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04/12/2024

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF THE FOLLOWING MUNICIPALITIES FOR THE FINANCIAL YEAR 2022/2023 (1ST JULY, 2022 TO 30TH JUNE, 2023):

NO.	MUNICIPALITY	COUNTY
1.	ELDORET MUNICIPALITY	UASIN GISHU
2.	KAKAMEGA MUNICIPALITY	KAKAMEGA
3.	KITALE MUNICIPALITY	TRANS NZOIA
4.	MIGORI MUNICIPALITY	MIGORI
5.	MUMIAS MUNICIPALITY	KAKAMEGA
6.	MURANGA MUNICIPALITY	MURANGA
7.	RONGO MUNICIPALITY	MIGORI
8.	RUMURUTI MUNICIPALITY	LAIKIPIA

PAPERS LAID	
DATE	5.12.24
TABLED BY	Sen. Grendi
COMMITTEE	-
CLERK AT THE TABLE	Angelo

VOLUME XVI

Rt. Hon. Speaker
You may approve for tabling
J. M. Nyegenye, C.B.S.,
Clerk of the senate/secretary, PSC
Date: 04/12/24

04/12/24
[Signature]

Clerk's Chambers
The Senate
P.O. Box 41842-00100
Nairobi

[Signature]
04/12/24

APPROVED
RT. HON. SEN
AMASON J. KINGI

November, 2024

ACRONYMS/ABBREVIATIONS

CBK	- Central Bank of Kenya
COB	- Controller of Budget
COG	- Council of Governors
DPP	- Director of Public Prosecution
EACC	- Ethics and Anti-Corruption Commission
GAAP	- Generally Accepted Accounting Principles
IFMIS	- Integrated Financial Management Information System
KRA	- Kenya Revenue Authority
IGRTC	- Intergovernmental Relation Technical Committee
OAG	- Office of the Auditor-General
PAA	- Public Audit Act
PFM	- Public Finance Management
PSASB	- Public Sector Accounting Standards Board
SO	- Standing Orders
TNT	- The National Treasury

DEFINITION OF TERMS

1. **Unqualified opinion:** This refers to a clean opinion which is the most desirable in which the auditor states that the financial condition, position, and operations of an organization are fairly presented in the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).
2. **Qualified opinion:** This is an opinion expressed by the auditor if the financial statements appear to contain a small deviation from Generally Accepted Accounting Principles (GAAP) but are otherwise fairly presented. It is also rendered if the management of the organization limits the scope of audit procedures.
3. **Adverse opinion:** This refers to an opinion issued when there are material exceptions to Generally Accepted Accounting Principles (GAAP) that affect the financial statements as a whole and the auditor indicates that the financial statements are not presented fairly.
4. **Disclaimer:** This is an opinion given by the auditor when there is a significant limitation in the access to audit information and documentation and inadequate cooperation by the organizational management in the audit process.
5. **Accountability** – This refers to the assurance that an individual or a group will be held responsible for their actions or inactions.

PREFACE

Hon. Speaker,

Parliamentary Committees are a creation of the Constitution through Article 124(1) of the Constitution which empowers each House of Parliament to establish Committees and make Standing Orders (SO) for the orderly conduct of its proceedings, including the proceedings of its Committees. The Select Committee on County Public Investments and Special Funds is established pursuant to Standing Order No. 194 of the Senate Standing Orders and is mandated to-

- a) Pursuant to Article 96(3) of the Constitution, to exercise oversight over national revenue allocated to the county governments; and
- b) examine the reports and accounts of county public investments; and
- c) examine the reports, if any, of the Auditor-General on the county public investments; and
- d) To exercise oversight over county public investments.

COMMITTEE MEMBERSHIP

Hon. Speaker,

The membership of the Committee comprises of the following Senators-

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**
3. Sen. Ledama Olekina, MP
4. Sen. William Kipkemoi Kisang, MP
5. Sen. Paul Karungo Thangwa, MP
6. Sen. Miraj Abdillahi Abdulrahman, MP
7. Sen. Eddy Gicheru Oketch, MP
8. Sen. Hamida Kibwana Ali, MP
9. Sen. Maureen Tabitha Mutinda, MP

COMMITTEE SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant II
4. Mr. Godfrey Nyaga - Clerk Assistant III
5. Mr. Kennedy Owuoth - Fiscal Analyst
6. Mr. Andrew Nyairo - Legal counsel
7. Ms. Lucy Radoli - Legal counsel
8. Ms. Linet Aseka - Research Officer III
9. Ms. Raisa Mwithi - Research Officer III
10. Mr. Martin Mulandi - Research Officer III
11. Mr. Josphat Ng'enh - Media Relations officer.
12. Ms. Winfred Ocholla - Audio officer
13. Mr. Patrick Ngenoh - Procurement officer
14. Mr. Josphat Ng'enh - Media Relations Officer.
15. Mr. Julia Gachoki - Serjent-at-arms

ESTABLISHMENT OF THE COMMITTEE

Hon. Speaker,

The Committee was first constituted on 19th October, 2022 pursuant to Standing Order No. 194 of the Senate Standing Orders. The County Public Investments and Special Funds Committee (CPISFC) was split from the broad County Public Accounts and Investments Committee (CPAIC) in the 12th Parliament for the purpose of clearing audit backlog and to consider many audit thematic areas which had not been subjected to Parliamentary scrutiny since the inception of devolution in the year 2013.

Hon. Speaker,

The County Public Investments and Special Funds Committee is one of the financial audit committees through which the Senate under the provisions of Article 96(3) of the Constitution conducts ex-post scrutiny on Public Investments and Special Funds in Counties.

EXECUTIVE SUMMARY

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited Accounts of the Municipalities for the Financial year 2022/2023 (1st July, 2022 to 30th June, 2023) as the primary documents for the investigations. The Committee invited the Governors as the Chief Executive Officers of their respective County Governments pursuant to Article 179(4) as witnesses to respond to the audit queries raised in the reports under consideration.

The Committee received both written and oral evidences from the Governors in response to the various audit queries raised by the Auditor-General in the reports under consideration on various dates. The Committee considered and concluded its inquiry onto the reports of the Auditor-General on the Financial Operations of the Municipalities for the Financial Year 2022/2023.

This report documents the observations and recommendations of the Committee on each audit query as raised by the Auditor-General.

THE PREFACE DETAILS the place of Committees in the Constitution, Committee establishment and mandate, Committee membership and formation, the niche of the Committee in the Senate, the executive summary, key observations and recommendations and acknowledgement.

CHAPTER ONE is a record of the audit queries raised in the report of the Auditor-General for the Municipality of Eldoret for the Financial Year 2022/23 and observations and recommendations of the Committee on each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for the Municipality of Kakamega for the Financial Year 2022/23 and observations and recommendations of the Committee on each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for the Municipality of Kitale for the Financial Year 2022/23 and observations and recommendations of the Committee on each audit query.

CHAPTER FOUR is a record of the audit queries raised in the report of the Auditor-General for the Municipality of Migori for the Financial Year 2022/23 and observations and recommendations of the Committee on each audit query.

CHAPTER FIVE is a record of the audit queries raised in the report of the Auditor-General for the Municipality of Mumias for the Financial Year 2022/23 and observations and recommendations of the Committee on each audit query.

CHAPTER SIX is a record of the audit queries raised in the report of the Auditor-General for the Municipality of Muranga for the Financial Year 2022/23 and observations and recommendations of the Committee on each audit query.

CHAPTER SEVEN is a record of the audit queries raised in the report of the Auditor-General for the Municipality of Rongo for the Financial Year 2022/23 and observations and recommendations of the Committee on each audit query.

CHAPTER EIGHT is a record of the audit queries raised in the report of the Auditor-General for the Municipality of Rumuruti for the Financial Year 2022/23 and observations and recommendations of the Committee on each audit query.

GENERAL OBSERVATIONS

1. **Lack of Operational Autonomy of Municipalities** – The Committee observed that various municipalities lacked operational independence from the County Executive with respect to management, function and finances. This contravened sections 12 on Management independence, 20 on functional independence, 45 and 46 on financial independence of the Urban Areas and Cities Act, 2011 CAP. 275.
2. **Bookkeeping, Preparation & Accuracy of the Financial Statements/ Compliance to Reporting Standards** – The Committee observed that there were various inaccuracies and errors in the financial statements of municipalities, raising concerns about the capacity of the officers who prepared the financial statements. It also observed that municipalities faced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) framework required for preparing the financial statements.
3. **Periodic review of IPSAS**- The Committee observed that the Public Sector Accounting Standards Board (PSASB) periodically reviews IPSAS to address emerging issues and align with best practices, however county entities including municipalities struggled to apply the updated standards, as evidenced by the audit queries.
4. **Asset Management**- The Committee observed that the assets belonging to municipalities were still being held and managed by the county executives. Consequently, this made the municipalities not to maintain and update the asset registers which was contrary to section 104(1)(h) of the Public Finance Management Act, 2012. Thus, the true financial position of the municipalities could not be reflected in the financial statements.
5. **Late submission of documents**– The Committee observed that the Auditor-General encountered challenges in timely submission of supporting documents for audit by the municipalities, hindering the accountability and audit process. This delay contravened Section 62 of the Public Audit Act, Cap. 412B.
6. **Budgetary Control and Performance** – The Committee observed that municipalities had weaknesses in executing their approved budgets and did not adhere to the approved budget ceilings set for programs. The municipalities either over-utilized or under-utilized the appropriated funds. Further, some Municipalities prepared unbalanced budgets contrary to regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015.

GENERAL RECOMMENDATIONS

The Committee recommends that—

1. Governors ensure that operational independence of the municipalities is fully actualized in accordance with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, by the end of the financial year 2024/2025.
2. Accounting officers responsible for municipalities in conjunction with the Public Sector Accounting Standards Board conduct continuous capacity building on financial reporting standards for officers preparing the financial statements of the municipalities so as to improve the quality of reporting and enhance compliance. Accounting officers to ensure that the accountants have requisite competency and experience in financial management as is required by the Accountants Act.
3. The National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties.
4. Governors to ensure that municipalities have full custody of their assets by the end of the financial year 2024/2025. Further, accounting officers responsible for municipalities should maintain an accurate and up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board pursuant to section 104(1) (h) of the Public Finance Management Act 2012, failure to which penalties under section 199 of the Public Finance Management Act shall apply.
5. Accounting Officers responsible for municipalities should ensure proper record keeping in accordance with Section 149 (2)(b) of the Public Finance Management Act and provide all the supporting documents to the Auditor-General in accordance with section 9(1) (e) of the Public Audit Act during audit and adhere to the Accountants Act, failure to which the committee shall invoke section 62 of the Public Audit Act.
6. Accounting Officers responsible for municipalities should ensure compliance with regulation 31(c) and regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on preparation of a balanced budget and exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.
7. The National Treasury should ensure timely release of funds to County Governments in line with the cash disbursement schedules approved by the Senate.

ACKNOWLEDGEMENT

Hon. Speaker,

The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate in the execution of its mandate. I also take this opportunity to thank the Members of the Committee for their due diligence and commitment in the consideration of the audit reports. The Committee further wishes to express its appreciation to the able secretariat for their support and services in facilitating the Members and the Committee in its operations.

Hon. Speaker,

On behalf of the County Public Investments and Special Funds Committee, it is my pleasant duty and privilege to table this report on the floor of the Senate and commend it to the House for debate and adoption pursuant to the provision of Standing Order No. 223 (6) of the Senate Standing Orders.



SIGNED:



DATE: 04/12/2024


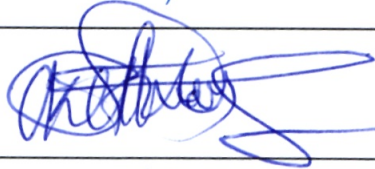


**HON. SEN. GODFREY ATIENO OSOTSI, MP
CHAIRPERSON**

ADOPTION OF THE REPORT OF THE SENATE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF EIGHT MUNICIPALITIES FOR THE FINANCIAL YEAR 2022/2023

NO.	MUNICIPALITY	COUNTY
1.	ELDORET MUNICIPALITY	UASIN GISHU
2.	KAKAMEGA MUNICIPALITY	KAKAMEGA
3.	KITALE MUNICIPALITY	TRANS NZOIA
4.	MIGORI MUNICIPALITY	MIGORI
5.	MUMIAS MUNICIPALITY	KAKAMEGA
6.	MURANGA MUNICIPALITY	MURANGA
7.	RONGO MUNICIPALITY	MIGORI
8.	RUMURUTI MUNICIPALITY	LAIKIPIA

We, the undersigned Members of the Select Committee on County Public Investments and Special Funds, do hereby append our signatures to adopt this report.

No.	Name	Signature
1.	Sen. Godfrey Atieno Osotsi, MP (<i>Chairperson</i>)	
2.	Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP (<i>Vice-Chairperson</i>)	
3.	Sen. Ledama Olekina, MP	
4.	Sen. William Kipkemoi Kisang, MP	
5.	Sen. Paul Karungo Thangwa, MP	

6.	Sen. Miraj Abdillahi Abdulrahman, MP	
7.	Sen Eddy Gicheru Oketch, MP	
8.	Sen. Hamida Kibwana Ali, MP	
9.	Sen. Maureen Tabitha Mutinda, MP	

CHAPTER ONE

REPORT ON THE AUDITED FINANCIAL STATEMENTS MUNICIPALITY OF ELDORET FOR THE FINANCIAL YEAR 2022/2023

The Governor of Uasin Gishu County, Hon. (Dr.) Jonathan Bii Chelilim, PHD, EGH, appeared before the Committee on Thursday, 25th July, 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Municipality of Eldoret for the financial year 2020/2021. The Governor was accompanied by:

1. Mr. Micah Rogony -CECM-Finance
2. Mr. Tito Koiyet - Manager Municipality of Eldoret
3. Mr. Jului Kitur - Chairperson Eldoret Municipality Board
4. Mr. Eliud Kipkorir - Chief Officer- Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Municipality of Eldoret for the period under review on the following basis—

1. Unconfirmed Capital Grants

The statement of financial performance reflects transfers from other government entities amount of Kshs.54,344,039 which includes Urban Institutional Grants (UIG) amounts of Kshs.1,062,252 as disclosed in Note 1 to the financial statements. However, Management discussion and analysis discloses UIG receipts amount of Kshs.1,145,356 resulting to unreconciled and unexplained variance of Kshs.83,104.

In the circumstances, the accuracy of Urban Institutional Grants (UIG) amount of Kshs.1,062,252 could not be confirmed.

Management response

Kshs 83,104 was the closing balance as indicated on the certificate of bank balance while Kshs Kshs.1,062,252 was the receipts during the year giving a total amount of Kshs.1,145,356.

Committee Observations

The Committee observed that-

- i. the Management discussion and analysis discloses UIG receipts amount of Kshs.1,145,356 resulted to unreconciled and unexplained variance of Kshs.83,104; and
- ii. the accuracy of Urban Institutional Grants (UIG) amount of Kshs.1,062,252 could not be confirmed.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who**

- fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
 - iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and**
 - iv. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2. Unconfirmed Use of Goods and Services Expenditure

The statement of financial performance reflects use of goods and services amount of Kshs.46,754,640 while Note 2 to the financial statements discloses use of goods and services amount of Kshs.45,615,840 leading to a variance of Kshs.1,138,800 which has not been explained or reconciled.

In the circumstances, the accuracy and completeness of use of goods and services amount of Kshs.46,754,640 could not be confirmed.

Management response

A reconciliation has been done. Kshs.1,138,800 was an error of omission in arithmetic hence Kshs.45,615,840 was posted in note 2 to the financial statement while in the financial performance it was posted as Kshs.46,754,640.

Committee Observations

The Committee observed that the accuracy and completeness of use of goods and services amount of Kshs.46,754,640 could not be explained and confirmed.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their**

- terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;
- ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
 - iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and**
 - iv. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2.Inaccuracies in the Financial Statements

2.1 Variances between the Statement of Financial Position and the Statement of Changes in Net Assets

The statement of financial position reflects accumulated (deficit)/surplus and capital/development grants/fund balances of Kshs. (1,174,868) and Kshs.278,766,377 respectively while the statement of changes in net assets reflects corresponding balances of Kshs. (12,182,424) and Kshs.852,649,388 respectively leading to variances of Kshs.negative11,007,556 and Kshs.573,883,011 respectively which have not been explained or reconciled.

In addition, note 7 to the financial statements reflects capital fund balance of Kshs.278,666,377 resulting to a further variance of Kshs.100,000 which has neither been reconciled nor explained.

In the circumstances, the accuracy and completeness of accumulated (deficit)/surplus and capital/development grants/fund balances of Kshs. (1,174,868) and Kshs.278,766,377 respectively could not be confirmed

Management response

In the statement of financial position, a capital fund balance of Kshs 278,766,377 was posted instead of Kshs 852,649,388. The same figure of Kshs 852,649,388 ought to have been posted to note 7 of the financial statement for FY 2022/2023 but was not done. The reconciliation of the figures have been done to adjust the anomalies.

The table below indicates composition of Kshs 852,649,388 as an adjustment to the financial position:

Details	Capital/dev grants/funds
Balance b/f 1July 2022	639,599,186
Funds received during the year	214,225,073
Total	852,649,388

Further, a reconciliation of the inaccuracies in the financial statements was done as indicated in the table below:

	Details	FY 2021/2022	FY2022/2023	Cumulative
Bal B/F	Accumulated surplus/deficit	(11,007,556)	(1,174,868)	(12,182,424)
	Grants/fund	573,883,011	278,766,377	852,649,388

In addition, the variance of Kshs.100,000 was as a result of error of transposition indicated as Kshs 278,766,377 instead of Kshs.278,666,377 in note 7 to the financial statement for the FY 2022/2023.

Committee Observations

The Committee observed that-

- i. the statement of changes in net assets reflects corresponding balances of Kshs. (12,182,424) and Kshs.852,649,388 respectively leading to variances of Kshs.negative11,007,556 and Kshs.573,883,011 respectively which have not been explained or reconciled; and
- ii. the financial statements reflects capital fund balance of Kshs.278,666,377 resulting to a further variance of Kshs.100,000 which has neither been reconciled nor explained.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

- ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and**
- iv. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

3.0 Statement of Changes in Net Assets

The statement of changes in net assets reflects capital development grants/fund balance of Kshs.852,649,388. However, a recast of the statement shows capital development grants/fund balance of Kshs.853,824,259 resulting to unreconciled or unexplained variance of Kshs.1,174,871

In the circumstances, the accuracy of the total net assets balance of Kshs.840,466,964 could not be confirmed.

Management response

Kshs (1,174,871) was amount not captured as the deficit for the year under review as a result of depreciation on civil works.

Description	Amounts	Amounts (Kshs)	Remarks
Reported balance as at 30 June 2023 in the financial statement		852,649,388	
Bal as at 1 July 2022	639,599,186		
Funds received during the year	214,225,073		
Bal as at 30 June 2023	853,824,259		
Less balance as at 30 June 2023		853,824,259	
Variance		(1,174,871)	Deficit for the year

Reported balance as at 30 June 2023 in the financial statement		852,649,388	
add accumulated deficit		(12,182,424)	
Total		840,466,964	

Committee Observations

The Committee observed that-

- i. the statement shows capital development grants/fund balance of Kshs.853,824,259 resulting to unreconciled or unexplained variance of Kshs.1,174,871; and
- ii. the accuracy of the total net assets balance of Kshs.840,466,964 could not be confirmed.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and**
- iv. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

4.0 Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalents balance of Kshs.7,035,830 as at 30 June, 2023. However, a recast of the statement results to a balance of Kshs.6,776,152 leading to a variance of Kshs.259,678 which has neither been

reconciled nor explained. In addition, the statement reflects cash and cash equivalents balance of Kshs.64,342,982 as at 30 June, 2022 and a balance of Kshs.64,324,982 as at 1 July, 2022 resulting to a variance of Kshs.18,000 which has also neither been reconciled nor explained.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.7,035,830 as at 30 June, 2023 could not be confirmed.

Management response

A variance of Ksh 259,698 has been reconciled. This was occasioned by arithmetic error in the statement of Cash flows affecting the net increase/decrease in cash and equivalent of Kshs (57,548,830) and cash and cash equivalent as at 1 July 2022 of Kshs 64,324,982

Kshs 18,000 was an error of transposition of comparison column figure of FY 2021/2022 amounting to Ksh 64,342,982 and the cash and cash equivalent as at 1 July 2022 of Kshs 64,324,982. Reconciliation has been done to adjust the anomalies.

Committee Observations

The Committee observed that the management submitted amended financial statements which included the cash and cash equivalent balance however, the financial statements are yet to be verified by the Auditor-General.

Committee Recommendations

- i. the Auditor-General to confirm that all the necessary corrections were carried out within the amended financial statements and report back to the Senate on the same within 60 days of the adoption of this report;**
- ii. the Accounting Officer to take appropriate administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by section 156(1) of the Public Finance Management Act, Cap.412A;**
- iii. the Accounting Officer should comply with section 149 (2) (b) of the Public Finance Management Act, Cap.412A and section 47 (2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records;**
- iv. the Accounting Officer should strengthen internal audit controls and ensure proper record keeping;**
- v. the management should recruit competent and qualified staff to ensure that financial statements are prepared in the prescribed format; and**
- vi. the Accounting Officer should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements.**

5.0 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects transfers from the County government - UDG actual on comparable basis amount of Kshs.58,683,138 while the statement of financial performance reflects transfers from other government entities amount of Kshs. Nil. The variance of Kshs.58,683,138 has neither been explained nor reconciled.

In the circumstances, the accuracy and completeness of transfers from the county government - UDG actual amount of Kshs.58,683,138 could not be confirmed.

Management response

During the FY 2021/2022 included in the budget was Kshs.58,683,138 that was not received during the year. The amount was received during the FY 2022/2023 and a supplementary budget was done to enable expenditure to be incurred.

Committee Observations

The Committee observed that-

- i. the variance of Kshs.58,683,138 has neither been explained nor reconciled; and
- ii. the accuracy and completeness of transfers from the county government - UDG actual amount of Kshs.58,683,138 could not be confirmed.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;and**
- iv. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

6.0 Non-Current Assets

The statement of financial position reflects total non-current assets balance of Kshs.270,455,679. However, a recast of the schedule of movement in property, plant and equipment reflects Kshs.271,568,679 resulting to unreconciled or unexplained variance of Kshs.1,113,000. In addition, the non-current assets balance of Kshs.270,455,679 include capital work in progress balance of Kshs.222,242,847 which was not supported by certificates of work done. Further, a register of non-current assets was not provided for audit review.

In the circumstances, the accuracy and completeness of the non-current assets balance of Ksh.270,455,679 could not be confirmed.

Management response

Kshs.1,113,000 was occasioned by an error of omission in the schedule of movement in property, plant and equipment of Kshs.271,568,679 while in total non-current assets balance was Kshs.270,455,679. Capital work in progress balance of Kshs.222,242,847 was for 64 stadium and payment certificate is as indicated in the table below:

S/No.	Contractor	Amount (Kshs)
1	Pinnacle	102,500,000
2	Pinnacle	8,463,200
3	Pinnacle	58,575,647
4	Pinnacle	52,704,000
	Total	222,242,847

Further, a register of non-current assets for the municipality assets has been attached.

Committee Observations

The Committee observed that—

- i. a recast of the schedule of movement in property, plant and equipment reflects Kshs.271,568,679 resulting to unreconciled or unexplained variance of Kshs.1,113,000;
- ii. the non-current assets balance of Kshs.270,455,679 include capital work in progress balance of Kshs.222,242,847 which was not supported by certificates of work done; and
- iii. the register of non-current assets was not provided for audit review.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who**

- fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
 - iii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and**
 - iv. the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

Other Matters

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, no report or recommendations from the Management of the Municipality of Eldoret and oversight bodies were submitted for audit verification. Further, the issues remain unresolved contrary to Section 149(2)(1) of the Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

Management response

County was invited to appear before the County Assembly Public Accounts and Investments Committee on 20th May, 2024 to deliberate on the prior year matters for the FY 2021/2022 and 2022/2023. A number of issues were resolved such as completion of the projects for FY 2021/2022 and 2022/2023; independence of the entity; Internal Audit Function; Occupational Safety and Health; gender equity on board composition; special board meeting and operating without approved budget.

Committee Observations

The Committee observed that the management of the Municipality did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2021/2022.

Committee Recommendations

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
- ii. the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Lack of Operational Independence of the Municipality

As previously reported, the Municipality was granted Municipal Charter on 18 August, 2020 which was supposed to grant operational independence from the County Government of Uasin Gishu. However, review of the operations of the Municipality revealed lack of autonomy as detailed below: -

- (i) The Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board.
- (ii) Except for project accounts with joint signatories from the County Treasury, the Municipality's expenditure was controlled by the County Treasury and did not have independent operations account.
- (iii) The County Government has continued to perform a number of functions which were transferred to the Municipality.

This is in contravention of Section 9(1) of the Urban Areas and Cities Act, 2011, which states that the County Governor may, on the resolution of the County Assembly, confer the status of a Municipality on a town that meets the criteria set out in Sub-Section (3), by grant of a Charter in the prescribed form. In addition, it contravenes Section 12(1) of the Urban Areas and Cities Act, 2011, which states that the Management of a City and Municipality shall be vested in the County Government and administered on

its behalf by a Board, a Manager appointed pursuant to Section 28 and such other staff or officers as the County public service may determine.

In the circumstances, Management was in breach of the law.

Management Response

County acknowledges the finding. The County has complied with the Section 9(1) of the Urban Areas and Cities Act, 2011 by granting the Municipal charter on 18 August, 2020. County has also put in place a Municipal Board, appointed a Municipal Manager and deployed a number of officers to run the operations of the Municipality.

Committee Observations

The Committee observed that the operations of the Municipality lacked autonomy which contravention of Section 9(1) of the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that the Governor of Uasin Gishu County to ensure that their operational independence is fully operationalized in line with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

2. Failure to Observe Gender Equity on Board Composition

Review of the Municipality of Eldoret records provided for audit revealed that the Municipality of Eldoret had ten (10) Municipality Board members out of which two (2) Board members or about 20% are of the same gender contrary Section 13(3) of the Urban Areas and Cities Act, 2011 which requires that the Executive Committee shall, while appointing members of the board, ensure gender equity, representation of persons with disability, youth and marginalized groups.

In the circumstances, the Management of the Municipality was in breach of the law.

Management Response

County is in cognizant of Section 13(3) of the Urban Areas and Cities Act, 2011 in regard to membership of the Municipality Board. Currently the comprises of 70% male and 30% female as listed below:

S/No.	Name	Designation	Gender
1	Julius Kitur	Chairperson	Male
2	Beatrice Kemboi	Vice Chairlady	Female
3	Peter Mwaniki	Member	Male

4	Walter Ayot	Member	Male
5	Winnie Maru	Member	Female
6	Richard Omanyala	Member	Male
7	Dr. Job K. Ngetich	Member	Male
8	Dr Janeth Kosgei	Member	Female
9	Julius Koech	Member	Male
10	Tito Koivet	Secretary	Male

Committee Observations

The Committee observed that the Municipality Board members out of which two (2) Board members or about 22% are from the same gender contrary to Section 13 (3) Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that—

- i. The County Public Service Board to make deliberate efforts to progressively comply with section 65 of the County Governments Act, 2012 which provides that at least thirty percent 30% of the vacant posts at entry level be filled by candidates who are not from the dominant ethnic community; and**
- ii. The Board and the accounting officer to make deliberate efforts progressively in the endeavor to comply with Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.**

3. Lack of an Independent Internal Audit Function

Review of the documents provided for audit revealed that the Management of the Municipality of Eldoret had an audit committee which held meetings during the financial year 2022/2023 and yet they have not established an internal audit department to carry out internal audit functions contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such, the Municipality did not benefit from the assurance and advisory services from the internal audit function.

In the circumstances, the Management of the Municipality was in breach of the law.

Management Response

County acknowledges the observation. Municipality has been using County Internal

Audit Function to audit its operations. However, the County staff establishment has been approved and will be implemented progressively.

Committee Observations

The Committee observed that the municipality did not have an internal audit department at the time of audit.

Committee Recommendations

The Committee recommends that the Municipality puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012, among others to guide the internal operations of the Fund. Further, the County Executive Committee Member (CECM) - Finance to submit evidence of the same to the Auditor General for verification.

CHAPTER TWO

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THE MUNICIPALITY OF KAKAMEGA FOR THE FINANCIAL YEAR 2022/2023

The Governor of Kakamega County, Hon. FCPA Fernandes Barasa, EGH, appeared before the Committee on Thursday, 22nd August, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the municipality of Kakamega for the financial year 2022/2023. The Governor was accompanied by the following officers:

1. CPA Livingstone Imbayi - CECM-Finance and Economic Planning
2. Mr. Jeophita Mwajuma - CCO-Finance
3. Mrs. Faith Gitiva - CO-Trade
4. Mrs. Violet Oksi - Manager-Mumias Municipality
5. Mr. Shakir Adan - CO. Urban

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of the Municipality of Kakamega for the financial year based on the following basis-

1. Inaccuracies in Comparative Balances

The financial statements reflect three components with comparative balances that are at variance with the corresponding audited financial statements for the year ended 30th June, 2022.

Management response

The comparative accumulated variance on the three items was as a result of applying higher depreciation rates on Property, Plant and Equipment items than the standard depreciation rates. This error of principle led to overstatement of the depreciation charge. This was adjusted in the PPE schedule for the current FY2022/2023 and subsequently in the Statement of Financial Performance and Statement of Financial Position.

Committee Observations

The committee observed that there was an error in the financial statement that led to overstatement of the depreciation charge.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who**

- fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
 - iii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and**
 - iv. the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2. Unsupported Additions to Property, Plant and Equipment

Included in Kshs.289,140,289 for property, plant and equipment is an amount of Kshs.100,512,077 which relates to additions during the year. However, the additional assets amount could not be verified due to lack of relevant supporting documents such as payment vouchers, invoices, inspection and acceptance report, handover reports and completion certificates.

Management response

The Kshs.100,512,077 comprised of Kshs.58, 475,675 for construction of roads in Kakamega municipality and Kshs.42,036,402 for construction of Sichirai Market. During Audit period, management provided payments vouchers which had attachments of invoices inspection and acceptance reports, handover reports and completion certificates. The same have been availed again for a further audit review.

Committee Observations

The committee observed that additional Ksh 100,512,077 worth of property, plant and equipment were not supported with relevant documents such as payment vouchers, invoices, inspection and acceptance report, handover reports and completion certificates during the audit.

Committee Recommendations

The Committee recommends that-

the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9 (1)(e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62(2) of the Public Audit Act, 2015.

Emphasis of Matter

Budgetary Control and Performance

-Underfunding of Kshs.198,528,836 or 72% of the budget.

-Underperformance of Kshs.103,825,343 or 38% of the budget.

The Municipality Board had a budget of Kshs.274,435,621 under expenditure vote but received Kshs.170,610,278 .

Management response

The County Treasury did not Transfer Kshs.8,000,000 to Kakamega Municipality due to delays in exchequer releases.

The amount of Kshs.105,000,000 was Kenya Urban Support Programme-Urban Development Grant balance brought forward is not reflected in the statement of financial performance

The County Treasury was expected to finance development expenditure to the tune of Kshs.145,435,621 on behalf of the Kakamega Municipality due the County Treasury only managed to fund the activities of the municipality to the tune of Kshs.59,906,785 leaving an under-funding of Kshs.85,528,836.

The County Management has not effected funds transfers to Kakamega Municipality for its operations as required by law.

Committee Observations

The committee observed that;

- i. there was an under- funding of Kshs.198,528,836 or 72% of the budget.
- ii. there was Underperformance of Kshs.103,825,343 or 38% of the budget.
- iii. the County Treasury did not Transfer Kshs.8,000,000 to Kakamega Municipality due to delays in exchequer releases.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standards Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

Other Matter

Unresolved Prior Year Matters

Several issues were reported under the previous year's Auditors report on the financial statement and report on Lawfulness and Effectiveness in Use of Public Resources. However, management has indicated in the progress of follow up of auditor's recommendations section that only two issues have been resolved.

Management response

Management has implemented most of the recommendations given by the auditor in prior year audit and are awaiting senate resolutions.

Committee Observations

The Committee observed that the Municipality had unresolved prior year matters.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**

- ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Failure to Provide Approved Budget

Municipality operated without an approved budget. Consequently, the source and approval of the amount reflected on the statement of comparison of budget and actual amount, including total expenditure for the year of Kshs170, 610,278 could not be ascertained. Kakamega Municipality’s budget was prepared by the Board which in turn submitted the same to the County Treasury for consolidation through the parent ministry of Lands, Housing, Physical Planning and Urban Development.

Management response

The budget was then approved by the cabinet and the County Assembly as part of the annual county appropriation bill in line with section 20(1)(i) of the Urban Areas and Cities Act, 2011. Therefore, the management was not in breach of the law.

Committee Observations

The committee observed that during the year under review, kakamega municipality budget was approved through parent ministry of Lands, Housing, Physical Planning and Urban Development, hence expenditure of Ksh.170,610,278 could not be ascertained.

Committee Recommendations

The Committee recommends that the Governor of Kakamega County ensures Kakamega Municipality operational independence is fully actualized in line with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

2. Lack of Operational Autonomy of Kakamega Municipality.

During the audit, it was observed that only office operation was carried out by the Municipality Board while project implementation was being carried out by the County Executive through the Department of Lands, Housing, Urban Areas Development and Physical Planning.

Management response

Some of the major challenges include: (i) staff capacity, (ii) un-constituted municipal boards; (iii) inadequate technical staff; (iv) incomplete delineation of boundaries; (v) lack of autonomy in raising own source revenues; (vi) lack of autonomy in human resource management; (vii) lack of Municipality Managers; (viii) un-gazetted municipality functions among others. However, the Kakamega Municipality is making progress towards autonomy by; (i) Appointing municipality boards vide gazette notice number 10370 dated 2/8/2023, (ii) Gazetting proposed devolved functions through gazette notice no.6225 of 12/5/2023, (iii) Appointing municipal managers and designating them as accounting officers for the municipalities.

Committee Observations

The committee observed that:-

- i. that only office operations were being carried out by the Municipality Board while project implementation was being carried out by the County Executive through the Department of Lands, Housing, Urban Areas Development and Physical Planning. This is contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipality Boards executive authority as delegated by County Executives.
- ii. the Kakamega Municipality had made progress towards autonomy by; (i) Appointing municipality boards vide gazette notice number 10370 dated 2/8/2023, (ii) Gazetting proposed devolved functions through gazette notice no.6225 of 12/5/2023, (iii) Appointing municipal managers and designating them as accounting officers for the municipalities.

Committee Recommendations

The Committee recommends that the Governor of Kakamega County ensures Kakamega Municipality operational independence is fully actualized in line with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

3. Failure to Appoint Municipality Administrator

During the year under review, the Municipality operated without the Municipality Administrator.

This is contrary to the provision of Section 31B of the Urban Areas and Cities (Amendment) Act of 2019 requires appointment of a town administrator and not a Municipality administrator as opined by the auditor.

Management response

Kakamega was conferred the Municipality charter and is legally managed by a Municipal Manager appointed by the County Public Service Board in line with Section 28 and 29 of the Urban Areas and Cities Act of 2011. Therefore the management is not in breach of the law as far as this query is concerned.

Committee Observations

The committee observed that the issue had been addressed as the County Public Service Board had already appointed the Municipal Manager.

Committee Recommendations

The Committee recommends that the municipality strictly adheres to Section 31B of the Urban Areas and Cities (Amendment) Act, 2019, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

4. Lack of Fixed Assets Register

Management did not maintain a fixed asset register which shows details relating to: date of purchase, supplier, cost, location, unique identification number, and accumulated depreciation and netbook values.

Management response

The Management took note the Auditor's observation. During the audit period management had not prepared an updated asset register with the above minimum requirements. However, management has updated the Assets Register conforming to the above parameters and is hereby availed for your review.

Committee Observations

The Committee observed that whereas asset register was provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside

the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer to ensure that the municipality maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board pursuant to section 104(1)(h) of the Public Finance Management Act 2012, failure to which penalties under section 199 of the Public Finance Management Act shall apply;**
- ii. the Auditor-General to undertake physical verification of all assets of the Municipality and provide a status report to the Committee in the subsequent audit cycle.**

CHAPTER THREE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MUNICIPALITY OF KITALE FOR THE FINANCIAL YEAR 2022/2023

The Governor of Trans-Nzoia County, Hon. George Ntembea, appeared before the Committee on Tuesday 24th September 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Municipality of Kitale for the financial year 2022/2023. He was accompanied by-

1. Mrs. Janerose Wabwoba - CECM-Lands and Urban Development
2. Mrs. Irene Nang'ole - Ag. M/M-Kitale
3. Ms. Truphosa Amere - County Secretary
4. Mr. Walioli Wabwoba - County Attorney

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **adverse opinion** on the financial statements of Municipality of Kitale for the period under review on the following basis—

1. Unconfirmed/Unexplained Restated Prior Year Balance

The statement of financial position and statement of changes in net assets reflect restated balances for the 2021-2022 financial year in respect of capital/development grant/fund and accumulated surplus as summarized in the table below.

Component	2022-2023 Financial Statements Restated Amount (Kshs.)	2021-2022 Audited Financial Statements (Kshs.)	Variance (Kshs)
Capital/Development Grant/Fund	675,697,718	126,405,021	549,292,697
Accumulated Surplus	(4,456,392)	668,585,103	(673,041,495)

However, as required by IPSAS 3 paragraph 54, there is no explanatory information or Note to disclose the nature of the prior period error; the amount of correction for each financial statement line item affected; the amount of correction at the beginning of the earliest prior period presented and; if retrospective restatement was impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Under this circumstances, the accuracy and completeness of the prior year restated balances could not be confirmed.

Management Response

The variances of 549,292,697 and (673,041,495) is noted and had been raised in the audit report for FY 2021/2022 and the response was captured in the amended financial statements submitted for audit review on 20th March 2023. However, the final certificate was released without incorporating the changes.

Committee Observations

The Committee observed that the variances of 549,292,697 and 673,041,495 arose from the correction of a classification error in the statements for FY 2020/2021 whereby the Capital Fund and Accumulated Surplus amounts were lumped up to reflect as Accumulated Surplus amounts only.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in accordance with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties and offences shall apply;**
- iii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in counties; and**
- iv. the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the requirements of the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2. Accuracy of the Statement of Cash Flows

The statement of cash flows reflects cash outflow of Kshs. 93,234,399 and Kshs. 230,500,639 in respect of purchase of property, plant and equipment for the years ended

30 June, 2023 and 2022 respectively. These balances however differ with the total additions amounts of Kshs. 99,484,723 and Kshs. 193,014,233 reflected under Note 14 to the financial statements by unexplained variance of Kshs. 6,250,324 and Kshs. 37,486,406 for the two years respectively. No reconciliation or explanation was provided for the variances.

In the circumstances, the statement of cash flows is incorrect and does not explain the cash flows of the Municipality.

Management Response

The amount recognized under PPE of 99,484,723 and Kshs. 193,014,233 refers to the actual values of the assets acquired, while the Kshs. 93,234,399 and Kshs. 230,500,639 were the actual payments made in cash. The variances of Kshs. 6,250,324 and Kshs. 37,486,406 resulted from net payments made through the bank accounts vis a vis the Gross amount recognized as additions.

Committee Observations

The Committee observed that there was an unexplained variance of Kshs. 6,250,324 and Kshs. 37,486,406 in the statement of cash flows between cash outflow and the total additions amounts.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in accordance with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties and offences shall apply;**
- iii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in counties; and**
- iv. the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the requirements of the**

Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.

3. Accuracy of the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts contains casting or arithmetic errors and unexplained omissions. The surplus for the period for the original budget, final budget and performance difference are included as Kshs. 21,039,915, Kshs. 4,781,080 and Kshs. 43,227,583 instead of the correct recalculated amounts of Kshs. 16,839,915, Kshs. (43,710,920) and Kshs. 39,502,161 respectively. Further, the statement includes actual amount for expenditure on use of goods and services at Kshs. 7,935,213 which differs from the amount reported in the statement of financial performance of Kshs. 5,739,755 by a variance of Kshs. 2,195,458. In addition, the statement has omitted actual task force expenditure of Kshs. 3,290,210 and repairs and maintenance of Kshs. 2,195,388 both totaling Kshs. 5,485,598.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

The castings errors/arithmetic and omissions in the statement of comparison of budget and actual amounts were noted and adjusted in an amended statement of 11/01/2024.

Committee Observations

The Committee observed that the casting and omission errors have been corrected and confirmed as accurate by the Auditor-General.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in accordance with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of**

- the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties and offences shall apply;
- iii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;
- iv. the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the requirements of the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.

4. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs. 28,961,933 which, as disclosed in Note 12 to the financial statements includes Kshs. 27,748,589 held in a commercial bank account. However, the amount differs with the balance of Kshs. 27,680,883 reflected in the respective cashbook resulting in unreconciled or unexplained variance of Kshs. 67,756.

Further, the bank reconciliation statement for the commercial bank account number 0402381879001 reflects reconciled cashbook balance of Kshs. 13,432 which differs with Kshs. 1,192,732 reported in Note 12 to the financial statements by unexplained variance of Kshs. 1,179,300.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 28,961,933 could not be confirmed.

Management Response

The cash book indicates a balance of Kshs 27,680,833.63 while the bank certificate indicates Kshs. 27,748,518.98. On reconciliation, the receipts from interest earned on deposits of Kshs. 79,629.80 and the Withholding Tax thereon of Kshs. 11,944.45 was captured, thereby clearing the variance of 67,685.35. as analyzed below.

Cash Book balance	27,680,833.63
Interest earned on deposits	79,629.80
Withholding Tax	(11,944.45)
Bank Certificate	27,748,518.98

The bank reconciliation statement and the bank certificate as at 30th June 2023 indicate a balance of Kshs. 13,431.25, however, there was an inbound remittance of Kshs. 1,179,300, which had been recognized within the financial year before closure of IFMIS

workflow but received into the bank account on 10th July 2023 resulting in a balance of 1,192,732.25.

Committee Observations

The Committee observed that—

- i. The cash balance was Kshs. 27,680,833.63 whereas the bank certificate had K. Kshs. 27,748,518.98. The variance of Kshs. 67,685.35 was as a result of the difference between the interest earned on deposits of Kshs. 79,629.80 and withholding tax of Kshs. 11,944.45.
- ii. There was an inbound remittance of Kshs. 1,179,300 which had been received into the bank account after the closure of the financial year resulting into a balance of Kshs. 1,192,732.25.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in accordance with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties and offences shall apply;**
- iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iv. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the requirements of the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

5. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs. 683,672,525 which as disclosed in Note 14 to the financial statements includes construction of roads amount of Kshs. 108,295,110. However, the construction of roads

amount of Kshs. 108,295,110 was not subjected to depreciation thereby overstating the amount of property, plant and equipment. In addition, Note 14 on property, plant and equipment reflects work in progress amount of Kshs. 573,971,071. However, the supporting schedule provided reflects total certified work amount of Kshs. 748,688,260 for certificate No.1 to certificate No.11. The resulting variance of Kshs. 174,717,189 has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 638,672,525 for the year under review could not be confirmed.

Management Response

The construction of Road has been subjected to the depreciation at the rate of 12.5% as detailed in Note 14 in the subsequent year as per attached Schedule of PPE for FY 2022/2023 as a prior year adjustment.

The total certified work amounts to Kshs. 742,798,548. However, the portion of the amount paid by the Municipality is Kshs. 573,791,075, the balance was paid by Departments of PSM and Trade.

The construction of the Business Centre was funded by the departments of Public Service Management (KDSP) Trade and Industrialization and the Municipal Board. The concurrence in co-funding and the schedules are attached

Committee Observations

The Committee observed that—

- i. The Property, Plant and Equipment remains overstated since the depreciation of 12.5% for the Road was not recognized in the financial statements.
- ii. The total certified work amounts to Kshs. 742,798,548. However, the portion of the amount paid by the Municipality is Kshs. 573,791,075, the balance was paid by Departments of Public Service Management and Trade.
- iii. The Work in Progress balance has been correctly adjusted in the financial statements to include part of the cost incurred by other Departments that previously had been omitted.

Committee Recommendations

The Committee recommends that—

- i. **The accounting officer ensures that all property, plant and equipment are subjected to depreciation in accordance to the Public Sector Accounting Standards Board(PSASB) requirements to reflect the true financial position of the municipality and the Auditor-General should**

- keep the matter in view and report to the Committee in the next audit cycle;
- ii. **The committee recommends that the Governor of Trans- Nzoia County ensures Kitale Municipality operational independence is fully actualized in line with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
 - iii. **the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 9(1)(e) of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act, 2015 in the subsequent audit cycle.**

6. Trade and Other Payables

The statement of financial position reflects trade and other payables amount of Kshs. 51,185,835 as detailed in Note 15 to the financial statements. Examination of the documents provided for audit review in support of the payables revealed that payables amounting to Kshs. 890,000 were not supported by invoices and procurement records.

In addition, Note 15 to the financial statements reflects retentions balance of Kshs. 43,901,020 which differs with the supporting schedule balance of Kshs. 70,410,578 as at 30 June, 2023 resulting to unexplained variance of Kshs. 26,509,738.

Further, the Municipality did not maintain a deposits/retentions account and register where all retentions money should be deposited and recorded to await completion of projects and lapse of the defects liability period to be paid to the contractors. As per the statement of financial position the Municipality's cash and cash equivalents balance of Kshs. 28,961,933 as at 30 June, 2023 was not enough to meet in full the retention obligation of Kshs. 70,410,758.

In the circumstances, the validity, accuracy and completeness of the trade and other payables balance of Kshs. 51,185,835 could not be confirmed.

Management Response

The invoices and procurement document supporting payables of Kshs. 890,000 have been availed to the auditors for audit review.

The project was co-funded by the Departments of Trade, Commerce and Industry and by Public Service Management through Kenya Devolution Support Program. The

variance on amounts retained results from the funds withheld separately by each department during payment with Kshs. 43,901,020 withheld by the Municipality.

The Municipality has opened a Retention Account at Equity Bank a/c number 0330285222490 into which all retention funds deducted will be remitted.

Committee Observations

The Committee observed that—

- i. The invoices for Kshs. 890,000 were presented and verified and are in support of the balance. However, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.
- ii. Adjustment have been made in the amended financial statements to reflect the correct retention balance.
- iii. The Municipality has opened a Retention Account at Equity Bank a/c number 0330285222490 into which all retention funds deducted will be remitted.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties and offences shall apply;**
- iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iv. **the Accounting Officer should enhance the skills and capacity of officers preparing financial statements to comply with the requirements of the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**

- v. **the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 9(1)(e) of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act, 2015 in the subsequent audit cycle.**

7. Unsupported Inventories

The statement of financial position reflects inventories balance of Kshs. 993,187 as at 30 June, 2023 as indicated in Note 16 to the financial statements. However, the supporting schedules, stock cards and stock taking reports as at 30 June, 2023 in support of the balance was not provided for audit verification.

Consequently, the accuracy of the inventory balance could not be confirmed.

Management Response

Copies of S3 cards and form 13 have been presented for audit and are attached.

Committee Observations

The Committee observed that whereas copies of S3 cards and form S13, were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

The stock taking reports and certificates were not presented for audit.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures that supporting documents are availed on time to the Auditor-General during audit as required under section 9(1)(e) of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act, 2015 in the subsequent audit cycle;

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCE

Pursuant to Article 229(6) of the Constitution, based on the audit procedures performed by the Auditor-General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way—

1. Irregular Expenditure on Public Fora

The statement of financial performance reflects under use of goods and services an amount of Kshs. 5,739,825 which includes public fora expenditure of Kshs. 1,813,500 as disclosed in Note 9 to the financial statements. The expenditure on public fora was

not supported with requisitions and approvals, contract or quotation documents, tender evaluation reports, notification of award and acceptance, inspection reports, or contract agreements. In addition, the following issues were noted;

- i) There was no action plan stating out the purpose of the public participation.
- ii) There was no evidence that awareness was created (placing advertisement in media – print/visual) before the public participation was carried out as is required by Regulation 7(1) of the Public Finance Management (County Governments) Regulations, 2015.
- iii) There was no communication to stakeholders in writing and inviting them for meetings and requesting submission of documents or memoranda.

In the circumstances, Management was in breach of the law and the authenticity of the payments could not be confirmed.

Management Response

The expenditure vouchers were availed for audit verification with the supporting documents. Copies of invitation were placed around target settlements. For stakeholder involvement invitation were done through letters to targeted stakeholder and emails from consultant to individual CPCT members. There is also a settlement Executive Committee elected for the purpose of linking the office with stakeholders.

Committee Observations

The Committee observed that—

- i. The action plan was presented and verified by the Auditor-General. However, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.
- ii. The funded exercise was for a targeted group of people whereby the public participation is guided/regulated by KUSP Project Operational Manual. The method used for awareness are therefore sufficient and appropriate.
- iii. The procurement method used for several items was low value method that does not require raising of various tender documents, records and reports.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 9(1)(e) of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act, 2015 in the subsequent audit cycle.

2. Irregular Board Expenses

The statement of financial performance further reflects board expenses amounting to Kshs. 4,182,400 which as shown in Note 10 to the financial statements included sitting allowances amount of Kshs. 909,500 paid to Board Members. However, the expenditure was not supported with invitation letters, attendance registers and minutes of the board meetings.

In addition, examination of the board meetings attendance register revealed that in the period between January, 2023 to March, 2023, the board held four (4) meetings. This is contrary to Section 23(1) of the Urban Areas and Cities Act, 2011 which requires the board to hold sittings every three (3) months. The extra three (3) meetings were however not supported by a request in writing by at least one-third of the members of the board to hold special meetings contrary to Section 23(2) of the Urban Areas and Cities Act, 2011.

In the circumstance, the Management was in breach of law.

Management Response

The supporting documents for the payments were provided for audit as per the table below.

Board meetings in a quarter involved Committee meetings for the 5 Committees; Finance, Social, Environment and Infrastructure and a special board meeting as summarized below;

s/no	Voucher amount	Description	Annexes
1	145,0000	1 full board, 1 special board meeting- End of project and I committee meeting	-Invitation letter -Attendance register -Minutes
2	299,000	2 board meetings, transport and reimbursement	-Invitation letter -Attendance register -Minutes
3	180,000	1 quarter Transport reimbursement	
4	285,000	2 quarters transport reimbursement	-Invitation letter -Attendance register -Minutes

Committee Observations

The Committee observed that whereas the Invitation letters, attendance registers and minutes of the board meetings, were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 9(1)(e) of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act, 2015 in the subsequent audit cycle.

2. Irregular Expenditure on Taskforce

The statement of financial performance for the year ended 30 June, 2023 also reflects taskforce expenses amount of Kshs. 3,290,210 which was not explained by a note in the financial statements. The amount was utilized by a taskforce that was formed by County Government of Trans Nzoia in consultation with the National Land Commission to inquire into public land. As at 30 June, 2023, the taskforce had utilized Kshs. 10,579,190 inclusive Kshs. 7,288,980 spent in financial year 2021/2022. Examination of the payment vouchers revealed that, though the funds were spent under the Municipality's vote, the activity was under the department of lands and the Municipality only accorded custody of the funds and had no control over the funds. It was, therefore, unclear why the expenditure was recognized in the Municipality's financial statements. Also, the activity was not budgeted for in the current financial year.

As reported in the previous year's audit report, review of the report prepared by the task force revealed that, only 123 parcels of public land were within Kitale Municipality. This number significantly varied with more than 1,440 parcels of land contained in the valuation roll of year 2006 casting doubt on the reliability of the task force report.

In the circumstances, the Municipality incurred the expenditure without a budget and the task force may not have achieved the objective for which it was formed leading to wasteful spending of public funds amounting to Kshs. 10,579,190.

Management Response

The Department of lands had budgeted Kshs. 11,000,000 for the Taskforce Expenses in FY 2021/2022, the extract of the budget is attached. In order to fast track the work of the task force the budgeted amount was transferred to Municipality commercial Bank

account held with SBM Bank. It is worth noting that the bulky of the parcels of public land are within the Municipality and therefore the main beneficiary of the report.

The variance in the number of parcels of land in the valuation roll 2006 (1402) and the Taskforce report (123) is due to the fact that valuation rolls contain all the rateable parcels of land/property-both private and public, within the Municipality. The Taskforce committee inquired on the public land as opposed to the properties in the valuation roll that includes private properties

Committee Observations

The Committee observed that the issue is recurrent and —

- i. There was comingling of funds between the Municipality and the County Government thus value for money could not be ascertained.
- ii. The funds were budgeted for under the department of lands and were transferred to the municipality's account for ease of access. The municipality did not have control over the funds.

Committee Recommendations

The committee recommends that the Governor of Trans- Nzoia County ensures Kitale Municipality operational independence is fully actualized in line with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

3. Long Outstanding Imprest

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs. 700,000 as at 30 June, 2023 which, as detailed in Note 13 to the financial statements relates to outstanding imprest. Review of supporting documentation provided revealed that the balance is a long outstanding imprest advanced to an employee on 22 March, 2019. Management has not explained why the imprest had not been surrendered or recovery process instituted by the accounting officer contrary to Regulation 93(6) of the Public Finance Management (County Governments) Regulations, 2015 which requires the accounting officer to recover the full amount from the salary of the defaulting officer with interest.

In the circumstances, Management was in breach of the law

Management Response

The recovery of the Ksh 700,000 commenced from July 2020 to September 2021. Copies of these IPPD pays lips, schedule of deduction and transfer to the bank account in bank statements are attached.

Committee Observations

The Committee observed that the issue is recurrent and that the outstanding imprest has been recovered fully however, the interest accumulated on the amount has not been recovered.

Committee Recommendations

The Committee recommends that within 60 days from the adoption of this report the Accounting officer of the municipality ensures full recovery of the total outstanding interest on the imprest surrendered from the responsible officer(s) at the prevailing central bank rates. The Auditor to follow up on the matter and report to the Committee in the next audit cycle.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Lack of an Updated Assets register and Annual Physical Verification of Assets

The Municipality of Kitale did not have an updated asset register with the required information such as the acquisition costs, opening balances at the start of the year, disposals and the closing balances at the end of the year, with others missing serial numbers, models and makes.

In addition, there was no evidence that the Municipality carried out annual physical verification of assets which includes matching the recorded assets with physical existence contrary to Section 7.2.4 of the County Financial Accounting and Reporting Manual requiring that an independent physical inspection and verification of the assets should be performed once every year matching the recorded assets with physical existence.

Consequently, in the absence of a complete up to date assets register, it was not possible to establish and verify the assets of the Kitale Municipality, their valuation, existence and use. Control over the assets could not also be confirmed

Management Response

The Kitale Municipal Board maintains an up-to-date asset register that contains a record of all its asset and a copy is attached.

Committee Observations

The Committee observed that—

- i. The asset register presented was incomplete since it did not include all the assets including the buildings, roads, land and others.
- ii. No evidence to confirm Board of survey was carried out since no reports and certificates were presented for audit.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer to ensure that the municipality maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board pursuant to section 104(1)(h) of the Public Finance Management Act 2012, failure to which penalties under section 199 of the Public Finance Management Act shall apply; and**
- ii. **the Auditor-General to undertake physical verification of all assets of the Municipality and provide a status report to the Committee in the subsequent audit cycle;**

2. Proposed Construction of Multi-Storey Business Complex

The statement of financial position as at 30 June, 2023 disclosed plant, property and equipment of Kshs. 683,648,905 which included work in progress of Kshs. 573,791,077 in relation to proposed construction of multi-storey business complex for the County of Trans Nzoia vide tender number CGTNCP/T012/2017/2018 with a contract sum of Kshs. 874,280,383 being executed by a local construction company. The multi-year project was contracted on 25 June, 2018 with a contract period of 731 days and expected completion date of 10 June, 2021. However,

- a) The schedule of gross payments processed in favour of the contractor as at 30 June, 2023 amounted to Kshs. 748,688,260 which is at variance with an amount of Kshs. 573,791,077 reflected in Note 14 to the financial statements by Kshs. 174,897,183.
- b) The contractor has requested seven times for extension of contract period through the project consultant and architect but there was no subsequent approvals and no site meeting minutes conducted by project implementation team were provided for audit review. The project has delayed for over two years from the initial expected completion date thereby denying the county residents the benefits that would have accrued from the completed project as well as revenue to the municipality from leased spaces to traders.
- c) The Management made a gross payment of Kshs. 53,532,543 to the contractor vide certificate number 10 dated 29 July, 2022, voucher number 4278 with corresponding withholding taxes and value added tax. However, the payment for taxes thereon were remitted on 9 November, 2022 thereby delaying the remittances of taxes by three (3) months contrary to Income Tax Act, 1973

(revised 2012) which requires the payment of tax by employer to be before the tenth day following the end of every month or before any other day which may be notified to him by the Commissioner.

- d) The memorandum of understanding on the co-funding between the Municipality, department of trade and lands were not provided for audit review.
- e) Audit inspection carried out on 10 September, 2023 revealed that the contractor was not on site and the project had stalled at 92% of completion.

Consequently, no value was derived from the expenditure so far incurred on the project and continued delay in completing the project may result into cost escalation

Management Response

- a) The business centre was Co- funded by World Bank (KUSP), Department of Public Service management (KDSP) and trade and Industrialization department. The expenditures reported by Kitale Municipality relates to the portion funded by the Municipality. The schedule showing the breakdown of expenditure by each entity funding the business centre is attached.
- b) Delay in completion of the projects was partly due to;
 - i. Unforeseen ground and hydrological conditions- The project was met by unforeseen ground conditions due to variable soil strata and underground water streams making piling work quite challenging.
 - ii. Logistical challenges in disposing excavated materials – there was a challenge in moving excavated materials from site through the busy streets occupied by traders and site being located along the busy exit route used matatus.
 - iii. Covid 19 pandemic – the government directive restricting gatherings and meetings and events saw the contractor scale down the team on site in compliance with the directive. This greatly affected the progress of works on site.
 - iv. Change in scope of works to include pile foundations – the loose soil strata necessitated introduction of both temporary and permanent casings due to the collapsing piles.
 - v. Delay in relocation of traders
- c) On delayed remittance, going forward we endeavor to make prompt tax payments.
- d) The schedule of co-funding and concurrence by KDSP IS attached.
- e) The works have been ongoing since this observation and as at February 2024 the project was at 96 % completion. However, on visiting the site, H.E The President pledged additional funds to cater for variation in the lighting and to date the funds are yet to be remitted and hence the delay in completion.

Committee Observations

The Committee observed that—

- i. The project is incomplete and not in use.
- ii. The Work in Progress balance has been correctly adjusted in the financial statements to include part of the cost incurred by other Departments that previously had been omitted.

The Committee conducted an inspection of the business complex on Saturday, 2nd November 2024 and made the following observations—

- i. There was a delay in the completion of the project. Construction began in 25th June, 2018 with an expected completion date of 10th June, 2021 but the project stands incomplete to date raising concerns over the value for money.
- ii. There were numerous requests for extension by the contractor which were not granted.
- iii. The value of work done could not be established.
- iv. There were complaints from the public on the manner in which the slots in the complex were being allocated.
- v. The number of lockable shops was reduced by 222 from 586 to 364 without any justification.
- vi. The memorandum of understanding on the co-funding between the Municipality, department of trade and lands were not provided for audit review

Committee Recommendations

The Committee recommends that—

- i. **The Governor should ensure that valuation on the project in its current status is undertaken to ascertain if the current value commensurate the funds utilised within 60 days from the adoption of this report;**
- ii. **The Auditor-General to carry out an audit of value for money for the project and provide a status update in the subsequent audit cycle;**
- iii. **Within 30 days of the adoption of this report, the board of the municipality should develop a slots allocation matrix that factors in fairness and equity submit to the Auditor-General to monitor implementation;**
- iv. **The Governor to expedite the completion of the project; and**
- v. **The Auditor-General keep the matter in view in the subsequent audit cycle.**

3. Unimplemented CIDP, ADP and Approved Budget Projects

Analysis of the County Integrated Development Plan, Annual Development Plan (ADP) and approved budget revealed unimplemented projects as detailed below;

No.	Projects Identified	Amount (Kshs.)
1	Routine Maintenance of Urban Roads	4,500,000
2	Upgrading of Urban Roads and Footpaths/Walkways to Paved Surfaces	15,000,000
3	Construction and Maintenance of Urban Drainage and Storm Water Control Structures	6,255,000
4	Urban Road Consultancies	3,000,000
5	Maintenance of High-Mast Flood Lights and Streetlights	6,500,000
		35,255,00

Failure to implement the planned projects implies that the county's integrated development plan did not inform the county's budget which should be based on the annual development priorities and objectives referred to in Section 103 of the County Government Act, 2012 and the performance targets set by the county.

Management Response

The county is committed to implementing the approved CIDP within the scheduled 5 years, however due to shortfalls in revenue collection, all the projects could not be implemented as planned.

Committee Observations

The Committee observed that the management has not indicated if the projects were re-budgeted in subsequent years.

Committee Recommendations

The Committee recommends that the Municipality should align their annual budgets to the County Integrated Development Plan so that projects are implemented as planned and the Auditor-General to continuously monitor the matter and periodically report in the subsequent audit cycles.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROL, RISK MANAGEMENT, AND GOVERNANCE

Pursuant to section 7(1)(a) of the Public Audit Act, based on the audit procedures performed by the Auditor-General, the internal control, risk management and governance were not effective—

1. Lack of Fraud Management and Risk Policy

Management has continued to operate the entity without formulating a Fraud Management and Risk Policy contrary to the Public Finance Management (County Governments) Regulations, 2015 under Section 158 (1) which states that, the Accounting Officer shall ensure that a county government entity develops risk management strategies, which include fraud prevention mechanism; risk management and internal control that builds robust business operations.

To this extent, the effectiveness of fraud prevention and risk management in the Municipality could not be ascertained.

Management Response

The Kitale municipality uses the county risk management framework which applies to all County entities. Besides the risk policy other measures adopted to mitigate fraud and financial risks include;

- The municipality utilizing the available County Internal Auditors and the County Audit committee to mitigate and manage risks. They are currently undertaking an assignment on Audit of the books of the municipality.
- The county examination Department is also assigned to examine transactions and approvals of the municipality.
- The municipality's operations are also guided by the Public procurement and disposal Act 2015 and PFM Act 2015.
- The Municipality Board also has an Audit Committee which is an oversight body.

Committee Observations

The Committee observed that the Municipality uses the County Risk Management framework which was presented and verified by the Auditor-General.

Committee Recommendations

The Committee recommends that the Municipality should ensure strict adherence to regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that, the Accounting Officer shall ensure that a county government entity develops risk management strategies, which include fraud prevention mechanism; risk management and internal control that builds robust business operations.

2. Control Over Functions

The following functions of the Municipality envisioned under the Urban Areas and Cities Act, 2011 are still being budgeted for and performed by the respective County departments.

- i) Revenue collection.
- ii) Construction, maintenance and regulation of municipal markets and abattoirs.
- iii) Development and enforcement of municipal plans and development controls.
- iv) Promoting and undertaking infrastructural development and services within municipality.
- v) Promotion, regulation and provision of municipal sports and cultural activities.
- vi) Construction and maintenance of urban roads and associated infrastructure.
- vii) Regulation of outdoor advertising.
- viii) Any other function as may be delegated by the County Executive Committee.

In the circumstances, the Board was not able to exercise its powers and functions as envisioned in the enabling legislation.

Management Response

The process of redefining and transferring functions is ongoing and started with a gazette notice that was published by the Executive to confirm the transferred functions. The Municipality Board is also in the process of capacity building so as to execute the transferred functions effectively and it has requested for addition of permanent staff and have since been deployed.

Committee Observations

The Committee observed that a transfer of functions plan was not presented showing how the county executive will progressively hand over all of Municipality's functions.

Committee Recommendations

The committee recommends that the Governor of Trans- Nzoia County ensures Kitale Municipality operational independence is fully actualized in line with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

CHAPTER FOUR

REPORT ON THE AUDITED FINANCIAL STATEMENTS MIGORI MUNICIPALITY FOR THE FINANCIAL YEAR 2022/2023

The Governor of Migori County, Hon. Dr. George Ochilo M. Ayacko, EGH, appeared before the Committee on Thursday, 8th August, 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Migori Municipality for the financial year 2022/2023. The Governor was accompanied by:

1. Mr. Maurice Otunga - CECM-Finance
2. Mrs. Tuphorser Adamo - Vice/Chair Migori Municipality
3. Mr. Julius Awuor - CECM-Health
4. Eng. David Ochola - Chair PSB

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **unqualified opinion** on the Financial Statements of the Migori Municipality for the period under review on the following basis-

1. Budgetary control and Performance

The statement of comparison budget and actual amounts reflects final receipts budget and actual on a comparable basis of Ksh. 63,882,223 and Ksh. 39,938,255 respectively resulting to an under-funding of Ksh. 23,943,968 or 37% of the budget. Similarly, the municipality expended Ksh. 14,836,099 against an approved budget of Ksh. 63,882,223 resulting to an under-expenditure of Ksh. 49,046,133 or 77% of the budget.

The under realization of revenue and under-expenditure represents budgeted goods and services that were not delivered to the county residents of Migori.

Management Response

The Management noted the Auditor's observation and wishes to state that the underfunding was due to partial donor funding and late Exchequer disbursement. In addition, the under expenditure was occasioned by work in progress that were completed and paid for in the subsequent year.

Committee Observations

The Committee observed that-

- i. The Municipality did not receive exchequer releases from the National Treasury on time;
- ii. The Municipality had an underfunding of Kshs 23,943,968 or 37% of the budget during the financial year under review; and

- iii. The Municipality had an under-expenditure of Kshs. 49,046,133 or 77% of the budget during the financial year under review.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standards Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

CHAPTER FIVE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MUNICIPALITY OF MUMIAS FOR THE FINANCIAL YEAR 2022/2023

The Governor of Kakamega County, Hon. FCPA Fernandes Barasa, EGH, appeared before the Committee on Thursday, 22nd August, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the municipality of Mumias for the financial year 2022/2023. The Governor was accompanied by the following officers:

1. CPA Livingstone Imbayi - CECM-Finance and Economic Planning
2. Mr. Jeophita Mwajuma - CCO-Finance
3. Mrs. Faith Gitiva - CO-Trade
4. Mrs. Violet Oksi - Manager-Mumias Municipality
5. Mr. Shakir Adan - CO. Urban

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of the Municipality of Mumias for the financial year based on the following basis-

1. Inaccuracies in the Financial Statements

The statement of changes in net assets reflects opening balances of Kshs.373,929,657 in respect to capital/development grants funds while the 2021/2022 audited financial statements reflects closing balance of zero on the same item resulting to an unexplained and unreconciled variance of Kshs.373,929,657.

The statement of changes in net asset reflects a debit balance of Kshs.51,565,292 on accumulated surplus while the 2021/2022 audited financial statements reflected a surplus of Kshs.12,896,458.50 resulting to an unexplained and unreconciled variance of Kshs.64,461,750.

The statement of financial position reflects a comparative figure on reserves of Kshs.116, 027,042 with a zero balance as at 30th June 2023. The movement of this amount is not clear in the financial statement as the same has not been reflected as the movement in the statement of cash flows and the statement of changes in net assets.

Management Response

The amount of Kshs.373,929,657 comprised of Ksh.257, 902,615 relating to Property, Plant and Equipment for FY 2021/2022 and Kshs.116,027,042 as opening balance of funds available during the reporting period of twenty-two (22) months ended 30 June, 2022.

The above figure was omitted in the Statement of Changes in Net Assets for the period ended 30 June,2022

The amount of Kshs.64,461,750 was net assets for FY 2021/2022. Kshs.51,565,292 was deficit on the Statement of Financial Performance for the 22 months period ended 30 June 2022 while Kshs.12,896,458.50 was Accumulated Surplus balance as at 30 June 2022 on the Statement of Changes in Net Assets.

The reporting accountant erred in carrying forward the deficit of Kshs.51,565,292 instead of the accumulated surplus balance of Kshs.12,896,458.50 in the Statement of Changes in Net Assets.

This error shall be rectified in the annual financial statements for the FY2023/2024.

The Kshs.116, 027,042 was balance on the entity's Urban Development Grant Account and Mumias Township Operations Account when the entity did its first financial statements for the twenty-two (22) months ended 30 June, 2022.

Committee Observations

The Committee observed that-

- i. The variance of was due to unexplained and unreconciled variance of Kshs.373,929,657 an error in preparation of the financial statements which the Municipality management claims has since been corrected. However, this correction is yet to be verified by the Auditor-General.
- ii. The statement of changes in net assets reflects a debit balance of Kshs.51,565,292 on accumulated surplus while the 2021/2022 a surplus of Kshs.12,896,458.50 resulting to an unexplained and unreconciled variance of Kshs.64,461,750. Kshs. 4,268,229 which the Municipality management claims it will be corrected in the financial statements for the financial year 2023/24.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public**

- Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and**
 - iv. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2. Unsupported Additions to Property, Plant and Equipment.

The statement of financial position and as disclosed in Note 18, to the financial statements reflects property, plant and equipment amount of Kshs.296, 367,757 out of which an amount of Kshs.58, 843,750 relates to additions during the year. However, the additional assets amount could not be verified because management did not provide relevant supporting documents such as, payment vouchers, Invoices, inspection and acceptance reports, handover reports and completion certificates.

Management Response

The amount of Kshs.58, 843,750 comprise of Kshs.29, 236,056 for construction of Mumias modern Bus Park and Kshs.29, 607,693 for construction of Walk ways and landscaping works within Mumias Municipality. During Audit period, the management provided payments vouchers with attachments of invoices inspection and acceptance reports, handover reports and completion certificates. The same have been provided again to the auditor for a further audit review.

Committee observations

The committee observed that additional Ksh .58, 843,750 worth of property, plant and equipment were not supported with relevant documents such as payment vouchers, invoices, inspection and acceptance report, handover reports and completion certificates during the audit.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for

their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3. Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.692, 435 in respect of cash and cash equivalent as disclosed in Note 16 to the financial statements. However, the balance differs from the balance of Kshs.1,077,403 shown in the cashbook. The variance of Kshs.384, 968 was not explained or reconciled.

Management Response

The original cash book had a casting error and it was amended after the auditor's recommendation during the audit period. The amended cash book and bank reconciliation statement for Mumias UDG account was resubmitted to the auditor for verification. The same is still available for a further audit scrutiny.

Committee observations

The committee observed that casting error was amended in the cash book and reconciliation of bank statement was done and the matter was resolved.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and**
- iv. the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector**

Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.

Emphasis of Matter

Budgetary Control and Performance

The statements of comparison of budget and actual amount reflects receipts budget and actual on comparable basis amounts of Kshs.171,835,426 and Kshs.46, 429,933 respectively, resulting to underfunding of Kshs.125, 405,493 or 73% of the budget. Similarly, the statement reflects actual expenditure of Kshs.130, 577,857 against approved budget of Kshs.171, 835,426 resulting to under-performance of Kshs.41, 257,569 or 24% of the budget.

The under-funding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The County Treasury was unable to transfer Kshs.16, 370,500 out of the allocated Kshs.30, 000,000 to Mumias Municipality due to late exchequer disbursements by the National Treasury. This contributed to the overall under funding variance of Kshs.125, 405,493.

The overall under performance resulted from late disbursement of exchequer by the National Treasury.

Committee observations

The committee observed that during the year under review there was an under-funding of Kshs.41, 257,569 or 24% of the budget for Mumias municipality which resulted to under performance.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standards Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**

- ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

Other Matter

Unresolved Prior Year Matters

In the audit of the previous year, several issues were reported under the Report on the financial statements and report on lawfulness and effectiveness in use of public resources. However, management has not resolved the issues or given reasons on the failure to resolve them in adherence with the Public Sector Accounting Standards Board Templates.

Management Response

Management has implemented most of the recommendations made in prior year audit and are awaiting senate resolutions on the same.

Committee Observations

The Committee observed that the Municipality had unresolved prior year matters.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
- ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Failure to Provide Approved Budget

During the year under review, the Municipality operated without an approved budget. Consequently, the source and approval of the amount reflected on the statement of comparison of budget and actual amounts, including total expenditure for the year of Kshs.127, 617,088 could not be confirmed. This is contrary to section 20(1)(1) of urban area and cities Act,2011 which requires a Board of municipality to prepare and submit an annual budget to the relevant county Treasury for consideration and submission to the county assembly for approval.

In the circumstances management was in breach of the law.

Management Response

Mumias municipality's budget was done under the ministry of Lands, Housing, Physical Planning and Urban Development and was approved by the County Assembly.

Management has also provided the approved itemized budget for your review.

Committee Observations

The committee observed that during the year under review, Mumias municipality budget was approved through parent ministry of Lands, Housing, Physical Planning and Urban Development, hence expenditure of Kshs.127, 617,088 could not be ascertained.

Committee recommendations

The committee recommends that the Governor of Kakamega County ensures Kakamega Municipality operational independence is fully actualized in line with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

2. Lack of Operational Autonomy for Mumias Municipality.

During the audit, it was observed that only office operations were carried out by the Municipality Board while project implementation was carried out by the County Executive through the Department Of Lands, Housing, Urban Areas Development and Physical Planning. This is contrary to Section 21(1)(a) of the Urban Areas and Cities Act,2011 which gives Municipalities Executive Authority as delegated by County Executives.

Management Response

Some of the major challenges include: (i) staff capacity, (ii) un-constituted municipal boards; (iii) inadequate technical staff; (iv) incomplete delineation of boundaries; (v)

lack of autonomy in raising own source revenues; (vi) lack of autonomy in human resource management; (vii) lack of Municipality Managers; (viii) un-gazetted municipality functions among others. However, the Mumias Municipality is making progress towards autonomy evidence of operational autonomy.

Committee Observations

The committee observed;

- i. that only office operations were being carried out by the Municipality Board while project implementation was being carried out by the County Executive through the Department of Lands, Housing, Urban Areas Development and Physical Planning. This is contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipality Boards executive authority as delegated by County Executives.
- ii. the Mumias Municipality had made progress towards autonomy by; (i) Appointing municipality boards vide gazette notice number 10370 dated 2/8/2023, (ii) Gazetting proposed devolved functions through gazette notice no.6225 of 12/5/2023, (iii) Appointing municipal managers and designating them as accounting officers for the municipalities.

Committee recommendations

The committee recommends that the Governor of Kakamega County ensures Mumias Municipality operational independence is fully actualized in line with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

3. Failure to Appoint Municipality Administrator.

During the year under review, the Municipality operated without the Municipality Administrator. This is contrary to the provisions of Section 31B of the Urban Areas and Cities (Amendment) Act, 2019 which states that there shall be an administrator for every town established under this Act who shall be appointed by the County Public Service Board established under Section 57 of the County Government Act, 2012.

Management Response

Section 31B of the Urban Areas and Cities (Amendment) Act of 2019 requires appointment of a town administrator and not a Municipality administrator as opined by the auditor. Mumias was conferred the Municipality charter and is legally managed by a Municipal Manager appointed by the County Public Service Board in line with the law.

Committee Observations

The committee observed that the issue had been addressed as the County Public Service Board had already appointed the Municipal Manager.

Committee Recommendations

The Committee recommends that the municipality strictly adheres to Section 31B of the Urban Areas and Cities (Amendment) Act, 2019, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

4. Lack of Fixed Assets Register

During the year under review, the management did not maintain a fixed assets register in a format prescribed with minimum requirements of identification or serial number, date of acquisition, description of asset, location, class, and cost of acquisition, accumulated depreciation, netbook value and identification codes to support asset tagging in accordance with the relevant laws.

Management Response

The Management has noted the Auditor's observation. During the audit period management had not prepared an updated asset register with the above minimum requirements. However, management has updated the Assets Register conforming to the above parameters and is hereby availed for your review.

Committee Observations

The Committee observed that whereas asset register was provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer to ensure that the municipality maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board pursuant to section 104(1)(h) of the Public Finance Management Act 2012, failure to which penalties under section 199 of the Public Finance Management Act shall apply;**
- ii. the Auditor-General to undertake physical verification of all assets of the Municipality and provide a status report to the Committee in the subsequent audit cycle.**

CHAPTER SIX

REPORT ON THE AUDITED FINANCIAL STATEMENTS MUNICIPALITY OF MURANG'A FOR THE FINANCIAL YEAR 2022/2023

The Governor of Murang'a County, Hon. Dr. Irungu Kangata, CBS, appeared before the Committee on Monday, 26th August, 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Municipality of Murang'a for the financial year 2022/2023. The Governor was accompanied by:

1. Dr. Winnie Mwangi - CECM-Finance
2. Mr. Benard Mugo - Municipal Manager Murang'a
3. Mr. Makara Ngure - Municipal Administrator

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Municipality of Murang'a for the period under review on the following basis—

1. Unsupported Board Expenses

The statement of financial performance reflects board expenses of Kshs. 2,206,500. As disclosed in Note 14 to the financial statements the amount comprised of sitting allowances paid to Board Members. however, attendance registers for the Board meetings were not provided for audit review. Further, review of board meeting minutes revealed that the board held eight (8) full special full Board meetings on different dates. However, minutes of the meetings were not signed by Board Members to confirm occurrence and deliberations therein.

In the circumstances, the accuracy, completeness and validity regularity of board expenses totalling Kshs. 2,206,500 could not be confirmed.

Management response

To support the Board members' expenses payment, the following have been provided and attached.

Committee Observations

The Committee observed that the management submitted attendance registers for the Board meetings and signed minutes of the meetings, however, the documents are yet to be verified by the Auditor-General.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B; and**
- ii. the Auditor-General to confirm that all the necessary reconciliations were carried out within the amended financial statements and report back to the Senate in the subsequent audit cycle.**

2. Inaccuracies in the Financial Statements

2.1 Statement of Financial Position

The statement of financial position reflects net assets balance of Kshs. 148,597,336 and a total net assets and liabilities balance of Kshs. 151,749,441 resulting in an unexplained and unreconciled variance of Kshs 3,152,105. Further, a re-computation of total net assets and liabilities resulted in a total of Kshs. 148,597,336.

In addition, the statement reflects total net assets and liabilities of Kshs. 151,416,725.

However, the statement of changes in net assets reflects Kshs. 106,416,725 resulting in unreconciled and unexplained variance of Kshs. 45,332,716.

Similarly, the statements reflect property, plant and equipment, comparative balance of Kshs. 35,515,994 while Note 24 to the financial statements reflects a nil balance resulting in unexplained variance of Kshs. 35,512,994.

In the circumstances, the accuracy of the financial statements could not be confirmed.

Management response

Corrections and amendments have been done.

Committee Observations

The Committee observed that the management submitted amended financial statements which included all the necessary corrections therefore the query was addressed.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in accordance with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties and offences shall apply;**
- iii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iv. the Accounting Officer enhance the capacity of in-post officers preparing financial statements to comply with the requirements of the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2.2 Statement of changes in net assets

The statement of changes in net assets reflects nil reserves balance which differs with Kshs. 148,494,576 reserves balance reflected in the statement of financial position, resulting in to unexplained variance of Kshs. 148,494,576. Further, transfers from the County Government amount of Kshs. 6,120,388, reflected in the statement of financial performance was erroneously included in the statement of changes in net assets.

In addition, the statement of changes in net assets reflects a balance of Ksh 106,416,725. However, re-computation of the balance resulted in Kshs 106,406,722, hence a variance of Ksh 10,003 which was not explained or reconciled.

In the circumstances, the accuracy and completeness of the respective financial statements balance could not be confirmed.

Management response

Corrections and amendments have been done.

Committee Observations

The Committee observed that the management submitted amended financial statements which included all the necessary corrections .However, the statements were not submitted at the time of audit.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in accordance with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iv. the Accounting Officer enhance the capacity of in-post officers preparing financial statements to comply with the requirements of the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

3.0 Unsupported work in progress

The statement of financial position reflects property plant and equipment balance of Kshs 151,615,219. As disclosed in Note 24 to the financial statement, the balance includes work in progress valued at kshs. 141,682,088 as at 30th June 2023. However, the work in progress balance was not supported by certified work certificates.

In the circumstances, the accuracy and completeness of work in progress balance of Kshs 141,682,088 could not be confirmed.

Management response

There was an error in the placing of the cost of Roads on this category of WIP. The roads are completely done and the cost indicated there as Ksh 141,682,087.78 as the actual cost incurred. The wording (WIP) have now been removed to reflect the true position.

Committee Observations

The Committee observed that the management failed to submit a certificate of completion to support the cost of roads amounting to Kshs. 141,682,088 for audit review.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 9(1)(e) of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act, 2015 in the subsequent audit cycle; and**
- ii. **The Auditor-General keep the matter in view in the subsequent audit cycle.**

Emphasis of matter

Budgetary control and performance

The statement of comparison of budgets and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 64,270,000 and Kshs 6,120,388 respectively resulting in an un- underfunding of Kshs. 58,149,612 or 91% of the budget. Similarly, the municipality incurred expenditure of Kshs 6,017,628 against a budget of Kshs. 64,270,000 resulting to an under expenditure of Kshs, 58,252,372 or 90.6% of the budget.

The underperformance and under expenditure of the budget affected the planned activities and affected negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Management response

It is true that the underperformance and under expenditure of the budget affected the planned activities and impacted negatively on service delivery to the public.

Committee Observations

The Committee observed that—

- i. the Municipality had an under-funding of Kshs. 58,149,612 or 91% of the budget during the financial year under review.
- ii. The Municipality failed to absorb Kshs, 58,252,372 or 90.6% of the budget during the financial year under review.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standards Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

Other Matter

Unresolved Prior Year Matters

In the audit of the previous year, several matters were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the progress made in resolving the issues was not disclosed in Annex 1 to the financial statements on progress on follow up of prior year auditor's recommendations as required by the reporting template issued by the Public Sector Accounting Standards Board.

Management response

The Municipality had seven issues whose status is as follows;

No.	Matter	Issues Raised	No. Resolved	No. Partly Resolved
1	Basis of opinion	3	3	-

2	Presentation of financial statement	1	1	-
3	Other matters	3	2	1
	Total	7	6	1

Committee Observations

The Committee observed that the management of the Municipality did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2021/2022.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
- ii. the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Un-procedurally Convened Special Full Board Meetings

Review of the Board minutes provided for audit, revealed that the Municipality held three (3) special full board meetings on 28th November, 2022, 20 December 2022 and 6 March 2023. However, no written request of at least one-third of the members of the board to convene the special full board meetings were provided in support of the meetings, centrally to section 23(2) of the Urban Areas and Cities Act, 2011 which provided that notwithstanding Sub section (1), the Chairperson may, and upon request in writing by at least one-third of the members of the board shall, convene a special meeting to transaction any urgent business of the board.

In addition, the Municipality held two full board meetings consecutively in the month of August 2022 and September 2022 contravening section 18 (1) of Murang'a Municipal

Charter of 2019, which states that the Board of the Municipality shall hold its sitting to transact the business of the board once every three months.

In the circumstances Management was in breach of the law.

Management response

Concerning the above, notification for such meetings are proposed and circulated to all members prior to the meeting. The Manager who is the Secretary to the Board communicates to the members in consultation with the Chairman and the members.

Full boards in the months of August 2022 and September 2022 were necessitated as a requirement of quarterly full board meetings. The meeting held on August 2022 was to discuss quarterly reports for the quarter ending June 2022 and the one held on September 2022 discussed quarterly reports for the quarter ending September 2022.

Committee Observations

The Committee observed that—

- i. the Municipality held three (3) special full board meetings without a written request of at least one-third of the members of the board to convene for the meetings contrary to section 23(2) of the Urban Areas and Cities Act, 2011.
- ii. the Municipality held two full board meetings consecutively contrary to section 18 (1) of Murang'a Municipal Charter of 2019.

Committee Recommendations

The Committee recommends that—

- i. **The Board ensures strict compliance with the provisions of section 23(2) of the Urban Areas and Cities Act, 2011 with regards to procedure for convening a special meeting, failure to which the provisions of section 199 of the Public Finance Management Act, 2012 on penalties for offences may apply; and**
- ii. **The Board of Directors ensures strict compliance with the provisions of section 18 (1) of Murang'a Municipal Charter of 2019 which states that Board meeting should be held once every three (3) months, failure to which the provisions of section 199 of the Public Finance Management Act, 2012 on penalties for offences may apply.**

2. Irregular Facilitation of Members of the County Assembly (MCAs)

The statement of financial performance reflects expenditure of Ksh. 3,801,125 on use of goods and services. As disclosed in Note 12 of the financial statements the amount includes training expenses of Kshs. 1,971,000 out of which Kshs. 1,388,800 was paid

to member of County Assembly (MCAs) as subsistence allowances while reviewing municipality By-laws at a hotel in Nairobi. However, no plausible explanation was provided on why the MCAs were facilitated despite having their own budget and resources for such activities at the county assembly. Further, minutes or report on the reviewed by-laws were not provided for audit review.

In addition, the meetings were held outside the precincts of the county offices contrary to part (VI) of the National Treasury Circular No. 20/2015 which require the accounting officer to ensure all workshops and retreats with major participants drawn from one duty station, be held within the precincts of the duty station to curtail the expenditure which may pause un intended to earn officers' unjustifiable allowances.

In the circumstances, regularity and value for money in respect to the expenditure amounting to Kshs. 1,388,800 charged to training could not be confirmed.

Management response

Municipality was behind schedule to have operational By-laws so as to be able to enforce on revenue collection, to maximise its revenue collection.

At the same time the Assembly members are key stakeholders in the process. There were pertinent issues that required their presence. Hence, we facilitated the workshop from our budget. We have attached a copy of Report on Draft Murang'a Municipality By-laws.

Committee Observations

The Committee observed that—

- i. The Municipality spent Kshs. 1,388,800 to pay members of County Assembly (MCAs) as subsistence allowances while reviewing municipality By-laws despite the Assembly having their own budget and resources; and
- ii. whereas the minutes and the report on the reviewed by-laws were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 9(1)(e) of the Public Audit Act, failure to which the Committee shall recommend for**

- their investigation and prosecution in line with section 62(2) of the Public Audit Act, 2015 in the subsequent audit cycle; and**
- ii. Within 60 days from the adoption of this report, the Accounting Officer ensures that the amount paid of Kshs. 1.388,800 to MCAs as subsistence allowance is recovered. The Auditor to keep the matter in view and report to the Committee in the subsequent audit cycle.**

3. Failure to maintain updated Asset Register

As previously reported, the Municipality inherited several assets from the Murang'a County Government and defunct Local Authorities within the County. However, the assets had not been valued and recorded in asset register contrary to Regulation 136 (1), (2) and (3) of the Public Finance Management (County Governments) Regulation, 2015 Provides that that Accounting Officers shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws, the register of land and buildings shall record each parcel of land and each building and the terms of which is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, lease hold terms including furniture and equipment issues for a government quarters or offices large tools for county, works, plant, equipment, vehicles or(lunches) large motor boats shall be recorded in a register.

In the circumstances. Management was in the breach of law.

Management response

The Municipality had engaged the County Valuer to do revaluation of all Municipality non- current assets. He has already commenced this exercise and he has given us a preliminary report on some of the assets already done. We have attached herewith the letter of engagement and preliminary valuation report we shall update our fixed assets register accordingly. However, the figure of Ksh 151,615,219 given under PPE is for the total cost of all the donor projects funded by the World Bank, the donor has given a conditionality to the Municipalities to have the total cost of capital projects reflected on the financial statements so as to qualify for KUSP II programme.

Committee Observations

The Committee observed that—

- i. The query is recurrent; and
- ii. the Municipality did not maintain an updated fixed asset register contrary to Regulation 136 (1), (2) and (3) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer ensures that the municipality maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board pursuant to section 104(1)(h) of the Public Finance Management Act 2012, failure to which penalties under section 199 of the Public Finance Management Act shall apply; and**
- ii. the Auditor-General to undertake physical verification of all assets of the Municipality and provide a status report to the Committee in the subsequent audit cycle;**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1) of the Public Audit Act, based on procedures performed by the Auditor General, the following matter formed the basis for conclusion that internal controls, risk management and overall governance were not effective –

1. Failure to maintain a Valuation Roll for Property

During the year under review, the Municipality did not maintain a valuation roll for its property contrary to Section 36 (1) (d) (ii) of the Urban Areas and Cities Act, 2011 which provides that every city and municipality established under the Act shall operate within the framework of integrated development planning which shall be the basis for the preparation of valuation rolls for property taxation.

In the circumstances, the basis for the County's property taxation could not be confirmed. Further, Management was in breach of the law.

Management response

The task of development of a valuation role for property for Murang'a County Government including Municipality is being undertaken by the County Executive and is currently at an advanced stage.

Committee Observations

The Committee observed that the Municipality failed to prepare a valuation roll contrary to Section 36 (1) (d) (ii) of the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures strict compliance with the provisions of Section 36 (1) (d) (ii) of the Urban Areas and Cities Act, 2011 with regards to the preparation of valuation rolls for property

taxation, failure to which penalties under section 199 of the Public Finance Management Act shall apply.

2. Lack of Environmental Management Plan

During the year under review, Management did not have in place plans for environmental management contrary to Section 36(1)(d) (i) of the Urban Areas and Cities Act, 2011 which provides that every city and municipality established under this Act shall operate within the framework of integrated development planning which shall be the basis for the preparation of environmental management plans. In the circumstances, the existence and effectiveness of rational and practical environmental mitigation measures against environmental harm that may arise from Municipality activities could not be confirmed.

Management response

It's acknowledged that the Municipality currently does not have an approved Environment Management Plan. However, the process of formulating and approving the same has started and expected to be finalised in the course of the current financial year.

It's also worthy to note that the Municipality has been preparing environment and social management plans (EMPS) for each capital project it has implemented under Kenya Urban Support Programme (KUSP) alongside the NEMA certification (ESMP) extract forwarded.

Committee Observations

The Committee observed that the Municipality operated without an environmental management plan in place during the financial year under review contrary to Section 36(1)(d) (i) of the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures strict compliance with the provisions of Section 36 (1) (d) (i) of the Urban Areas and Cities Act, 2011 with regards to the preparation of environmental management plans, failure to which penalties under section 199 of the Public Finance Management Act shall apply.

3. Ineffective Solid Waste Management

The statement of financial performance reflects use of goods and services expenditure of Kshs. 3,801,125. As disclosed in Note 12 to the financial statements, the amount includes Kshs. 655,000 incurred on routine maintenance solid waste management.

Review of solid waste management activities revealed that most of Murang'a town's domestic waste was disposed off at Karii dumpsite. The waste disposal operations were characterized by excessive solid waste dumping and continuous burning. Physical inspection of the dumpsite in November, 2023 revealed existence of pools of contaminated storm waters and leachate occasioned by poor drainage and lack of fumigation at the site. The by-products of solid waste deposited in the dumpsite have adverse effects on the surrounding environment and the residents living close to the dumpsite. Further, there was no segregation of waste at source, as it was collectively disposed off in the dumpsite in contravention of Section 20(1)(a) of the Sustainable Waste Act, 2021. Also, there were no adequate solid waste management facilities within the Murang'a Town Central Business District (CBD) apart from the open chambers, some of which had been demolished, and there were limited waste bins within the CBD.

In the circumstances, the effectiveness of solid waste management could not be confirmed. Further, the ineffective solid waste management poses a health risk to the residents of Murang'a Municipality.

Management response

Currently the budget for solid waste management for the whole County is domiciled in the ministry of Environment. The County have also procured two skip loaders and several refuse collection bins which are placed strategically at various busy streets within the major urban centres including Municipality.

We also have public/private partnership in garbage collection where we have engaged a few private garbage collectors at a fee from the Land Lords.

All in all, we agree that the Municipality should be adequately funded to be able to carry out the solid waste management effectively.

Committee Observations

The Committee observed that—

- i. The Municipality failed to segregate waste at source contrary to Section 20(1)(a) of the Sustainable Waste Act, 2021.
- ii. The Municipality had poorly managed solid waste management systems which adversely affect the population living around the area.

Committee Recommendations

The Committee recommends that within 60 days from the adoption of this report, the Governor and the Accounting Officer submit a comprehensive plan to the Auditor-General outlining the specific measures being taken to address the waste management system within the Municipality. The Auditor-General to keep this matter in view and give a status report in the subsequent audit cycle.

4. Lack of Risk Management and Fraud Policies

During the year under review, the Municipality did not have in place fraud and risk management policies, contrary to Regulation 158(1)(a) and (b) of the Public Finance Management Act (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the absence of a risk management and fraud policy, the existence and effectiveness of internal controls for financial and operational activities could not be confirmed.

Management Response

We are in the process of developing this policy, we have attached a letter from CEC Finance requesting the accounting officers to initiate this process.

Committee Observations

The Committee observed that the Municipality did not have fraud and risk management policies in place during the financial year under review, contrary to Regulation 158(1)(a) and (b) of the Public Finance Management Act (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that the Board of Directors ensures that the Municipality puts in place all internal control systems such as a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of the Municipality. Further, the managements to submit evidence of the same to the Auditor General for verification.

5. Lack of Approved Information Communication Technology Security Policy

Review of the Municipality's information Communication Technology (ICT) systems revealed lack of an approved ICT policy for governance and management of its ICT resources. In addition, there was no ICT steering committee in place to guide in development of ICT policy framework to enable the Municipality to realize long-term ICT strategic goals. Therefore, there was no clear and documented direction regarding maintenance of information security across the organization and safeguarding the Municipality's ICT assets.

In the circumstances, existence of effective ICT controls could not be confirmed. The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidences I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Management response

The ICT security policy is now in place

Committee Observations

The Committee observed that the Municipality did not have an ICT policy and an ICT steering committee in place during the financial year under review.

Committee Recommendations

The Committee recommends that the Board of Directors ensures that the Municipality puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012, and a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of the Municipality. Further, the managements to submit evidence of the same to the Auditor General for verification.

CHAPTER SEVEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS RONGO MUNICIPALITY FOR THE FINANCIAL YEAR 2022/2023

The Governor of Migori County, Hon. Dr. George Ochilo M. Ayacko, EGH, appeared before the Committee on Thursday, 8th August, 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Rongo Municipality for the financial year 2022/2023. The Governor was accompanied by:

1. Mr. Maurice Otunga - CECM-Finance
2. Mrs. Tuphorser Adamo - Vice/Chair Migori Municipality
3. Mr. Julius Awuor - CECM-Health
4. Eng. David Ochola - Chair PSB

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **unqualified opinion** on the Financial Statements of the Rongo Municipality for the period under review on the following basis-

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects revenue budget and actual on comparable basis amounts of Kshs. 75,756,304 and Kshs. 45,849,736 respectively, resulting in an underfunding of Kshs. 29,906,568 or 39% of the budget. Similarly, the Municipality spent Kshs. 32,662,815 out of the approved expenditure budget of Kshs. 75,756,304, resulting in an under-expenditure of Kshs. 43,093,489 or 57% of the budget.

The underfunding and under-expenditure constrained the execution of planned activities and delivery of services to the residents of Rongo Municipality.

Management Response

The Management noted the Auditor's observation and wishes to state that the underfunding was due to partial donor funding and late Exchequer disbursement. In addition, the under expenditure was occasioned by work in progress that were completed and paid for in the subsequent year.

Committee Observations

The Committee observed that-

- i. The Municipality did not receive exchequer releases from the National Treasury on time;

- ii. The Municipality had an underfunding of Kshs 29,906,568 or 39% of the budget during the financial year under review; and
- iii. The Municipality had an under-expenditure of Kshs. 43,093,489 or 57% of the budget during the financial year under review.

Committee Recommendations

The Committee recommends that—

- i. **the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standards Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Supply of Waste Bins and Fire Extinguishers

The statement of financial position reflects property, plant and equipment balance of Ksh 100,226,081 which, as disclosed in Note 9 to the financial statements, includes additions during the year of Ksh 25,611,015, which further, includes Ksh 1,150,020 in respect of supply of waste bins and fire extinguishers. Review of records provided revealed that the Tender Opening Committee members were appointed by the Director Supply Chain Management, contrary to Section 78(1) of the Public Procurement and Asset Disposal Act, 2015, which stipulates that the accounting officer shall appoint the Tender Opening Committee members.

Further, review of tender documents revealed that only one bidder had submitted its itemized pricing as specified in the request for quotation document. The bid documents for other two (2) bidders were incomplete as no details had been filled up, including the

itemized pricing section as required in the tender document. The two bidders were, therefore, non-responsive according to Section 79(1) of Public Procurement and Asset Disposal Act, 2015.

In addition, physical verification conducted on 9 November, 2023 revealed that the fire extinguishers were still lying at the Municipal Manager's Office and had not been distributed to various offices/ stations, almost 6 months after delivery.

In the circumstances, the Municipality may not have achieved value for money from the expenditure of Kshs.1, 150,020. Also, Management was in breach of the law.

Management Response

The Management noted the Auditor's observation and wishes to state as follows:

- i. At the time of audit, the Municipal Manager had not been designated as an accounting officer as required by Section 148 of Public Finance Management Act, 2012. Currently, the Municipal Manager has been designated by CECM Finance as accounting officer for Rongo Municipality.
- ii. The Request for quotation complied with Sec. 106 (2)(d) of Public Procurement and Asset Disposal Act, 2015 which requires that at least three bids must be received before opening of the quotations. In as much as the two bidders were non-responsive and should be rejected pursuant to regulations 75(1), the Act doesn't prevent the procuring entity from evaluating the other bidder. The bidder awarded conformed with Sec. 106 (3) and (4) of Public Procurement and Asset Disposal Act, 2015.
- iii. The delayed installation of the fire extinguishers was occasioned by the robust consultations on the specific locations of installation points. The fire extinguishers have since been distributed and installed at the respective stations.

Committee Observations

The Committee observed that-

- i. The members of the Tender Opening Committee for the supply of waste bins and fire extinguishers were appointed by the Director of Supply Chain Management, in contravention of Section 78(1) of the Public Procurement and Asset Disposal Act, 2015, as the Municipal Manager had not yet been designated as the accounting officer. The Municipal Manager has since been officially designated as the accounting officer for Rongo Municipality, therefore the query is resolved.
- ii. The management submitted photographic evidence showing that the fire extinguishers and waste bins had been installed in their respective stations.

Committee Recommendations

The Committee recommends that-

- i. The Accounting Officer ensures strict compliance with the provisions of Section 78(1) of the Public Procurement and Asset Disposal Act, 2015 with regards to appointment of members of the Tender Opening Committee failure to which the provisions of section 177 of the Public Procurement and Asset Disposal Act, 2015 on penalties for offences shall apply; and**
- ii. The Auditor-General to conduct a physical inspection of the offices and stations within the Municipality to verify the installation of fire extinguishers and waste bins in their designated locations and report back to the Senate on the same in the subsequent audit cycle.**

2. Intergovernmental Participation Agreement

The statement of comparison of budget and actual amounts reflects development expenditure of Kshs. 25,611,015 which was financed by Kenya Urban Support Programme Grant. During The year under review, it was established that the intergovernmental Participation Agreement among the Kenya Urban Support Program, The National Government of Kenya and the County Government of Migori that spelt out the terms and reference on the management of Kenya Urban support Program Grant signed on 6th December, 2017 expired on 6 December, 2018 and Management of Rongo Municipality Board did not provide evidence that it was renewed. In addition, the financing agreement for Kenya Urban Support Program Grant was not provided for Audit.

In the circumstances, the validity and value for money on the expenditure of Kshs 25,611,015 could not be confirmed.

Management Response

The Management concurs with the Auditor's observation and wishes to state that the financing agreement for Kenya Urban Support Program Grant is provided for review. Further the County Government of Migori has signed a new Intergovernmental Participation Agreement for Kenya Urban Support Program II.

Committee Observations

The Committee observed that whereas the financing agreement for Kenya Urban Support Program Grant and the newly signed Intergovernmental Participation Agreement for Kenya Urban Support Program II were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B.

CHAPTER EIGHT

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR RUMURUTI MUNICIPALITY FOR THE FINANCIAL YEAR 2022/2023

The Governor of Laikipia County, Hon. Joshua Irungu, appeared before the Committee on Tuesday 17th September 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Municipality of Rumuruti for the financial year 2022/2023. He was accompanied by-

- | | |
|------------------------|------------------------------------|
| 1. Mr. Wachira Gachigi | - CECM-Finance |
| 2. Mrs. Leah Njeru | - CECM-Water/Environment |
| 3. Mr. Koinange Wahome | - County Secretary |
| 4. Mr. Kamunya Karundo | -CEO-Laikipia County Revenue Board |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of Municipality of Rumuruti for the period under review on the following basis—

1. Un-Supported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs. 8,779,742. However, certificates of bank balances were not provided for audit review.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs. 8,779,742 could not be confirmed.

Management Response

The bank certificates to support the accuracy of the cash and cash equivalents are hereby attached.

Committee Observations

The Committee observed that whereas the bank certificate to show a balance of Kshs. 8,779,742 were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the accounting officer should ensure timely submission of documents during the audit process in line with section 47 of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act.

2. Unsupported Depreciation Expenses

The statement of financial performance reflects use of goods and services amounting to Kshs. 45,235,123 which, as disclosed in Note 12 to the financial statements includes depreciation and amortization expenses totaling to Kshs. 38,120,556. However, the depreciation charged for the year was not supported by any depreciation policy. In addition, construction of roads with a book value of Kshs. 92,011,683 was depreciated at Kshs. 31,642,818 and no explanation was provided for the high depreciation rate.

In the circumstances, the accuracy and completeness of depreciation and amortization expenses totaling to Kshs. 38,120,556 could not be confirmed.

Management Response

The County Executive uses the policy developed by the National Treasury and rates guided by the National Assets & Liabilities management directorate of the National Treasury per each class of assets.

We acknowledge that wrong depreciation rates were used. The erroneous amounts i.e. the excess depreciation will be adjusted for in FY 2023/2024.

Committee Observations

The Committee observed that the Municipality used the wrong depreciation rates and captured wrong amounts.

Committee Recommendations

The Committee recommends that-

- i. **The accounting officer ensures that all property, plant and equipment are subjected to depreciation in accordance to the PSASB requirements to reflect the true financial position of the municipality and the Auditor-General should keep the matter in view and report to the Committee in the next audit cycle;**
- ii. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of**

- the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;
- iv. the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties; and
 - v. the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.

OTHER MATTER

1. Unresolved Prior Year Issue

In the audit report of the previous year, several paragraphs were raised. However, Management has not resolved and disclosed the status of all the prior year matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board. Management has not provided satisfactory explanation for the delay in resolving the issues.

Management Response

No response given

Committee Observations

The Committee observed that the fund had unresolved prior year matters.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and
- ii. the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.

2. Unbalanced budget

The Statement of Comparison of budget and actual amounts reflects Kshs 54,455,676 and Kshs. 64,000,000 in respect to approved receipts and expenditure budgets,

respectively. This results to Kshs. 9,544,324 budgeted expenditure without corresponding budgeted receipts.

The management explained that the account opening balances (20,781,367) had not been included to show the accurate budget figures in the statement of comparison of budget.

Committee Observations

The Committee observed that that an opening balance of Kshs. 20,781,367 had not been included to show the correct budget figures. The corrections were made by the Municipality.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply;**
- ii. the Accounting Officer ensures strict compliance with the provisions of Regulation 31 (c) of the Public Finance Management (County Government) Regulations, 2015 with regards to a balanced budget, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- iii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROL, RISK MANAGEMENT, AND GOVERNANCE

Pursuant to section 7(1)(a) of the Public Audit Act, based on the audit procedures performed by the Auditor-General, the internal control, risk management and governance were not effective—

1. Failure to Maintain a Fixed Assets Register

The statement of financial position and as disclosed in Note 24 to the financial statements reflects property, plant and equipment balance of Kshs. 76,270,394. However, the Municipality did not maintain a fixed asset register contrary to Regulation 143 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstances, the existence of effective internal controls on management of fixed assets could not be confirmed.

Management Response

The fixed assets register is in place and is hereby attached.

Committee Observations

The Committee observed that the Municipality attached their fixed assets register for review and verification.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer to ensure that the municipality maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board pursuant to section 104(1)(h) of the Public Finance Management Act 2012, failure to which penalties under section 199 of the Public Finance Management Act shall apply; and**
- ii. the Auditor-General to undertake physical verification of all assets of the Municipality and provide a status report to the Committee in the subsequent audit cycle.**

APPENDICIES

ANNEX I: MINUTES OF THE COMMITTEE



13TH PARLIAMENT 3RD SESSION

MINUTES OF THE TWO HUNDRED AND TWENTY THIRD SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE REPORTS ON THE SCRUTINY OF THE AUDITOR-GENERAL'S REPORTS ON MUNICIPALITIES IN COUNTIES HELD ON FRIDAY, 8TH NOVEMBER, 2024 AT PRIDE INN HOTEL, MACHAKOS COUNTY AT 10.00 A.M.

PRESENT

- | | |
|--|----------------------|
| 1. Sen. Godfrey Atieno Osotsi, MP | - Chairperson |
| 2. Sen. (Prof.) Tom Odhiambo Ojienda, MP | - Vice-Chairperson |
| 3. Sen. William Kipkemoi Kisang, MP | - Member |
| 4. Sen. Maureen Tabitha Mutinda, MP | - Member |
| 5. Sen. Miraj Abdillahi Abdulrahman, MP | - Member |
| 6. Sen. Hamida Kibwana Ali, MP | - Member |

ABSENT WITH APOLOGY

- | | |
|----------------------------------|----------|
| 1. Sen. Ledama Olekina, MP | - Member |
| 2. Sen. Paul Karungo Thangwa, MP | - Member |
| 3. Sen. Eddy Gicheru Oketch, MP | - Member |

SECRETARIAT

- | | |
|------------------------|-----------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant I |
| 2. Mr. David Angwenyi | - Clerk Assistant I |
| 3. Mr. Erick Njogu | - Clerk Assistant II |
| 4. Mr. Godfrey Nyaga | - Clerk Assistant III |
| 5. Ms. Zeinab Jirma | - Legal counsel |
| 6. CPA. Kennedy Owuoth | - Fiscal Analyst |
| 7. Ms. Raisa Mwithi | - Researcher |
| 8. Ms. Linet Aseka | - Researcher |
| 9. Mr. Martin Mulandi | - Researcher |
| 10. Mr. Joseph Otieno | - Audio officer |
| 11. Mrs. Julia Gachoki | - Serjeant-at-arms |

IN ATTENDANCE

A. OFFICE OF THE AUDITOR GENERAL

- | | |
|----------------------|-------------------|
| 1. Mr. Mark Gachanja | - Liaison Officer |
|----------------------|-------------------|

B. OFFICE OF THE CONTROLLER OF BUDGET

1. Ms. Nancy Kendi - Liaison Officer

C. OFFICE OF THE NATIONAL TREASURY

1. Dr. Jackson Ndungu - Liaison Officer

MIN. NO. SEN/CPICSF/10264/2024 PRAYER

The meeting was called to order by the Chairperson at ten O'clock followed by a word of prayer.

MIN. NO. SEN/CPICSF/10265/2024 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. William Kipkemoi Kisang, MP and seconded by Sen. Maureen Tabitha Mutinda, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Consideration of reports on the scrutiny of audited reports of municipalities in counties;
4. Any Other Business; and
5. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/10266/2024 CONSIDERATION OF THE DRAFT REPORTS OF THE AUDITOR-GENERAL ON VARIOUS MUNICIPALITIES IN COUNTIES

The Committee considered the draft reports on the scrutiny of Auditor-General's reports on financial statements of the under listed municipalities in counties-

a. Financial Year 2020/2021

NO.	MUNICIPALITY	COUNTY
1.	Eldoret Municipality	Uasin Gishu
2.	Kisii Municipality	Kisii
3.	Kitale Municipality	Trans Nzoia
4.	Lamu Municipality	Lamu
5.	Mwatate Municipality	Taita Taveta
6.	Rumuruti Municipality	Laikipia

b. Financial Year 2021/2022

NO.	MUNICIPALITY	COUNTY
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1.	Eldoret Municipality	Uasin Gishu
2.	Kakamega Municipality	Kakamega
3.	Kisii Municipality	Kisii
4.	Kitale Municipality	Trans Nzoia
5.	Lamu Municipality	Lamu
6.	Migori Municipality	Migori
7.	Mumias Municipality	Kakamega
8.	Muranga Municipality	Muranga
9.	Mwatate Municipality	Taita Taveta
10.	Rongo Municipality	Migori
11.	Rumuruti Municipality	Laikipia

c. Financial Year 2022/2023

NO.	MUNICIPALITY	COUNTY
1.	Eldoret Municipality	Uasin Gishu
2.	Kakamega Municipality	Kakamega
3.	Kitale Municipality	Trans Nzoia
4.	Migori Municipality	Migori
5.	Mumias Municipality	Kakamega
6.	Muranga Municipality	Muranga
7.	Rongo Municipality	Migori
8.	Rumuruti Municipality	Laikipia

The Committee directed the secretariat to incorporate the amendments given by the members of the Committee and present the aforementioned reports for adoption in the subsequent meetings.

MIN. NO. SEN/CPICSF/10267/2024 ANY OTHER BUSINESS

There was no any other business.

MIN. NO. SEN/CPICSF/10268/2024 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at two o'clock in the afternoon. The next meeting would be called by notice.



2/12/2024

SIGNED: DATE:
(CHAIRPERSON: SEN. GODFREY ATIENO OSOTSI, MP.)



13TH PARLIAMENT 3RD SESSION

MINUTES OF THE TWO HUNDRED AND THIRTY FIRST SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONFIRMATION OF MINUTES AND THE ADOPTION OF THE REPORTS, HELD ON MONDAY, 2ND DECEMBER, 2024 AT COMMITTEE ROOM 10, SECOND FLOOR, BUNGE TOWER AT 1.30 P.M.

PRESENT

- | | |
|---|---------------|
| 1. Sen. Godfrey Atieno Osotsi, MP | - Chairperson |
| 2. Sen. William Kipkemoi Kisang, MP | - Member |
| 3. Sen. Eddy Gicheru Oketch, MP | - Member |
| 4. Sen. Hamida Kibwana Ali, MP | - Member |
| 5. Sen. Miraj Abdillahi Abdulrahman, MP | - Member |
| 6. Sen. Maureen Tabitha Mutinda, MP | - Member |

ABSENT WITH APOLOGY

- | | |
|--|--------------------|
| 1. Sen. (Prof.) Tom Odhiambo Ojienda, MP | - Vice-Chairperson |
| 2. Sen. Ledama Olekina, MP | - Member |
| 3. Sen. Paul Karungo Thangwa, MP | - Member |

SECRETARIAT

- | | |
|------------------------|-----------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant I |
| 2. Mr. David Angwenyi | - Clerk Assistant I |
| 3. Mr. Erick Njogu | - Clerk Assistant II |
| 4. Mr. Godfrey Nyaga | - Clerk Assistant III |
| 5. Mr. Andrew Nyairo | - Legal counsel |
| 6. CPA. Kennedy Owuoth | - Fiscal Analyst |
| 7. Ms. Raisa Mwithi | - Researcher |
| 8. Ms. Winnie Atieno | - Audio officer |
| 9. Mr. Julia Gachoki | - Serjeant-at-arms |

IN ATTENDANCE

A. OFFICE OF THE AUDITOR GENERAL

- | | |
|----------------------|-------------------|
| 1. Mr. Tom Ratemo | - OAG |
| 2. Mr. Mark Gachanja | - Liaison Officer |

B. OFFICE OF THE CONTROLLER OF BUDGET

1. Ms. Constance Wasike - Liaison Officer

C. THE NATIONAL TREASURY

1. Ms. Edith Nkanata - Liaison Officer

MIN. NO. SEN/CPICSF/10310/2024 PRAYER

The meeting was called to order by the Chairperson at thirty minutes past one O'clock in the afternoon followed by a word of prayer.

MIN. NO. SEN/CPICSF/10311/2024 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. William Kipkemoi Kisang, MP and seconded by Sen. Maureen Tabitha Mutinda, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Confirmation of Minutes;
4. Matters arising from the Previous Minutes;
5. Adoption of Reports on Bursary Funds, Hospitals and Municipalities;
6. Any Other Business; and
7. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/10312/2024 CONFIRMATION OF THE MINUTES

The Committee confirmed the following sets of minutes-

- i) The Minutes of the Two Hundred and Twentieth Sitting held on Wednesday, 6th November, 2024; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Maureen Tabitha Mutinda, MP and seconded by Sen. Miraj Abdillahi Abdulrahman, MP.
- ii) The Minutes of the Two Hundred and First Sitting held on Wednesday, 6th November, 2024; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. William Kipkemoi Kisang, MP and seconded by Sen. Miraj Abdillahi Abdulrahman, MP.
- iii) The Minutes of the Two Hundred and Second Sitting held on Thursday, 7th November, 2024; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Maureen Tabitha Mutinda, MP and seconded by Sen. William Kipkemoi Kisang, MP.
- iv) The Minutes of the Two Hundred and Third Sitting held on Friday, 8th November, 2024; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Maureen Tabitha Mutinda, MP and seconded by Sen. Miraj Abdillahi Abdulrahman, MP.

MIN. NO. SEN/CPICSF/10313/2024 MATTERS ARISING FROM THE PREVIOUS MINUTES

There was no matter arising from the previous minutes.

MIN. NO. SEN/CPICSF/10314/2024 **ADOPTION OF THE REPORTS OF
AUDITOR-GENERAL'S REPORTS
ON THE FINANCIAL
STATEMENTS ON BURSARY
FUNDS, HOSPITALS AND
MUNICIPALITIES**

The Committee adopted the following reports on audited financial statements of Bursary Funds, Hospitals and Municipalities in counties having been proposed by Sen. Maureen Tabitha Mutinda, MP and seconded by Sen. Miraj Abdillahi Abdulrahman, MP-

1. Reports of the Select Committee on County Public Investments and Special Funds on The Consideration of the Audit Reports of the following County Bursary Funds for the Financial Year 2019/202, 2020/2021 and 2021/2022

NO.	BURSARY FUND	COUNTY
1.	Baringo County Education Bursary and Scholarship Fund	Baringo
2.	Bomet County Bursary Fund	Bomet
3.	Bomet County Education Revolving Fund	Bomet
4.	Bungoma County Education Support Scheme	Bungoma
5.	Elgeyo Marakwet County Education Fund	Elgeyo Marakwet
6.	Garissa County Scholarship Fund	Garissa
7.	Homa Bay County Bursary Fund	Homabay
8.	Kajiado County Bursary Grants and Scholarship Fund	Kajiado
9.	Kericho County Bursary Fund	Kericho
10.	Kiambu County Education Bursary Fund	Kiambu
11.	Kilifi Ward Scholarship Fund	Kilifi
12.	Kirinyaga County Education Bursary Fund	Kirinyaga
13.	Kisii County Bursary Fund	Kisii
14.	Kwale County Bursary Fund	Kwale
15.	Laikipia County Bursary Fund	Laikipia
16.	Lamu County Bursary and Scholarship Fund	Lamu
17.	Machakos County Bursary Fund	Machakos
18.	Makueni County Bursary Fund	Makueni

19.	Mandera County Education Bursary Fund	Mandera
20.	Marsabit County Education Fund Migori	Marsabit
21.	County Ward Development Fund	Migori
22.	Mombasa County Elimu Fund	Mombasa
23.	Nakuru County Bursary Fund	Nakuru
24.	Nandi County Education Fund	Nandi
25.	Narok County Bursary Fund	Narok
26.	Nyamira County Education Bursary Fund	Nyamira
27.	Nyandarua County Bursary Fund	Nyandarua
28.	Nyeri County Elimu Fund	Nyeri
29.	Samburu County Bursary Fund	Samburu
30.	Siaya County Education Bursary Fund	Siaya
31.	Taita Taveta County Education Fund	Taita Taveta
32.	Tana River County Ward Bursary Fund	Tana River
33.	Tharaka Nithi County Bursary Development Fund	Tharaka Nithi
34.	Trans Nzoia County Elimu Bursary Fund	Trans Nzoia
35.	Turkana County Education and Skills Development Fund	Turkana
36.	Uasin Gishu County Bursary and Skills Development Support Fund	Uasin Gishu
37.	Uasin Gishu County Education Revolving Fund	Uasin Gishu
38.	Vihiga County Education Fund	Vihiga
39.	Wajir County Bursary Fund	Wajir
40.	West Pokot County Bursary Fund	West Pokot

2. Report of the Select Committee on County Public Investments and Special Funds on the Consideration of the Audit Reports of the following County Hospitals for the Financial Year 2021/2022.

NO.	HOSPITAL	COUNTY
1.	Kapsabet County Referral Hospital	Nandi
2.	Karatina Sub County Hospital	Nyeri
3.	Kilifi Health Improvement Fund	Kilifi
4.	Kinango Sub-County Hospital	Kwale
5.	Kwale Sub County Hospital	Kwale
6.	Longisa County Referral Hospital	Bomet
7.	Lunga Lunga Sub County Hospital	Kwale
8.	Migori County Level 4 Hospital	Migori

9.	Msambweni Sub-County Hospital	Kwale
10.	Mt. Kenya Sub County Hospital	Nyeri
11.	Mukurweini Sub County Hospital	Nyeri
12.	Othaya Sub County Level 4 Hospital	Nyeri

3. Reports of the Select Committee on County Public Investments and Special Funds on the Consideration of the Audit Reports of the following Municipalities for Financial Years 2020/2021, 2021/2022 and 2022/2023.

a. Financial Year 2020/2021

NO.	MUNICIPALITY	COUNTY
1.	Eldoret Municipality	Uasin Gishu
2.	Kisii Municipality	Kisii
3.	Kitale Municipality	Trans Nzoia
4.	Lamu Municipality	Lamu
5.	Mwatate Municipality	Taita Taveta
6.	Rumuruti Municipality	Laikipia

b. Financial Year 2021/2022

NO.	MUNICIPALITY	COUNTY
1.	Eldoret Municipality	Uasin Gishu
2.	Kakamega Municipality	Kakamega
3.	Kisii Municipality	Kisii
4.	Kitale Municipality	Trans Nzoia
5.	Lamu Municipality	Lamu
6.	Migori Municipality	Migori
7.	Mumias Municipality	Kakamega
8.	Muranga Municipality	Muranga
9.	Mwatate Municipality	Taita Taveta
10.	Rongo Municipality	Migori
11.	Rumuruti Municipality	Laikipia

c. Financial Year 2022/2023

NO.	MUNICIPALITY	COUNTY
1.	Eldoret Municipality	Uasin Gishu

2.	Kakamega Municipality	Kakamega
3.	Kitale Municipality	Trans Nzoia
4.	Migori Municipality	Migori
5.	Mumias Municipality	Kakamega
6.	Muranga Municipality	Muranga
7.	Rongo Municipality	Migori
8.	Rumuruti Municipality	Laikipia

MIN. NO. SEN/CPICSF/10315/2024 ANY OTHER BUSINESS

There was no any other business.

MIN. NO. SEN/CPICSF/10316/2024 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at fifteen minutes to two o'clock in the afternoon. The next meeting would be on Thursday, 5th, December 2024 at 9:00 am.



2/12/2024

SIGNED: DATE:
(CHAIRPERSON: SEN. GODFREY ATIENO OSOTSI, MP.)