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REPUBLIC OF KENYA

**REPORT OF THE CONTROLLER
AND AUDITOR-GENERAL**

ON

COUNTY COUNCILS

AND

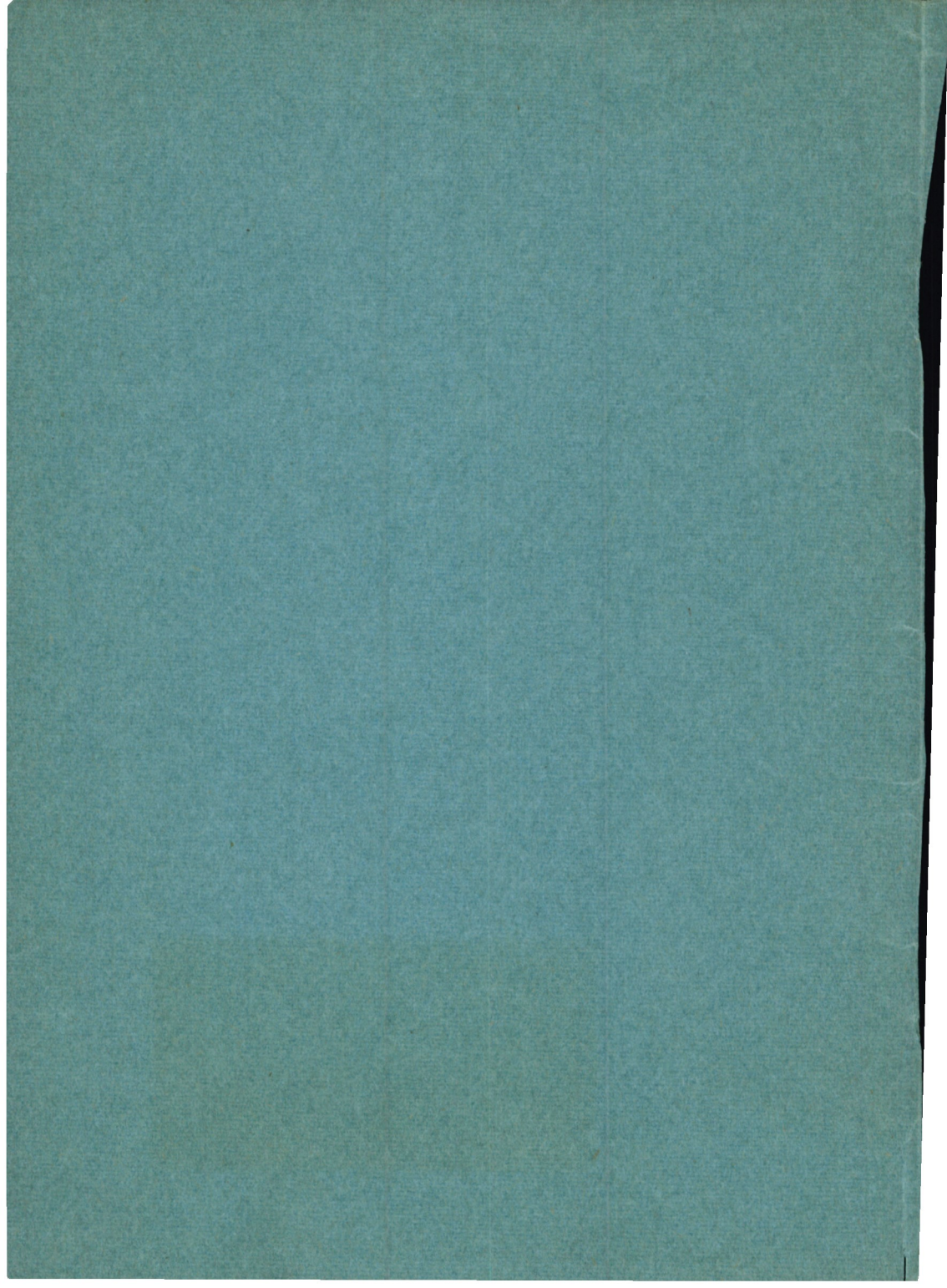
MUNICIPAL COUNCILS

**FOR THE FINANCIAL YEAR ENDED
31ST DECEMBER, 1972**

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AND AUDITOR-GENERAL
ON
COUNTY COUNCILS
AND
MUNICIPAL COUNCILS
FOR THE FINANCIAL YEAR ENDED
31ST DECEMBER, 1972**

KENYA NATIONAL ASSEMBLY

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**REPORT OF THE CONTROLLER AND AUDITOR-GENERAL
ON COUNTY COUNCILS AND MUNICIPAL COUNCILS
FOR THE FINANCIAL YEAR ENDED 31st DECEMBER, 1972**

INTRODUCTORY AND GENERAL

1. This report, covering the financial year ended 31st December, 1972, is submitted in accordance with section 25 (f) of the Exchequer and Audit Act (Cap. 412) and like the previous report, is divided into two parts. The first part relates to County Councils and the second part deals with Municipalities.

THE PUBLIC ACCOUNTS COMMITTEE

2. The report on the accounts of County Councils for the period 1969-71 and on the Municipal Councils for the period 1967-71 was considered by the Public Accounts Committee of Parliament on various dates during the months of June and July, 1972. The Committee's report and recommendations were tabled in Parliament on the 14th November, 1972. I understand that the Ministry of Local Government is considering what measures to take to give effect to and implement the Committee's recommendations.

BUDGETARY SYSTEM AND EXPENDITURE CONTROL

3. Local Government Regulations Nos. 212-214 lay down in some detail the procedure to be followed in preparing and submitting annual estimates for approval by the Minister. The regulations also make provision for containing expenditure in cases where the annual estimates are not approved by the Minister before the commencement of the financial year for which they are prepared.

4. The out-turn of most accounts indicates that these regulations were not followed by the Councils and consequently expenditure in excess of the statutory limits was incurred during the year under review. The late approval of estimates by the Ministry of Local Government, the failure to keep up-to-date accounting records showing the approved provision and the sums spent or received on a cumulative basis and the irregular practice by some Councils of transferring unspent voted provisions to suspense accounts, aggravated by lack of internal supervisory checks, contributed greatly to the laxity in budgetary control, which exists in the majority of Local Authorities.

ABSTRACT OF ACCOUNTS

5. In paragraphs 2 and 3 of my report for 1967/71, I referred to the delay in the preparation of annual abstracts of accounts by the Councils, mainly because of shortage of qualified and experienced accounting staff,

and delays in preparation of estimates and their approval by the Ministry. There was very little improvement over the situation reported earlier. The position at the end of 1972 was as follows:—

<i>Year of Accounts</i>	<i>Total</i>	<i>Abstracts Received</i>	<i>Abstracts Outstanding</i>
<i>(a) County Councils</i>			
1969	34	14	20
1970	34	10	24
1971	40	4	36
1972	39	—	39
<i>(b) Municipal Councils</i>			
1969	7	6	1
1970	7	4	3
1971	11	1	10
1972	11	—	11

6. Four new Municipalities were created by Legal Notices issued by the Minister for Local Government on 16th March, 1971. Subsequently, the Ministry issued a directive in June, 1972, requiring the new Municipalities to adopt a financial year "July to June" which is contrary to the provisions of the Local Government Regulation No. 227.

FINANCIAL REGULATIONS AND FORM OF ACCOUNTS

7. It appears that few authorities have drawn up financial rules as required by Regulation 92 (6) of the Local Government Regulation, 1963. In the case of the authorities which have made the rules, not all have applied for and received Ministerial approval to enforce them. Further, from the examination of the Abstracts submitted by various Councils for audit, it has been noted that there is no uniformity in the presentation of accounts and statements.

TRANSFER OF FUNCTIONS

8. It is understood that assets amounting to Sh. 34,214,586.92 have been transferred to the Ministries of Health, Education and Works under the Local Government (Transfer of Functions) Act, No. 20/69. These assets have not been written-off from the books of the Councils concerned. In the case of the assets which were financed from loans from bodies such as Local Government Loans Authority and the National Housing Corporation, no legal instruments have, as far as I am aware, been executed to enable the loans to be taken over by the Ministries concerned so that the Councils are relieved of their obligations under their loans agreements. It also appears that reimbursements have not been made to Councils in respect of expenditure amounting to Sh. 2,312,516.30 incurred on transferred services after the 31st December, 1969, the effective date of transfer. Loan

commitments to various lenders in respect of assets transferred to the Ministries as well as for other loans and for which Councils have continued to be liable amounted to K.Sh. 12,260,222.80 as at 31st December, 1972.

OUTLOOK AND FUTURE OF LOCAL AUTHORITIES

9. When dealing with paragraphs 1 to 9 of my first report to Parliament on Local Authorities, the Public Accounts Committee commented that the Local Authorities Governmental system should form a vital link between Government and people and that the Authorities, in fact, provide a basis of involving people in affairs of Government at the local level. The committee, therefore, recommended, among other things, as follows—

- (i) that the Ministry of Local Government should have a complete re-examination of its position regarding the effectiveness of its control over the Local Authorities. If necessary, existing laws or regulations should be amended so that the Ministry has machinery with which it can effectively administer the Local Government system;
- (ii) that the functions of the Local Authorities should be clearly defined, and in particular that Government should decide and spell out what services are to be delegated to Local Authorities after which more stable and adequate sources of revenue for the Local Authorities should be defined and established. With this in view, the Committee recommended that the Ministry of Local Government and the Treasury should re-examine the undesirable system of approving Council budgets with a deficit, even though Government has not undertaken to make up the deficit and there is no possibility of Council raising enough revenue to cover the deficit;
- (iii) that in order to ensure that the services delegated to the Local Authorities are performed, an effective system of accountability in the Local Authorities stating who is to be held personally responsible for financial administration in the Local Authorities should be established. The Committee suggested that the Permanent Secretary to the Ministry of Local Government be accountable to Parliament through its Public Accounts Committee for the general administration of Councils and that just as the Permanent Secretary to the Treasury appoints accounting officers for Government accounts, the Permanent Secretary for Local Government should appoint individual officers by name in the Councils to become responsible and accountable to Council and finally to Parliament through the Public Accounts Committee for the administration of Council's finances;
- (iv) that the Ministry should carry out a complete reappraisal of the responsibilities of both Clerk and Treasurer to Council with a view to making the Clerk responsible for all financial matters of the Council. The Clerk to Council as the Chief Executive of Council should be recognized as such and his position should be safeguarded; and
- (v) that Committee noted that the present arrangement in Councils, and in particular County Councils, does not always correspond to the

staffing needs of the Councils in relation to the services rendered. The Committee therefore recommended that a re-assessment of County Councils' staff requirements should be made taking into account availability of funds and services to be rendered to the public and that only such staff as are required to continue to perform County Councils' duties should continue to be employed.

10. I have quoted these comments by the Public Accounts Committee because I feel that the background against and the circumstances in which the recommendations were made have not changed. In my view, if the future of Local Authorities is to be safeguarded, the functions delegated to them by Government require to be clearly defined and specified. Reliable sources of income to enable the Councils to discharge these responsibilities will then require to be found and established. At the moment and particularly in County Councils, all revenue raised is almost exclusively being used to support and pay for an administrative structure that does not correspond to functional needs or requirements. Very little service, if any, is being given by County Councils to the public who are paying to support and maintain this structure. In my view, the co-ordinating role and overall supervision of Council activities by the Clerk should be clearly defined and recognized. The position of the Treasurer as the Chief Finance Officer of Council and his overriding responsibility to ensure proper financial administration of Council should also be recognized and distinguished from the position of other heads of departments.

FINANCIAL POSITION OF COUNTY COUNCILS

11. The estimates for County Councils for 1972, which have been submitted to the Ministry of Local Government for approval, show that out of 38 County Councils only 9 expect small surpluses while the other 29 have budgeted for deficits. Not a single Council has indicated how it expects to cover the deficit and Government has not indicated willingness to meet the difference. In fact, a number of Councils are on the verge of financial collapse and have had to sell investments, which have been made out of specific funds, to pay for day to day administrative costs. Those Councils, including some Municipalities, which have not as yet sold their investments to pay for their administrative costs, are either operating on bank overdrafts or are transferring money from reserves and funds established for specific purposes to finance these costs. A number of County Councils have also failed to remit statutory deductions such as Income Tax and N.S.S.F. contributions, in time because they do not have the necessary cash, and have had therefore to pay penalty for late payment. In my view, the machinery for approving Council budgets requires revision and improvement so that the budgets are related to functional needs and of course availability of funds. In particular, avenues open to Councils to raise money should be determined and fully exploited before requests are made for Government subventions. In this regard and in my opinion, there seems to be need for better consultation and decision making arrangements between the Ministry and Councils.

PART ONE
COUNTY COUNCILS
Nyeri County Council

REVENUE ACCOUNTING

12. As indicated in the previous report, the financial supervision and control in the Council continues to deteriorate. Consequently, a loss of Sh. 10,183.20 which resulted from underbanking of revenue collected over the period October, 1971 to September, 1972, occurred in one Area Council, while an amount of Sh. 629.90 was outstanding in respect of private telephone calls made by staff of the Council during the period July, 1971 to August, 1972. The custody of receipt books was not satisfactory and as a result, 13 books used in 1972 have not been produced for audit.

TENANT PURCHASE HOUSING SCHEME

13. The records for the tenant purchase housing scheme were poorly maintained. It has, however, been noted that a total amount of Sh. 65,750.30 was outstanding in March, 1973, made up of defaulters' repayments amounting to Sh. 42,082.55, and Sh. 23,667.75 representing the amount of uncollected rent where the Council had taken over the management of houses on behalf of the defaulting purchasers.

EXPENDITURE CONTROL

14. The control exercised over expenditure was very weak. Consequently, expenditure amounting to Sh. 125,337.75 was incurred in excess of the approved provision on 57 County and Area Councils' subheads in the year under review. No approval of the Minister was applied for to cover the overexpenditure.

BANK RECONCILIATION

15. In April, 1971, attention of Council was drawn to the fact that no bank reconciliation statements had been prepared since 1966. No action has been taken to reconcile or prepare the statements and the correctness of the bank balance cannot therefore be confirmed. In addition, monthly trial balances to show Council's financial position have not been prepared and made available for audit.

COUNCILLORS' CAR ADVANCES

16. An examination of the records relating to the Councillors' car loan scheme revealed that 12 Councillors defaulted in their repayments to the extent of Sh. 23,737.55. Valuation reports were not available in respect of advances made for the purchase of second-hand vehicles and in a

number of cases the vehicles have not been registered in the joint names of the loanee and Council. In one instance an advance of Sh. 15,000 was given to a Councillor to purchase a car from, I understand, her husband.

SUBSIDIARY RECORDS

17. The registers in respect of *Shambas* and plot rents maintained for various locations and villages were neither up-to-date nor properly maintained. Details of the plots allocated, the revenue due and the payments effected were not recorded. Consequently, it has not been possible to ascertain the amounts in arrears.

UNRESOLVED MATTERS

18. In my report for the period ended December, 1971, I referred to unsatisfactory matters relating to tenders, repairs and control of vehicles and outstanding rents in respect of beer-halls amounting to approximately Sh. 110,000. This rent and other revenues belonging to Council have not been collected. I have also drawn the attention of Council to other unsatisfactory matters pertaining to financial control particularly those connected with tenders and repairs and control of vehicles. I have, in addition, asked to be informed of the action taken in connection with possible misappropriation of teachers' salaries in 1969.

Kirinyaga County Council

ARREARS OF REVENUE

19. The amount outstanding in respect of plot rents in May, 1973, was Sh. 78,986, while the outstanding *shamba* plot rent due from cultivation of undeveloped land within the township could not be determined because of the poor manner in which the records were maintained. Of the total amount outstanding in respect of plot rents, I understand that an amount of Sh. 52,344 has been recovered.

MANURE LOAN—Sh. 25,852

20. Council records indicate that in 1958/59 loans were granted to pineapple farmers by the former A.D.C. for the purpose of purchasing manure but due to the absence of proper agreements, the Council is experiencing difficulties in recovering the money. It is unlikely that the loans issued will ever be repaid.

KABARE WATER SCHEME

21. The deficit accumulated on this scheme stood at Sh. 955,384.60 as at 31st December, 1972. Failure on the part of consumers to pay the water rates, together with bad management on the part of Council, contributed to this state of affairs. I understand that the Director of Water Development Division has agreed to take over the maintenance and the

operation of the scheme, but it is not known how the Council wishes to deal with the accumulated deficit.

Kiambu County Council

REVENUE COLLECTION

22. In February, 1973, the Council applied for permission to write off debts totalling K£2,080-11-25, which had been appearing in the books for several years. The following other long outstanding debts remained in the books of Council at the end of December, 1972:—

	K£
(i) Dagoretti Tenant Purchase	33,067
(ii) Plot rents	10,536
(iii) Ministry of Local Government	13,910
(iv) Ministry of Education	3,510
(v) House and stall rents:— Kangangi, Ruiru and Kiambu	
Urban	4,438
(vi) Sundry Losses	454

TRANSFER OF FUNCTIONS, ASSETS AND LIABILITIES

23. The Council transferred to the Ministries of Works, Health and Education assets valued at K£216,074-09-15 in 1971 and in February, 1973, applied to the Ministry of Local Government for approval to write off their value together with other related accounts from its books. At the time of writing this report, no instructions have been received by the Council from the Ministry of Local Government.

COUNCILLORS' CAR LOANS

24. An examination of records relating to car loans revealed that in a number of cases valuation reports were not made to support loans for purchases of second-hand vehicles and that the Council has not been informed whether the vehicles have been insured. The vehicles purchased were not registered in the joint names of the loanees and the Council. Attention has also been drawn to cases of purchases by Councillors of vehicles other than those approved by the Ministry.

Murang'a County Council

SUBSIDIARY RECORDS AND REVENUE COLLECTION

25. In paragraphs 16 and 17 of my report for 1967/71, I referred to the unsatisfactory state of the counterfoil receipt book register and to lack of diligence in the collection of revenue. No improvement was made during 1972. The amount outstanding as at 31st December, 1972, in respect of rents and rates was Sh. 756,057.70. Of this sum, plot rents

alone accounted for Sh. 573,874.05. In addition, amounts outstanding in respect of unsecured farm loans, garage debtors, allowances overpaid to Councillors and sundry debtors amounted to Sh. 234,051.72 made up as follows:—

	Sh.
(i) Unsecured farm loans	23,927.78
(ii) House Loan	24,827.65
(iii) Garage debtors	25,718.97
(iv) Overpayments of Allowance to Councillors	14,606.33
(v) Tenant Purchasers loan accounts	42,749.25
(iv) Sundry Debtors	102,221.74
	Sh. 234,051.72

It is doubtful whether many of these debts will be recovered.

LACK OF EXPENDITURE CONTROL

26. So far as I am aware, over-expenditure in excess of Sh. 202,607.98 referred to at paragraph 18 of my report for 1971 has not yet been authorized by the Minister.

Nyandarua County Council

INTERNAL CHECKS AND REVENUE COLLECTION

27. The unsatisfactory position regarding the accounting for revenue collection referred to at paragraph 19 of my report for 1971 still persists. Because of failure to exercise proper supervision over sub-collectors, the Council suffered losses by way of underbankings totalling Sh. 1,364.10, as well as a misappropriation of rent collection amounting to Sh. 1,475.30. The counterfoil receipt book register was not satisfactorily maintained in that issues of receipt books were not clearly indicated, new stocks were not taken on charge and completed books were not retained for audit purposes. It is, therefore, not possible to determine how many books were missing, or to confirm that all revenue collected on them has been accounted for to Council.

CASH SURVEY

28. Included as part of the cash surveyed in May, 1973, were a large number of imprest warrants and advances to staff and Councillors amounting to Sh. 3,767. The imprest warrants produced for audit did not indicate the dates when the amounts should have been surrendered. Out of this sum, Sh. 2,055.80 has remained outstanding for over two years.

TENDERS

29. During the year under review, it was observed that no tenders were invited by the Council for its requirements.

HOSTEL RECORDS AND MANAGEMENT

30. The records at the Council hostel were inadequate and there was no proper accounting system in respect of lodging, catering and the bar. The few records that were maintained were not susceptible to audit as they were incomplete and contained numerous errors. It was noted that the amount outstanding in respect of credit sales, as at the time of inspection in May, 1973, was Sh. 8,005.80.

Embu County Council

ACCOUNTING AND SUBSIDIARY RECORDS

31. There was no significant improvement over the position reported earlier relating to revenue records. Plot rents, housing and canteen registers continue to be maintained very unsatisfactorily. Internal checks and supervision over the collection of revenue is almost non-existent. As a result of failure to institute proper control over revenue collection, a receipt cashier was able to embezzle a total of over Sh. 60,000 between January and August, 1972. The arrears in respect of plot, canteen and house rents and other debts amounted to over Sh. 130,000 as at 31st December, 1972.

EXPENDITURE CONTROL

32. Expenditure control was very weak. Authority of the Minister for excess expenditure of Sh. 42,668.60 incurred in 1970 has not been obtained in spite of the fact that attention of the Council was drawn to the need for such authority.

SALARIES AND ESTABLISHMENT RECORDS

33. In March, 1972, attention was drawn to several cases of appointments by Council which did not conform to the requirements laid down by the Ministry of Local Government. I am not aware of any action having been taken to regularize these appointments.

Meru County Council

ABSTRACTS AND PAYMENT VOUCHERS

34. The daily and monthly abstracts were maintained in an unsatisfactory manner and attention was drawn to several arithmetical errors noted during the examination of these abstracts. A large number of queries

were raised in respect of overpayments of mileage allowance, payments not properly receipted and late payments. Replies to these queries are still awaited.

EXCESS EXPENDITURE

35. The Minister's covering authority for the excess expenditure of K£10,499-07-25, referred to in paragraph 29 of my report for the years 1967/71, has not yet been obtained.

STORES

36. In paragraph 31 of the previous Annual Report, reference was made to the unsatisfactory state of recording of receipts and issue of stores. There was no improvement over the position reported then and discrepancies were noted during the examination of the stores records at the Veterinary Department and the Mulathankari Community Training Centre. Further, no record was maintained for library books and other literature material.

SUBSIDIARY RECORDS

37. Subsidiary records such as plot rent register, inward cheques register and debtors ledger were not properly maintained. The disposal of 42 cheques totalling Sh. 47,747.30 could not be verified and I have asked to be informed how these were accounted for. Further, debtors ledgers and the plot rent register showed that arrears of revenue, particularly plot rents and coffee cess amounted to over two million shillings as at 31st December, 1972.

REPLIES TO AUDIT QUERIES

38. Prompt attention was not given to audit reports and, at the time of writing, four reports covering all the points referred to above and issued in October, 1972 had not been answered.

Masaku County Council

FAILURE TO REPLY TO AUDIT REPORTS

39. The position regarding replies to audit queries deteriorated considerably during 1972. At the time of writing this report, 24 inspection reports which were issued on the accounts of the Council and its constituent Area and Urban Councils for the years 1969 to 1972 have not been attended to.

GENERAL FINANCIAL CONTROL

40. The budgetary and general financial control exercised by the Council during the year was very poor. A cash book was not maintained and the daily and monthly abstracts of receipts and payments for 1972

contained numerous arithmetical errors, misallocations, under and over-postings as well as omissions. No bank reconciliation statements have been prepared since 1969. Several cases of irregular payments, overtime and mileage allowances were noted. Minister's authority to cover excess expenditure of Sh. 527,521.15 and Sh. 172,080.60 for the years 1969 and 1970 referred to in paragraph 34 of my previous report has not been obtained.

DOUBTFUL EXPENDITURE

41. At the time of writing, I have not been informed of Council's intentions on:—

- (a) The recovery of Sh. 26,164.25 owed by the former Chairman in respect of overpayments of mileage and subsistence allowances, and for private jobs carried out for him at the garage, as well as Sh. 21,627.60 which includes overtime of Sh. 10,053.25 which the Public Accounts Committee recommended should be recovered from the former Treasurer who, I am informed, has already been paid his full terminal benefits.
- (b) Payments of overtime of Sh. 4,693.10 to a driver.
- (c) Indiscriminate issue of salary advances and payments of overtime to staff.
- (d) Expenditure of Sh. 7,307.70 incurred in connexion with the funeral arrangements for two members of staff.

REVENUE COLLECTION CONTROL

42. As in previous years, internal checks, supervision and control over revenue collection was poor. A number of cases of underbanking, amounting to Sh. 19,097.45, and of cash shortages totalling Sh. 4,946.25 were noted during 1972. The Council has not yet furnished explanations for the shortage in G.P.T. Stamps of Sh. 65,016 and for the non-collection of strike fines of approximately Sh. 23,000, referred to in paragraph 36 of the previous report. The missing receipt books referred to in the earlier report have not, to date, been produced for audit.

ARREARS OF REVENUE

43. The arrears in respect of plot rents, site value rates, water, sewerage and conservancy charges (Athi River), amounted to Sh. 1,234,756.00 as at 31st December, 1972. Included in this figure is an amount of Sh. 42,213.30 for a Housing Scheme in which officials of Council and Councillors are in arrears to the extent of Sh. 38,488.00.

INWARD CHEQUES REGISTER

44. The inward cheques registers maintained at the Council and at the Athi River Urban Council were extremely unsatisfactory. The disposal

of cheques received was not clearly indicated, and consequently, it was not possible to ascertain how cheques worth Sh. 568,993.30 had been accounted for.

MOTOR-CAR ADVANCES

45. The Council borrowed a sum of Sh. 240,000 from a local bank to grant loans to Councillors and employees of Council for the purpose of purchasing private motor-cars. An examination of the records relating to these advances has indicated that in a number of cases, the minimum cash deposit of 40% of the purchase price of the vehicle was not paid, vehicles were not registered in the joint names of the Council and the loanees and that monthly instalments, amounting to Sh. 29,405.20, had not been paid by 14 Councillors by February, 1973.

Kitui County Council

EXPENDITURE CONTROL

46. The control over expenditure during the year was very unsatisfactory. As stated in the previous report, the vote books and other accounting records were not properly written up or maintained. The standard of arithmetical accuracy of the daily and monthly abstracts was extremely poor. Overexpenditure of Sh. 125,799.35 was incurred on 31 expenditure items in 1972 without the prior approval of the Minister. Authority for overexpenditure of Sh. 143,835.80 in respect of earlier years, referred to in paragraph 38 of my report for the years 1967/71, has not, so far been obtained. In addition, attention of Council has been drawn to several cases where salary advances were granted under the guise of imprests, Councillors were advanced their allowances in contravention of existing regulations and night allowances paid to employees incorrectly. Court fees totalling Sh. 1,824.55 were also paid because Council failed to settle traders' bills promptly.

REVENUE COLLECTION

47. The control and custody of accountable documents was poor, while the collection of revenue was not diligently pursued. Eighty-eight Miscellaneous Receipt Books and 152 Market Receipt Books, issued to various revenue collectors between 24.4.68 and 10.3.72, were not made available for audit. Most of the garage debts amounting to Sh. 12,600 were stated to be time-barred and irrecoverable, while no action had been taken to collect arrears in respect of plot rents amounting to Sh. 145,192.60 as at 31st December, 1972. As regards water deposits, I understand that consideration is being given to the introduction of water deposits as well as enforcing "cut off" system to minimize the risk of losses arising from non-payment of accounts by the water consumers.

CANTEEN

48. An examination of the debtors' ledger revealed that 13 Councillors and 16 Council employees owed the Council a sum of Sh. 2,661.95 and Sh. 3,941.35 respectively as at 31st December, 1972 in respect of drinks supplied to them from the canteen on credit. I understand that instructions have been issued to the effect that beer should not be sold on credit at the canteen except to Councillors and then only up to the limit of Sh. 40 per month per Councillor, and that a substantial portion of the original amounts outstanding has been recovered.

INTERNAL CHECKS AND SUPERVISION

49. The system of internal checks and supervision was found to be inadequate. Cash surveys revealed two cases of cash shortage involving the payment cashier and a revenue clerk. The shortage of Sh. 8,110.65 was made good by the former payment cashier, but I have not yet been advised of the action the Council has taken to recover a "shortage" of Sh. 3,000 from the revenue clerk.

SALARIES AND ESTABLISHMENT RECORDS

50. A total of Sh. 55,342.55 was overpaid to 152 employees as a result of misinterpretation of circulars embodying new salary scales and terms and conditions of service. I understand that recoveries are being made from the officers concerned.

STORES CONTROL

51. The control over stores in general was poor. Ledgers were not kept up-to-date and stores items were not taken on charge immediately after purchase. No register was maintained for books in the library and there was no evidence that any stores survey was carried out during the year. Many of the books and items of stores and furniture were found missing.

Marsabit County Council

MAINTENANCE OF ACCOUNTING RECORDS

52. Attention has again been drawn to several errors and omissions made in posting entries from cash books, receipt and payment vouchers to the daily and monthly abstracts which were written in pencil. The Council has also not yet been able to produce up-to-date bank reconciliation statements, trial balances and annual abstracts. Council creditors have not been paid because of the Council's critical financial position.

REVENUE COLLECTION CONTROL

53. The control over accountable documents and revenue collection was inadequate. A large number of Miscellaneous Receipt books, Trade

Occupation Licences and Local Purchase Order Books were not produced for audit.

CONTROL OF EXPENDITURE

54. There was no improvement over the unsatisfactory day to day control of expenditure reported earlier. In February, 1971, the Council obtained a loan of K£15,000 for the construction of ten rental houses and the contract for the construction of the houses at a cost of Sh. 297,150 was awarded to a firm of building contractors registered in Nyeri, with the completion period being set for mid-May, 1972. As far as I am able to ascertain, these houses had not been completed and handed over to the Council by the contractors in November, 1972 and I understand that as at the date of signing this report, they have not yet been handed over. Although I understand that the contractors have in fact abandoned the work and it may be necessary for the Council to incur additional and unnecessary expenditure to complete the project, they were paid the full contract price by Council. I have not been informed of the reasons for this deplorable state of affairs. Further, an advance of Sh. 32,000 was paid to a contractor against intended unauthorized construction of a lodge which never got off the ground. I am informed that the whereabouts of the contractor to whom the sum of Sh. 32,000 was paid in advance is unknown.

Isiolo County Council

DAILY AND MONTHLY ABSTRACTS

55. Basic accounting records such as vote books, daily and monthly abstracts and personal files were either incomplete or non-existent. I was, therefore, not able to satisfy myself that no excess expenditure was incurred and that salaries, wages and allowances to employees were correctly assessed and paid during 1972. Council's financial position was so unsatisfactory that creditors were paid out of daily cash receipts, contrary to existing financial regulations which require that the receipts cash books should be balanced daily and the total amounts received banked intact.

REVENUE COLLECTION

56. As reported previously, the subsidiary records in respect of plot rents, housing and conservancy fees were incomplete. Outstanding amounts for years prior to 1971 have not therefore been ascertained and entered in the new registers which were commenced in 1971. Revenue collection was not pursued diligently and internal check over either the receipts cashier or the accountable documents was non-existent.

Central Rift County Council

MAINTENANCE OF ACCOUNTING RECORDS

57. In January, 1973, the income and expenditure ledgers for the year 1972, were only written up to September, 1972, while revenue records

such as telephone registers, rent registers and conservancy fees registers in the Treasurer's Department and in the Area Councils were very poorly maintained. Consequently, any undercollection and arrears of revenue or excess expenditure for the year could not be determined. It was, however, established that a total of K£467 was outstanding against the Chairman of the Council in respect of water charges, plot rent and private telephone calls.

FINANCIAL CONTROL

58. The unsatisfactory position regarding financial administration and expenditure control to which reference was made in paragraph 45 of my report for 1967/71 remained the same during the year. The Council's mature debts far exceeded the cash available to meet them and, as a result, the Council adopted an irregular practice under which the cheques drawn and entered in the cash book for the year 1972 were not released to the payees for a considerable period but were filed along with the relevant payment vouchers in pending file. The total of such cheques as at 3rd May, 1973, amounted to K£6,942-00-65.

IRREGULAR SALE OF A CAR

59. Although tenders were invited for the sale of a Mercedes car and the highest bid of K£1,150 accepted, the vehicle was subsequently sold to the same tenderer for K£850. I have not been informed of the reasons for not adhering to the original tender price.

OVERPAYMENTS OF HOUSE ALLOWANCES

60. The salaries of graded staff were increased by 15% with effect from 1st March, 1970 and this included house allowance. The Council, however, continued to pay house allowance in addition to the increase and as a result, overpayments amounting to K£2,545-08-80 were made to the graded staff during the years 1971 and 1972.

Laikipia County Council

MISSING PAYMENT VOUCHERS

61. A file containing 149 payment vouchers for the period January, to March, 1972, and another containing ten vouchers, amounting in all to Sh. 299,936.20 were stated to be missing. Although the Council is clearly aware of the absence of vouchers to support this expenditure, no action appears to have been taken to trace them. I am, therefore, unable to confirm the correctness or otherwise of the payments made.

SUBSIDIARY REVENUE RECORDS

62. At paragraph 50 of my report for 1967/71, I commented on the unsatisfactory control over the collection of Revenue. No improvement was noted during the year and the arrears in respect of settlement scheme

rents and the land rates amounted to Sh. 74,880 and Sh. 182,597.70 respectively during 1972. The outstanding water and conservancy charges at Nanyuki Urban Council was Sh. 184,101.30 including an amount owed by a Council official for the past three years.

ARREARS OF REVENUE

63. The total amount outstanding as at 31st December, 1972 in respect of hiring out Council vehicles and other types of revenue was Sh. 653,712.05 which includes Sh. 35,140.50 due from a Government officer.

COUNCILLORS' CAR LOANS

64. It was noted that two Councillors purchased pick-up vehicles under the Car Loan Scheme, contrary to the Ministry of Local Government's directives. Attention has also been drawn to a case where a Councillor disposed of his vehicle but continued to claim mileage allowance for allegedly using it.

Sirikwa County Council

BOOKS OF ACCOUNTS

65. The accounts and other documents relating to this defunct Council were found to be in a chaotic state and very little progress was made in the production of Abstracts of Accounts for the years 1967/71. Attempts were made in March, 1972 and April, 1973 to audit the accounting records relating to the years 1970 and 1971, but the exercise had to be abandoned because—

- (a) accountable documents such as receipt books and collection control sheets for the years 1970/71 could not be produced for audit as they had been mixed up with the previous years records and dumped into a store;
- (b) subsidiary records such as debtors' registers, investments ledger, property register, renewal fund records and inward cheques registers were either incomplete or not maintained at all;
- (c) salaries records for the years 1970/71 were not available for audit as they had been distributed to the newly created Councils; and
- (d) receipts and payments cash books were not written up nor had a bank reconciliation statement been prepared for the month of December, 1971.

DISTRIBUTION OF ASSETS

66. In 1971, an *ad hoc* committee was set up by the Minister for Local Government to go into the question of the distribution of both movable and immovable assets of the old Council to the new Councils. The Committee submitted its report in March, 1973. At the time of writing this

report, I have not been informed of the action taken to implement the recommendations contained therein, particularly in regard to furniture and office equipment, vehicles and plants.

Olkejuado County Council

CONTROL OVER RECEIPT BOOKS

67. The control over accountable documents was very unsatisfactory. Receipt books used by revenue officers at Ngong, Amboseli and Namanga were neither available at the respective stations nor at the Council's headquarters. Revenue collection sheets relating to the Lemeipoti Gate and the Oltukai shop revenue centres for the periods January/July, 1971 and October/December, 1971 respectively were also not produced for audit.

ARREARS OF REVENUE

68. Revenue collection was not diligently pursued and apart from the revenue shortfall of K£33,962 recorded against 45 revenue items, arrears of revenue in respect of plot rent, dust bins, bore-holes, beerhalls, drugs and vaccine amounted to K£5,971 as at 13st December, 1972.

HOUSING LOAN

69. The Council guaranteed a loan of K£1,450 offered to an individual for the purchase of a private house by the National Housing Corporation in 1970. The loanee failed to repay two instalments amounting to K£199-09-20 during the year 1972 and, in terms of the guarantee, the Council paid the instalments in November, 1972. As far as I am aware, this amount has not yet been recovered from the loanee.

CONTROL OVER EXPENDITURE

70. The Council's control over expenditure was unsatisfactory during 1972 and as a result, excess expenditure amounting to K£13,461 was incurred on 47 expenditure items.

ESTABLISHMENT RECORDS

71. A large number of personal files did not contain important details relating to letters of appointment, confirmation and history sheets. In some cases unpaid wages were not entered in the unpaid wages register.

STORES

72. The stock registers in respect of petrol and diesel for Amboseli Game Reserve for the year 1971 were maintained in such an unsatisfactory manner that it was not possible to vouch the correctness of receipts, issues and stock on hand in respect of the two items. Two elephant tusks weighing together about 15 lb. and which were found in the Warden's Office were not taken on charge at the time of audit inspection.

Narok County Council

BANK RECONCILIATION STATEMENTS

73. Bank reconciliation statements for the years 1970, 1971 and 1972 have never been prepared and the accuracy of the cash book balances for these years cannot therefore be verified.

CONTROL OF RECEIPT BOOKS

74. The control exercised over the accountable documents was poor and a total of 27 receipt books of various denominations for the year 1972 could not be produced for audit. Ten receipt books relating to traders licences were not taken on charge.

REVENUE COLLECTION AND EXPENDITURE CONTROL

75. The control and internal check over the collection of revenue were inadequate and as a result, an amount of K£390 in respect of dipping fees was misappropriated in 1971 while three Council employees misappropriated a total of K£251-17-50 during 1972. The position of arrears of revenue was very unsatisfactory and at the end of 1972, K£3,219-13-35 was outstanding in respect of house rents, Purko Sheep Ranch and private telephone calls. The income ledgers were written up to September, 1972, at the time of the audit inspection in February, 1973, and the shortfall in revenue could not therefore be established. Expenditure ledgers were also written up to September, 1972. It was, therefore, not possible to ascertain the exact amount of excess expenditure incurred on various items. Further, I have not seen the Minister's covering approval for excess expenditure of K£8,457 incurred on 35 expenditure items in 1971. Double payments of allowances amounting to K£138-06-65 were made to various Councillors during the year under review.

SALARIES AND ESTABLISHMENT RECORDS

76. In 1971, overpayments amounting to K£3,979-14-60 were made to some members of staff due to wrong conversion of salaries. These overpayments have not yet been recovered. Worse still, no action appears to have been taken to correct the errors and consequently, the Council continued to pay incorrect salaries during 1972. Further, history sheets in most of the personal files relating to minor employees were blank and salary progression or leave particulars could not, therefore, be verified.

Kipsigis County Council

INCOME AND EXPENDITURE LEDGERS

77. At the time of audit inspection in April, 1973, the income and expenditure ledgers for the year 1972 were written for the month of January, 1972 only, while the suspense, deposit, renewals, capital and loans accounts for the same year were not written up at all. It was, therefore,

not possible to carry out a meaningful audit of the Council's accounts. Further, bank reconciliation statements for Kericho Urban Council had not been prepared from the month of March, 1972.

SUNDRY DEBTORS

78. There was not much improvement over the previous years with regard to the maintenance of revenue register and substantial sums remained uncollected which, as at 31st December, 1972, amounted to K£30,461.

EXPENDITURE CONTROL

79. Very little financial control was exercised by the Council during the year 1972. Income and expenditure ledgers were not written up to date and no covering authority was sought for the excess expenditure of K£4,800 which was incurred on 105 expenditure items and two capital projects in 1970.

IMPRESTS

80. Ten imprests amounting to K£545 were issued to the Treasurer of Kericho Urban Council during 1972 but the clearance of these imprests could not be verified because the expenditure incurred was neither journalized nor posted to the imprest account.

ADVANCES

81. Advances amounting to K£727 were granted to members of staff as well as to Councillors during the period under review. No Ministerial approval was seen for these advances, nor could their recoveries be verified as the advances ledgers were not written up-to-date.

Samburu County Council

ACCOUNTING RECORDS

82. Stores ledgers, inventories and daily and monthly abstracts were not properly maintained during the year, while the control over revenue collection was unsatisfactory. Further, revenue amounting to K£12,811 was outstanding as at 31st December, 1972.

CONTROL OF EXPENDITURE

83. The control exercised over expenditure was unsatisfactory and excess expenditure amounting to approximately K£4,183 was incurred on 21 expenditure items during the year. I have not seen Ministerial approval for this excess expenditure.

Turkana County Council

REVENUE RECORDS

84. In paragraph 71 of my report for 1967/71, I stated that revenue records were not well maintained and the supervision and control over collection of revenue was poor. This position continued through 1972 and apart from the 41 receipt books and 19 invoice books which were not produced for audit, attention was also drawn to cases where miscellaneous receipts quoted did not relate to the collections referred to, which suggests that there might be a misappropriation of Sh. 266.50, and to several cases of short payments by revenue collectors amounting to Sh. 876.35. Arrears in respect of Hawkers' Licences, trade and plot rents amounted to Sh. 12,612 while lodge fees uncollected as at 31st December, 1972 totalled Sh. 21,260.

BANK RECONCILIATION

85. There was no improvement in the unsatisfactory situation reported in paragraph 72 of my report for 1967/71. Bank reconciliation statements produced reflected a constant difference of Sh. 58,801.16 which has not been investigated by Council and for which no explanation has so far been provided.

DISHONoured CHEQUES: K£463-07-35

86. This account represents the total of dishonoured cheques some of which date back to 1966. The details of these cheques have not been available for audit and no action seems to have taken to recover the amounts.

EXCESS EXPENDITURE

87. With reference to paragraph 73 of my report for 1967/71, I have not yet seen covering authority for the excess expenditure of K£11,883.

Elgeyo Marakwet County Council

CONTROL OVER RECEIPT BOOKS

88. The Council's control over accountable documents was unsatisfactory. Forty-one receipt books of various types and fixed fee receipt books of various denominations were not produced for audit. In addition, some 47 receipt books and 29,917 cess stamps were not taken on charge in the counterfoil receipt book registers.

REVENUE CONTROL

89. The revenue ledger and water consumers' register were not written up-to-date at the time of audit inspection in March, 1973 and any arrears or shortfalls of revenue could not therefore be verified.

EXPENDITURE CONTROL

90. The actual excess expenditure incurred as at 31st December, 1972 could not be ascertained as the expenditure ledger had not been posted up-to-date. It was, however, noted that the Council had submitted a supplementary estimate for K£8,351 in December, 1972, but no Ministerial approval was seen. In addition, during the audit inspection carried out in March, 1973, it was observed that:—

- (a) Capital expenditure of K£3,336 was incurred on the purchase of two Land-Rovers for which no provision was made in the estimates.
- (b) Acting allowances were paid to 6 Council employees without Ministerial approval.
- (c) Overpayments of salaries and allowances to officers who were placed in wrong salary scales during the year amounted to K£147.

SUBSIDIARY RECORDS

91. Records relating to stores were very poorly maintained. Vaccines and drugs ledger was written only up to August, 1972. It was, therefore, not possible to establish what losses, if any, had been incurred on vaccines and drugs, but an examination of the stores records revealed that several items such as chairs, cupboards, paints and typewriters were not taken on inventory or ledger charge.

Pokot County Council

BASIC ACCOUNTING RECORDS

92. Numerous material errors were noted in the bank reconciliation statement as at 31st December, 1972, while the receipt cash book and income ledgers were poorly maintained.

REVENUE CONTROL

93. The control and supervision over revenue collection and accountable documents was inadequate. Five receipt books were missing and a large number of cess stamps, bicycle and dog discs were not taken on charge in the Counterfoil Receipt Book Register. Further, there was under-collection of revenue amounting to K£15,963 from 28 revenue items. Underbankings of revenue amounted to K£51 during the year under review.

CONTROL OVER EXPENDITURE

94. An examination of the cash book, abstracts and payment vouchers revealed that:—

- (a) Overexpenditure amounting to K£2,756-14-60 was incurred on 23 expenditure items without authority.
- (b) Two Land-Rovers were purchased for K£3,365-15-00 without provision having been made in the estimates.

- (c) Cheques amounting to K£3,871-14-45 were not released to payees in time.
- (d) There was an overdraft of Sh. 111,774.40 as at 31st December, 1972 which had not received the Minister's approval.

Wareng County Council

SUBSIDIARY RECORDS

95. Records relating to the Provident Fund, loans and salary advances were neither written up-to-date nor analysed to prove the correctness of the balances reflected in the respective registers. In addition, the examination of the stores records disclosed numerous discrepancies between the ledger balances and the physical count.

CONTROL OF REVENUE

96. An audit inspection revealed that little control was exercised over revenue collection and accountable documents. Total collections fell short of the estimated revenue of K£26,930 under 22 revenue items by K£18,041. No satisfactory explanation for failure to collect this amount has been provided.

STAMPS

97. A total of 26,000 hides stamps and 12,500 sheep and goats stamps were not taken on charge in the Counterfoil Receipt Book Register at the time of inspection. A further 2,000 hides stamps and 20,225 sheep and goats stamps were stated to have been misplaced.

MISAPPROPRIATION AND DISHONOURED CHEQUES

98. An amount of K£179-09-65 was misappropriated by a Council employee, while a personal cheque for Sh. 800 drawn and cashed by the Treasurer of Nandi County Council was returned by the bank on the grounds that the drawer's account had been closed. Neither of these two cases were appropriately dealt with.

UNAUTHORIZED EXPENDITURE

99. An amount of K£5,571-16-55 was overspent during 1972 on 58 expenditure items while five payment vouchers totalling K£409 were not authorize for payment. In addition, the Council's Cash Book was over-drawn during the month of December, 1972 to the extent of K£1,317-09-30 without the Minister's authority.

Nandi County Council

BASIC ACCOUNTING RECORDS

100. The maintenance of these records was very much in arrears at the time of audit inspection in April, 1973. The main cash book and bank

reconciliation statements for the month of October, November and December, 1972 were not prepared and the monthly abstracts of receipts for the three months were not posted to the main income and expenditure ledgers. Stores ledgers and office inventories were not maintained during the year.

CONTROL OVER RECEIPT BOOKS

101. The control over accountable documents was inadequate. A total of 1,695 receipt books were not taken on charge in the Counterfoil Receipt Book Register while 142 books were found to be missing.

REVENUE CONTROL

102. The revenue ledgers were only written up to September, 1972 and it was not possible, at the time of audit, to assess accurately the amount of revenue collected. Such records as were written up, however, indicated that there was a shortfall of K£39,519 on 41 revenue items up to September, 1972 and that revenue collections amounting to K£271 had not been accounted for.

INWARD CHEQUES REGISTER

103. This register was maintained in a very unsatisfactory manner. The clearance of 42 cheques totalling K£12,410-05-70 was not indicated in the Register and I was unable to verify correct disposal of these cheques. Further, although the expenditure ledger for the year 1972 was not balanced, it was noted that an excess expenditure amounting to K£58,458 was incurred on 72 expenditure subheads without authority.

EXTRAVAGANT EXPENDITURE

104. One hundred drums of toxaphene were purchased from an unauthorized source at a price higher than the contract price of Sh. 131.90 per drum and as a result the Council incurred a loss of K£103 on the transaction.

Nzoia County Council

REVENUE CONTROL

105. The control and supervision over the collection of revenue was inadequate and as a result revenue amounting to Sh. 12,782.90 was misappropriated by two Council employees during 1972. There was under collection of revenue of K£7,103-18-50 on 46 revenue items. In addition, a total sum of K£508-06-75 was outstanding in respect of shop rents, *banda* rents, water charges and private trunk calls charges as at 31st December, 1972.

CONTROL OF RECEIPT BOOKS

106. Twenty-eight receipt books were not produced for audit at the time of inspection in February, 1973 and I have not been informed whether these have been traced.

CONTROL OVER EXPENDITURE

107. The control over expenditure was lax during 1972 and the audit inspection carried out in February, 1973 revealed that:—

- (i) 32 items of expenditure were overspent by K£2,106-19-22 without Ministerial approval,
- (ii) 10 Vouchers representing an amount of K£212-12-20 were not authorized for payment,
- (iii) K£3,365-15-00 were spent on the purchase of two Land-Rovers for which no provision was made in the estimate, and
- (iv) Stationery worth K£574-04-95 was purchased without tender procedure.

Kisumu County Council

ACCOUNTING RECORDS

108. In paragraph 76 of my report for 1967/71, I commented on the highly unsatisfactory state of basic and subsidiary records maintained by the Kisumu County Council. Very little improvement or progress has been made in writing and correcting these records. All the observations raised on counterfoil receipt books register, salary advances register and dishonoured cheques register have not been resolved. Although by July, 1972 the receipts, payments and petty cash books for 1972 had been written up, none of the other books had been opened and the writing up of the 1971 books was very much in arrears.

LACK OF CONTROL AND SUPERVISION

109. Effective internal check did not exist and there was little or no supervision over the cashier, sub-collectors and storekeepers. Cash books, bank reconciliation statements, inward cheques register and store ledgers did not appear to have ever been checked by officers other than those writing them. This permissive attitude enabled four Council employees to misappropriate cash amounting to Sh. 9,261.75. Further, no satisfactory explanation has been given as to how cheques totalling Sh. 22,510.05 were disposed of or why stores worth Sh. 13,875.25 which, although paid for, had not been delivered to the Council's works yard by the end of the year.

Gusii County Council

INTERNAL CHECK

110. There was no effective internal check on cash books, bank reconciliation statements, payment vouchers and revenue collection and there

were considerable delays in banking cheques remittances received by Council. Bank reconciliation statements were not prepared for the whole year and the cash book was not written to date and could not, therefore, be balanced. Payments were made on vouchers which were not supported by L.P.O.s or invoice or on vouchers which contain insufficient details of what the payments were for. The Chairman received a sum of Sh. 1,463 as mileage allowance in excess of the sum payable. I have also asked for clarification as to what a debit of Sh. 7,000 which appears in the bank statement on 1.9.71 represents and for the reasons of not paying bills submitted to Council in time.

SUBSIDIARY RECORDS

111. The private telephone calls register, mileage register, land rent register and debtors ledger were not maintained in a satisfactory manner. It was, therefore, not possible to ascertain the position regarding the arrears of revenue, but the scrutiny of these records showed that there were numerous sundry debtors whose accounts were outstanding for several years particularly in respect of telephone charges, land and plot rents.

PURCHASE OF VEHICLES

112. The Council bought a Toyota Ambulance in November, 1971 when the Health Services were no longer the responsibility of the Council. I have not yet seen the Minister's approval for this purchase or been informed of the justification for the purchase.

South Nyanza County Council

LACK OF CONTROL OVER REVENUE COLLECTION

113. There was little supervision or effective internal check on the cashier and sub-collectors and also on the receipts, issues and custody of receipt books. A large number of collection control sheets and receipt books used during 1971 and 1972 have not been produced for audit. Test checks on the revenue records have revealed cases of cash shortages, totalling Sh. 1,055.05, as well as misappropriations amounting to Sh. 11,521. Further, cash collections totalling Sh. 23,642.95 have not been accounted for satisfactorily. Under these circumstances, I am unable to confirm that all money collected for Council has been properly accounted for and that there are no losses other than those referred to above.

ARREARS OF REVENUE

114. Subsidiary records relating to plot rents, private telephone calls and debtors were either incomplete or improperly maintained. It was, therefore, difficult to assess arrears of revenue accurately, but a test check of the records maintained showed that land rents amounting to Sh.76,478, some of it dating back to 1962, were outstanding as at 31st December, 1972.

GENERAL

115. Neither up-to-date daily and monthly abstracts nor the vote books were maintained during the year under review. Attention was also drawn to cases where officers signed for and received salaries on behalf of others without written authority. Proper records for stationery and building materials purchased were not maintained and I am therefore unable to confirm that all items bought were received and used for Council purposes. Further, the Council decided, contrary to the Ministry of Local Government's instructions, to waive the recovery of personal expenses amounting to Sh. 16,507.05 incurred by the Treasurer whilst on Overseas Study Course. I am, however, now informed that the amount will be recovered by monthly instalments commencing from July, 1973.

FAILURE TO REPLY TO AUDIT REPORTS

116. The Council has not given satisfactory replies to five audit inspection reports issued on the accounts for the years 1969 to 1972 and I understand Council is finding it difficult to obtain the required information from its officers to resolve audit queries relating to 1969 to 1971 accounts.

Siaya County Council

ACCOUNTING RECORDS

117. The control over revenue collection continues to be poor and there was no internal check or supervision over the issue and return of receipt books. Although it is clear that there were substantial arrears of plot and land rents, the exact sums due and collected could not be established because of the poor state of the accounting records. The revenue collections fell considerably short of the estimated amounts in the following cases during 1972:—

<i>Items</i>	<i>Estimated</i>	<i>Actual</i>
	K£	K£
(i) House Rents	2,250	322
(ii) Traditional Liquor Licences	2,500	1,076
(iii) Hire of Vehicles	200	46
(iv) Occupation Licences	7,500	4,979

118. Private telephone calls made by the Council employees and amounting to over Sh. 2,000 at 31st December, 1972 had not been paid for by the Council staff.

EXPENDITURE CONTROL

119. The control over expenditure was not entirely satisfactory. No vote books were maintained and attention was again drawn to a number of cases where payments had been made before the vouchers were authorized

for payments. I have drawn the attention of Council to the unjustified expenditure of Sh. 16,450 on the purchase of 16 gas cookers for Council staff and to payment of court charges amounting to Sh. 4,332.50. The incomplete records also disclosed that excess expenditure totalling K£511 was incurred, without proper authority, on four expenditure sub-heads during the year under review.

OUTSTANDING OBSERVATIONS

120. In March, 1972, attention was drawn to numerous irregularities of recruitment of staff without authority and failure to identify recipients of salaries of staff employed at the Water Supply. In June, 1972, I was advised that these irregularities were being investigated and I would be advised of the results. At the time of writing this report, I have not received communication from the Council on the matter. I have also not been informed of the action taken in connexion with losses and misappropriation of cash by theft and underbankings which were notified to Council in April, 1972.

Bungoma County Council

GENERAL LACK OF FINANCIAL CONTROL

121. At paragraph 87 of my report on Local Authorities for the years 1967/71, I commented on the poor financial management and ineffective internal supervision prevailing then in Bungoma County Council. There was no noticeable improvement over the situation during the year under review. Attention has been drawn to cases relating to payments of avoidable court charges amounting to Sh. 2,426.05, delayed bankings, payments made on vouchers containing insufficient details or lacking supporting documents and excess expenditure of Sh. 26,859.25 recorded against 13 sub-heads under the Urban Council.

REVENUE COLLECTION

122. The Counterfoil Receipt Book Register and records relating to plot rents, land rents and site value rates were not properly maintained and the control over the issues of receipt books and collection of revenue left a lot to be desired. The Council's attention was also drawn to large arrears of revenue in respect of land and plot rents as well as to shortfalls in revenue totalling Sh. 38,840.25 recorded against nine revenue items of the Urban Council.

STORES RECORDS

123. Stores ledgers and inventories were not generally maintained at the County Council. A ledger for veterinary drugs, however, showed that there were several instances where purchases had not been taken on charge, issues had not been signed for by the receiving officers and the balances

had not been shown. Similar remarks apply to the stores ledger maintained at the Urban Council.

OUTSTANDING MATTERS

124. In paragraphs 91 and 93 of my report for 1967/71, I stated that 101 P3 teachers were promoted to P2 scale without authority resulting in overpayment of salaries amounting to K£6,085 and that numerous instances were noted where salaries were collected by persons other than the named payees without written authority. Boarding fees totalling Sh. 22,225.55 were also misappropriated by the former headmaster of Bungoma Secondary School. I have not, to date, been informed of the action taken to regularize the position.

Kakamega County Council

LACK OF FINANCIAL CONTROL

125. Vote books and daily/monthly abstracts were either incomplete or very badly maintained. In the absence of proper records, the excess expenditure incurred during the year could not be ascertained. Further, I have not seen the Minister's covering approval for the over-expenditure of Sh. 45,922 which was reported in paragraph 86 of my report for 1967 to 1971.

COLLECTION OF REVENUE

126. The control over the collection of revenue as well as the maintenance of subsidiary revenue records was very poor. As in the previous years, a large number of collection control sheets for 1971 and 1972 and several hundred receipt books used during the two years have not been produced for audit. There were several instances of revenue collected falling substantially below the estimated amounts and I am unable, in the circumstances, to confirm that revenue collected on the missing receipt books was properly accounted for. A test check of available continuity records in fact revealed that cash collections in respect of stock sales, slaughter fees, barter fees and nursery fees amounting to Sh. 33,062.00 were not accounted for. I have requested that the details of relevant receipt be furnished to me on which an amount of Sh. 1,043, recorded as received on one collection control sheet, was brought to account.

EXPENDITURE CONTROL

127. No efforts were made during the year to clear numerous long outstanding suspense accounts some of which reflected large debit balances. I have also expressed concern over purchases of excessive stocks of various types of receipt books, without regard to need, and failure to settle a long outstanding bill of a local trader amounting to Sh. 3,521.40. Observations have also been raised on salary advances to staff without authority, failure

to invite tenders for purchases of building materials and other items and to account for 101 gallons bought and another shortage of 35 gallons of petrol.

SUBSIDIARY RECORDS AND STATEMENTS

128. At the time of audit inspection in April, 1973, the bank reconciliation statements which were produced were not up-to-date and the vehicle log books were started only with effect from November, 1972. Stores ledgers were also not satisfactorily maintained in that a large number of purchases were not taken on charge.

Busia County Council

LACK OF FINANCIAL CONTROL

129. An audit inspection carried out in July, 1972 revealed that a proper cash book was not maintained and that the daily/monthly abstracts contained many arithmetical errors, omissions and misallocations. The Council operated on a bank overdraft which as at 31st December, 1972 amounted to Sh. 1,025,242.90 which exceeded the authorised limit of Sh. 1,000,000. Further, the records maintained showed that excess expenditure of Sh. 32,360 was incurred on seven expenditure sub-heads in 1971 without authority.

AVOIDABLE EXPENDITURE

130. The Council's attention was drawn to several cases where there had been considerable delays in settling creditors' accounts and to payments of advocates and court fees amounting to Sh. 3,328.45 which could have been avoided had the accounts been settled promptly.

REVENUE COLLECTION

131. There was inadequate internal control over the receipts. Thirty-eight miscellaneous and bicycle licence receipt books and several skin and hides cess receipts were not produced for audit, while collections amounting to Sh. 1,061.00 were not accounted for. The traditional liquor licences register, debtors ledgers, telephone register and provident fund register were not satisfactorily maintained and, although these records showed substantial shortfalls against a number of revenue items, no statements showing arrears of revenue were prepared.

REPLIES TO AUDIT QUERIES

132. No replies have been received to the queries relating to points referred to in the preceding paragraphs although some of these queries date back to 1971.

Kwale County Council

LACK OF FINANCIAL CONTROL

133. In paragraph 101 of my report for 1967/71, attention was drawn to excess expenditure of K£288,515 which had been incurred without Ministerial covering approval. No such approval has been obtained and further unauthorized over-expenditure of £6,700 was recorded against ten capital projects in 1972 which were not included in the estimates.

BANK OVERDRAFT

134. As at 31st December, 1972, the cash book reflected a bank overdraft of Sh. 16,239.05 for which no Ministerial consent was seen.

LACK OF INTERNAL CHECK

135. An examination of bank reconciliation statements, cash books, daily/monthly abstracts and counterfoil receipt book register indicated that there was no effective internal check and supervision. A cash survey conducted on 20th February, 1973 on the imprest cashier revealed a shortage of Sh. 488.20. Council's attention has been drawn to a number of arithmetical errors noted in the daily/monthly abstracts, several instances of misallocation of expenditure and to cases of underpayment of cash collected by the sub-collectors.

CONTROL OVER ACCOUNTABLE DOCUMENTS

136. The control over accountable documents remained weak during the year. One hundred and sixty-four miscellaneous receipt books were not made available for audit and it was not possible to verify, in the absence of relevant revenue collection control sheets, whether sums collected on seventeen Traders Licence Books and on a number of market fees receipt books of various denominations were properly brought to account in the Council's books.

STORES, INVENTORIES AND VEHICLE LOG BOOKS

137. Inadequate control was exercised over the purchase, issues and custody of building materials. The control of vehicles was poor in that the vehicle log books did not record sufficient reasons for the journeys and that no explanation was provided for journeys undertaken by the Clerk and the Assistant Clerk on Sundays and Public Holidays.

Kilifi County Council

BUDGETARY CONTROL

138. No vote books were maintained during 1972 and the daily/monthly abstracts contained many arithmetical errors and omissions. Attention was drawn to several cases of misallocations of expenditure and to expenditure incurred in excess of the approved provision.

EXPENDITURE CONTROL

139. In paragraph 121 of my report for 1967/71, I referred to the careless attitude adopted by Council in the preparation and checking of payment vouchers. There was no improvement over the position during the year. Several cases were noted where payments were made against duplicate invoices and L.P.O.s. An amount of Sh. 5,877.15 was also spent on unnecessary purchase of timber in 1971, which was not taken on charge in the stores ledger and had not been put to any use at the time of audit in March, 1973. A nugatory payment of Sh. 3,953.20 was also made to E.A. Posts and Telecommunications to make good the cash stolen by an Assistant Sub-Postmaster at Mariakani.

REVENUE CONTROL

140. There was very little internal check and control over the collection and accounting for revenue and other sums due to the Council. The subsidiary records in respect of debtors, private telephone calls, land rents and staff car loans were also not maintained in a satisfactory manner. Council's attention was drawn to many cases of long outstanding telephone and land rent accounts and to car loans amounting to Sh. 9,467.10 which was outstanding against six loanees who are no longer in Council's employment. A number of revenue collection control sheets for 1972 were missing, while forty-eight miscellaneous receipt books were not produced for audit.

STAFF CAR LOANS

141. Although a total amount of Sh. 59,695.35 was advanced to eight Council officers for the purchase of motor-cars in 1972, no loan agreements were signed between the Council and the loanees and the vehicles bought were not registered in the joint names of the Council and the officers concerned. Valuation reports were not submitted in support of the purchase price of second-hand cars and in many cases the necessary initial deposits were not paid by the borrowers.

SALARIES AND ESTABLISHMENT CONTROL

142. These records were maintained in an unsatisfactory manner. Many instances of over and under payments arising from wrong assessments of salaries as well as payments of salaries without written authority to persons other than the rightful payees were observed during the examination of salary records. A few cases were also noted where wages were paid or drawn for officers who had either resigned or died.

Lamu County Council

TRANSFER OF FUNCTIONS—ASSETS

143. Although assets amounting to K£7,351 were transferred to the Ministries of Works, Health and Education in 1971 as required by the

Local Government (Transfer of Functions) Act, 1969, the Council's Abstract of Accounts for 1971 shows that the value of these assets was not alienated from Council books and that the Council has not paid over to the Ministry of Health a sum of K£3,411-05-00 which has been outstanding since 1969. I am informed that the Council is awaiting instructions from the Ministry of Local Government on these matters.

Tana River County Council

EXPENDITURE CONTROL

144. The daily/monthly abstracts, bank reconciliation statements and cash books were not written up-to-date or balanced and contained several arithmetical errors and omissions. There was no effective internal check on payments and consequently excess expenditure was incurred on many expenditure items without the requisite approval, while purchases were made without following tender procedure. Payment vouchers did not contain sufficient information to identify reasons for the payments while casual and daily paid labourers received remote area allowances and Councillors received their allowances six months in advance, contrary to existing regulations. Because of the Council's critical financial position, the renewal fund money was incorrectly used to meet recurrent expenditure.

IMPRESTS AND ADVANCES

145. The procedure in use for the accounting of imprests and advances was unorthodox and improper and open to abuse. Advances granted were charged to salary codes while imprests issued were debited to expenditure accounts. A register for advances and imprests was not maintained and I have not been able to confirm that there were no losses through failure to repay advances or account for imprests. A test check of payment vouchers revealed that six imprests totalling Sh. 1,400 and three advances amounting to Sh. 260, all issued in 1972, had not been retired or repaid at the time of audit inspection in April, 1973.

IRREGULAR ADVANCES

146. In March, 1972, 37 dishonoured cheques, I.O.U's chits, imprests and cash sale receipts, amounting to Sh. 13,962.55, were debited to the personal advances account of the former clerk to the Council but only a sum of Sh. 11,825 was recovered from his terminal benefits. I have not been informed why the difference of Sh. 2,137.55 was not recovered.

REVENUE CONTROL

147. During 1972, the control and supervision over the collection of Council revenue was inadequate and ineffective. The accounting of sales, purchases and stock at Social Beer Halls was poor while registers relating to plot rents, housing, premises licences and inward cheques were badly maintained and lacked details of plot numbers, locality and receipt numbers.

The collection of revenue was left entirely to junior staff who did not appear to know the proper amounts to be collected under various by-laws with the result that there were numerous cases of under collection. Out of the 89 houses listed, the register shows that only 11 owners paid their rents in 1971 and 1972.

VEHICLE AND STORE RECORDS

148. No vehicle log books or work tickets were made available for audit and no stores ledgers or inventories were maintained.

Taita Taveta County Council

EXPENDITURE CONTROL

149. I have not yet seen the Minister's covering authority for over-expenditure of Sh. 132,458.68 in respect of 1969 referred to in paragraph 124 of my report for 1967/71.

INTERNAL CHECKS

150. I.O.U. chits amounting to Sh. 532.60 were held by the receipts cashier as part of the cash on hand as at 26th March, 1973, while the daily/monthly abstracts contained several arithmetical errors. The salaries and wages summary book relating to Taveta Area Council was written only up to September, 1972. I am in correspondence with the Council in connexion with uncleared imprests amounting to Sh. 2,250.

BANK RECONCILIATION

151. The bank reconciliation for Taveta Area Council's bank account was very much in arrears as no reconciliation statements had been prepared since 1971.

SUBSIDIARY RECORDS

152. The garage stores ledgers were not properly maintained and the collection of revenue was not energetically pursued. The amounts outstanding in respect of private car repairs, canteen sales and private telephone calls, as at 30th April, 1973, totalled Sh. 2,598.20 out of which one Councillor owed Sh. 1,071.60. Three rate payers were granted exemptions from payments of site value rates amounting to Sh. 53,100 and the Council has been requested to let me know the grounds for these exemptions.

Malindi and Mambui Urban Council

EXPENDITURE CONTROL

153. The control over the Council's expenditure during 1972 left much to be desired. Excess expenditure was incurred without authority and payments continued to be made on vouchers which did not have supporting

documents or full details. I have not been able to establish the validity of several payments or to confirm that all goods purchased or the services paid for were actually received by the Council. I have also not seen the Minister's covering authority for the excess expenditure of Sh. 95,599.95 mentioned in paragraph 109 of my report for 1967/71.

REVENUE CONTROL

154. The internal control and supervision over receipts, issues and custody of both used and unused books was very poor and a large number of receipts books in respect of slaughter fees, market fees, rates and camping fees were either not made available for audit or were not taken on charge in the register. This chaotic state of affairs rendered any meaningful audit impossible and I am unable to confirm that fraud and theft did not occur during the year. Attention was also drawn to numerous cases of omissions, underpostings and casting errors noted in the receipts cash book.

SUBSIDIARY RECORDS

155. The subsidiary records in respect of private trunk calls, rates, business premises, market stalls, housing and loans were either non-existent or where they were available, they were incorrectly maintained.

156. The examination of the rates register revealed many cases in which wrong plot numbers or years were quoted on the rates receipts while the amounts entered in the register differed from those on the receipts. In the circumstances, the arrears of revenue as at 31.12.72 could not be established.

VEHICLE LOG BOOKS

157. With the exception of one log book for a Land-Rover, no other records were produced for audit in respect of the other vehicles. It was observed that, during the year, Council's tractors were usually employed for private purposes without any charges being raised for the jobs carried out.

SALARY RECORDS

158. The unsatisfactory situation, referred to in the previous report, regarding the salary and establishment records continued to persist during 1972. Vacancies which were not approved by the Minister were created and filled while some officers earned higher salaries than their entitlements.

Mandera County Council

ACCOUNTING RECORDS

159. The daily/monthly abstracts, vote books, debtors ledgers, imprest records, advances register, collection control sheets and plot rents registers were not properly maintained. A number of missing receipt books have

not yet been produced for audit. Annual abstracts of accounts for the years 1967/71 have not been submitted for audit. It was not possible to verify that imprests and advances granted since 1967 had been repaid or recovered but it is understood that the whereabouts of a large number of the recipients of the amounts are unknown. Further, substantial sums in respect of plot rents and conservancy charges relating to the years 1967/71 may have to be written off because of inadequate details regarding their addresses and dates of plot allocations.

STORES LEDGERS

160. These were poorly maintained and essential details such as receipt vouchers and L.P.O.s were seldom quoted in the ledgers. There was no evidence that the balances shown in the stores ledgers had ever been physically surveyed and agreed with the stock on hand.

BANK RECONCILIATION

161. Three cheques representing Sh. 2,569.00 which were allegedly dispatched to the bank on 31.3.71 appeared to have gone astray in the post since they do not appear to have reflected in the Council's bank account.

Wajir County Council

ACCOUNTING RECORDS AND PAYMENT VOUCHERS

162. No bank reconciliation statements have been drawn by the Council since January, 1969. A number of receipt books were not made available for audit and subsidiary records such as vote books, debtors ledgers, salaries records and stores ledgers were inadequately maintained. Out of 460 residential plots allocated during 1969 to 1971, details of only 100 plot owners were recorded in the plot register and arrears in respect of these plot rents and conservancy charges were Sh. 2,455 and Sh. 2,330 respectively as at May, 1972. Numerous cases of payments made without proper authorization were noted while 270 bags of cement and 2,300 feet of assorted corrugated iron sheets were bought from sources other than from the approved one and an unnecessary additional expenditure of Sh. 480 was incurred.

Garissa County Council

SUSPENSE, ADVANCE AND DEPOSITS ACCOUNTS

163. The control on these accounts was found to be inadequate in that there were many dormant and uncleared advances, deposits and other suspense accounts. Analyses of these accounts were not produced.

ACCOUNTING AND REVENUE COLLECTION

164. The subsidiary records relating to plot rents, conservancy charges, *miraa* cess and salary records were not properly maintained and a number of receipt books were not produced for audit. These weaknesses are attributable to lack of experienced and qualified staff.

STORES AND FURNITURE RECORDS

165. These records were not maintained in a satisfactory manner in that there were many omissions of receipts and issues; e.g. building materials purchased could not be traced during audit inspection. There was no evidence of any physical survey of stores ever having been held and it is therefore not possible to confirm that there were no losses of stores during the year.

STAFF ADVANCES

166. Attention was drawn to several cases where salary advances were granted in complete disregard of the Ministry's instructions as well as cases where advances were given to officers although they had not cleared previous advances.

PART TWO
CITY AND MUNICIPAL COUNCILS

Nairobi City Council

UNCOLLECTED DEBTS

167. Council efforts to collect debts due to it do not seem to have met with much success. It appears that the sum owed to the City Council at the end of June, 1973 was approximately Sh. 47,027,000 made up of:—

	<i>Sh. cts.</i>
Water and Conservancy	7,562,000.00
Contributions in lieu of rates	22,435,000.00
Rates	10,882,000.00
Rent and others	6,148,000.00
	Sh. 47,027,000.00

168. Of this sum, various Government Ministries and the East African Railways Corporation owed the City Council Sh. 24,300,000.00.

SALARIES AND WAGES

169. The control over preparation, certification and witnessing of payment of wages was not satisfactory. There was delay in processing pay change advices and in a number of cases salaries and wages were paid to muster-roll holders during pay parades against authorization forms completed by them purporting to nominate themselves as receivers of other employees salaries.

WATER AND SEWAGE

170. In paragraph 141 of my report for 1967/71, I referred to delays in taking prompt action to connect water supplies where deposits had been paid, and also referred to a situation whereby meters remained out of order for a long time resulting in the consumers being billed at the minimum throughout such period. A similar situation prevailed during the year, and, in addition, in a number of cases, water was not disconnected where accounts remained unpaid for four months or more. Further, a scrutiny of monthly reconciliation between the billings, cash income tabulations, and the control account revealed unmatched receipts amounting to K£10,898 as at 30th June, 1973. The outstanding debtors figure of Sh. 7,562,000 referred to in paragraph 167 includes an amount of K£173,677 being a net cumulative total of debit and credit balances on about 18,000 closed accounts. Of the dead accounts, K£143,550 has remained uncleared for six months or more.

171. The control over credit was not particularly satisfactory. A register was not maintained to record the receipt of credit note books and there were no defined limits within which officers could use their discretion in giving such credits. I am, however, now assured that remedial action is being taken in these matters.

RECHARGEABLE WORKS

172. A general review of the system in operation in respect of private sewer and rechargeable and private street works revealed that considerable delays occur in issuing notices of final apportionment and that a record of rechargeable work is not maintained by the Engineering Section of the Council. Further, debtors' ledgers are not written up-to-date and amendments are not in all cases made promptly to record change of ownership of land between the time of service of the notices of provisional charge and the time of final apportionment, due, I understand, to the fact that the Council has to rely on invoices from undertakers such as East African Power and Lighting Co. and East African Posts and Telecommunications Corporation as well as due to the twelve months maintenance period allowed after a job has been done. However, I am informed that the existing arrangements are under review.

173. In the case of the records relating to the Westlands Foul Sewer Extension Scheme, out of the fifty-six plot owners affected by the scheme, sixteen did not respond to the notices sent to them in April, 1972 and no action had been taken to recover the sum of Sh. 75,563.89 due from them by April, 1973.

Mombasa Municipal Council

CONTROL OF EXPENDITURE

174. I have not seen the Minister's covering authority for the excess expenditure of K£75,000 incurred in 1968. Further, excess expenditure amounting to K£145,276 was incurred in 1972 on 39 expenditure subheads for which no Ministerial authority has been seen. Attention was drawn to several cases of possible misappropriation of Council funds and to over-payments ranging from Sh. 60 to Sh. 10,000, but I have not been informed of the action being taken. In addition, an amount of £24,653-00-04 was still outstanding in respect of water supplied to various tenants.

REVENUE COLLECTION CONTROL

175. The control over receipt books, collection of revenue in respect of housing, school fees, refuse collection fees and sewerage fees was inadequate, while continuity records were not properly maintained. Many receipt books could not be produced for audit, and in the absence of a large number of collection and deposit summaries, the accounting for substantial amount of revenue could not be verified. A reconciliation between the amounts due in respect of school fees and rents with the actual sums received or out-

standing revealed large discrepancies which have not yet been explained. I am awaiting the outcome of investigations which I am informed are underway, and explanations for the shortfalls recorded in 1972 against the following revenue items:—

<i>Items</i>	<i>Estimated</i> K£	<i>Actual</i> K£	<i>Shortfalls</i> K£
(a) Emptying cess pit fees	4,150	—	4,150
(b) Rentals—Dairy sites	480	1	479
(c) Sewerage fees	10,000	7,174	2,826
(d) Sewerage—trade effluent charges ..	10,000	3,089	6,911

176. I have also asked for the reasons for the small collections of K£5,995 and K£7,174 in respect of refuse collections from bins and sewerage services respectively, bearing in mind the size of the town.

EXTRAVAGANCE

177. The Council purchased 18 time clocks for Sh. 16,742 without Ministerial authority. No provision was made in the estimates for this expenditure which was wrongly charged to Renewals Reserve Account. I am informed that the clocks could not be used due to objections from the trade union and that they are therefore lying idle in the stores.

STORES CONTROL

178. The records for drugs and medical equipment were not up-to-date. Several receipts and issues were not entered in the register, and no boards of survey were convened to check the stocks on hand as at 31st December, 1972.

Thika Municipal Council

ADVANCES TO COUNCILLORS AND STAFF

179. It was observed during an audit inspection that several Councillors had been paid their allowances as much as three months in advance. Recoveries relating to these advances could not be verified because the break-down of deductions on the payrolls was not given. Recoveries of advances to staff amounting to Sh. 7,540.80 could not, similarly, be verified.

ARREARS OF REVENUE

180. The uncollected market rents, beer hall rents, rates and conservancy charges as at 31st December, 1972 amounted to Sh. 20,864.50, Sh. 145,779.85, Sh. 423,954.70 and Sh. 27,877.40 respectively.

MEDICAL BENEFIT SCHEME

181. The Medical Benefit Scheme which was referred to in paragraph 156 of my report for 1967/71 was discontinued in September, 1972 with a deficit of Sh. 732,182.65.

HOUSING ESTATE

182. Large portions of the expenses incurred on water, conservancy and electricity were not recovered from the consumers, but were charged to Councils funds during 1969 to 1972. It is, however, understood that the Council has now decided to take remedial action by installing separate water and light meters for each house so that, as should have happened earlier, users pay for their own consumption.

MARKET DEVELOPMENT

183. Authority was given for an expenditure of Sh. 380,000 to be incurred on the construction of a market building. The provision was exceeded by Sh. 92,004.54. The excess expenditure has not been approved and is currently charged to a suspense account.

Nakuru Municipal Council

ACCOUNTING RECORDS

184. The examination of the bank reconciliation statement as at 31st December, 1972 revealed that several direct deposits totalling Sh. 12,183.35 were made into the bank between 17th June, 1971 and 29th December, 1972. These deposits were not identified for the purpose of allocation to the appropriate accounts.

DISHONOURED CHEQUES

185. A total sum of Sh. 18,698.45 was outstanding in respect of dishonoured cheques as at 31st December, 1972. A portion of this sum has since been recovered. But I am greatly disturbed by the fact that Chief Officers and Senior staff of the Council deliberately cashed their personal cheques with the Council's cashier when they knew well that they had no funds in their personal bank accounts and despite the existence of other dishonoured cheques issued by them. Seventy-five cheques belonging to members of staff were returned by the bank marked "Refer to Drawer" during the period 1st June, 1972 to 10th May, 1973. In one case, a very senior official of Council cashed three cheques totalling Sh. 1,000 in one day all of which were returned by the bank marked "R.D."

CONTRACTS

186. The Council incurred a loss of Sh. 487,143.40 on three major capital works during the year due to various circumstances some of which were beyond their control. However, delays in concluding tenders also contributed to the loss.

TENDERS

187. In paragraph 147 of my report for the years 1967/71, I mentioned that rules regarding acceptance of tenders for purchases and sales were not followed by the Council and that the Minister's approval for accepting tenders other than the lowest was not always obtained. The position remained unsatisfactory during 1972, and as a result the Council suffered losses totalling Sh. 8,377.40 for paying higher or receiving less than the tender prices in certain cases of purchases and sales of various items.

MISSING INVOICES

188. Payment vouchers representing a value of Sh. 55,249.95 and relating to the purchase of cement were not supported by the suppliers' invoices. It was not, therefore, possible to verify whether the amounts paid were properly due. It was also not possible to confirm that the cement was received and used for Council purposes.

ARREARS OF RENT

189. The Provincial Administration owed the Council Sh. 135,500 as at 8th March, 1973 in respect of old Council offices occupied by them with effect from 1st April, 1970, which were referred to in paragraph 146 of my report for the period 1967/71.

Kisumu Municipal Council

FINANCIAL CONTROL

190. Departmental vote books were not maintained satisfactorily, the main cash book was not written up-to-date and cases were noted where payments were made on vouchers without supporting invoices or local purchase orders or where expenditure was misallocated. Excess expenditure amounting to K£100,853 was recorded on 190 expenditure codes in 1971 and a total of Sh. 125,072.25 was spent in excess of the approved provision on eleven items in 1972.

191. The Minister's covering authority has not been seen for the over-expenditure incurred in the years 1967/71 and for the amount of K£253,242 overspent, as at 31st December, 1971, on 27 capital projects.

192. An examination of payment vouchers for 1972 revealed cases where medical stores and building materials were purchased outside the contracts and consequently an amount of Sh. 13,646.80 was paid in excess of the prices provided for in the supply contracts. Further, Council paid consolidated car allowances to officers who were on leave although this does not appear to be justified.

CONTROL OVER IMPRESTS

193. A register showing the names of imprest holders, amounts taken as well as other essential details was not maintained and imprests amounting to Sh. 55,493 relating to 1971 and 1972 had not been accounted for by **May, 1973.**

SHORTFALLS AND ARREARS OF REVENUE

194. The collection of school fees and house rents fell short of the estimated amounts by Sh. 191,947 and Sh. 251,663.25 respectively, while other ascertainable arrears of revenue and outstanding loan repayments as at 31st December, 1972 were:—

<i>Items</i>	<i>Outstanding amounts</i>	
	<i>Sh.</i>	<i>Cts.</i>
Market shop rents	32,091	65
Traders' Loans	19,684	10
Councillors' Car Loans	18,772	00
Car Loans to Staff	7,329	55
Rent, E. A. Community	18,542	40

BANK RECONCILIATION STATEMENTS

195. In paragraph 149 of my report for 1967/71, I mentioned that bank reconciliation statements were not drawn up regular and that the position regarding stores and inventories was extremely unsatisfactory. There was no significant improvement over the position during 1972. Further, little or no attempt appears to have been made to clear the large unexplained debit and credit entries totalling Sh. 61,263 and Sh. 3,370,779.65 respectively. The Council operated on a bank overdraft during the year, but in order to keep to the authorized limit it adopted an irregular practice of withholding the release of cheques, some of which had already become stale, despite demands by creditors to have their accounts paid. The total of such cheques held by the Treasurer amounted to about K£137,502 in June, 1973.

Eldoret Municipal Council

INTERNAL AUDIT AND SUPERVISION

196. There was inadequate internal check and control over the collection of revenue, accountable documents, stores and inventories. The completed receipt books returned to the Treasurer were not recorded and signed for in the register. Substantial revenue remained uncollected as at 31st December, 1972. An examination of subsidiary revenue records revealed that a total of Sh. 274,416.46 was outstanding in respect of rates as at 31st December, 1971 and that approximately Sh. 164,000.00 out of outstanding total had not been collected by 30th November, 1972.

Kitale Municipal Council

SUBSIDIARY RECORDS

197. The subsidiary revenue records relating to rates and valuation, rents and water were not maintained satisfactorily. The amounts owing at the end of 1971 were not carried forward to 1972 registers and monthly debits were raised only if the tenants turned up to pay their bills as they were not

notified of the amounts due in advance as they should have been. Reconciliations of the amounts outstanding at the end of the year with their respective control accounts were not prepared. Out of the Sh. 57,145.66 outstanding in respect of rates and valuation as at 31st December, 1969, there was still approximately Sh. 33,000 which had not been collected by May, 1972 while in the case of the water accounts the amount outstanding as at 31st December, 1969 which remained uncollected in 1972 was Sh. 7,688. Further, the final annual journal entries for the year 1972 had not been made in that year's ledgers and consequently, the final trial balance for the year has not been made available for audit.

SALARIES AND WAGES

198. Personal records were found to be inadequate in that there was little or no information on such vital matters as salary scales, leave, dates of first appointment and incremental dates. No records were maintained of the teachers who were on Council's pay roll. In their absence, verification of the correctness and propriety of salaries paid could not be carried out.

REPLIES TO AUDIT QUERIES

199. Although all the matters raised in this report were referred to the Council in August, 1972, and in spite of several reminders, I have not received Council comments.

Nyeri Municipal Council

GENERAL

200. The former Nyeri Urban Council was elevated to Municipal status in March, 1971. The members of the Council were removed by a Ministerial order issued on April 28th, 1973 and in their place the Minister appointed a Commission to run the affairs of the Council.

ARREARS OF REVENUE

201. The arrears of revenue as at 31st December, 1972 amounted to Sh. 285,521.20 arrival at as follows:—

	<i>Sh.</i>	<i>Cts.</i>
(i) Rates	77,803	85
(ii) Conservancy charges	51,056	65
(iii) Sewerage charges	50,688	50
(iv) House rents	51,655	95
(v) Business-cum-residential	10,162	85
(vi) Tenant Purchase Housing	44,153	40
	<hr/>	
	Sh. 285,521	20
	<hr/>	

BANK RECONCILIATION

202. The Council did not prepare bank reconciliation statements until 31st January, 1973 which, when prepared, disclosed that four deposits made into the bank by Council between 2nd and 5th November, 1970 and amounting to Sh. 11,759.50 were not reflected in the bank statement.

COUNCILLORS' TOUR

203. The Minister granted approval to Councillors to tour Mombasa in September, 1972 and authorized expenditure of Sh. 7,820 for the purpose. In the event, a sum of Sh. 13,807.10 was spent during the tour. I have not seen the Minister's approval for the excess expenditure of Sh. 5,987.10.

CAR LOAN SCHEME

204. The system followed in respect of loan repayments on behalf of the Councillors is very unsatisfactory. The Council pays instalments on behalf of the Councillors and then recovers sums paid from the allowances payable to the Councillors. The allowances are invariably less than the instalments due and paid by Council and, consequently, the Council has had to bear the difference. Four Councillors were afforded loans to purchase commercial vehicles against the rules of the scheme. I am in correspondence with the Council and the Ministry on this matter.

MAYORAL CAR—PRIVATE JOURNEYS

205. The Mayor appears to have used the Mayoral car for all his social and private journeys. I have not seen authority for the use of the car in this manner although no payment has been made to Council for the journeys. Further, a sum of Sh. 1,000 was paid to an insurance company being the portion payable by the Council in connexion with an accident in which the Mayoral car was involved while travelling on an unofficial journey to the Mayor's house. Mileage allowance amounting to Sh. 522 was also paid to a Council employee to cover trips made by the officer between the Council office and the Mayor's house to collect him in the morning and to return him to his residence in the evenings.

LOSS OF "WIMBI"

206. Attention was drawn to the inconsistent loss in weight that occurs when *wimbi* seeds are ground into flour, which on one occasion was noted to be as high as 14 per cent of the original weight. It is understood that the matter is being investigated.

COST OF FLAG POLE

207. The Council ordered a flag pole for erection outside the Mayor's office and an amount of Sh. 1,700 was paid for erecting it. However, it appears that this work should not have cost more than Sh. 350 and although the Council has, accordingly, been asked to recover the difference

of Sh. 1,350 from the contractor or surcharge the officer responsible for authorizing its construction, no recovery has been made or surcharge imposed.

Embu Municipal Council

FINANCIAL CONTROL

208. By November, 1972, there was an over-expenditure of Sh. 48,157.05 on three subheads. No Ministerial authority to cover the over-expenditure appears to have been sought.

REVENUE COLLECTION

209. The collection of revenue and follow up of arrears during the year left much to be desired. Attention was drawn to arrears of revenue accruing from plot rents, site value rates and conservancy charges which amounted to Sh. 16,005, Sh. 11,235 and Sh. 3,616 respectively as at 31st July, 1972.

Meru Municipal Council

CONTROL OVER EXPENDITURE

210. Vote books and other accounting documents were not properly written up or maintained and no financial rules appear to have been formulated as required by regulations. Excess expenditure totalling Sh. 190,260.85 was incurred on 24 subheads during 1971/72 although no Ministerial authority for the over-expenditure appears to have been given. Attention has been drawn to a number of cases where Council officers have authorized their own claims or where entertainment expenses have been incurred at Council expense without prior approval. Many employees' personal files did not contain letters of appointment, medical certificates and pay change advice forms while salary advances were granted to officers in complete disregard of the regulations in force. In addition, tender procedure was not followed for purchases of stationery and uniforms.

REVENUE COLLECTION

211. The control exercised over the collection of revenue was ineffective and unsatisfactory. The records in respect of house rents, site value rates, canteens, markets, conservancy charges and loans were poor. At the end of December, 1972, arrears in respect of site value rates, house rents and sewerage charges amounted to Sh. 24,509.25, Sh. 16,000 and Sh. 7,924 respectively. Amongst the many house rent defaulters were ten civil servants and many Council employees who had paid no rent since September, 1971.

MISSING RECEIPT BOOKS

212. I have not yet been informed of the whereabouts of two miscellaneous receipt books which could not be traced during an audit inspection in September, 1972.

Kakamega Municipal Council

CASH SURVEYS

213. Cash surveys carried out on 28th December, 1972 and 22nd June, 1973 revealed that three Council employees had obtained irregular advances amounting to Sh. 3,330 by signing "I.O.U." chits and that a former Council Treasurer had also obtained cash amounting to Sh. 1,770 by encashing ten personal cheques between 2nd April, 1972 and 16th August, 1972, which were subsequently dishonoured by the bank. Seven cheques, three of them post dated, totalling Sh. 3,949.30, had not been receipted by 22nd June, 1973 while two pay packets containing Sh. 248.50 each in respect of an employee's unpaid wages for April and May, 1973 were found in the cash box.

ACCOUNTING RECORDS

214. Basic accounting records like the main cash book, payments cash books, receipts cash books and daily/monthly abstracts were either not maintained at all or not written up-to-date. Monthly bank reconciliation statements were also not prepared. The unhealthy financial position of the Council resulted in the Council adopting an undesirable practice of drawing cheques but not dispatching them to the creditors. Ten such cheques, totalling Sh. 12,583.30, were found in the drawer of the Cashier's table on 22nd June, 1973.

PAYMENT VOUCHERS

215. The correctness of payment vouchers could not be established because the supporting invoices and local purchase order, which I understand were filed separately, could not be produced for audit. I am in correspondence with the Council regarding the payment of tax-free overtime to Council employees.

CAR LOANS

216. A number of Councillors were in arrears with their monthly loan repayments to the extent of Sh. 19,739 as at the time of audit inspection in June, 1973. Further, a sum of Sh. 5,000 was due from the former Council Treasurer in respect of monthly loan instalments paid on his behalf by the Council since September, 1972.

COLLECTION OF REVENUE

217. The control over the collection of and accounting for revenue during the period under review was very unsatisfactory. There was no revenue cash book and collection control sheets were not maintained. It was, therefore, not possible to verify that all moneys collected by the sub-collectors had been properly accounted for. I have expressed concern over

cases where the disposal of cheques received could not be verified and over the large amounts outstanding in respect of private telephone calls and site value rates.

SHORTAGE: G.P.T. STAMPS

218. There was no evidence to show that a regular check of the sales and unsold stocks of G.P.T. stamps was made by a Senior Officer during the year under review. A test check of stamps sold and on hand revealed that stamps valued at Sh. 542 had not been accounted for.

Nairobi.

12th October, 1973.

D. G. NJOROGI,

Controller and Auditor-General.