever for a bank to stay with the money to be the fund administrators while maybe members are not benefiting fully.

Otherwise, Madam Speaker, I stop there; it is a good report I beg to support. Thank you.

Hon Speaker: Thank you, Hon. Mutinda. Hon. Kisini.

Hon. Kisini: Thank you Madam Speaker for also giving me time to share on this report. I don't have much but I am just straight to the recommendations and I will start with number five whereby it says; the county Assembly of Machakos should within three months submit a report to the Auditor General as how it has addressed the recommendations and findings contained in the report and maybe before I continue I had forgotten to thank the committee for the very elaborate report they have brought to us and the status of how our loan funds are being managed.

So, on that note, I had the concern as the other members had said, due to the reporting about the Ksh. 10 million which is said not clearly explained and the Ksh. 42 million which was omitted from the financial statement; it is good to have a clarity on those two amounts, how they have come about and how the Ksh. 42 million has missed in the financial statement and then Ksh. 10 million if we are supposed to get Ksh. 130 million and we got Ksh. 120 million. How it went about and where is that Ksh. 10 million.

The other concern is about the current status on what is happening and more specially is when our salaries delay, I think there are some punitive measures the bank is enforcing on us while it is not our fault. I think there is some interest which is charged for not honoring or paying in time. So---

Hon. Speaker: Point of information Hon. Kamitu to Hon. Kisini.

Hon. Kamitu: Madam Speaker, my point of information is that Hon. Kisini is asking in regard to the banks punitive measures. In regard to this, Madam Speaker, it is very clear because I am a Member of the loans board and there is no Member, unless one took the money from a different bank in regard to the car loans, there is no Member who has been punished because it is our money that is internal arrangements.

So, in that regard, if there is any Member who has been punished by Chase Bank, then it is wrong because this is our own money; it is not their money as per this report. So, I do not think and if there is any incident of that nature, you should report to our Speaker, in regard to our leadership. We should endeavor to see that there is no Member who has been punished on that regard. Thank you, Madam Speaker.

Hon. Speaker: Thank you, Hon. Kamitu. What happened Hon. Members, the current Board we did a fresh MoU with that Bank and we insisted on removing those provisions which were onerous, that is difficult from the Assembly. So, they are supposed to be just taking care of our money but remember there is the Administrative cost of 3 percent which is supposed to be paid and I want to agree with Hon. Kamitu, if it was money for the bank for the times you did

not pay two months or so, those cars would have been towed. Did anybody have their cars repossessed?

The only problem is now when money becomes too much and then it is got to be taken away from your salary at ago. So, it is our money, we had to make sure that they are now administering our money but that does not make any leeway for defaulting so that your account has money, they keep on getting the payments from the account. When it has no money, they were sending messages to you on telephone. Is it not? If it was their money, you think they would have been calling you? They would have been coming for the properties. Is it not?

So, let us just get it right but we want to make sure that the Member benefit at most or the most maximum benefit from that scheme; both car loan and the mortgage. So, we had a new MoU signed and the old one is this; I asked for both of them as I was seated here. So, let us go on. Hon. Kisini.

Hon. Kisini: Thank you, Madam Speaker, thank you, Hon. Kamitu for that clarification. There were some stories I was told maybe before I put them in straight I will go and clarify what was this because I was told this was your reserve and we have taken it to stand for ABCD and I do not know what I was being told. I will check whether it was some punitive measures or it was what.

The other thing to move on I should say is about the bureaucracy of getting the loan and I think the current board has maybe straightened. Before you take that loan, I think you undergo a very big process whereby it is mandatory because it is money you are getting but I think it can be made more softer to get because I also think for you to get that loan you also spend a lot of money maybe for the architectural, maybe for the applications and so forth.

I am not saying we do not go through that way but for you to get it, I think you follow such a process. So, I am only trying to appeal for a softer landing so that we can get the money. Otherwise, thank you, Madam Speaker, I do really support the report.

Hon. Speaker: Thank you, Hon. Kisini. Hon. Kalumu.

Hon. Kalumu: Thank you, Madam Speaker. Let me start by thanking the Committee for such a report which has given us a light of what happens and what happened with Chase Bank. First of all, I would like to say we are lacking some of the information which is very crucial to us like the 2014 regulations of administering these loan; we should be given or put in our pigeon holes so that we may know the regulations before even this report was brought to us.

Again, Madam Speaker, there is something you have talked about of the 3 per cent administrative cost to the Chase Bank. Madam Speaker, if you look at this report, it has given us some light but not all. I will agree with them with the first issue and query that there was no comparative information that stood out could have been a base to come up with such a report; that is good but if you look at.....I believe this is a revolving fund for the Assembly and giving a whooping Ksh. 3.6 million to Chase Bank owing that the Assembly is receiving nothing, Madam Speaker, that is something that needs to be looked at also.

Here we are being told that the interest was Ksh. 1.7 million and if you multiply it by Ksh. 120 million which was transferred from the County Treasury to the Bank, you will find that it is Ksh. 3.6 million and if you divide for the five years you will find that is Ksh. 720 million per year for administering that much.

Hon. Speaker: Ksh. 720 million?

Hon. Kalumu: Yes.....not million but Ksh. 720,000 per year. So, for me that is very expensive just administering that money. If you look at the report, it tells us at the last line of page five, you will find that, this amount was not included in the statement of cash flow. You find that it was later included into the cash flow; what does that tell you? That tells you there was information that was being hidden and later on a follow up but also we shall follow up again and discover more.

Let us go again to query 2, the statement of receipts and disbursement is titled statement of disbursement. Why was it that this report had such kind of too many mistakes; why? Was it optional? Was it by chance? Was it by mistake? That is for this Assembly to judge. The response given Mr. Chairman has explained so well, the response was that the County Assembly prepares statement of receipts disbursement instead of payments. Receipts and payments is just one and the same thing but payment, you can receive maybe a gift but when you make payment you say that you have paid a loan.

So, Madam Speaker, I have noticed some of the underlines which are not acceptable in International National Accounting Standards. Madam Speaker, if you go again to page 7, you find in line four both total interest received on disbursement and total administrative cost was not disclosed under note eight and nine respectively. You find that, even the MoU itself could come up with things like this ones and tell us our money will have this much because according to Hon. Mutinda, there is no money in the bank just lies without making any profit or interest but if you look at this one, calculating by ourselves I found that it is Ksh. 3.6 million but when this report gives us an interest of 1.7 million, where is the rest?

Madam Speaker, there is also critical information like the SRC has given us Ksh. 2 million and it is there, it is a regulation by the SRC. Every Member is entitled to Ksh. 2 million including you Madam Speaker but when you look at the money which was to be disbursed to Chase Bank, you find that it was Ksh. 130 million. What made them to sign a memorandum of Ksh. 130 million? Madam Speaker, that is a very big question because we all know that regulation is there, it is a law and they went against, I cannot say regulation 2014 for administering the loan because we do not have it. I have not gone through it but because I have gone through this one I will say this, that crucial and critical information is nit within this report.

Madam Speaker, the available information also tells us that, there was some money which was being set aside and the only money which was to be administered was Ksh. 113,165 million, the other one Ksh. 6.6 million was to be set aside for those people who would default. When they were putting up those things they were anticipating that there are people who would default and they put aside some money that when you default we will take that money and pay.

Madam Speaker, in accounting we do not do that. In accounting we minimize the risk by insurance but not taking part of your business and put aside and say when I will sell some goods and this customer does not pay, I will take this much and put in my account and say that, that will be taken as a default. The report does not say there were defaulters of Ksh. 70 million but if you look at it also the Chairman has highlighted very well, later reinstated statement came back and said this information came later; why?

Madam Speaker, the MoU which was signed by the County Assembly Service Board, to me I will say did not mean good to this Assembly and later they came to learn that the bank went

into receivership which was a very good reason actually to stop it but the Board did not do that. We came, we found the bank which we were to transact with was Chase Bank, it was under receivership, we were told our monies are now at stake, we had problems but later I think according to the information you have Madam Speaker, it is like you have rectified but Chase Bank Madam Speaker, is not the only bank in Kenya which can administer that money.

There are several banks who have very good financially in this country which should have been given a priority rather than being given to a bank which would disturb these Members when they go for their loans.

Hon. Speaker: Hon. Kalumu, do you know that we do not have Chase Bank?

Hon. Kalumu: Yes, I know they changed.

Hon. Speaker: There is the SBM Bank.

Hon. Kalumu: They changed. I know.

Hon. Speaker: It was bought by SBM.

Hon. Kalumu: Yes I know.

Hon. Speaker: So, at least you are not now in Chase Bank.

(Laughter)

Let us proceed.

Hon. Kalumu: Madam Speaker, me and my father we are the same. We have the same blood flowing in the veins. So, if there was any debt, it is still there, it is only that it has been sent to the other new account---

Hon. Speaker: Yes, the Assembly also lost some money.

(Laughter)

Hon. Kalumu: Thank you, Madam Speaker. If you go to the next query, query four, Financial Reporting; that is where the problem lies because the most difficult thing is to understand a report written in the wrong way and most best thing in accounting is to write a report following the accepted International Standards of reporting because when you use other means of reporting, you will not give the right information to the people and the people will not make good decision about that thing.

So, the main problem lies there; that is where the problem started because if you do not follow the guidelines and principles of reporting accounts report, then you have messed everything. I will not go further to the recommendation because the recommendations stand by themselves. The Committee has given us the right recommendation although you have said we have migrated from Chase Bank to SBM, I think also---

Hon. Speaker: Not migrate. Chase Bank was bought by SBM. So, there is no Chase Bank.

Hon. Kalumu: Okay, Madam Speaker, let me not argue. Madam Speaker, car loans were made available to this House to make it easier for them to attend the Assembly but if we find some blocks or stumbling blocks on the way of getting the loans then all that headache would be transferred to this House because when I do not have a sober mind having problems coming to this House then, it means I will not give the best of myself. So, that is the request I can request the current Service Board of this Assembly to at least try in the near future to give several banks; not just one bank because I might be having very good information about another bank or good relationship because relationship is everything in this World.

So, let me say we are waiting to see what will happen because some of us did not even receive all the amount meant for us by the Sarah Serem or the former Sarah Serem chair of . So, we are still waiting and for me I had applied for Ksh. 5 million because this is simple money we can pay but we did not manage to get the whole amount and when we are here we are not getting the right information as to why we did not get enough or the whole amount which the law has given us. Madam Speaker---

Hon. Speaker: If I can just let you know also for the sake of the other Members, the SRC started with the Ksh. 2 million for the cars and Ksh. 3 million for mortgage and later through the CAF that Hon. Mutiso referred to, we appealed to SRC to combine the two amounts so that then they become Ksh. 5 million because you can do something more substantial, you choose whether it is a car or a house. So, when we requested for the money on the basis of Ksh. 5 million, the CoB is raising questions how we have combined it but we have referred her to SRC Circular which allowed it and then she said we have also to amend our regulations so that they also incorporate that aspect of the combination.

That is a matter that should be expedited and I have just noted it on the note book; it will be attended to urgently. I understand Hon. Kamitu is in the loans Committee; you need to take up that matter seriously with the office of the Clerk.

Hon. Kalumu: Thank you, Madam Speaker for that information. Let me continue and say that, I have noted that the Assembly breached a contract of depositing Ksh. 10 million to the SBM Bank although it is like we are a bit relieved because they changed the name and they sold the business. I do not know what---

Hon. Speaker: Which Ksh. 10 million are you talking about?

Hon. Kalumu: The Ksh. 10 million which was to be Ksh. 130 million.

Hon. Speaker: It ever went?

Hon. Kalumu: It never went.

Hon. Speaker: Yes. So, the breach was on the MoU, the earlier MoU had provided for Ksh. 130 million but they deposited Ksh. 120 million.

Hon. Kalumu: Yes.

Hon. Speaker: So, the breach was on that MoU which was even good for the Assembly. That is what you are saying.

Hon. Kalumu: Yes, that was good but in future we need to be very careful with such kind of---

Hon. Speaker: Alright. You are through Hon. Kalumu?

Hon. Kalumu: There is also money loss which is Ksh. 42 million which also was not reinstated in the financial because of the framework which was used in reporting the financial cash flows of that report. Madam Speaker, we need to be very careful on the principles and the manner in which these reports will come to us. Thank you, Madam Speaker.

Hon. Speaker: Thank you, Hon. Kalumu. Can I call upon the Mover of the Motion to reply? Hon. Musau.

Hon. Wambua: Thank you again, Madam Speaker. May I first and foremost start by sympathizing with those Hon. Members whom it has cost them so much to process their car loans and they have not been able to get it. Actually, it is very expensive going by the valuation, duty registration and all that Madam Speaker and up to now they have not gotten their loans bearing in mind that time is moving and they shall have to pay the full amounts.

Therefore, it means they shall have more deductions or if the money is not availed it means they will get lesser so that their pays lips may enable the payment owing to the 30 percent rule, Madam Speaker. Members be rest assured we are still following the matter to the letter because I as well sit in the Loans Board.

Actually there was an exercise given for this. When Chase Bank went under, I think it was communicated in this House, we could only access around 75 percent and I think that is where it started but Madam Speaker, I do believe on accusation of a Company, you acquire the liabilities and the assets. So, I believe the SBM Bank acquired that liability and should be able to give money in full now that the SBM is not under any receivership. So, Members be rest assured that something is being done.

Madam Speaker, I want to revisit this issue of Ksh. 120 million, Madam Speaker. My brother who happens to share certain background in computational figures has stated we lost around Ksh. 720,000 per year on interest. Madam Speaker, may I clarify that, during this time this money was being deposited, the Ksh. 120 million we are talking about, by then there was no capping on the interest Madam Speaker and the nature of this amount of Ksh. 120 million attracted a fixed deposit interest of between 10 and 15 percent, Madam Speaker and if we go by the lower side we take the Ksh. 120 million and multiply by just 10 percent, then you less the with-holding tax of 15 percent that is usually charged by the Government, it will translate to that, in every year this money Ksh. 120 million earned Ksh. 10,200,000 Million Madam Speaker. You can imagine of that to the bank.

So, in five years it earned Ksh. 51 million; money to Chase Bank. Despite the fact that there is security for defaulters of Ksh. 6.6 million, hence I can say Madam Speaker, this MoU if

it had no hidden interest, it was ambiguous in a way. Madam Speaker this is a lot of money that could have been appropriated to this Assembly for betterment of operations in this County Assembly. It therefore bits logic up to now.

If at all there is any financial report I have read before this House that has so many audit queries and unanswered questions, it is this one. Madam Speaker, Ksh. 51 million is a lot of money and yet the same bank has some money kept for default; it is unrealistic up to now Madam Speaker, very unrealistic.

There are other questions emerging from out of this report Madam Speaker. Just from day one out of the Ksh. 120 million, Ksh. 6.6 million was to be kept security for default and yet we are saying each Member was to get Ksh. 2 million. So, Madam Speaker, if all Members including the Speaker could apply at once the Ksh. 60 million times two, it means at least 2 point something Members could not get the amount because already Ksh. 6.6 million was kept aside and therefore, I still comment a lot of water passed under the bridges unnoticed in this report.

In conclusion, Madam Speaker, I would wish to appreciate the House; I have realized they followed the report to the dot as I read it and I do appreciate the good work done by this Committee. Thank you, Madam Speaker, thank you, Members. Thank you, so much.

(Applause)

Hon. Speaker: Thank you, Hon. Musau.

(Question put and agreed to)

(Applause)

Hon. Members, I think every day is a day of learning for all of us and I just want to thank the House of course through its Committee and the resolutions you have passed and the report and the discussion in the Assembly is a basis for a lot of learning for the current Board, the CASB because we have to do things right and we are to oversight not only the Executive but ourselves. Every agency of the Assembly be placed on oversight by the Assembly and that is why you bring reports even of your own performance and that is why you will say this is a mistake while it is even when it is of your own agency.

So, what I want to promise is that the CASB is going to take upon matters on this report so that at least it is not repeated and the sentiments of the Members on the floor and also particularly those who have not yet accessed their loans and at this point I would ask the Members who have not accessed to forward their names to my office so that I can take it up with the Loans Committee and we see where things have not gone right we make the amends, it is getting late.

As for the 25 percent Hon. Musau, you will need to appreciate that Chase Bank was sold under the watch of the Central Bank of Kenya which is the one that governs all banks operations and the arrangement that was approved by the Central Bank of Kenya for the acquisition of Chase Bank by the SBM was that SBM bought only 75 percent of the business of Chase Bank because 25 percent of that business was non-performing and SBM of course applied financial prudence and said we do not touch that business and those depositors including this Assembly who had deposited monies in Chase Bank, you would get your monies only up to 75 percent.

The information that was everywhere was that depositors may lose 25 percent unless in the future, SBM thinks of taking up that part of the business of Chase Bank. In other words, there is a business bank that went under completely and so, it may be that depositors including the Assembly may never recover 25 percent. So, that was the arrangement and that is what the Government also approved because the Bank had to be put on its toes so that it does not lose completely.

So, that is the arrangement and it is just for information you can go back to the arrangements on acquisition assuming the records of the CBK then you see what happened.

ADJOURNMENT

Hon. Speaker: All the same, Hon. Members at this point we are going to adjourn our sitting and then we resume on the 4th day of December, 2018 at 2.30 p.m.

The House rose at 12.20 p.m.