

REPUBLIC OF KENYA
MACHAKOS COUNTY ASSEMBLY
OFFICIAL REPORT

Tuesday, 6th October, 2020

The House met at 10.40 a.m.

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

PRAYERS

Hon. Deputy Speaker: Could you ring that bell please we get Members in the House? Open the door please and ring the bell.

(Quorum Bell rung)

Could I look at the outside chamber please? Okay, I think we have quorum we may start now. Just tell him to stop ringing the bell.

COMMUNICATION FROM THE CHAIR

PUBLICATION, PUBLIC PARTICIPATION AND REGULATORY IMPACT ASSESSMENT OF
MACHAKOS COUNTY EMERGENCY FUND REGULATIONS 2020

Hon. Deputy Speaker: Under this Order, we have the following communication to make on Machakos County Emergency Fund Regulations 2020. Hon. Members, you recall that on 8th of September, 2020 the committee on Delegated Legislation through its chairperson Hon. Patrick Kituku tabled a motion for approval of draft of Machakos County Emergency Response Fund Regulations 2020. The report was referred back to the committee concerns and regulations had not been published by the County Executive Committee Member for finance and public planning as well as failure to hold public participation.

Hon. Members, the chair ruled that the County Executive Committee Member undertakes public publication in the Kenya Gazette, provides a regulatory impact assessment and conducts public participation on the regulations urgently and a report on the regulations being tabled in the House on or before the 29th of September, 2020.

Hon. Members, on the 29th of September, 2020 during *Bunge Mashinani* at Kyeleni ward, the chairperson for the committee on Delegated Legislation requested for an extension of time to table the report noting that the CECM and the County Law Office had already developed a harmonized draft of the regulations but we are yet to finalize on publication and public participation.

Hon. Members, the County Assembly has received a request of extension of time by 14 days from the County Executive committee member of finance, economic planning to allow for publication of regulations and conducting of public participation.

The request is dated 29th of September, 2020 and was received at the Assembly on the 5th day of October in the year of our Lord, 2020. Hon. Members, I have carefully considered the request and I do hereby grant the request of 14 days. The County Executive Committee Member should ensure that he undertakes publication of the regulations in the Kenya Gazette, undertakes

public participation and provides information of Regulatory Impact Assessment and submit a report to the Assembly on or before the 16th day of October, 2020.

These are more than two weeks bearing in mind the request for extension of time is dated the 29th of September, 2020. Hon. Members, further, the committee on Delegated Legislation should table a report on the Regulations in the Assembly for approval on or before the 27th day of October, 2020 before the House adjourns for a short recess which will be up to the 9th of November in the year of our Lord, 2020. Thank you, Hon. Members.

NOTICE OF MOTION

Hon. Deputy Speaker: Hon. Members, under this Order, we have one business to be transacted by the Hon. Stephen Mwanthi chairperson, finance and revenue collection committee. Hon. Steve.

REDUCTION OF CHARGES FOR PERMITS INCLUDING PUBLIC HEALTH CERTIFICATES AND SINGLE BUSINESS PERMITS FOR BARS AND CLUBS AND ANY OTHER ALCOHOLIC SELLING BUSINESS BY 50 PERCENT

Hon. Mwanthi: Thank you, Hon. Speaker.

Hon. Speaker, that aware that Article 210(1) of the Constitution of Kenya provides that, no tax or licensing fee may be imposed, waived or varied except provided by legislation;

Further aware that the County Assembly enacted the Machakos County Finance Act 2019 which provides for imposition of taxes, fees and charges;

Aware that this Act provides for licensing of entertainment joints selling alcohol to acquire single Business Permits (SBP) and also aware that the SBPs expire on 31st December, every year;

Concerned that the Corona virus 2019 (Covid-19) pandemic has had far reaching effects to the economy worldwide;

Aware that businesses in our County have not been spared either from these effects; also aware that the businesses selling alcoholic drinks such as bars and clubs have been out of business for six months between April to September, 2020;

Aware that this was as a result of the order by the President of Kenya to close these businesses in order to contain the spread of Covid-19;

Noting that the bars and clubs have suffered significant loss of revenue due to the closure;

Further aware that there are only three months to the expiry of their licenses and the business may not be able to recover the lost revenue;

Aware that the businesses need to be supported to start afresh;

Aware that one way of assisting the businesses is to reduce the cost of acquiring permits to operate as they will expire in three months' time;

Hon. Speaker, I wish to give notice of the motion that the Assembly resolves:

- (i) That all the charges for permits (including public health certificates and Single Business Permits) for bars and clubs and any other alcoholic selling business be reduced by 50 percent;
- (ii) That the reduction be effective for businesses applying for permits between 8th October and 30th November, 2020.

Thank you, Hon. Speaker.

Hon. Deputy Speaker: Thank you, Hon. Steve.

STATEMENT

ADDITIONAL BUSINESS FOR THE HOUSE FOR 6TH AND 13TH OCTOBER, 2020

Hon. Deputy Speaker: Hon. Members, under this Order, we have one business to be transacted by the Hon. Alex Kamitu.

Hon. Kamitu: Thank you very much, Hon. Speaker. On behalf of our Majority Leader, let me take this opportunity to give out the Statement for the House business committee.

Hon. Speaker, the House Business Committee met on Monday, 5th October, 2020 to ballot business for House as forwarded by Committees and Hon. Members pursuant to the provisions of the Standing Order 151(5). The Committee balloted additional business for 6th October, 2020 and business for 13th October, 2020 as follows:

Tuesday, 6th October, 2020

Morning at 10.00 a.m.

Motion by Hon. Stephen Mwanthi, Chairperson, Finance and Revenue Collection Committee that the Assembly resolves:

- (i) That all the charges for permits (including public health certificates and Single Business Permits) for bars and clubs and any other alcoholic selling business be reduced by 50 percent;
- (ii) That the reduction be effective for businesses applying for permits between 8th October and 30th November, 2020.

Afternoon at 2.30 p.m.

Statement request by Hon. Betty Nzioki, MCA, Masii Ward, that pursuant to the Assembly Standing Order 41:

- (i) What is the County Executive doing to ensure that the County Government Public Land is conserved and protected from grabbing.
- (ii) What is the County Government doing to ensure that all lost land is restored to the County and any conversion of land from public to private ownership follows the legal process as highlighted in Section 9(2)(d) of the Land Act.

Tuesday, 13th October, 2020

Morning at 10.00 a.m.

Report of Culture and Tourism Committee on the status report for the Department of Culture and Tourism for the FY 2019/2020 by Hon. Betty Nzioki, Chairperson, Culture and Tourism Committee.

Afternoon at 2.30 p.m.

Report of Justice and Legal Affairs Committee on Petition by Mr. Urbanus Mativa by Hon. Moffat Maitha, Chairperson, Justice and Legal Affairs Committee.

Thank you, Hon. Speaker.

Hon. Deputy Speaker: Thank you, Hon. Alex Kamitu for that Statement read. Just for information of the House, this is additional business. Remember we had already balloted business for this week, last week so this is just additional to what was already balloted last week and therefore all the other business are there as you have been seeing in the Order Paper.

MOTIONS

REPORT ON THE FINANCIAL STATEMENT OF MACHAKOS COUNTY ASSEMBLY FOR THE YEAR ENDED JUNE, 2018

Hon. Deputy Speaker: Thank you, Hon. Members. Under this Order, we have one business to be transacted by Hon. Joseph Musau, chairperson PAIC Committee. Hon. Joseph Musau.

Hon. Musau: Thank you, Hon. Speaker.

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 that states that Audit Reports shall be submitted to Parliament or the relevant County Assembly;

Cognizant that the Audit report on Financial Statements of County Assembly of Machakos for the year ended June 2018 was received in the office of the Clerk on 18th October, 2018;

Further aware that the report was committed to the committee of 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 or business principles and prudent commercial practices;

Aware that the Assembly forwarded the response of this report to the Office of the Auditor General that was received on 31st August, 2020;

Informed that after one week of receipt of the response, the committee on 7th September, 2020, invited the Accounting Officer, interrogated him and subsequently compiled a report;

Hon. Speaker, I wish to move the Motion that this House discusses and approves the report on Financial Statements of County Assembly of Machakos for the year ended June 2018.

Thank you, Mr. Speaker. I would wish to call the Hon. Member for Kyeleni Hon. Kasyoki to second this motion. Thank you, Mr. Speaker.

Hon. Deputy Speaker: Thank you, Hon. Kasyoki.

Hon. Kasyoki: Thank you, Mr. Speaker. I stand here to second the motion. Thank you.

Hon. Deputy Speaker: Thank you, Hon. Kasyoki. Hon. Joseph Musau you may read the report.

Hon. Musau: Thank you, Hon. Speaker. Before the House is a report of the Auditor General. The financial statements of county assembly of Machakos for the year ended 30th June, 2018 by the public accounts and investments committee.

LIST OF ABBREVIATIONS

CASB County Assembly Service Board

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IFMIS	Integrated Financial Management Information System
IPPD	Integrated Payroll and Personnel Database
IPSAS	International Public Sector Accounting Standards
MCAs	Members of County Assembly

INTRODUCTION

Hon. Speaker, The report of Auditor General on the Financial Statements of County Assembly of Machakos for the year ended 30 June, 2018 was received in the office of the Clerk on 19th May 2019 pursuant to Article 229(7) of the Constitution that states that Audit Reports shall be submitted to Parliament or the relevant County Assembly. The Assembly on receipt of the audit report prepared a response to the queries raised which was later received in the office of the Auditor general on July, 2020.

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

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. Paul Museku | Member |
| 4. | Hon. Alice Nzioka | “ |
| 5. | Hon. Johana Munyao | “ |
| 6. | Hon. Josephat Kasyoki | “ |
| 7. | Hon. Peter Mutiso | “ |

LEGAL FRAMEWORK

Hon. Speaker, in the execution of its mandate the aforesaid, the Committee was guided by the Constitution and other Laws on public finance management below:

Constitution of Kenya 2010

Hon. Deputy Speaker: Hon. Chair, I think you can skip the legal framework because the Members can be able to read that and with indulgence maybe we could go to the committee sitting and evidence.

Hon. Musau: Thank you, Mr. Speaker, for your guidance.

COMMITTEE SITTING AND EVIDENCE TAKING

Hon. Speaker, the Assembly received the Auditor General's report on County Assembly of Machakos Financial Statements for year ended June, 2018 on 19th May 2019. The report had an adverse opinion. Notwithstanding this opinion, the Accounting Officer provided the Auditor General with the management response of this report one year and three months down the line on 31st August, 2020 contrary to Article 229(8) of the Constitution of Kenya 2010.

Consequently, on 7th September, 2020 at 10.00 a.m. one week after receipt of the Management response, the Committee held a meeting with Accounting Officer of Machakos County Assembly and representative 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.

QUERIES ARISING FROM THE FINANCIAL STATEMENTS

Hon. Speaker, in the opinion of the Auditor, the Financial Statements do not present fairly the financial position of the County Assembly of Machakos as at 30th June, 2018 and of its financial performance and its cash flows for the year ended and in accordance with IPSAS standard, hence the adverse opinion. The following audit queries were raised in the Audit report and responded to by the accounting officer as follows:

INACCURACIES IN THE FINANCIAL STATEMENTS

Discrepancies between the Financial Statements, Supporting Documents and IFMIS

Hon. Speaker, the financial statements were prepared using a manual General ledger. However, there are material variances noted between IFMIS and the financial statements balances which cast doubt on the accuracy of the financial statements. Details of the variances are as described.

- I. The IFMIS statement of receipts and expenditure shows that there was no money received by the entity during 2017/2018 financial year, and that total expenditure amounted to Ksh. 689,692,241, while the audited statement of receipts and payments reflects amount of Ksh. 943,986,147 and Ksh. 912,358,397 for receipts and total expenditure respectively. This results in variations of Ksh 943,986,147 and Ksh. 254,293,906 for receipts and payments respectively. The IFMIS figures have not been reconciled with those reported in the financial statements.
- II. The statement of financial assets and liabilities as per IFMIS shows net of negative Ksh. 1,501,522,721, while the net financial assets as per the entity's financial statements are reflected as Ksh. 22,007,041, a variation of Ksh. 1,523,529,762.
- III. The County Assembly maintains a manual general ledger from which the financial statements are prepared, but the ledger is not properly maintained since there are material variances noted between the totals for transactions as per primary documents and the totals as per the General ledger. For, instance there was a double posting of Ksh. 393,966.55 in the compensation of employees account in the manual ledger casting doubt on the reliability of the manual ledger and its closing balances thereon. The County Assembly has continued maintaining a manual ledger even when it is required to process all transactions using IFMIS and generate financial reports from IFMIS.

In view of the foregoing, the financial statements completeness and accuracy could not be confirmed.

Management Response

- I. The funds received of Ksh. 943,986,147 during the FY were captured in the books of accounts, that is the receipts register (physical register that was availed to the auditors for verification). The reason as to why the receipts had not been captured in the IFMIS register is because the Assembly did not have the IFMIS receipting responsibilities that is Revenue Module but we have now been issued the rights and the same have been captured and reconciled in the IFMIS system
 - a. The variance of Ksh. 254,293,906 under expenditure was as a result of journals that had been done and did not complete that is create accounting in the IFMIS system to reflect in the IFMIS General ledger, a problem that is common with the IFMIS system. We have begun posting the journal entries and now the variance is at Ksh. 5,580,310 from Ksh. 254,293,906.
- II. The IFMIS figure reported of Ksh. -1,501,522,721 for financial assets and liabilities is as a result of receipts that have not been captured in the IFMIS cashbook for both prior years. We have begun doing the postings and once these are captured, the negative figure reported in the financial statements will be reconciled.
- III. The Assembly uses IFMIS in processing of its payments. Once the payments have been done, they are recorded in the cashbook and captured in the General ledger. During FY 2017/2018, the Assembly was maintaining a manual ledger. The double posting of Ksh. 393,966.55 has been corrected. To avoid such errors in future, we have begun maintaining the General ledger in form of an excel worksheet for the current financial year. We will use this to prepare the financial statements together with the IFMIS generated ledger.

Committee Observations

- a) The Assembly did not fully use IFMIS but instead kept a manual ledger from which Financial Statements were prepared.
- b) The Assembly Department of Finance had experienced shortage of staff during the period under review which caused backlog in updating both manual ledger and IFMIS. However at the moment the shortage of staff has been addressed with the reinstated two officers previously suspended.
- c) IFMIS appears to have technical issue where some transactions posted do not generate subsequent General ledger entries.
- d) All funds amounting to Ksh 943,986,147 were spent, however the IFMIS reflected less expenditure of Ksh 689, 692, 241 which was occasioned by failure to do reconciliation in time.

Committee Recommendations

- a) Since the Assembly has been issued with receipting responsibilities (module rights), all receipts of transactions should be captured in the IFMIS.
- b) The Accounting officer should strictly enforce the use of IFMIS in Assembly transactions at all times and address formally any challenges faced in the use of the system with the National Treasury.
- c) The Accounting officer should ensure that all transactions are updated in IFMIS and manual ledger only maintained as a back-up and not as primary reference document for purposes of preparing Financial Statements.
- d) The Management should ensure that all postings are done promptly.

UNSUPPORTED ADJUSTMENTS TO REVISED FINANCIAL STATEMENTS

Hon. Speaker, though the management of the County Assembly submitted adjusted Financial Statements, a revised Trial Balance was not submitted. Management also failed to provide journal vouchers to show the movement of the figures and balances from the original financial statements to the revised ones.

The following are the affected figures and balances;

Statements of Receipts and Payments			
	Adjusted Financial Statements (Ksh)	Original Financial Statements (Ksh)	Variance (Ksh)
Transfers from County Treasury	943,986,147	921,592,147	22,394,000
Compensation of Employees	343,223,008	360,139,912	16,916,904
Acquisition	150,920,962	134,173,299	16,747,663
Statement of Financial Assets and Liabilities			
Accounts receivables	0	982,099	982,099
Account payables	9,620,709	72,989,306	63,368,597
Bank balances (Total)	31,627,750	26,734,825	4,892,925

Consequently, the accuracy of the affected figures and account balances could not be confirmed.

Management Response

We prepared and submitted the revised trial balance and submitted it as appendix 12 in our response for the draft audit report to KENAO and the same is available for review.

i. Transfers from County Treasury

The adjusted Financial Statement shows Ksh.943, 986,147. The assembly adjusted the financial statement to reflect the Ksh. 22,394,000 receipts which were meant for supply and installation of gym but received after 30th June 2018, hence the total receipts increased from Ksh. 921,592,147 to Ksh. 943,986,147.

Committee Observation

- a) Receipts received after 30th June were reflected in the Trial balance as at 30th June since the primary document utilized to revise the financial statements was manual general ledger.
- b) The bank statement reflected this transaction in the Month of July in the following financial year.

Committee Recommendation

- a) The Accounting officer should ensure that all transactions are updated in IFMIS and manual ledger only maintained as a back-up and not as primary reference document for purposes of preparing Financial Statements.
- b) Such transactions happening after the closure of the financial year should be reflected in the next financial year's financial statements as prior period adjustments and disclosed.

ii. Compensation of Employees

Hon. Speaker, The original financial statements reflected Ksh. 360,139,912 which included an overstatement of Ksh. 16,916,904 as a result of error of original entry, but later the Assembly adjusted the financial statement to correct the amount. We are now maintaining the general ledger in Excel to avoid such errors in the future.

The Assembly did not pass the journal through the IFMIS system since we are not preparing our financial statements using IFMIS. The journal entries were done on Excel schedules which are available for review.

Committee observation

- a) The Assembly was maintaining manual ledger during the period under review which is prone to human error.

Committee Recommendation

- a) The Accounting officer should ensure that all transactions are updated in IFMIS and manual ledger only maintained as a back-up and not as primary reference document for purposes of preparing Financial Statements.

iii. Acquisition of Assets

Hon. Speaker, the original Financial Statements were amended to include an expenditure of Ksh. 16,747,663 for supply and installation Local Area Network (LAN) for payment that was done with funds received after 30th June 2018. The works were completed much later after close of the financial year and the Assembly processed the payment using the budget of FY 2017/2018.

Committee Observation

- a) The committee noted that neither the works nor the receipts of the monies were done during the financial year under review.
- b) These transactions done after 30th June were reflected in the Trial balance as at 30th June since the primary document utilized to revise the Financial Statements was manual general ledger.

Committee Recommendation

- a) Such transactions happening after the closure of the financial year should be reflected in the next financial year's financial statements as prior period adjustments and disclosed.

STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

i. Accounts Receivables

The accounts receivables (salary advances) were erroneously included in the original financial statements but the same was adjusted and reported as an annex under the notes to the amended financial statements.

Committee observation

- a) The Assembly was maintaining manual ledger during the period under review which is prone to human error.

Committee Recommendation

- b) The Accounting officer should ensure that all transactions are updated in IFMIS and manual ledger only maintained as a back-up and not as primary reference document for purposes of preparing Financial Statements.

ii. Accounts Payables

The figure for Accounts Payables in the original financial statements was Ksh. 77,163,138 and not Ksh. 72,899,306 as indicated in the report. The figure of Ksh. 77,163,138 comprised of the total of all pending bills of Ksh. 67,542,429 and retention monies of Ksh. 9,620,709. The financial statements were amended to remove the figure of pending bills which were disclosed under notes to the amended financial statements.

Committee Observation

The Committee noted discrepancies between the figures on accounts payables under original financial statements reported by the Auditor General and those reported under the management response. This reflects a disconnect between the management and the audit team during the time of audit as such issues should be cleared before preparation of the final Audit report.

Committee Recommendation

The Accounting should designate an officer to act as a liaison person between the audit team and the Assembly during the entire audit process.

iii. Bank Balances

The original financial statements reflected the bank balances as at 30th June 2018, but the financial statements were adjusted to reflect receipts received after close of the financial year but which related to the financial year.

Committee Observation

- a) The bank statement reflected these transactions in the Month of July in the following financial year.

Committee Recommendation

- a) Such transactions happening after the closure of the financial year should be reflected in the next financial year's financial statements as prior period adjustments and disclosed.
- b) The management should ensure that all Bank reconciliations are done by 10th of every month as required by PFM (County Governments) Regulations, 2015 in accordance to Regulation No.90(1).

Variance in Cash and Cash Equivalents' Balance

Misstatements were observed in the cash and equivalents balance as follows;

1. The statement of financial assets and liabilities indicates a cash and cash equivalents balance Ksh 31, 627,750 while the statement of cash flows indicates cash and equivalents figure of negative Ksh. 43,725,318 resulting in a variance of Ksh. 75,353,067 which is equivalent to the balance at the end of 2016/2017 financial year. The negative balance has not been explained in a note to the financial statements.

2. Further, both reconciled recurrent and development cashbooks show a total bank balance of Ksh. 2, 560,062 which varies from the financial statements figure by Ksh. 29,067,687 as follows:

Variance Between Figures as per Financial Statements and Reconciled Cashbooks			
Details	Bank balance as per Cash book (Ksh)	Bank Balance as per note 13A (Ksh)	Variance (Ksh)
Recurrent	902,528	9,218,456	8,315,928
Development	1,642,241	22,394,000	20,751,759
Commercial bank Accounts	15,293	15,293	-
Total	2,560,062	31,627,749	29,067,687

3. The statement of financial assets and liabilities reflects a nil cash in hand balance as at 30th June, 2018. The board of survey report for the year and note 13B to the financial statements however, indicate a cash in hand balance of Ksh. 21,002 as at the same date. This amount has not been disclosed in the statement of financial assets and liabilities as at 30 June 2018.

In view of the above, the accuracy of cash and cash equivalents balance could not be confirmed.

Management Response

- 1) The cash flow statement includes a figure of Ksh. 75,353,067 for pending bills brought forward for FY 2016/2017 and the financial statements will be amended to correct the entry.
- 2) The notes to the Financial Statement reflect Ksh. 9,218,456 as the recurrent account balance at the end of the financial year. The cash book as at 30.6.2018 showed a balance of Ksh. 902,528 which is different from the Ksh. 9,218,456. The reason of the difference is that the Assembly received monies in the first week of July, and we paid the transactions which were already at the Internet Banking level in the same month.
The transactions paid in July 2018 were reported to have been incurred in FY 2017/2018 since they affected the budget estimates for the same period. Therefore, the correct balance for the recurrent account was Ksh. 9,218,456. For development A/C balance, the balance reported in the amended financial statements was Ksh. 22,394,000 while the cash book balance as at 30.6.18 was Ksh1, 642,245.
The reason of the difference is that the assembly received some money in July 2018; the same money was used to pay for works executed in FY 2017/2018. Therefore, the correct balance for the account was Ksh. 22,394,000.
At the time of audit, the cashbook balances as at 30th June, 2018 was without taking into consideration monies which were received after 30th June, 2018.

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- 3) The cash balance of Ksh. 21,002 was erroneously omitted and will be captured in the amended financial statement.

Committee Observation

- a. Transactions done after 30th June were reflected in the Financial Statements as at 30th June since the primary document utilized to revise the financial statements was manual general ledger.
- b. The bank statements reflected these transactions in the Month of July in the following financial year.

Committee Recommendation

- a. Such transactions happening after the closure of the financial year should be reflected in the next financial year's financial statements as prior period adjustments and disclosed.
- b. The Accounting officer should ensure that all transactions are updated in IFMIS and manual ledger only maintained as a back-up and not as primary reference document for purposes of preparing Financial Statements.

Failure to Observe Cut-off Procedures

The statement of receipts and payments includes transactions that occurred during 2018/2019, contrary to regulation 97(1) of the Public Financial Management (County Government) Regulations 2015 that requires the accounts of the County Government entities to record transactions which take place during a financial year running from 1st June to the 30 June of any financial year. This failure to observe cut-off procedures also contradicts IPSAS (Cash basis) of accounting that requires receipts and payments to be recognized when they actually occur.

The following transactions occurred after the year end yet they were treated as if they occurred within the financial year; the statement of receipts and payments reflects Ksh. 943,986,147 in respect receipts which include Ksh. 107, 596, 597 posted in the cash book on 16th July, 2018. The financial statements reflect an expenditure of Ksh. 150,920,962 for acquisition of assets which includes Ksh. 67,928,945 for construction of buildings.

This expenditure for construction of buildings includes an amount of Ksh. 15,828,399 paid by the County Assembly to a construction company in July and August, 2018, thereby overstating the expenditure for 2017/2018 by Ksh. 15, 828,299 as follows:

Failure to Observe Cut-off Procedures-Construction of Buildings			
Date paid	Payment voucher	Details	Amount paid (Kshs)
19 July, 2018	314 & 315	Payment for proposed construction of County Assembly office block as per interim certificate No. 10	2,618,945
1 August, 2018	322 & 324	Payment for proposed construction of County Assembly office block as per interim certificate No. 11	13,209,454
Total payments (Kshs)			15,828,399

There was no evidence that Treasury issued a circular that allowed payments made and receipts received after the year end to be recognized during the financial year. The financial statements have therefore not been prepared in accordance to IPSAS (Cash Basis).

Management Response

1. The transfer of Ksh. 107,596,591 received in July 2018 (in FY 18/19) was meant for development purposes. The Assembly had a development budget for some items whose funding was received in the month of July (which is in FY 2018/2019). The works/supplies were done in the FY 2017/2018 and the transactions were done up to internet banking by 30th June, 2018.

For the works which were still ongoing after 30.06.2018, the Assembly retained the funds in the development account until the time when the works/supplies were completed as per their specifications. The payments were released after the inspection committee certified the work as having been complete.

For the works which were not undertaken or started by the close of the FY 2017/2018, the funds were swiped back to CRF. The reason as to why the funds were released late is that there were delays in approving our requisitions by CoB as they needed some clarifications. The clarifications were given and by that time they were already in the current FY.

Further the Assembly did not have budget provisions for some of the items in the current budget estimates, and this could have disadvantaged the suppliers had they returned the monies as they could have waited for the preparation of supplementary budget estimates in the second half of FY. The Assembly posted these receipts in the Current Financial year as per the authority issued by the National Treasury through circular ref; AG 4/16/2 VOL.2 (90). See attached copy.

2. The Assembly had done its requisitions in good time but there was delay in release of funds by CoB as she needed some clarifications on the same. Since the funds were received in July 2018, and this had affected the 2017/18 budget estimates, the same were accounted for in the same period.

In the current FY, the said payments will not be reported since they are already reported. The Ksh.15, 828,399 paid to Stepal Builders Ltd for construction of the new office block was also reported in FY 17/18 since it affected 2017/2018 budget estimates. The National treasury had also allowed government entities to continue processing transactions up to around 15th July, 2018, and CoB was also approving requisitions. All these were as a result of delayed release of monies by the National Treasury. Mr. Speaker, there seems to be a repetition of what we have read so allow me to go direct to the committee observations.

Committee Observations

The transactions were affecting funds released by the exchequer after the closure of the financial year. The National Treasury issued a circular Ref: AG4/16/2 VOL. 2(90) dated 5th October, 2018. This was within the time of audit. The Auditor advised that he had not received such a circular from the management. This reflects a disconnect between the management and the audit team during the time of audit as such issues should be addressed before preparation of the final Audit report.

Committee Recommendations

Pursuant to Regulation No. 97(4) and 98(1) of the Public Finance Management (County Governments) Regulations 2015, the management should always adhere to cash basis of accounting which requires that receipts to be recognized when they are actually received and payments when they are paid respectively. The management should disclose all information sought by the auditors during the time of audit. The management should be proactive in seeking all relevant information to avoid such queries.

Concern on unsupported expenditure of Ksh. 261,355,771

Hon. Speaker, The statement of receipts and payments reflects an expenditure of Ksh. 358,214,428 in respect of use of goods and services which includes expenditure items with a total of Ksh. 261,355,771 as detailed in Note 5 to the financial statements and as detailed below.

Payments Lacking Supporting Documents

Expenditure items	Expenditure
Domestic travel and subsistence	190,156,002
Foreign travel and subsistence	21,240,013
Utilities, supplies and services	2,166,014
Hospitality supplies and services	2,323,163
Routine maintenance –vehicles and other transport equipment	2,242,994
Insurance costs	31,854,130
Office and general supplies and services	8,107,140
Fuel, oil and lubricants	3,266,315
Total expenditure	261,355,771

However, these amounts are not supported with expenditure analysis or schedules showing details of the payments. Consequently, regularity of the expenditure of Ksh. 261,355,771 could not be confirmed.

Management Response

The Assembly incurred a total of Ksh. 358,214,428 for use of goods during the financial year. This amount was incurred on various vote heads and detailed analysis of the Ksh. 261,355,771 has been provided.

Committee Observation

- a. A response was forwarded to the Auditor General and the matter was cleared.
- b. The representatives from the Auditor General's office confirmed that the query was cleared.
- c. The Committee was also satisfied.

Committee Recommendation

The County Assembly should fully disclose all information to auditors during the time of audit pursuant to Section 9(1)(e) of the Public Audit Act, 2015 to avoid issues appearing in the management letter and later to appear in the final Audit report.

ON UN-UPDATED FIXED ASSETS REGISTER

Hon. Speaker, the statement of receipts and payments reflects Ksh. 150,920,962 in respect of acquisition of assets, and which includes an amount of Ksh. 58,108,944 for purchase of office furniture and general equipment. The availed fixed assets register shows that additions for the year for the same asset item category amounted to Ksh. 56,864,443 thus resulting in an unexplained variance of Ksh. 1,244,501.

The fixed assets register availed for audit was not properly maintained to ensure that all procured items are taken on charge, properly accounted for and put in proper use as intended by the procuring entity. Further, physical inspection carried out and a check on the items delivered revealed various variances.

Management Response

During the FY, the Assembly purchased furniture of Ksh. 56,864,443. The figure of Ksh. 57,966,702 as shown in the financial statement represents the total figure for the furniture and purchase of office equipment of Ksh. 1,102,259 to give a total of Ksh. 57,966,702.

The two expenditure classes were combined during preparation of financial statement as per the template provided by the National Treasury in the acquisition of assets. A detailed schedule of the same has been provided.

During the time of audit process, the fixed asset register provided did not have tagging details of the assets since the tagging process had not begun although the process had been initiated. The tagging process has now been completed the assets register is being updated to reflect the tag number for each item.

During the FY, the Assembly purchased furniture for the new office block. All purchased items were delivered, received and inspected by the Inspection and Acceptance committee and entered into the stores Form S.13. The Assembly has put these control measures to ensure that that payments are only done for items supplied only.

Committee Observation

The Assembly had not kept an up-dated asset register during the time of audit.

Committee Recommendation

- a. All County Assembly assets must be tagged and given asset reference number, an asset register opened and maintained. The management should ensure that the asset register is updated regularly and is in place by end of 30th June every year as required. To this end the committee expects the accounting officer to provide an updated asset register within 60 days of the resolution of this report.
- b. The County Assembly should also maintain a fixed assets movement schedule for ease of reference.

DIFFERENCES IN TRANSFERS TO OTHER GOVERNMENT ENTITIES (CAR AND HOUSING FUNDS FOR MCAs)

Hon. Speaker, the statement of receipts and payments reflects an amount of Ksh. 60,000,000 in respect of transfers to other government entities which includes Ksh. 50,000,000 for transfers to car loan and housing funds for MCAs. Aailed payment vouchers and bank statements for the same reflect an amount of Ksh. 60,000,000 resulting in an explained difference of Ksh. 10,000,000.

Management Response

The Assembly in FY 2017/18 budget estimates appropriated Ksh. 95m for loans and that is:

- | | | |
|------|-----------------|-------|
| i. | Housing (MCAs) | – 50M |
| ii. | Car (Staff) | – 10M |
| iii. | Housing (Staff) | – 35M |

During the FY, only Ksh 60 million was released to the Assembly and that is Ksh. 50m for MCAs Housing loans and Ksh. 10 million for staff car/housing loans. The said amounts were transferred as follows:

Ksh 50 million to MCAs housing fund account at KCB while Ksh 10 Million was transferred to staff car/housing fund account at Co-operative Bank. All these transfers were done directly from the recurrent account at CBK. The Ksh.50m for MCAs housing loans was later transferred from the KCB account to SBM who are the administrators of the fund.

Committee Observation

- a) The amount of Ksh. 10,000,000 quoted as unexplained difference is erroneous.
- b) There was an oversight by the officer since the vouchers and bank statement had balanced.

Committee Recommendation

The management should thoroughly scrutinize issues raised in the management letter and address all such issues fully with the auditor to ensure such errors do not end up in the final report.

ON FAILURE TO MAINTAIN MOTOR VEHICLE RECORDS

Hon. Speaker, the statement of receipts and payments reflects an expenditure of Ksh. 358,214,428 for use of goods and services, which includes Ksh. 2,242,994 for routine maintenance of vehicles and other transport equipment.

However, review of aailed records revealed that vehicle repair details are never entered in their respective services logbooks, and further vehicles service logbooks and fuel registers were not maintained as a measure to safeguard the County Assembly from risk of losing funds through fictitious payments for repairs and fuelling. It was therefore not possible to confirm that the amount of Ksh. 2,242,994 relates to repairs and maintenance of only the County Assembly motor vehicles.

Management Response

The Assembly does not have a vehicle maintenance log book but the same will be opened and maintained in the current financial year. The Assembly did not maintain a fuel register during the FY but we have now maintained one in this current FY and this was aailed to the auditor for verification. The Assembly has strong internal controls on motor vehicle maintenance and fuelling hence repairing and fuelling privately owned vehicles is not possible.

Committee Observation

- a) The management had not maintained motor vehicle records during the time of audit.

- b) The Assembly had not put in place the necessary internal controls documents such as vehicle maintenance log book and fuel registers to regulate the use and operations of motor vehicles.

Committee Recommendation

- a) The Assembly should maintain vehicle maintenance log book and fuel registers to regulate the use and operations of motor vehicles.
- b) The management should ensure that each vehicle is assigned to a specific driver, Key Performance Indicators (KPIs) for appraising the drivers to include vehicle maintenance and cost, fuel consumption and traffic offences committed.
- c) The management should appoint an officer who should be directly responsible for vehicle maintenance.

ON UNRESOLVED PRIOR YEAR AUDIT ISSUES

Hon. Speaker, the following issues which relate to 2016/2017 have remained unresolved to date. The issues have an effect on the current year's financial statements because they have been presented as opening balances and comparative figures.

Presentation and disclosures

The financial statements did not include explanations on significant under-utilization, over-utilization of budgeted provisions as prescribed in the reporting template issued by Public Sector Accounting Standards Board.

The statement of financial assets and liabilities statement of receipts and payments and statement of cash flows indicate that comparative figures had been restated while the statement of financial assets in advance indicates that the current year balances have been restated and reasons and extra statements were not given.

In Response

During the FY, the Assembly had some underutilization on some vote in the budget. A note explaining the under-utilization has been provided in the amended financial statement as shown under note 20 on page 27 of the amended financial statements.

The restated figure in the statement of assets and liabilities was as a result of the correction of a casting error made on the total financial assets figure of Ksh. 16,007,317 in the FY 2016/2017.

The restatement made in the statement of receipts and payments was to correct the figure of Ksh. 76,000,000 and Ksh. 75,000,000 that were earlier grouped under repayment of principal on domestic and foreign borrowing instead of transfer to other government units.

The restatement made in the statement of cash flow was to correct the figure of transfer to fund account that was indicated as positive Ksh. 75,000,000 instead of negative Ksh. 75,000,000.

Committee observation

- a) The votes stated as underutilized and over utilized were not disclosed in the response to the Committee.
- b) The source of casting error in the total financial assets figure of Ksh. 16, 007, 317 was also not disclosed in the response submitted to the Committee.

Committee Recommendation

- a) Information on the vote heads which had underutilization and over utilization complete with explanations should be availed to the Auditor General to facilitate closure and copied to the Committee. Information on the source of casting error in the total financial assets figure of Ksh. 16, 007,317 should be availed to the Auditor General to facilitate closure and copied to the Committee.

b) Inaccuracies in the financial statements

The following issues, relating to inaccuracies in the financial statements are still outstanding:

While total expenditure as per statement of receipts and payments amounting to Ksh. 936,140,270, IFMIS (vote book) reflected Ksh. 882,860,547 resulting to unexplained difference of Ksh. 53,279,724.

The statement of comparison of budget and actual amounts for recurrent expenditure an amount of Ksh. 703,316 being actual expenditure on other payments. Amount was not included in the statement of receipts and payments.

The statement of financial assets reflects cash and cash equivalents balance of Ksh. 15,385,320 as at 30 June 2017, but the following material omissions observed. The cash books closing balances as at 30 June, 2017 in virtually all the cash were not certified by the board of survey members. A balance of Ksh. 4,492,190 as at June 2017 in account No. 114405455 Kenya commercial bank was excluded from the schedule of bank balances.

A balance of Ksh. 14,977,079 as at 30 June, 2017 held in a deposit account No. 000264543 at the Central Bank of Kenya was also excluded from the schedule of bank balances.

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

In Response

The variance of Ksh. 53,279,723 under expenditure payments of the amount reported in the financial statement and the IFMIS vote book is as a result of journals that did not complete in the IFMIS system to reflect in the IFMIS general ledger and we have begun posting the journal entries.

Observation

The committee noted that KCB closing statement balance included the proceeds from disposal of motor vehicles amounting to Ksh. 4,492,190. There was no justification of the exclusion of this figure in the closing bank balance since any transfers to CRF account occurred in the following financial year.

Recommendation

- a) The committee recommends that the management provides a reconciliation reflecting journal entries posted in the General Ledger to address the outstanding balance of Ksh 53,279,723. This reconciliation should be availed to the Auditor General to facilitate closure and copied to the Committee.
- b) Further, the committee recommends that the management need to follow with the National Treasury with a view of correcting this technical abnormally in the IFMIS to avoid future recurrence.
- c) The management should re-submit the amended financial statements to the Auditor General earlier submitted to the KENAO offices on 27th February 2018 and request closure on the query to avoid it recurring in the next financial year.
- d) The bank balances must be reflected as they are and the deposits disclosed also.

Inaccurate Basic Salaries for Permanent Employees

While financial statements reflected a figure of Ksh. 169,962,924 under basic salaries for permanent employees, the Integrated Payroll and personnel database (IPPD) had Ksh. 167,227,229, resulting in a variance of Ksh. 2,735,694 which was not explained.

The un-reconciled figure of Ksh. 169,962,923 is still appearing as comparative figure in the 2017/2018 financial statements.

In Response

During the FY, the total amount paid for basic salaries during the FY was Ksh. 169,962,923. The total amount processed for MCAs and staff basic pay through the IPPD system was Ksh. 167,226,843 as per the IPPD schedules provided during audit. The Assembly had contractual staff who were not in the IPPD system and the total amount paid during the FY was Ksh.1,650,080.

In addition, the Assembly paid a total of Ksh. 1,086,000 to the Fourth Member of CASB during the FY. Therefore, the total amount paid for salaries during the FY was Ksh. 169,962,923. See attached tabulation of the payments per month for the entire year.

Recommendation

The management should avoid keeping excel payroll and instead have all employees in IPPD including CASB members.

CONCLUSION

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 Hon. House the report on Financial Statements of County Assembly of Machakos for the Year ended 30 June, 2018 for discussion and adoption. Thank you, Hon. Speaker. The report was prepared by our able clerk assistant Luke Maingi and the entire PAC Committee. Thank you, Mr. Speaker.

Hon. Deputy Speaker: Thank you, Hon. Joseph Musau for that report properly read.

(Question proposed)

Hon. Members, you may discuss the motion. Hon. Stephen Mwanthi.

Hon. Mwanthi: Thank you, Hon. Speaker. I will start by appreciating the work that has been done by that committee. The report is a little bit surprising Members if some of the things we have heard are the things that have been happening. The Assembly has been very keen especially on statements and records from the Executive not knowing we had such major problems from the report that we have seen and which I believe has been audited, Mr. Speaker.

Much as the chairman has been a little bit too fast and especially for Members to capture some of the records because they are financial records that Members need to digest but all in all, there are some things that were noted especially on areas like where the office furniture was given Ksh. 57 million and there is a variance of over Ksh 1.2 million. It is funny how such could happen and further to that I would even request the committee to dig further and get the tender documents because---

Hon. Deputy Speaker: Where is that item on the report?

Hon. Mwanthi: It may not be simple for me to get but It is on office furniture that where paid Ksh. 57million Hon. Speaker while the Assembly records shown Ksh. 56 Million and to me I

believe still Ksh 56 Million could be on the higher side. So if the committee could get the tender document and see what the Assembly was supposed to have paid and that brings so many queries on the accountability and the happenings in this Assembly.

Hon. Speaker, this report is for 2017/2018 and that is the period we were coming in to his County Assembly and it shows that is the only development that was done with money that was left by our the first Assembly meaning those furniture where bought with those monies.

Meaning the money for completion of office block was paid with monies that we found or maybe the little money that crossed over to 2018. So, one asks himself as the Second Assembly then, what have we been able to achieve if the furniture and the office block was bought with the money that we found, Hon. Speaker. Does it mean that we do not have development money and if so, for those three years, what has the development money been doing if furniture was bought with those funds.

Hon. Speaker, on that record you will find that there is some money that was paid to the Fourth Member for CASB and I believe we did not have a Fourth Member in our first year. So that is another serious question that we need to ask; if he/she was paid Ksh. 1 million for who whom was he/she working for because I do not believe we had such members, Hon. Speaker.

The other areas that is also surprising and it is an area that I have also been noting is you find that there is that story of paying immediately after, in the month of July after we pass the budget, you find there is some money in this report that we pay. It is not captured in the previous year but according to the response the committee was given is that, that money was paid after the year was closed. To me, that is money that needs to be supplemented so that we may be able to pay such and to me it means that is just money hanging somewhere that is not captured in the following year or will it be found in the previous year.

Hon. Speaker, it is a serious thing that needs to be checked on and I say that with a lot of Information that it is something that has been happening here in the Assembly where money is just spent in the early July and it is not captured in the year before and it is not supplemented to go in tandem with the following year.

So, Hon. Speaker, I appreciate the work that has been done by this committee and I believe it is an highlight to Members also to check and make sure that we are well versed with the happenings of this Assembly and at least get to know bit by bit what happens to the money allocated to the Assembly because it is tax payers money and its money that needs to be very well utilized, Hon. Speaker. Thank you, Hon. Speaker.

Hon. Deputy Speaker: Thank you. Before I give to the next person just a bit of guidance on the same is that; when you look at the issue of the furniture, the Ksh. 56 million for furniture; I think when the County Assembly came, that building was empty. It had been constructed but it was empty.

So we are talking about the monies which were used to furnish the entire new offices. I think that is what the Ksh. 56 Million is referring to. Money that was utilized to furnish the entire new office block and when you look at the entire office block and how many offices are there and Ksh. 56 million then that money relates to that.

The other item which I wanted to find out is on the issue of 30th June; I think when we were going through the report, we have seen that there is a circular which was given by Treasury Department allowing certain transactions relating to prior periods to be expensed during the month of June. I think I have also seen the committee has recommended that such items should actually be picked in the following year and noted as prior period instead of including them in the same financial year.

You can bring them in the next year and then say they were prior period investments for the prior period. So, I am also a Member of this committee that one of the issues that was raised is that Treasury needs to stop issuing circulars allowing funds which are meant for month of June but have been issued in the month of July to be expensed under the previous period.

There is a memo here in the report; which has been highlighted which had been given by the Controller of Budget highlighting specific items and the secretariat by now you should be looking for that memo on the notes so that we can be able. If you look at page 20, you will see a circular was issued by National Treasury giving directions on how to treat these funds received after 30th of June. Circular Ref No. AG/4/16/2/Vol.2/ 90 and there is a copy attached to the same circular. So we are saying that the treasury is giving such circulars authorizing spending money in prior period during the month of June although the funds have been received in the month of July.

So the committee has given a direction that those items need to be expensed and reflected in the year they have been spend if it is in the following year, let them be reflected in the financial statements for the following year and as a note to the accounts showing that these are prior periods adjustments and give a schedule showing which where the prior periods in the response and disclose them. I wanted to point out those two items. Hon. Cosmus Masesi.

Hon. Masesi: Thank you, Mr. Speaker. I would like to appreciate the committee led by Hon. Wambua for giving us the report, although I want to believe it is totally unacceptable that three years down the line is when we are getting the report on our activities within the County Assembly. Mr. Speaker, I believe we have true organ CASB where we have nominated two members but they don't update Members on what is normally happening. Again my question is---

Hon. Mitaa: Point of order, Mr. Speaker.

Hon. Deputy Speaker: Point of order from Hon. Mitaa.

PROCEDURAL MOTION EXTENSION OF TIME

Hon. Mitaa: Thank you, Mr. Speaker. Point of Order under Standing Order 27 to request extension of time.

Hon. Speaker, that aware that Standing Order 27(2) provides that the Speaker shall interrupt business at 12:30 pm for the morning sitting;

Aware that Standing Order 27(3) provides that the House may resolve to extend its sitting time;

Aware that Standing Order 27(4) requires motion to extend sitting time to be moved at least 30 minutes before the time appointed of adjournment;

Hon. Speaker, I beg to move the motion that the house resolves to extend its sitting time until the business is over.

Thank you, Hon. Speaker and I request Hon. Moffat Maitha to second my Motion.

Hon. Deputy Speaker: Hon. Moffat.

Hon. Maitha: Thank you, Hon. Speaker. I stand to second the motion. Thank you, Hon. Speaker.

Hon. Deputy Speaker: Thank you, Hon. Members. That is a procedural motion which has been moved to extend time, in view of the fact that we still have on emotion to go, so I don't see anybody who would be opposing to that and we extend time Hon. Members. So, Hon. Masesi you may go ahead.

(The House resumed business as per the Order Paper)

Hon. Masesi: Thank you, Mr. Speaker. As I was trying to put it today we are 2020/2021 and we are looking a report of 2017/2018. Mr. Speaker, how do we correct these anomalies? I was asking if we get the quarterly reports because those reports are made to show us our progress and I have never heard of such in this House, whereby every quarter we should get a report on the progress. Mr. Speaker, telling me that we had casuals worth Ksh. 1.6 million who were not within the payroll and again we had a Fourth Member who was paid Ksh. 1 million again not in the payroll and I am very sure by this time we had not agreed on the Third and the Fourth Member; that is by the year 2017/2018.

Mr. Speaker, last time when we had the report, as the finance committee, we were asking ourselves if we had monies to carry forward during any financial year and I am surprised, I can see some Ksh. 4 million which was gotten from the proceeds in disposal of vehicles which Mr. Speaker we are not told how many vehicles were sold and for how much per vehicle. Again there was Ksh. 14.9 million which were not even reflecting as balances in the next financial year.

Mr. Speaker, as an oversight entity, if we cannot look at issues whereby matters to do with members are affected, Mr. Speaker, I have seen us transfer money from treasury to KCB then to SBM bank; why do we do these two entries? Why was the money not transferred direct to the SBM bank which looks at the issues to do with Members' vehicles and loans?

Mr. Speaker, it is surprising again, by then we did not have vehicle maintenance logbook, whereby we can look at the access of the County Assembly and that was the fifth year down devolution bearing in mind that we are the Second assembly. For four years, the Assembly did operations no records of what we have, how many assets do we have. Mr. Speaker, as an Assembly we need to up our game and demand...I have seen a difference of other government entities a difference of Ksh. 10 million but there down again the report says that later there were explanations which rise to sort the mess above there.

So, Mr. Speaker, I would urge we need to be getting the reports on quarterly basis; this will help us and I am doubting if we will manage to get the report of this year before we exit this Assembly because if today we are 2020/2021 and we are looking at 2017/2018, this means that we will only be able to look at 2018/2019 and that is all. So, you can imagine Mr. Speaker we cannot audit ourselves and know, I am always surprised how we managed to spend 100 per cent of what we get and if you look, I have never seen some monies going to CRF from the County Assembly but we always having some Ksh. 1.6 billion from the executive going to the CRF.

So, Mr. Speaker, we have a lot of questions we need to ask ourselves and we need to be serious with matters concerning the Assembly because this is where Members come in and you know how the ground is. Let us be serious Mr. Speaker; when we were getting the report I was imagining of seeing something to do with monies going to the CRF for the last financial year bearing in mind that we relaxed a lot of activities from March to June but, again we could not see any balance going to CRF from the last financial year. Mr. Speaker, I want to rest my case there.

Hon. Deputy Speaker: Hon. Moses Mitaa.

Hon. Mitaa: Thank you, Hon. Speaker. I want to applaud the PAIC committee under the leadership of the able chairman and Hon. Speaker again, we are facing a situation whereby it is hard to really accept what we are going through. I believe that this institution is not that big to have complications when it comes to accounting matters Hon. Speaker, because our activities are not broad, Hon. Speaker and if indeed we will be having queries with these reports, then the institution is known for oversight and checkmating the other arm of the government.

I don't know Hon. Speaker if we are indeed, or else those who have been put in offices to take care of these issues are indeed qualified to undertake mandates before them, Hon. Speaker. we seem to be cooking books, I think that is the language which is known to the other side of the accounts, and that is the reason why as much we know when auditors visits the our institution, they need to find all relevant information on the table. They don't need to be given follow-ups on queries

which they ought to have brought up and it is not that we cannot either employ qualified staff for these things or have the right number is someone is overwhelmed somewhere because matters to do with finance are very serious and are very sensitive, Hon. Speaker.

Hon. Stephen Mwanthi and Hon. Ngula Masesi have raised the same issues, which we also raised in the previous report. Again, I want to urge this institution to listen to the plea from the chair PAIC who requested even if it means funding the committee so that they work on this so that they work on these reports because we want to know what is happening in this institution, Hon. Speaker.

We do not want those who will be in the next Assembly to be working on matters, which concern us. We need to work on our issues because these issues are current for us and in case there is any query, we need to ask because we are the people who are in charge of whatever is happening, Hon. Speaker.

Hon. Mwanthi: Point of information, Mr. Speaker.

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

Hon. Mwanthi: Thank you, Hon. Chair. My point of information, I just wanted to inform the member that as finance committee, we have requested for those statements now from the Assembly and soon finance will also... you see Hon. Speaker, PAIC is dealing with audited report from the Auditor General which of course cannot be updated to date but now the finance committee has pushed for the statements from the Assembly and soon finance committee will be tabling updated report though it might miss the 2017/2018 and 208/2019 report that we have not been receiving before but now we will have the updated one Hon. Member; in fact, I still believe has a lot of concerns that maybe Members will come to find including having some borrowed money that we did not pay.

Just as mentioned earlier Hon. chair, there is Ksh. 4.5 million that crossed over was spend last year but when you look at our records the year crossed with Ksh. 162 only but KCB is demanding the Assembly Ksh. 4.5 million for that same year. That means this year the Ksh. 4.5 million we will have now to eat from this year, Hon. Speaker. So, it is area of concern that and I believe soon all that information will be brought to this House Hon. Chair. Thank you Hon. Member, so that issue will be addressed. Thank you.

Hon. Deputy Speaker: Thank you. Go ahead Hon. Moses Mitaa.

Hon. Mitaa: Thank you, Hon. Speaker and thank you, Hon. Stephen Mwanthi, chair finance committee. I think the message I am trying to stress here Hon. Speaker is that, we need to up our game and we need to the relevant office to be serious on what they have been employed or what they are earning to do. We do not need to be asking them to provide this information and that delay is causing a concern. So, Hon. Speaker I want to support the report and we need to make serious follow-up and ensure that queries which have been brought forward are cleared so that the upcoming reports don't have extensions on carry forward queries. Thank you, Hon. Speaker.

Hon. Deputy Speaker: Thank you Hon. Moses, Hon. Josephat Kasyoki.

Hon. Kasyoki: Thank you, Mr. Speaker. Mr. Speaker, my feel is that about the report is that documents should be issued to auditors because when you are auditing what is needed is documents which has figures and unless an auditor is given documents obviously you will get audit query. The other thing Mr. Speaker is about the manual ledger. With IFMIS, no manual ledger should be in existence. So, I think in our next report, there should be nothing like manual ledgers.

The other thing is about the double entries. Most of the double entries Hon. Members are appearing only in the manual ledgers; in the IFMIS there is nothing like double entries. You can't do a double entry in the IFMIS and finally Mr. Speaker, the anomalies in posting of receipts of last financial years. There should not be posting of receipts received after 30th because even if you post that receipt in the manual ledger as received before 30th, the statement from the bank will sell you out because the statement from the bank will show the date the receipts were received at the bank.

So, my humble request is for the accounting officer at the County Assembly to make sure all the relevant documents are captured in the right time and given to the auditors in the right time because if the documents are given, I am very sure we will not be seeing the reports we are getting in the Assembly.

Finally, Mr. Speaker, we would also as members of the Second Assembly, wish to see our reports. Our reports should not be discussed by those who will come after us. Let those who will come after 2022 discuss reports of 2022/2023 but not from 2019/2020, 2020/2021. That is my humble request. Thank you, Mr. Speaker.

Hon. Deputy Speaker: Thank you. Hon. Moffat Maitha.

Hon. Maitha: Thank you, Hon. Speaker. Hon Speaker, I want to thank those who spoke before me and thank the committee for that elaborate report which we are discussing Mr. Speaker. Hon Speaker, as other Members have said, the Hon. Members in this House has been on the heels of the executive forgetting that we are also an institution, which some funds are also sent which should be checked on by these Members. What I want to ask Hon Speaker, let us do like what Hon. Kasyoki has said, that we request for audited reports of the years when we have been here so that we can discuss them.

When they are brought when we are not there, how will those Hon. Members who will be there know what was done and what was not done? Let us be serious as we go after the executive, let our own Assembly be faithful to the House and show they records of the usage of the money which they receive from the Treasury.

Hon. Speaker, the other thing which I would wish to say is that the members who have been elected to CASB seems to have been compromised; why don't you the Minority and the Majority at least do a change and bring other Hon. Members and then we see whether those who will come will give us the correct thing at the correct time Hon. Speaker.

Lastly, this House seems to have been compromised everywhere and I want us to be faithful to ourselves and to our electorates. There is a building which is going on there; it was proposed by the First Assembly and we would wish also to see quarterly reports on what is happening and the money which have been used not waiting until the whole building is completed and then we are told this and that has been used to complete the building, Hon. Speaker. I thank all of you for the contributions you have made. Thank you, Hon Speaker.

Hon. Deputy Speaker: Thank you, Hon. Members. I now request the Chair PAIC to reply to the motion please.

Hon. Musau: Thank you, Mr. Speaker and the Hon. Members for the good audience, your thorough vigilance despite the fact that the report was one of the longest reports we have ever had in this House. Mr. Speaker, there comes a time we ask ourselves how soon is soon, how current is current. Mr. Speaker, may I attest and testify to this House if we have any report that we have acted the soonest possible, this is one of them despite being a 2017/2018 report.

In moving the motion Mr. Speaker, I said that cognizant that the audit report on financial statements of Machakos County Assembly for the year ended June, 2018 was received in the office of the Clerk on 18 October, 2018. That means it was received timely, it was received within the mandatory and the statutory three months. Mr. Speaker, the office of the Clerk received that report

within the given timelines. Down there Mr. Speaker you shall realize; aware that the Assembly forwarded the response of this Auditor General's report that was received on 31st August, 2020, Mr. Speaker.

The officers in our finance department received prepared their work timely presented to the office of the Clerk and the same work lay somewhere in our offices and was forwarded to Auditor General and received on 31st August, 2020. Almost two years later, Mr. Speaker. So, the PAIC committee finds itself between a rock and a hard place because some challenges are beyond our abilities and we take very well and informed that after one week upon receiving this report on 7th September.

Kwa hivyo this work came to the PAIC committee authentically on 7th September, 2020 and we invited the accounting officer. So, *waheshimiwa* on 7th September, the report is already out and is in the Assembly. So we worked within the least time possible, there is no other report we have ever acted in such a short time *waheshimiwa*.

So, as Members are putting it Mr. Speaker, there is a need for all timelines to be obeyed by all actors because auditing is a cycle it is a process, it is never an event. After June, the County Assembly has three months and all other entities that can be audited have three months to compile this report. Within six months, the Auditor General must bring that report out. Therefore, there is a total of nine months, three months for the entity to produce its report and the Auditor has six months; it is a total of nine months the maximum but you see this one cost almost two years.

Any delay in stage one is a delay in the final step, Mr. Speaker. I want to agree with Hon. Members here, there is no way we can wash any clothes to cleanliness when our hands are dirty. If it is so, there is any example that must be set it must be set by this County Assembly before we blame any other entity for late submission, we should ourselves submit our reports timely and act on them very timely so that we are holly so that we can gauge the holiness of other entities Mr. Speaker.

Mr. Speaker, I usually stand here full of shame because when we talk of 2017/2018 and we are in 2020 then the Hon. Members have a reason to raise the alarm. A Member has asked whether we shall be able to do all our reports within our time in this House, Mr. Speaker, you shall realize on the 24th of this September, 2020, just last month, the office of the Clerk had to write to the Auditor General actually demanding them to do what they have not done up to now. If you allow me Mr. Speaker I will read the letter and see the hardships we are facing. It is titled submission of audited report.

Mr. Clerk is telling the Auditor General we are drawing your attention to the provisions of Section 44(2) of the Public Audit Act 2015 that provides that within six months after the end of the financial year, the Auditor General shall express an opinion and certify the result of that examination and audit. The Assembly of Machakos has so far not received, those are the key words Mr. Speaker, any audit report for the financial year 2018/2019 and unless from the date of this letter up to day, they brought some, up to now we might not be having any report for 2018/2019.

So, Hon. Masesi, through Mr. Speaker; imagine we don't have any report for 2018/2019. Therefore the question comes in; why the delay? The entity to be audited have their delay. The Auditor General has his own delay and we find ourselves Mr. Speaker in a fix. If the office of the Clerk must demand the reports we have compiled within the three months, they were taken to the Auditor General and up to now, there is no single report for 2018/2019 in this Assembly.

Bearing in mind what we are calling 2018/2019, this financial year expired on 30th June, 2019, today we are October, 2020 so, and these reports are already late by one year and almost four months. By the time they shall come, they shall be committed by the able Chair the Speaker to the committee of Public Accounts; this shall be subjected to interrogation by that committee. The committee will have to retreat and compile a report, which means another two months may expire, Mr. Speaker hence these delays mostly are not occasioned by the membership or the entire PAIC committee.

There are reasons beyond our ability, Mr. Speaker, beyond our reach, beyond our control and therefore Mr. Speaker, we do pray to the Hon. Chair of this House to help the PAIC committee in making their work easier because Hon. Members here, year in, year out will ever complain and their blame are genuine; these reports are late.

Now Mr. Speaker, the occasioning of the lateness has become a matter of suspicion because Hon. Member here today Mr. Speaker, cannot fully connect the report being read today and the happenings of 2017/2018. So, now we doubt the lateness, the reasons behind the lateness, Mr. Speaker. Mr. Speaker we also realize that the audit exercise for audit reports for the 2019/2020 will begin this month. So these timelines Mr. Speaker, gives a view of what is expected of us.

So, Mr. Speaker I would wish to thank the Hon. Members once again for being such vigilant and I want to echo the *Waheshimiwas* words and we should wash our hands to be very clean before we use the same hands to wash other people's clothes, other dressings of other entities to cleanliness.

Thank you, Mr. Speaker, thank you Hon. Members, I would wish to say thank you to the members of the PAIC committee. Mr. Speaker, as I said before we are being forced even to work at odd hours without facilitation. So, Hon. Members, our prayers is that in order to get very timely reports, let all entities play their parts by submitting their reports timely, let the Auditor General office do its work fast enough and as House, please have mercy on this PAIC committee; it needs much facilitation if at all we have to complete our work within the given timelines, Mr. Speaker. Thank you, so much.

(Question put and agreed to)

Hon. Deputy Speaker: Hon. Members, before I move ahead to the next motion, I would like to comment on a few things on that item and especially on what the Chair has emphasized on and this is on the need for timelines to be met. When you look at the report he has talked about up to now we have not received any report from the office of the Auditor. The Public Audit Act 2015, Section 44(2) provides that the appointed auditor shall examine and audit the submitted accounts of the office of the Auditor-General within six months after the end of the financial year in accordance with the provisions of Part IV of this Act, express an opinion and certify the result of that examination and audit.

So the question here is that if the auditors did come here and audited the financial statements for the year 2018/2019, if they came in October last year and did their audit then we are expecting that within six months of the coming year, that is six months from October of 2019, it should have been here. So we are talking about the latest that report should have been here is the March of this year.

So, there is no reason whatsoever therefore why the office of the Auditor General has not yet submitted the report and I would direct that the office of the Clerk writes to the office of the Auditor General and requests to urgently be provided with audited reports for the said financial period 2018/2019. The same letter also to request that once a financial audit for the current financial year is done then the expectation of this House that according to the Public Audit Act 2015, that we shall be getting our financial year 2019/2020 reports by March, 2021.

That will facilitate us to be able to do all the reports which we can be able to do as House, the only year which should be done by the incoming Assembly will be for our last financial year because the six months will fall way after we have vacated the Assembly and therefore we need to ensure that is done.

There is a member who talked about the CRF money; it is important to know that monies which remain in the CRF do not remain in the account of the Assembly it remains with the county revenue funds and the balances for last year was Ksh. 1.2 billion including any balances which were there for the Assembly will be included in that figure of Ksh. 1.2 billion sitting in the CRF and has reflected in the supplementary budget that we have.

The other thing which I also noted is that in the report, there was talk about lack of staff as an issue to do with why the reports are not being done in time. It beats logic why maybe the County Assembly Service Board did not employ staff on contract for that period when they did not have the staff to be able to take care of the shortfall in the staffing which was there because when you employ you employ somebody on contract, you do not have an obligation to renew. Therefore you can employ somebody on contract for a specific period and when the other staff is reinstated you should cancel the contract because it is a contract.

Then payments which have been done after June or receipts which have been done after 30th June should as you have said be reflected in the next financial year statements as prior year adjustments and stop being reflected in the current year. Remember what they are doing when you hear them talking about, they provided adjusted financial statements; you cannot have adjusted financial statements from IFMIS because the IFMIS figure what was reading is what was reading. You can only have adjusted financial statements from the manual ledger.

That is why we are saying we should stop utilization of the manual general ledger and stick to the IFMIS ledger so that the trial balance and the statements you give to the auditor as at 30th of June as printed at the end of the accounting period are preparing the financial statement as at that date which will merge with your bank statements, which will merge with all the other statement which you have and anything else occurring thereafter need to come in the next financial year and if it relates to the prior year then it is reflected as prior year adjustments to that year's financial statements.

So, the Hon. Members have expressed themselves and I believe actions will be taken accordingly.

REDUCTION OF CHARGES FOR PERMITS INCLUDING PUBLIC HEALTH CERTIFICATES AND SINGLE BUSINESS PERMITS FOR BARS AND CLUBS AND ANY OTHER ALCOHOLIC SELLING BUSINESS BY 50 PERCENT

Hon. Deputy Speaker: Under this Order, we have one motion to be moved by the Hon. Stephen Mwanthi, Chairperson, Finance and Revenue Collection Committee.

Hon. Mwanthi: Thank you, Hon. Chair.

Hon. Speaker, that aware that Article 210(1) of the Constitution of Kenya provides that, no tax or licensing fee may be imposed, waived, or varied except provided by legislation;

Further aware that the County Assembly enacted the Machakos County Finance Act 2019 which provides for the imposition of taxes, fees and charges;

Aware that this Act provides for licensing of entertainment joints selling alcohol to acquire single Business Permits (SBP) and also aware that the SBPs expire on 31st December every year;

Concerned that the Coronavirus 2019 (COVID-19) pandemic has had far-reaching effects on the economy worldwide;

Aware that businesses in our County have not been spared either from these effects; also aware that the businesses selling alcoholic drinks such as bars and clubs have been out of business for six months between April to September, 2020;

Aware that this was as a result of the order by the President of Kenya to close these businesses in order to contain the spread of Covid-19;

Noting that the bars and clubs have suffered significant loss of revenue due to the closure;

Further aware that there are only three months to the expiry of their licenses and the business may not be able to recover the lost revenue;

Aware that the businesses need to be supported to start afresh;

Aware that one way of assisting the businesses are to reduce the cost of acquiring permits to operate as they will expire in three months' time;

Hon. Speaker, I wish to move the motion that the Assembly resolves:

- i. That all the charges for permits including public health certificates and Single Business Permits for bars and clubs and any other alcoholic selling business be reduced by 50 percent;
- ii. That the reduction be effective for businesses applying for permits between 8th October and 30th November, 2020.

Thank you, Hon. Speaker and I call on Hon. Masesi to second the Motion.

Hon. Masesi: Thank you, Mr. Speaker. I stand to second the Motion bearing in mind that the effects of the pandemic since the closure of these business entities by the National Government, the flow of funds, the income has been largely affected so I support the owners and operators get 50 percent discount and 50 percent for the remaining three months until to the closure of the Financial Year in terms of the finance bill. Thank you, Mr. Speaker.

Hon. Deputy Speaker: Thank you, Hon. Cosmus Masesi, for seconding that Motion.

(Question proposed)

Hon. Members, you may debate on the Motion. Hon. Kisila.

Hon. Kisila: Thank you, Hon. Speaker. I stand to support the motion. This has come out in a lot of forums through our people on the ground that COVID-19 has grossly the affected businesses and it is only fair that we support our people because if we do not support them in this way they will suffer although they have already suffered and charging them the exact amount of fee will actually be making them suffer more.

So, first of all as a Member of Finance Committee, this was brought to our attention and also as a Member of Mwala, our people are requesting if we can take action so that we can be able to support them. So, *Bw. Spika*, I stand here to support and I think we should pass the motion.

Hon. Deputy Speaker: Thank you. Hon. Hellen Ndeti.

Hon. (Ms.) Ndeti: Thank you, Mr. Speaker. I stand here to support the motion because I believe that everyone knows that since January or February this year most of the bar operators have not been able to open their businesses. In fact, we would have called for a waiver not going 50 percent but we also have to think about the County which also has to levy revenue so that it can also deliver services to the people of Machakos. So, I support the motion that we levy 50 percent so that we can also cushion their losses. Thank you, Mr. Speaker.

Hon. Deputy Speaker: Hon. Moses Mitaa.

Hon. Mitaa: Thank you, Hon. Speaker. Hon. Speaker, I want to thank the mover of the motion, Hon. Stephen Mwanthi for thinking about our business people. Indeed, our traders have been fully affected by thus COVID-19 issue, not only bar owners but also all the businesses across the Country. I would want to maybe request Hon. Stephen Mwanthi because the pleas are two and it is good we get it right so that whatever will pass is crystal clear to the traders.

1. That all the charges for permits including public health certificates and single business permits for bars and clubs and any other alcoholic selling business be reduced by 50 percent.

2. That the reduction is effective for businesses applying for permits between 8th October and 30th November, 2020.

The point I am seeking clarity is that it is clear that whatever we are passing is not implementable in the forthcoming financial year so that we do not have a resolution that might be misinterpreted. I wish to request Hon. Stephen Mwanthi maybe to clarify that whatever we are about to pass if at all the House will adopt it, is only and purely for this year and that from January next year the traders will be paying what they are supposed to pay. That is the only clarity I wanted to request Hon. Stephen Mwanthi to make. Thank you.

Hon. Deputy Speaker: Let me just try and understand what you are saying; the motion which has been moved here is reducing by 50 percent which means going forward they will be paying only 50 percent or is it seeking to have them reduced by 50 percent for six months and then after that, they revert to the normal rates or are we reducing permanently? I think that is the question.

Hon. Mwanthi: Thank you, Hon. Chair. The No. 2 has highlighted that and we are requesting that as from 8th of October to 30th November, 2020; that is just one month and some days reason being, as revenue committee we would also want them to move fast and take advantage of the 50 percent reduction so that they may pay. After the 30th of November this year, we will revert now to the normal 100 percent maybe for those who will not have opened will revert now to the 100 percent that was there before so it is just like a one-month waiver for them at least to rush and take that advantage of paying the 50 percent then later revert.

Hon. Deputy Speaker: Then I would suggest that you have a No. 3 that 'any payments which will be done after the 30th of November will be as always from 1st of December will be as per the normal rates.' Put it here so that it does not have any ambiguity in this. I would suggest you move an amendment to the motion so that you add that item three there to ensure that people know that for you to be effective what you want to achieve to be effective, let it be clear that anybody who pays on the 1st of December will be paying as per the normal rate then you will have achieved. I would suggest that Hon. Chairperson.

Hon. Mwanthi: Thank you, Hon. Speaker. Then I wish to move the amendment to have No. 3, indicating that payments made after the 30th of November that is from 1st of December, the payments revert now to the normal rates of the Finance Bill. So, if we can have that No. 3' and then I call upon Hon. Brian Kisila to support that amendment.

Hon. Deputy Speaker: Thank you, Hon. Brian Kisila.

Hon. Kisila: Thank you, Mr. Speaker. I support.

(Question, that the words to be added be added, proposed)

Hon. Mulatya: Thank you, Mr. Speaker, and the Hon. House. I stand to support this motion. I think last week on Friday I had public participation at Masinga Market and people were ready to demonstrate and bring chaos in my market because of what we are talking about right now and when we gave our people the chance because I went there with the administrator and the person who is in charge of revenue in Masinga Sub-County and the public were really driving very strong points to us.

One, being that COVID-19 did not only affect Masinga Central; it was not even affecting Kenya only, it was affecting the whole world and you will note that, when our revenue clerks are collecting the revenue there, they try to use force because you know it is not all our people who are

ready to pay. So, when we went there it was chaotic and I told them that I have to call Hon. Stephen Mwanthi because he is the Finance Chairperson and I put him on phone speaker asking him how we can help these people from our area.

The people who run clubs and bars were very specific because we have only two, three months left for the closure of the Financial year and they closed their businesses back from March around that period and these people have been staying at home and you will realize that liquor is not like maybe you are selling sand or stones, liquor will expire. So, you will note that somebody who had stock from that time has expired and now to look for capital to come back to this business is quite a challenge.

We have seen what rains have done to our farms; you can see how dry it is in Machakos County and even in Kenya. So, I really support this Motion because our people really need this favor and you know if it comes to next year because I saw your directions to the Chairperson to specify exactly how we want it to be but I think as much as we want to help our people, we do not want them to start other chaos in the coming year, we want it to be a peaceful year, let them get the advantage of the reduction for this year but Hon. Chairperson Finance, we should also specify if you did not pay within that period and come next year, what is your fate?

Are you still going to pay what you are supposed to pay the 50 percent and then you come back here or if the period closes, is it October or November, if it closes then that is a gone story you have to repay again. I think we have to specify because our people are very keen when they are paying this revenue.

Hon. Masesi: Point of information.

Hon. Mulatya: I wish to be informed.

Hon. Deputy Speaker: Point of information by Hon. Cosmus Masesi.

Hon. Masesi: Thank you, Mr. Speaker. As a member of the Finance Committee, I want to believe we talked on that issue at length and this is the only period for the remaining period of this financial year. If you do not pay within or in between the 30th of November, this year, 1st December as you will put it, you will pay the normal rates for this financial year which again cuts across the next financial year rates will be normal, no issues of reduction of the 50 percent.

Hon. Deputy Speaker: Hon. Tariq.

Hon. Mulatya: I think, Hon. Speaker, we should be very keen on this particular section. What about someone did not make to open his shop within this period and then the last 10 days he happens to open and he could not gather all the money?

Hon. Mwanthi: Point of information.

Hon. Mulatya: Hon. Speaker, as much as he is going to inform me, we really need to be specific so that we do not confuse our people.

Hon. Deputy Speaker: Hon. Steve Mwanthi.

Hon. Mwanthi: Hon. Speaker, I want to inform the Member that, and one thing we need also to understand is, all our SBPs expire on the 31st day of December every year so by January of every year we start afresh issuing SBPs. So, whatever we are doing here, will only apply for this year, whoever will be paying as from 1st of December to the 31st of December, it means his or her permit will only help him or her for only 30 days and even if he pays on 2nd of December he will

again pay in the month of January just as usual. So, the year for this SBP ends on 31st December, every year.

Hon. Deputy Speaker: Just to add on to that I think for guidance. Normally it begins on the 1st of January but normally they are given a grace period up to 31st of March. So, I think what the Hon. Member is saying is that, if you pay now the 50 percent then you will be able to run with 50 percent up to 31st of March because they have been given a grace period of three months within which to pay. So, that trader can be able to utilize that 50 percent, and then before 31st of March, they will pay for the full year next year again. Am I right Hon. Chairperson?

Hon. Mwanthi: Yes.

Hon. Deputy Speaker: Hon. Tariq, finalize, please.

Hon. Mulatya: Okay, I am finalizing. Hon. Speaker, also there is another issue on the same collections because I am trying to bring to the House what I gathered from my public participation maybe Hon. Members, some of us did not get that chance to meet with our people. They are also complaining about the penalties and because I have not read the report I was outside I do not know how we are going to deal with the penalties because some of them are saying by that time when they were supposed to pay there was closure in the Country so they could not pay.

Some of them came to open their shops later maybe March or June and so I think we should also amend here and say that we should stop the penalties at least for this year then next year we resume back to normal. We need a direction here.

Hon. Deputy Speaker: Hon. Tariq, I think that is a valid point. What Hon. Mulatya is asking is that normally our traders are given a grace period to pay by 31st of March and remember that COVID-19 struck in March so maybe by the 31st of March there might have been traders who had not yet paid for their permits and then in April it was completely stopped.

So, I think the Hon. Member is asking, are we telling them we charge a penalty plus the 50 percent or it is just that the 50 percent without the penalty because now if our people go on the ground and say that yes, you did not pay on time so we are charging you the penalty and then now take advantage of the 50 percent so they will be demanding for penalty and then say pay 50 percent that is I think what the Hon. Member is saying which needs to be clarified. Hon. Steve.

Hon. Mwanthi: Thank you, Hon. Chair. As a committee, we had interactions with the executive who is the Chief Officer and the Director over that issue of penalty and we all agreed that this year we are not supposed to penalize all our traders not only the ones in the clubs.

(Applause)

We had that agreement and so maybe because it was not legislated in the Assembly here, then I feel it is something that maybe we can add and if possible for all the traders because it will not make sense when we penalize our people when they were closing their shops. For sure by that 1st of March when they were supposed to have paid their shops had been closed. Our revenue clerks were even at home so it does not make sense when we penalize them and even the clerks themselves were not there to move around to collect revenue.

So, I believe that it is a brilliant idea that, with your guidance, if it is possible for the penalties to touch across all the traders that they should not be penalized but that will be through your guidance because the Motion looks somehow as addressing bars and clubs. If possible, we can have that.

Hon. Deputy Speaker: (*inaudible*)

Hon. Mwanthi: Thank you, Chair. I would also request for No. 4 amendment that will touch all our traders possibly stating that there will be no penalties for all traders in Machakos County for the year 2020.

Hon. Deputy Speaker: It just needs to be specific; it is for late payment of permits.

Hon. Mwanthi: Thank you. There will be no penalties for late payments of the SBPs for all our traders in the year 2020.

Hon. Deputy Speaker: Secunder for the amendment, please.

Hon. Mwanthi: I call upon Hon. Mbili Ndawa to second that amendment.

Hon. Deputy Speaker: Hon. Judas Mbili Ndawa.

Hon. Ndawa: Thank you, Mr. Speaker. I want to second the motion and request if you allow me to contribute at this point.

Hon. Deputy Speaker: Second the amendment.

Hon. Ndawa: Yes, I want to second the amendment proposed by the Chairperson.

Hon. Deputy Speaker: So, before you move on I want to propose the amendments a fresh so that you can contribute with the new amendments in place. Hon. Members there are some amendments which have been moved.

(Question, that the words to be added be added, put and agreed to)

You may now continue to contribute to the Motion as amended. Hon. Judas Ndawa.

Hon. Ndawa: Thank you, Mr. Speaker. I want to first congratulate the Chairperson who has brought this motion. In fact, the motion is timely and as you are aware the County charges business from January to the end of the year that is 31st December and as you are aware in the month of March the traders had only operated for three months, that is January, February, and part of March. From that time, there was about six months of closure by the National Government because of COVID-19.

So, the remaining time that they are supposed to work is only three months that is October, November and December so if you do proper calculations you will find that the businesses will only operate for six months so the proposal to cut the fees by 50 percent is quite an in order because we are paying for the period we are going to do business.

Mr. Speaker, I strongly believe that the motion is brought in good faith and why I am saying it is brought in good faith is because of the effects of this COVID-19. Some of the business operators have already gone down; their financial status has gone down and unless we do something to assist them, they may not even continue operating their businesses.

Mr. Speaker, if they opt not to operate the business, the County is also going to suffer because those who are supposed to pay these fees have gone home. So, I want to say, this COVID-19 has brought what we call in law *injuria sine damnum*; it has injured the businesses and at the same time it has caused damages to those businesses and at the same time it has injured the County and it has caused damages to the County. So, Mr. Speaker, I believe the Chairperson will go to

heaven because of thinking of how to assist the County to move forward and also how to assist the business people to continue with their businesses. So, Mr. Speaker, I strongly support that point.

The other point I want to talk about is the issue of penalties. Mr. Speaker, the delay of payment is not the fault of the business people it is the fault of the epidemic that came. The National Assembly guided by the Ministry of Health sat down and agreed that we are going to close businesses so it is because of that, that is why these people failed to make their payments in good time. So there is no need of punishing these traders for mistakes that they never committed.

So, I strongly agree that, let us allow our traders who did not pay without charging any extra coin and this communication should be made properly so that we can secure our traders from this extortion by this inspectorate officers because whenever they go there they just want to harass these people, they want to instill fear in them so that they can get whatever they are going to get for their gain.

In fact, Mr. Speaker, if all the monies that are supposed to be paid to the County go to the pockets of the County, I am very sure the County will be moving forward but because of this conmen and con ladies, they are collecting funds and instead of directing them to the right account they pocket the money. As we are all aware there is what we call automation; we are not supposed to collect cash but if you go to markets you will find these people collecting money in cash.

You will see someone collecting money from more than 20 traders and if you ask, where is the receipt, have you sent the money to the account? The response you will get from that particular revenue clerk is that I am going to send it in the evening. So, who is going to ensure that the coin that was collected by 8 in the morning, nine in the morning, 10.00 a.m. or 2 p.m. and who is going to ensure that all that money has been sent to the right kitty?

So, I strongly agree with the proposals in this motion and I will request the Chair that when making your determination, kindly consider time because if you say I commit this motion to a certain committee, report back after 30 days, they may not be able to report back in 30 days because you will hear 'please give us an extension' and so the Motion is going to die. So, I am requesting that we consider time so that the intention of the motion is achieved. Thank you very much, Mr. Speaker.

Hon. Deputy Speaker: Thank you. Hon. Angela Munyasya.

Hon. (Ms.) Munyasya: Thank you, Hon. Speaker, for giving me this opportunity. I really would like to say I commend the committee for coming up with this resolution of having business permits and traders' licenses reduced by 50 percent. My only concern Hon. Speaker is that we have specifically but bars and clubs as the main businesses that we are considering for this. When it goes out there, people will wonder these people just thought of bars; you know many people will say bars and alcoholic selling businesses, I do not know why we needed to specify those ones because business permits cuts across all the businesses.

Many people lost businesses, there are people who own schools and those schools many of them have closed down and we have not specified schools here. So, if we could only say for traders and not have to specify bars and alcohol-selling institutions then I think it will be more generalized and we will not be seen like we are really putting emphasis on bars and alcohol-selling businesses. Thank you, Hon. Speaker.

Hon. Deputy Speaker: I think the spirit of the motion was that the business which was affected for six months and which was closed down over six months is bars; those were the only ones which were opened up the other day in terms of business. I hear your cry in terms of schools which were also affected but since the motion has already been moved then maybe we will be able to look for amendments to the motion but as it is right now I believe the way it is tailored, it is tailored targeting the businesses which were closed for a long period of time, businesses affecting

everybody, the majority of our people are those in bars, not those who own schools but those who own bars.

So, I believe it is specific for alcohol then I will request the Chairperson they need also to consider other businesses going forward. Can I call the mover of the motion to respond, please?

Hon. Mwanthi: Thank you, Hon. Chair. The issue of bars and alcoholic-selling outlets came because it is bars that were closed; shops were still running, they were not closed and it is bars that were opened just the other day by the President so those ones were officially closed. The issue of---

(Laughter)

Hon. Deputy Speaker: Hon. Angela, let the Hon. Member finish his submissions, please?

Hon. Mwanthi: The issue of schools, I believe schools are still not yet opened so I do not think they are still meeting with our revenue clerks to pay anything since schools are still closed possibly until next year when the schools open. Hon. Speaker, I would just want to say a few remarks that sometimes when people raise an alarm, when they feel they are being oppressed it is when you consider and work on them.

It is that sector that has raised alarm immediately after the President opened the bars and eateries it is when they raised the alarm and we had to consider them, it is a good idea. Some of these people will never open their premises, others are just still struggling with their landlords to see whether they will be allowed to open or not and many of them honestly will not open.

The landlords are now negotiating with other traders who were doing other things and it is a sector that has also been holding the economy of our County to some extent and when we talk of bars and clubs we mean the authorized ones not maybe the ones that are selling the illicit brew. So, I think it was good and I appreciate all Members who have contributed, who have even helped the Motion to be as it is now with those amendments that we have done.

It now looks better for our people and even the corrections that you are giving are bringing or will cause other similar motions to come and I believe this Hon. House will listen, deliberate, and approve them. Thank you, Hon. Speaker.

(Applause)

Hon. Deputy Speaker: Thank you, Hon. Steve Mwanthi.

(Question proposed and agreed)

(Applause)

ADJOURNMENT

Hon. Deputy Speaker: Hon. Members, the House stands adjourned to resume again on Tuesday the 6th day of October 2020 at 2:30 p.m. Enjoy your lunch.

The House rose at 1.16 p.m.

