

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

**OFFICIAL REPORT**

**Wednesday, 24<sup>th</sup> July, 2019**

The House met at 10.10 a.m.

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

**PRAYERS**

**Hon. Deputy Speaker:** Ring the bell please.

*(Quorum Bell rung)*

Let him stop ringing the bell, I think we have quorum. Good morning Members, welcome to today's sitting.

**MOTION**

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE COUNTY  
EXECUTIVE OF MACHAKOS FOR THE YEAR ENDED JUNE, 2016

*(Hon. (Ms.) Mutunga on 07.05.2019)*

*(Resumption of Debate on the Motion tabled on 07.05.2019)*

**Hon. Deputy Speaker:** Hon. Members, under this Order, we have one motion by the Hon. Joseph Musau, chairperson public accounts and investments committee. Hon. Joseph Musau.

**Hon. Musau:** Thank you, Mr. Speaker, Sir. Mr. Speaker on the Table is some continuation of a debate on the motion that the House discusses and approves the report of Public Accounts and Investments Committee on the report of the Auditor General on the financial statements of County Executive of Machakos for the year ended 30th June, 2016.

Mr. Speaker, the motion was moved and seconded in this House in the month of May this year, the report was discussed but referred back to the committee on the following grounds:

- Some recommendations regarding some of the responses were adverse compared to the weight of the query.
- During the time of interrogation, the accounting officer did not avail most of the supportive documents leaving the committee with no option other than to recommend appropriately.

- In June this year the committee wrote to the county secretary requesting for all supportive documents that were not availed to during the auditor exercise and also the committee during the interrogation exercise.
- The documents were availed to the committee which then used them to rewrite the report again as requested in this House. In the report the supportive documents have been stated as appendices.

Mr. Speaker, Sir, with your permission, I now table the supportive documents mentioned above.

**Hon. Deputy Speaker:** Please go ahead and table them.

*(Hon. Musau tabled the documents)*

**Hon. Musau:** Mr. Speaker, now with your permission, I read the report again.

**Hon. Deputy Speaker:** Go ahead.

**Hon. Musau:** Thank you, Mr. Speaker. It is a report of the report of the Auditor-General on the financial statements of County Executive of Machakos for the year ended 30th June, 2016 by the Public Accounts and Investments Committee.

### *1.0 INTRODUCTION*

Mr. Speaker, the report of Auditor General on the Financial Statements of County Executive of Machakos for the year ended 30th June, 2016 was received in the office of the Clerk pursuant to Article 229(7) of the Constitution that states that Audit Reports shall be submitted to Parliament or the relevant County Assembly.

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

### *2.0 COMMITTEE MANDATE*

Mr. 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 Investments 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.

### 3.0 COMMITTEE MEMBERSHIP

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

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

### 4.0 GUIDING LEGAL PROVISIONS ON AUDIT REPORTS

Mr. Speaker, Article 229(5) of the Constitution provides that “the Auditor-General may audit and report on the accounts of any entity that is funded from public funds.” Article 229(8) of the Constitution states that “within three months after receiving an audit report, the parliament or the County Assembly shall debate and consider the report and take appropriate action.”

Article 201(d) and (e) of the Constitution provides that the principles of public finance include prudent and responsible use of public money and responsible financial management and clear fiscal reporting. Article 226(2) of the Constitution states that the accounting officer of a county public entity is accountable to the County Assembly for its financial management.

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

Article 232(1)(a), (e) and (f) of the Constitution provides that values and principles of public service includes high standards of professional ethics, accountability for administrative acts and transparency and provision to the public of timely, accurate information.

### 5.0 COMMITTEE SITTING AND EVIDENCE TAKING

Mr. Speaker, on 25th September, 2018 the committee held a meeting with the County Secretary of Machakos County that time who was Mr. Francis Mwaka, who had been accompanied by other officers from the Department of Finance. The invitation was to respond on various queries raised in the Audit report pursuant to Article 226(2) of the Constitution that provides that the Accounting Officer of a County public entity is accountable to the County Assembly for its financial management.

### 6.0 DETAILS OF THE FINANCIAL STATEMENTS

#### 6.1 Non submission of a Trial Balance

Mr. Speaker, the County Executive has not provided a total balance to support figures in the financial statements for the year ended 30th June, 2016. In the circumstances, completeness, accuracy and authenticity of the balance reflected in the financial statements could not be confirmed.

#### Response

Mr. Speaker, the Accounting Officer admitted the query and responded that the financial statements for the financial year under review were prepared from IFMIS data extracts. IFMIS

has the reporting module from where notes to the financial statements are run, these notes are summaries of various ledger balances which are consolidated per vote line so as to give the figure for a particular item such as Compensation of employees, use of goods and services and so forth.

To support these figures, the system is able to generate payment details which are reconciled with the cash book and bank statement for purposes of ensuring that only actual payments are used in generation of the financial statements hence quality and reliability of the financial statements.

The trial balance provided during the audit therefore contained summaries of the various ledger balances which were grouped into the main items as presented in the financial statements.

#### *Observations*

Mr. Speaker, the committee observed that data extracts and corresponding payment details extracted from the IFMIS system led to harmonized and accurate figures for the financial statement. The committee noted that though the right format was not used in the preparation of the statement as stated by the Auditor, the summaries provided by the Accounting officer was accurate and so there was no loss of details of funds. Hence the committee was satisfied with the response (*See appendix 1.0 for payment details*)

#### *Recommendations*

Mr. Speaker, the committee recommends that pursuant to Section 47 of the Public Audit Act 34 of 2015, in the next audit report all elements of financial statements should be presented in the proper form and content as prescribed by the Public Sector Accounting Standards Board.

#### *6.2 Accounts payable and other liabilities*

Mr. Speaker,

(i) Contrary to the guidelines issued by the Public Sector Accounting Standards Board under provisions of Section 194 of the Public Finance Management Act, 2012, no disclosures have been made of outstanding accounts payables, pending bills totaling Ksh. 1, 812,966,935 in the financial statements as at 30th June 2016.

Further, information available indicates that the pending bills amount of Ksh. 1,812,966,935 include bills for the 2013/2014 and 2014/2015 financial years as analyzed in the following table.

Analysis Of Pending Bills by Budget Vote and Financial Year in Ksh.				
Budget	2013/14	2014/15	2015/16	Total
Recurrent (Ksh)	85,975,239	86,743,728	208,981,208	381,700,175
Development	328,202,578	338,815,296	764,248,886	1,431,266,761
Total (Ksh)	414,177,818	425,559,024	973,230,094	1,812,966,935

(ii) Including in the pending bills amount of Ksh. 1,812,966,935 as to the 30th June, 2016 is an amount of Ksh. 320,000,000 whose details are reported as “ward roads phase 11 and Phase 111 dated 23rd October, 2014. However, there was no corresponding Local Service Order or Local Purchases Orders and contract documents to confirm the suppliers and nature of goods and services supplied.

In the circumstances, it has not been possible to confirm whether goods and services worth Ksh. 320,000,000 were supplied or rendered to the County Government and if the pending bill of Ksh. 320,000,000 was valid.

(iii) Had the pending bills of Ksh. 1,812,966,935 been settled, the financial statements for the year ended 30th June would have reported a deficit of Ksh. 2,011,630,218 instead of the current deficit of Ksh. 198,663,283. Failure to pay bills in the year they relate distorts the financial statements for the year and adversely affects the budgetary provisions for subsequent years where they have to be charged. The management has not provided explanations for the delay in settlement of the long overdue pending bills.

#### *Response*

Mr. Speaker, the Accounting Officer responded that, the County had pending bills as at June, 2016. A schedule of invoices showing the details of the merchants and services/goods provided or supplied has since been provided to the auditors for review. A movement schedule showing bills that had been cleared in the first half of 2016/2017 Financial year was provided to the auditors for review. Further, a supplementary budget was used to clear the long outstanding bills for 2013, 2014 and 2015.

#### *Committee observation*

Mr. Speaker, the committee observed that the Accounting Officer had prepared schedules of payment and a movement schedule of bills cleared as stated in the above response (*See Appendix 2 on pending bills schedule*)

However, it was noted that these documents were availed to the auditor later after the audit exercise. The issue of supplementary budget according to the committee was immaterial because pending bills were catered for in the main budget of all the fiscal years from 2013 to June, 2016.

#### *Committee recommendation*

Mr. Speaker, the Accounting officer should ensure that all payment vouchers, invoices and schedules of payments are ready for checking during the time of audit and that availing these documents after the audit exercise is of no consequence.

### *6.3 Discrepancies in the Financial Statements*

#### *6.3.1 Cash and Cash Equivalents*

Cash and cash equivalent balance of Ksh. 412,292,923 as at 30th June 2016 reflected in the statement of assets differs with the related balance of Ksh. 428,442,741 shown in the statement of cash flows by Ksh. 16,149,818. The accuracy of cash equivalents balances could therefore not be confirmed under the circumstances.

*Management response*

Mr. Speaker, the Accounting Officer stated that during the financial year under review, the county's cash equivalents amounted to Ksh. 412,292,923 as presented in the financial statements under statements of Assets. The reported difference of Ksh. 16,149,818 is basically the accounts receivable which were missed on in the Statement of Cash Flow as presented in the Financial Statements leading to Cash and Cash Equivalents amounting to Ksh. 428,442,741.

*Committee observations*

Mr. Speaker, the committee observed that the Ksh. 16,149,818 that was missing from the statement was an omission for accounts receivable and recommended the accounting officer to be thorough in making entries to the statements (*See appendix 3.1 on cash and cash equivalent adjustments*). Hence the committee was satisfied by the response.

*Recommendations*

Mr. Speaker, the Accounting Officer, for the purpose of future audit reports should keenly scrutinize the financial statements to avoid loss of details and insufficiency of information which may adversely affect the interpretation of the prepared financial statement.

*6.3.2 Other Revenues*

Mr. Speaker, the statement of receipts and payments reflects other receipts totaling Ksh. 1,121,680,950 for the year ended 30 June 2016. Included in this amount are receipts totaling Ksh. 992,420,829 on account of local revenues collected from its Local Authority Integrated Financial and Operations Management System (LAIFOMS).

However, a comparison of Point of Sale (POS) system revenue reports for the same period indicates receipts of Ksh. 1,226,506,277, resulting in unexplained difference of Ksh. 234,085,448 analyzed as follows:

Comparison Between Reported Revenue Collection by POS and LAIFOMS			
Sub County	POS Report	LAIFOMS	Difference
Mavoko	672,027,483	605,251,217	66,776,266
Machakos	268,502,426	186,672,071	81,830,356
Yatta	61,131,156	47,406,082	13,725,374
Matungulu	59,623,289	53,974,569	5,648,720
Kangundo	49,579,909	25,340,069	24,239,840

Mwala	48,710,815	34,633,073	14,077,742
Masinga	36,656,149	20,618,052	16,038,097
Kathiani	30,274,750	18,525,697	11,749,053
Total	1,226,506,277	992,420,829	234,085,448

Although the management has attributed the discrepancies between the two systems to integration issues that require reconciliation upon every subsequent upload, no reconciliations have been undertaken. Further, the system event logs module which records and monitors individual user activity in the system have not been enabled despite being provisioned.

Consequently, there is no audit trail on the individual user activity in the system. From the foregoing, it is not possible to confirm the completeness and accuracy of the reported local revenues of Ksh. 1,121,680,950

#### *Management response*

Mr. Speaker, in response the Accounting Officer said that the difference arose due to errors of mis-posting and double postings especially when there was a system down time and the Point of Sale gadgets failed to generate receipts.

The problem was persistent and the system was decommissioned. The issue of LAIFOMS event logs module being inactive was reported to the Local Authority Reform Program and it has been worked on.

#### *Committee observations*

Mr. Speaker, the committee observed that from all the 8 Sub-Counties, the Local Authority Integrate Financial and Operations Management System (LAIFOMS) recorded less revenue than the actual collection from the station. A total of Ksh. 234,085,448 was therefore not reflected in the system.

Again the system event logs module which records and monitors individual user activity in the system was not enabled despite being provided for. The accounting officer however offered satisfactory explanation on the errors occasioned by the system and which was beyond their control and decommissioning the system was a good decision.

The officers further provided evidence of documents regarding receipts for total revenue collected, banked amounting to Ksh. 1,121,680,950 as stated in the query. Hence the committee was satisfied with the response.

#### *Recommendations*

Mr. Speaker, the County Government of Machakos should invest in embracing digital collection system of revenue if at all the county wants to realize its revenue target and block loopholes of revenue loss at the collection centers.

As regards the LAIFOMS system that was said to have failed and decommissioned, the County Government should procure re-installment of the system since it will guarantee the County accuracy pertaining to revenue records.

### 6.3.3 Fund Accounting for Kenya Roads Board

Mr. Speaker, included in the proceeds from domestic foreign grants figure of Ksh. 207,987,365 in the statement of receipts and payments and as disclosed under note 3 to financial statements is an amount of Ksh. 85,984,411 received from Kenya Roads Board on account of road maintenance. This amount was banked into the County development bank account No. 1000170751 at Central Bank of Kenya alongside other development funds.

This is contrary to the fund accounting guidelines which requires the fund to be accounted for separately and distinct from the receiving entity transactions under transfers to other government units.

Further, no explanations have been given for the continued non- utilization of the funds for the intended purposes. Consequently, the residents of the County are being denied access to good roads with the continued delay in utilization of funds.

#### *Management response*

Mr. Speaker, in response the Accounting Officer stated that during the financial year under review, the amount received from Kenya Roads Board was Ksh. 85, 984,411 as reported in the financial statements. However, by the end of the financial year, the amount had not been spent. It was spend in Financial Year 2016/2017

#### *Committee observations*

Mr. Speaker, the committee observed that the management, due to unavoidable reasons, was unable to utilize the money within 2015/2016 financial. However, the committee confirmed that the said money remained intact until the executive was ready to absorb it in the following financial year (*See appendix 3.3.3 for roads done in FY 2016/17*). In this matter the committee was satisfied with the response.

#### *Recommendations*

Mr. Speaker, the County Government of Machakos should utilize funds as budgeted in every financial year and strictly abstain from delayed services since non-absorption of funds in a given year translates to denying citizens of Machakos timely services.

### 6.4 Expenditures

#### 6.4.1 Use of Goods and services Items with Significant Increase

Mr. Speaker, the statement of receipts and payments reflects expenditures of Ksh. 1,320,636,885 on use of goods and services for the period ended 30th June, 2016 that is 2015 at Ksh. 1,312,706,987. A review of the individual expenditure items revealed that expenditure on utilities, supplies and services and fuel, oil and lubricants items increased significantly in the year under review as follows:

<b>Item</b>	<b>2015/2016</b> Ksh	<b>2014/2015</b> Ksh	<b>Increase</b>	<b>%</b>
Utilities supplies and services	116,144,822	47,187,363	68,957,459	146
Fuel Oil and Lubricants	184,781,545	158,281,548	26,499,997	17

The significant increases have not been explained by the management.



*Management response*

Mr. Speaker, the Accounting Officer responded that during the financial under review, amount the reported under fuel oil and lubricants was Ksh. 116, 144,822 up from Ksh. 47,187,363 representing 146 per cent increase as compared to the amount incurred during financial year 2014/2015. This arose from payment of Ksh. 114,771,218 under development in the department of Transport that is County Fleet management program.

*Committee observation*

Mr. Speaker, the committee observed from the response that the Accounting Officer authorized expenditure of Ksh. 114,771,218 budgeted under development vote to be utilized in purchase of fuels which is a recurrent expenditure which is contrary to PFM provisions.

The committee after thorough inquiry also noted that the County Government of Machakos acquired many vehicles during that financial year and again it increased the number of staff therefore leading to the above significant increase in the operational costs.

*Recommendations*

Mr. Speaker, the Accounting Officer should strictly adhere to the provisions of PFM and observe fiscal discipline by avoiding misuse of development vote as observed from his response. The committee also recommended that priority areas such as provision of roads, water, education, revenue collection and creation of jobs for our youths should be given priority when it comes to expenditures. This is because the County may purchase many vehicles whose effect may not be felt by the citizens of Machakos.

*6.4.2 Insurance Costs*

Mr. Speaker, the statement of receipts and payments and as disclosed under Note 13 to the financial statements reflects an expenditure of Ksh. 95,063,121 in respect to insurance costs for the financial year ended 30th June, 2016 that is 2014/15 at Ksh. 21,605,239, an increase of Ksh. 73,457,882. However, the ledger in support of the insurance cost includes payment amounting to Ksh. 10,160,831 for which payee details have not been provided.

Further, a comprehensive list of motor vehicles, plant, equipment and machinery insured during the year for which the premium was generated against has not been provided for audit review. In the circumstances, it was not possible to confirm the validity and regularity of the insurance cost of Ksh. 95,063,121 for the year ended 30th June, 2016.

*Management Response*

Mr. Speaker, it was responded that during the financial year under audit, the County Government incurred Ksh. 95,063,121 on insurance premiums Ksh. 73,457,882 higher compared to 2014/2015. This came about due to payment of pending bills relating to insurance premiums of prior periods. Further, the County Government acquired more motor vehicles and machinery such as FAW trucks during the year under review. This highly contributed to the increase in insurance costs as compared to the previous year.

*Committee observation*

Mr. Speaker, the Accounting Officer only responded on the increase in insurance costs across the financial years in question.

A list of motor vehicles, plant, equipment and machinery insured during the years in question was availed to the committee but the same list was not availed to the Auditor General although the Accounting officer attributed the anomaly to delay in collecting crucial information at that time.

On inquiring if the document was later seen by the Auditors, the Accounting Officer confirmed that it was later forwarded to their office (*See Appendix 4.2 on list of motor vehicles purchased*)

#### *Recommendations*

Mr. Speaker, there is need for the Accounting Officer to be fully prepared with all supportive documents any time he is to receive Auditors. This is because availing documents to the committee after the audit exercise does not have any consequence on the stated query.

#### *6.4.3 Compensation of Employees*

The County Executive does not have in place an approved staff establishment and the related salary structures. Consequently, there is no objective criterion for staff placements and compensation of employees costs amounting to Ksh. 3,667,736,979 for the year under review.

#### *Management Response*

Mr. Speaker, the Accounting Officer stated that at the time of audit there was no standard approved staff establishment and salary structure as the County Government inherited staff from the defunct Local Authorities and National Government with different staff establishment and salary structures.

The County Government is carrying out Capacity Assessment and Rationalization of the Public Service (CARPS) for its entire staff with the objective of developing a uniform staff establishment and salary structure.

#### *Committee observation*

Mr. Speaker, the County has no staff establishment and salary structure as observed by the Auditor General. This situation is prone to abuse by individuals in the office for personal gains and as a result lead to poor service delivery and unnecessary ballooning of wage bill in addition to providing a space for accommodating ghost workers.

Further, the committee on labor, public service and ICT has for a long time requested for the said staff establishment but all in vain. The Accounting officer later provided a Capacity Assessment and Rationalization Programme (CARPS) Report and which by that time was in the process of being adopted (*See Appendix 4.3 on CARPS Extract*)

#### *Recommendations*

The County Government of Machakos should within 90 days avail to the Assembly a staff establishment and related salary structure for purposes of transparency and accountability as provided in Article 10 of the Constitution of Kenya 2010.

#### *6.4.4 Acquisition of Assets*

##### *(i) Construction of Buildings*

Mr. Speaker, Note 18 to the financial statements discloses expenditure of Ksh. 301,226,698 in respect to construction of buildings for the financial year ended 30th June,

2016 that is 2014/15 at Ksh. 372,060,868. However, a schedule provided in support of the figure has not broken down the cost into individual and itemized identifiable units.

Consequently, the validity, propriety and accuracy of the construction of buildings expenditure of Ksh. 301,226,698 for the year ended 30th June, 2016 could not be confirmed.

*Response*

Mr. Speaker, the Accounting Officer stated that the County Government engaged in refurbishment of health facilities and construction of new community hospitals across the County under the sub-item Construction of Non-residential Buildings. Various facilities were contracted out to different contractors to carry out the necessary works based on their respective contracts. Details of these contractors and the facilities they did are available in the system (IFMIS).

*Committee observation*

Mr. Speaker, there was no proper coordination between the department of finance and the office of the auditor general during the time of audit. Further, although it was alleged that the information about the works contracted was available in IFMIS as reported by the management, the concerned Departments failed in their duty to timely avail all necessary information to the office of auditor general during the time of audit (*See Appendix 4.4 (i) on building works and which was later availed to the committee and the Auditors*)

In addition, the Accounting officer during the interrogation exercise provided further information on the facilities implemented as per the query although the same was not availed to the Auditor during the auditing exercise,

*Recommendations*

The Accounting Officer for purposes of future reports should extract all IFMIS details related to a particular query and avail them for auditing but not just referring the office of the Auditor General and the Committee to check details in the system.

*ii) Construction of Roads*

Mr. Speaker, disclosed also in the financial statements is an amount of Ksh. 480,736,742 in respect to construction of roads for the year under review that is 2014/2015 at Ksh. 739,233,510. The expenditure is broken down into contractors and associated tendering costs, labour cost for works done in house and capital grant for road maintenance of Ksh. 364,500,082, Ksh. 30,252,253 and Ksh. 85,984,407 respectively.

However, the schedule provided does not have a breakdown of the respective amount relating to individual roads constructed. Consequently, the validity, propriety and accuracy of the expenditure of Ksh. 480,736,742 on construction of roads could not be confirmed.

*Response*

Mr. Speaker, the Accounting Officer stated that the County Government incurred Ksh. 480,736,742 on construction of roads. New roads were done that is on upgrading to bitumen standards, as well as upgrading of murram road to attain all-weather status. These roads were done by various contractors and their relevant details are available in the system (IFMIS).

*Committee observation*

Mr. Speaker, an itemized list of all the roads constructed was not provided to the auditors at the required time (*See Appendix 4.4 (ii) on roads and which was availed to Auditors later*) Although it was alleged that the information about the roads done was available in IFMIS as reported by the management, the department of finance is under obligation to provide to the office of auditor general all necessary information required during the time of audit.

#### *Recommendation*

Mr. Speaker, the Accounting Officer should for purposes of future audit reports, provide sufficient information in the proper format to the auditors in order to lift the level of accountability in the respective departments.

#### *(iii) Construction of Civil Works*

Mr. Speaker, as disclosed in the financial statements is an amount of Ksh. 924,561,359 in respect to construction of civil works for the year under review that is 2014/2015 Ksh. 279,779,337.

However, the schedule provided does not have a breakdown of the respective amount relating to individual civil works project undertaken. Consequently, the validity, propriety and accuracy of the expenditure of Ksh. 924,561,359 on civil works projects could not be confirmed.

#### *Management Response*

Mr. Speaker, it was responded that the County Government incurred Ksh. 924,561,359 on construction and rehabilitation of civil works. These civil works were done by various contractors and their relevant details are available in the system.

#### *Committee observation*

Mr. Speaker, an itemized list of the civil works undertaken was not provided to the auditors on the right time (*See Appendix 4.4 (iii) on civil works and which was availed to Auditors later*) Although information about the civil works done was available in the system as reported by the management, the department of finance should have provided all necessary information required to the office of auditor general during the time of audit. Hence, the committee found the response given by the Accounting Officer in adequate.

#### *Recommendations*

Mr. Speaker, the Accounting Officer for the purposes of future reports should provide all fine details and in the proper format to the Auditors since this will improve our level of accountability and transparency.

### *6.5 Budget Performance and Disclosures*

#### *6.5.1 Governor's Expenditure*

Mr. Speaker, during the year under review, the Governor's Office approved development budget and expenditure stood at Ksh. 44,734,109 and Ksh. 34,584,587 respectively resulting in under absorption of Ksh. 10,149,522 or 22.7 per cent of the approved budget. No explanation has been rendered for the under absorption.

#### *Management Response*

Mr. Speaker, the Accounting officer responded that during the year under review, the County Government had budgeted to raise receipts amounting to Ksh. 10,944,613,332 from exchequer, grants and local sources as presented in the receipts and payments. The County management was to raise Ksh. 8,302,648,068 from all possible sources.

Further, as presented in the statements of assets, comparative figures indicated that the County had Cash and Cash Equivalents amounting to Ksh. 605,820,763 which were then carried forward to fund the budget of the year under review. Therefore, summing revenue raised during the year and the cash and cash equivalents brought forward implies that the County had Ksh. 8,908,468,831 available to fund the said budget for the year which translates to 81 per cent of the budget. In light of the above therefore, it is apparent that the county's budget could not be funded to the tune of 19 per cent.

The shortfall of the targeted revenue led to financial constrain and therefore the County could not achieve 100 per cent budget performance hence the under absorption in Office of the Governor's development budget.

#### *Committee observation*

Mr. Speaker, the County Government collected less revenue from local sources than it had targeted. This means the County Government of Machakos has not fully exploited its revenue streams or there is no adequate reinforcement in the field of revenue collection.

#### *Recommendations*

Mr. Speaker, the County Government of Machakos should sharpen its financial collection monitoring by ensuring that all revenue streams are harnessed fully and that no revenue losses result from corrupt, irresponsible officers and corrupting of revenue collection gadgets right from revenue collection source to banking

#### *6.5.2 Local Revenue*

Mr. Speaker, the summary statement of appropriation recurrent and development reflects local revenue budget of Ksh. 2,371,633,578. However, only Ksh. 1, 121,680,950 was realized resulting in an under collection of Ksh. 1,252,952,628 or 53 per cent of the approved budget. Further, and in comparison with the year 2014/2015 at Ksh. 1,262,462,637, there was a decline of Ksh. 140,781,687 or 11.1 per cent. The management has not provided satisfactory explanations for the underperformance.

#### *Management Response*

In response the Accounting Officer said that the County Government targeted to collect Ksh. 2.3 Billion during the year under review. This budget was arrived at on the strength of finance bill which was approved by the County Assembly during the budget cycle. However, some of the approved rates were challenged by stakeholders which then rendered implementation of the same difficult whose impact negatively affected achievement of the budget hence the under-performance.

#### *Committee observation*

Mr. Speaker, the County department of finance and revenue collection had not exploited all measures required to enhance revenue collection. The committee also noted that the County

Finance Bill, 2015 had been challenged in Court due to lack of public participation making it difficult to implement some of the rates quoted in the bill.

### *Recommendations*

Mr. Speaker, Machakos County has all the potential to achieve revenue target owing to its wide range of revenue streams. The County should therefore sharpen its financial collection monitoring and do close supervision. The County can also engage private revenue collectors who should after engagement be given a revenue collection target.

### *6.5.3 Development Budget*

Mr. Speaker, the summary statement of appropriation: development reflects an approved budget of Ksh. 5,703,312,440 with the actual absorption of Ksh. 2,622,787,316 resulting in an under-utilization of Ksh. 3,080,525,124 or 54 per cent of the approved budget. The management has not rendered satisfactory explanations for the under absorption.

An analytical review of the individual expenditure items approved budget verses actuals absorption is as detailed out below.

<b>Receipts/ Expense Item</b>	<b>Final Approved Budget (Ksh.)</b>	<b>Actual Expenditure (Ksh.)</b>	<b>Difference (Ksh.)</b>	<b>Difference (%)</b>
<b>RECEIPTS</b>				
Proceeds from domestic and foreign grants	235,392,115	207,987,365	27,404,750	12%
Exchequer releases	9,111,109,043	6,972,979,753	2,138,129,290	23%
Other receipts	2,371,633,578	1,121,680,950	1,249,952,628	53%
<b>Total</b>	<b>11,718,134,736</b>	<b>8,302,648,068</b>	<b>3,415,486,668</b>	<b>29%</b>
<b>PAYMENTS</b>				
Compensation of employees	3,606,456,824	3,667,904,229	(61,447,405)	-2%
Use of goods and services	1,463,289,096	1,320,636,885	142,652,211	10%
Transfer to other government units	882,964,591	855,581,830	27,382,761	3%
Other grants and transfers	929,561,919	555,811,170	373,750,749	40%
Acquisition of assets	4,605,897,351	2,101,377,237	2,504,520,114	54%
Other payments	230,000,000	0	230,000,000	100%
<b>Total</b>	<b>11,718,169,781</b>	<b>8,501,311,351</b>	<b>3,216,858,430</b>	<b>73%</b>

*Management Response*

The Accounting Officer responded that during the year under review, the County Government had budgeted to raise receipts amounting to Ksh. 10,944,613,332 from exchequer, grants and local sources. As presented in the receipts and payments, the County managed to raise Ksh. 8,302,648,068 from all possible sources.

Further, as presented in the statements of assets, comparative figures indicated that the County had Cash and Cash Equivalents amounting to Ksh. 605,820,763 which were then carried forward to fund the budget of the year under review. Therefore, summing revenue collected during the year and the cash and cash equivalents brought forward implies that the County had Ksh. 8,908,468,831 available to fund the said budget for the year which translates to 81 per cent of the budget. In light of the above therefore, it is apparent that the county's budget could not be funded to the tune of 19 per cent.

The shortfall of the targeted revenue led to financial constrain and therefore the County could not achieve 100 per cent budget performance hence the under absorption in Office of the Governor's development budget.

*Committee observation*

Mr. Speaker, there was under absorption of the development budget which was a result of under collection of revenue from local sources. This under absorption is also an indication of poor planning and that the county government was not ready for budget implementation. The management did not give the committee strategies that it intends to put in place to increase revenue collection in future and therefore this problem is likely to recur.

*Recommendations*

Mr. Speaker, there is need for the County Government of Machakos to do proper planning for all intended projects before a budget for a particular year is released. Again realistic strategies should be put in place to boost revenue target so that the proposed budget can be achieved.

*6.6 Unresolved Prior Year Matters**6.6.1 Assets inherited from the Defunct Local Authorities in Machakos County*

Mr. Speaker, as reported in the previous years, the County's financial statements do not include the assets of the defunct local authorities within Machakos County although the County Government took possession of them. In addition, the Transition Authority, now defunct, did not formally handover the assets of the defunct local authorities in Machakos to the County Government.

Further, there are no ownership documents to the assets such as title deeds and log books among others. Consequently, it has not been possible to confirm the carrying values of these assets and their ownership status.

*Management Response*

Mr. Speaker, in response the Accounting Officer said that, as stated in the audit report, the assets inherited from the defunct local authorities have not been included in the financial statements of 2013/14 and 2014/15 since the transition authority are yet to do an official handing over of the same, when the values of the assets is established.

Therefore the figure of Ksh. 1,918,988,625 reported in the financial statements for two financial years are for the ones the County government acquired during the period.

#### *Committee observation*

No report of document was tabled before the committee to show any attempt by the management to engage the relevant authorities on the matter. The ownership of the mentioned assets belonging to the County of Machakos continues to remain in limbo since 2013.

The committee was concerned that failure by the County Government of Machakos to obtain ownership documents of its assets may indicate that these assets went to the hands of undisclosed individuals

#### *Recommendations*

Mr. Speaker, the Committee recommends that the County Secretary should within 90 days finalize the arrangement of official handing over of all assets inherited from defunct council. Further within the same period, she should ensure that all ownership documents of the said assets are obtained.

#### *7.0 CONCLUSION*

Mr. 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.

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 Executive of Machakos for the year ended 30th June, 2016 for discussion and adoption. Thank you, Mr. Speaker. Thank you so much Mr. Speaker, thank you Members for your audience.

**Hon. Deputy Speaker:** Thank you Hon. Joseph Musau for the report. I now invite Members to go ahead and debate on the motion and air your views. Hon. Geoffrey.

**Hon. Kamulu:** Thank you, Mr. Speaker. I will start by applauding the committee and the Chair for a good report they have presented to us. I have some observations from page 16; there is a common repetition of a statement 'could not be confirmed' in almost everywhere. 'This one was not availed' is dominating the report.

Under acquisitions of assets, construction of buildings; the committee has noted there was no provision to support issues in itemized manner leading to validity, propriety and accuracy of construction of buildings; actually up to and including over Ksh. 300 million. Mr. Speaker, you wonder if this one was not confirmed, were the buildings done.

When you go to page 17 again you will notice that the accounting officer here is only indicating reference to the system; he is not trying to give out the information the way it is



supposed to be. That is the recommendation that; auditor general and the committee to check details in the system. Are they the ones who are supposed to go and check the information from the system or the accounting officer is supposed to give it to them? That one brings a question; either it was intentional or we cannot tell.

Still under construction of roads, if you look at the report at the bottom there where there is Ksh. 480 million, you will note that construction of roads could not be confirmed. The same statement is repeating itself; then you wonder what that officer is doing because everything is not in the proper way. If you go page to page 18, the accounting officer could not for the purpose of future audit reports; they are recommending that they provide sufficient information in the proper format then you wonder, if the person concerned with finances has got that information with him, why use a different format which is not recognized. That one brings a query.

Still under construction of civil works; the same issue is rising again at the bottom; projects could not be confirmed and that is Ksh. 924 million and above. Why not confirm the use of that money and if it is not confirmed, where is it.

When you go to page 19 on committee observations on a response related to civil works and at the bottom; the committee found the response given by the accounting officer inadequate. This one tells us that there is big discrepancy as far as accounting in this county is concerned. Even when we come to the Governors expenditure on page 19 at the bottom and they are still the same; no explanation has been rendered for the under-absorption because under-absorption has been noted by the committee and nobody can explain on the same.

Then you wonder why the person who is supposed to be accounting for this is doing it in this manner; is it intentional, are they hiding something, why not do it in the right way because it is indicating incompetence.

Page 21 under local revenue and at the bottom, the management has not provided satisfactory explanation for the under-performance. Why the negativity all through? At least we should be noting some positive issues as far as finances in the county are concerned. So, Mr. Speaker, I am feeling that something has been hidden here and under the recommendations, I think the relevant authorities who should see why things are not being done the right way, the committee should also recommend that they be given the mandate to come and find out why things are the way they are as far as this report is concerned. Thank you, Mr. Speaker.

**Hon. Deputy Speaker:** Thank you, Hon. Geoffrey. Hon. Kisini.

**Hon. Kisini:** Thank you, Mr. Speaker. I want to applaud the committee for the good job and especially the Chairman for the long report which he has read to us. My concern is on page 23 where the assets there are unresolved prior year matters of assets inherited from the defunct local authorities. He continues to talk about the ownership of the mentioned assets belonging to Machakos County continue to remain in limbo even from the year 2013. Although we are talking of the financial year 2016 and we are in 2019, I would request if these reports can be fast-tracked so that when we are reading and discussing them, we might know what we are discussing because 2016 is still a long time and we were not even here.

All the same, that concern of the assets, even I do not think the current financial status they have been known and factored, you can see that the county government even up to 2016 had not known the assets which they took over from the local authorities and I think the local authorities had many assets like land, buildings and such so that is a serious concern when we

have a financial statement which does not know the assets or what it owns. Thank you, Mr. Speaker; that was my only concern.

**Hon. Deputy Speaker:** Thank you, Hon. Kisini. Hon. Cosmus.

**Hon. Masesi:** Thank you Mr. Speaker. Mine is to commend the committee of PAIC for this elaborate report. I must say if we want to go far, we must dwell on reports which are very much current. If you look at the national issues we are witnessing, very senior persons in regard to public use of monies. We have seen the CS Treasury being taken to court and I am just wondering how certain individuals can be stealing money equivalent to two countries financial year budget (??). This report dwells much on issues of Chapter Six on integrity and transparency on money matters.

I wish we could now be looking on 2017/2018 report; that would be very fresh in our minds and if needed, we would be able to recommend for action to be taken if we see to it that monies have been misappropriated. The report is very clear, although I want to echo the sentiments of Hon. Kamulu that we need to recommend for action to be taken if we feel that monies have been misappropriated.

Mr. Speaker, very key and a common challenge within our county is submission of documents within the required periods. Submitting documents after the reports have been given by the CoB or the Auditor General does not make any sense. We must put more effort in making sure that submission of documents in the relevant quarters is done within the required periods. If you now submit reports after a report is out, it doesn't change anything.

Mine is also to make sure that as a House we be on toes with our Chief Officers for the submission of these reports on quarterly basis which will keep us more updated on the current issues. Thank you, Mr. Speaker.

**Hon. Deputy Speaker:** Thank you, Hon. Cosmus. Hon. Johana Munyao.

**Hon. Munyao:** Thank you, Mr. Speaker. Regarding the Auditor's report, as to what extent an auditor presents a qualified or unqualified opinion on any audit of any institution, it mainly depends on whether the report indicates some disclosures which are not submitted or issues which are not very clear and resulting from that we get queries from the auditors. Mr. Speaker, the report before the House, I would wish to applaud us as a committee because of the good work we did.

At the time of interrogation and as evident and when this report was presented to this House, some information had not been disclosed and especially with some evidence and that is why the report could not be discussed and that is why the report indicated some lack of..... and that is why we had no confidence in the report in short. Mr. Speaker after meeting the concerned accounting officers, we were able to share with them and one of the key concerns which was raised, I want to report that the Executive was able to admit lack of capacity at the time or personnel and they admitted that it was erroneous to submit a report without some disclosures.

Therefore that necessitated the presentation of a set of appendices which was tabled before this House to support the areas which were not very clear. I would like to say that we have seen a lot of improvement because as we speak, one of the first reports to be submitted to us to this Assembly although it is not official is the report of 2017/2018 report from the Executive, the

Auditor General's report contrary to the last financial year where in a way we were almost pushing to have the report presented to this House.

So, Mr. Speaker, as a committee we are doing our best and we would like to report that we are satisfied to that far going by the evidence which was presented to support the areas of concern which were raised in this report. So, I would like to say that even as given in the conclusion that in most of the counties, the public finance management systems are at their formative stages and it is at this juncture that we want to say that Machakos County is not different.

So, the efforts we are seeing of the executive now working on their reports to present in good time is a good gesture as I also concur with the Members that we need to be thorough with these reports because such reports qualifies or unqualified, if a report is unqualified it means we are in good books with financiers and if a report shows some grey hairs, it means that our financiers may also not be very confident with us.

So, I would encourage in future we get proper reports, the evidence is tabled in good time because when it is not disclosed obviously an auditor must qualify the report as not being presented or disclosed as required. So, Mr. Speaker, I would wish to say that we are happy with the report as a committee and request the House to adopt this report. Thank you, Mr. Speaker.

**Hon. Deputy Speaker:** Thank you, Hon. Johana. Hon. Alice

**Hon. (Ms.) Nzioka:** Asanti Bw. Spika. Nimshukuru mwenyekiti wa kamati ya uhasibu kwa ripoti ambayo amesoma. Bw. Spika, kumbuka kwamba hiyo ripoti ambayo imesomwa leo ililetwa katika bunge letu na kwa sababu haikuwa na ukamilifu ikarudishwa ili kama kamati tuchukue nyaraka ambazo zitaandamana na ripoti yenyewe. Sisi kama kamati tulifanya mengi, tulikutana na wanaohusika.

Bw. Spika, naamini kwamba mbele ya meza yako kuna nyaraka ambazo ameleta za kuandamana na ripoti kwa hivyo tunaamini kwamba serikali ya kaunti ya Machakos sehemu ya fetha wamehitimu na sio kama vile walikua. Tuliangalia, kulikua na nyaraka nyingi ambazo hawakuwa wamepatiana, matumizi ya pesa ambazo hawakuwa wametoa na naamini sasa wametoana wamekuwa wamehitimu sana.

Bw. Spika kumbuka ugatuzi ni jambo ambalo limeletwa Kenya na watu wanaendele kuhitimu. Ukiangalia mahali tumefikia kama Kaunti, ukiangali bunge ambalo lilipita na wakati huu bunge letu ama serikali letu katika sehemu ya fedha imehitimu. Naomba waheshimiwa wenzangu waangalie hiyo ripoti na kama itawezekana, nyaraka ambazo umepewa Bw. Spika kama itawezekana zipewe kila mheshimiwa mmoja asome, aangalie aone kama zinaandamana na ripoti. Sisi kama kamati tuliangalia na tukaona kama nyaraka ambazo alileta zinaandamana na hio ripoti. Asante Bw. Spika

**Hon. Deputy Speaker:** Thank you, Hon. Alice. Hon. Mbevi.

**Hon. Mbevi:** Thank you, Mr. Speaker. First, I want to applaud the committee for the good work they have done and the findings. I will just have a concern on page 21 under recommendations where the committee recommended that the County has all the potential to achieve revenue targets. Mr. Speaker, I think this issue of collection of revenue should be taken seriously because it is taking the county backwards because once a county has no revenue and has no proper collection systems it will never move forward.

I would also wish, if possible, request the committee because we understand that when a county does not achieve the target, there is a penalty that is given to the County by CARA so if you do not achieve your target CARA deducts some monies in the following financial year. So, I do not know even whether they got to know the much that was deducted from our allocations that time as a county because it means we lost some millions of money and probably I would say it will be the failure of the county because of the lack of proper revenue collection systems. Thank you, Mr. Speaker.

**Hon. Deputy Speaker:** Thank you, Hon. Mbevi. Hon. Thomas Mutinda

**Hon. Mutinda:** Thank you, Mr. Speaker. Mr. Speaker, I start by thanking the committee for the work done and Mr. Speaker, I have concerns on the issue of IFMIS where the committee has mentioned that the committee was not able to get the report like the suppliers and other things which they said the information was in IFMIS. The much I know about IFMIS is that it is a system where you access through passwords.

You have to be a user so I do not know Mr. Speaker, when the committee was given the information that the information is in the IFMIS, I do not know how they expected to access the information when they are not users, they do not have passwords and even not all those who have passwords or those who are users have access to everything.

You have access to a limited capacity so I do not know because I have heard the recommendation which they have given that in future such information should be availed. My question is in future should be availed what about now? What about this financial year because we are talking of a report for billions for a certain financial year which we are discussing here because as a House if we are going to pass what we are going to pass, yes we will pass but---

**Hon. Deputy Speaker:** Hon. Johana, you have a point of information?

**Hon. Munyao:** Thank you, Mr. Speaker. I think as I concur with the member that was at the time of our interrogation but as we speak we have an appendix an extract from the IFMIS indicating the information which was lacking then.

*(Applause)*

**Hon. Deputy Speaker:** Thank you, Hon. Johana. Hon. Mutinda, you may continue.

**Hon. Mutinda:** Thank you for the information. Mr. Speaker, I was saying the recommendation which was there is that in future, much as the information is there but in future, the report is recommending such information should be availed. So what are we doing for the report we are dealing with which is on the table now. So, Mr. Speaker, that should be dealt with.

The other thing, Mr. Speaker, is on the assets. I have heard them talk of the assets and when the Transition Authority was serving the transition period, I think we are still going far from the area the time when the Transition Authority finished its mandate so we should try to ensure that that list of assets is handed over if at all it was there because the much we continue mentioning the properties, mentioning there was land, there was houses and all those and another financial year comes then the more we are availing that information and you find it is like we are leaving public property to a loss.

So, Mr. Speaker, I think there must be a faster action which should be taken to ensure that we do not lose on such lands because most lands were held on trust by the county councils and the municipalities for the public. So it should be clear so that we do not lose such properties.

The other thing is on assets like the vehicles; I have heard that there was insurance, insurance was being done and if you are insuring you are doing insurance of the property so I do not know because I know the County Government there is a time we were being told that the list of assets. The assets register is like it is not there. So I do not know whether everything has been insured like vehicles and graders and tractors and all those because it should be clarified so that we do not end up with our vehicles or our graders making a mess and eventually we cannot indemnify ourselves because we are owed by either an accident happening or anything bad happening.

So, Mr. Speaker, I think those are things which should be taken care of and also the issue of the staff. There was the issue of salaries which was to be unionized according to the report but I think it is also a difficult challenge because we have staff that are under unions, we have four unions around in the county and others who are not in the unions. So we are dealing with staff who have CBAs, others who do not have so I do not know how they are going to unionize the same to have a common structure. Thank you, Mr. Speaker.

**Hon. Deputy Speaker:** Thank you, Hon. Thomas Mutinda. May I call the mover of the motion to respond please?

**Hon. Musau:** Thank you, Mr. Speaker. May I first and foremost thank my committee for the much time they committed to come up with this elaborate report. Again Mr. Speaker, may I thank the entire House for their cooperation during the reading of the report which has led to their observations and concerns and therefore it means they were very keen on it. Mr. Speaker, may I respond that information is power lack of information disables the same power and that is what I saw the committee be in two different situations during the first reporting and this second reporting, Mr. Speaker.

In the first report which was read in this House by Hon. Sister, the committee had no information and therefore it had to do almost an adverse report but may we thank the office of the County Secretary because this time around for being cooperative hence availing the appendices before you, Mr. Speaker. Mr. Speaker, may I say once again this issue of a record showing the assets of the county has been very thorny, Mr. Speaker.

In our sittings, the CS was very empathetic that the Transition Authority which was given the mandate by the national government to do these transfers up to now has not given a proper report of what was subjected to the County Government, Mr. Speaker. The committee is also so empathetic because despite the County Government trying its level best to get what belongs to it, the responsibility is in the hands of the people they are unable to reach and if they reach them they have failed to get means to force them to give them the report.

So Mr. Speaker, we are very thankful; it is my hope and believe the House will approve the good work done by the committee and within the recommended days, the County Government of Machakos will act appropriately and report back to the committee. Thank you, Mr. Speaker.

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

*(Question put and agreed to)*

Hon. Members, you have now adopted the report for the financial year June 2016 on the executive. I would like to point a few things. The issue of verification of assets which has been raised by the Hon. Member is one issue which I know is being taken very seriously and I am aware there is a committee which has been formed by the inter-governmental authority together with the counties to deal with the thorny issue of assets verification and coming up with a final register.

We know the records are available, records are there; the local authorities which were in existence before the county governments came into place had records and those records are available so all the assets which belonged to the municipal councils of that time and which were taken over by the County Governments have records. So, I am very sure that committee which is going to be sitting anytime now is going to be able to come up with a final list and for those who have taken over government property or county property or public property very soon chicken will come home to roost.

I have seen or I have noted in the report that some of the main issues which are raised here and which are critical things like there was a time when this county had put a system in place for revenue collection and for one reason or the other that system stopped working. All of a sudden duplication was being seeing and the system was decommissioned. If you have a system which you have put in place and it is a program when you hear system, think of software, think of a program written by human being a program.

Do you decommission the system or do you go to the program and correct the errors? You go to the system and correct the errors and continue utilizing the system because the system has an end effect of making sure that it assists or it aides in revenue collection. You noted in the items which were noted there was that the issue for audit trail there is a provision for audit trail in that system had not been enabled yet it is provided for.

What does that tell you? That the programmer and the person implementing it were in cahoots because enabling that would mean if Hon. Paul Museku is the one who has gone with the system and changed something in the system the audit trail will show this was done by Hon. Museku and therefore Hon. Museku will be held liable. When you do not enable that thing it means whoever was tempering with the system even to bring about those duplication could not be traced.

The only way of collecting revenue is you have said in enhancing revenue collection is to ensure it is system you put systems in place to help you in collecting revenue and try as much as possible to reduce on cash transactions. So that needed to be checked on.

Hon. Johana has talked about we are in the formative stages of accounting; I think from 2013 to 2019 today we will be expecting that our systems are fully grown. We cannot be going on in the formative stage forever even when a child is born, they cannot be in the formative stage because it reaches a point when they crawl, when they walk, when they run and when now the mother stops taking for them food in school. You will not keep on taking food to your child in school through...because they are growing we are also growing so this system needs to be checked.

One major thing which I think I saw and also on the issue of incompetence which Hon. Thomas Mutinda talked about is there was a time when development money was used in recurrent; it is important to know that according to the PFM regulations you can use recurrent

expenditure and take it to development but you can never take development and take it up for recurrent. So, that needs to be checked.

All in all you have adopted the report but the key thing here is that what the auditors wrote and I would like this to be noted. What the auditors wrote that is what matters; what you do later on after they have done their report can only be corrected by the auditors coming and doing the same audit again and finding those things have been resolved and coming out with a better report. As it is, a time will come, you know right now the County Governments are depending on central government, when why these statements have to be done and put correctly when counties will have to rely on their own financial systems.

When counties will have to rely on their own sources of revenue which will mean you will need to take your financial statements to a bank for the County of Machakos to be able to be given funds. Those financial statements have to be accompanied by audited financial statements. So if they are not audited financial statements and the auditor has given an adverse report then there is a problem and that will affect our financial going on and on.

So Hon. Members I think going forward I commend the committee I have seen with me here all the evidence the appendix which were being presented I was going through them they have been presented here to us and it is important that this is normally it should be presented to the right person who is the auditor. This information at the time of audit should be presented to the auditor so that we can avoid having any adverse reports being presented to us.

Finally, on the issue of reports current reports, I do not know where the PAIC committee has reached now in terms of current reports but like one Member noted it will be good if we are only discussing an item of last year so that we can take corrective action as an Assembly this year and check the same things. So we need to make sure we check if they have provided for us the audit report for 2017/2018 that needs to be looked at brought to the House then we will be able to add value on the process.

## ADJOURNMENT

**Hon. Deputy Speaker:** This House is now adjourned to Wednesday the 24th day of July, 2019 at 2.30 p.m.

The House rose at 11.57 a.m.