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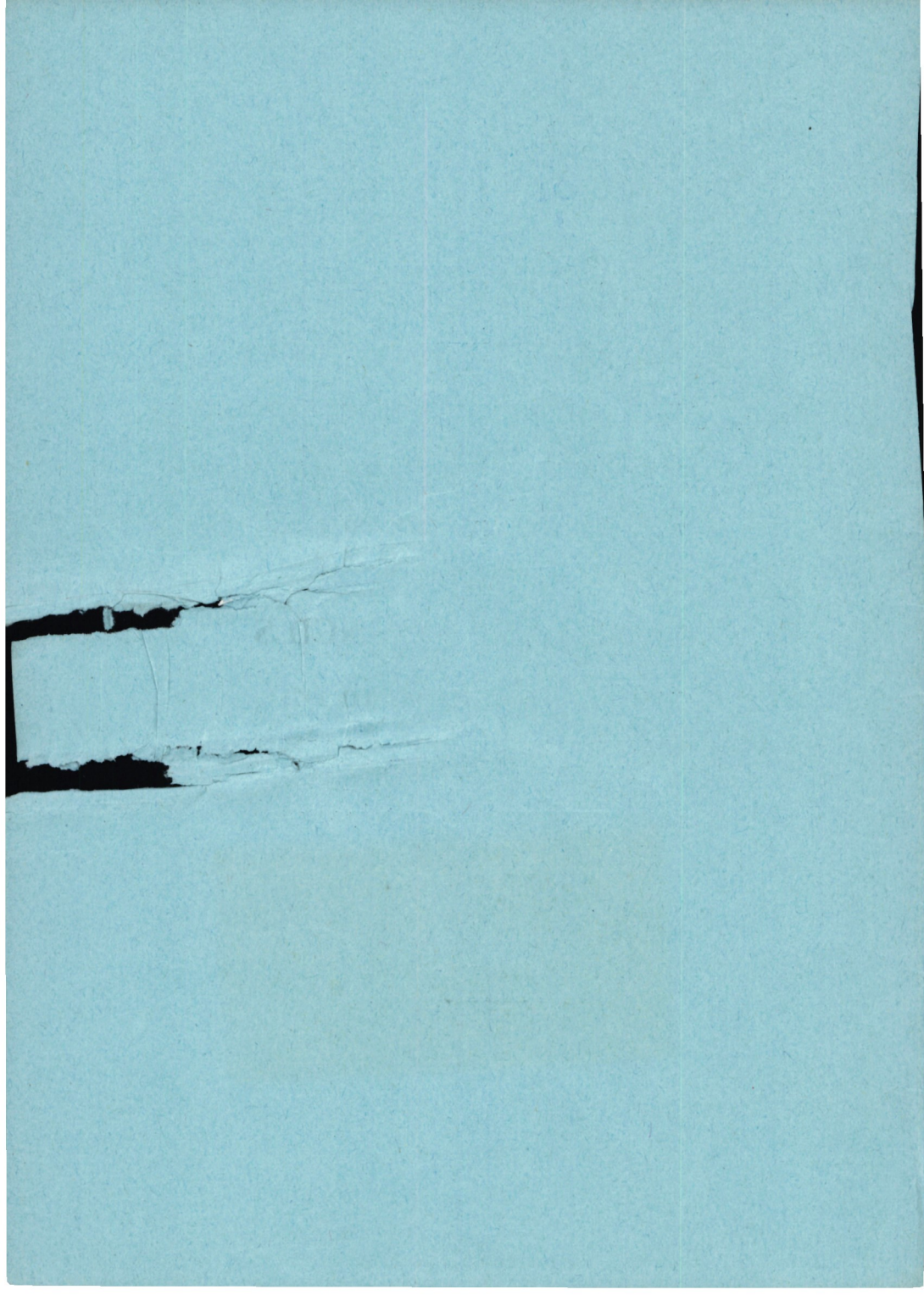
**REPORT OF THE CONTROLLER
AND AUDITOR-GENERAL
ON
COUNTY COUNCILS
FOR THE PERIOD 1969 TO 1971
AND
MUNICIPAL COUNCILS
FOR THE PERIOD 1967 TO 1971**

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KENYA NATIONAL ASSEMBLY
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**REPORT OF THE CONTROLLER AND AUDITOR-
GENERAL ON COUNTY COUNCILS FOR THE
PERIOD 1969 TO 1971 AND MUNICIPAL COUNCILS
FOR THE PERIOD 1967 TO 1971**

GENERAL

1. The function of the Audit of Local Authorities Accounts was transferred to my office in 1970 and became effective from 1967 for Municipalities and 1969 for County Councils. The transfer was made by an amendment to the Exchequer and Audit Act.

2. Although inspections have been carried out by my officers or by authorized auditors under section 25 (b) of the Exchequer and Audit Act and results of such inspections communicated to the local authorities, I am concerned at the lack of improvement over the position reported particularly with regard to County Councils. Also, section 25 (c) of the Exchequer and Audit Act requires that every local authority shall, within six months after the end of the financial year or such longer period as the Minister may prescribe, submit for audit an annual statement or abstract of accounts prepared in such form and containing such particulars as the Minister may require. The majority of the local authorities, however, have not yet rendered for audit their annual statements or abstracts of accounts for the financial years 1969 and 1970. The position at the time of writing this report was as under:—

ACCOUNTS FOR:

	<i>Total</i>	<i>Abstracts received</i>	<i>Abstracts certified</i>	<i>Abstracts outstanding</i>
<i>(a) County Councils</i>				
1969	34	6	6	28
1970	34	2	2	32
<i>(b) Municipal Councils</i>				
1967	7	6	6	1
1968	7	5	4	2
1969	7	3	3	4
1970	7	2	1	5

3. The main reasons which have been given for the delay in the preparation and submission of final accounts for audit may be broadly summarized as follows:—

- (i) Shortage of qualified and experienced accounting staff, and the delay in filling vacancies with the consequent failure to maintain up-to-date records and to balance basic books of accounts.
- (ii) Delays in preparation of the estimates and their approval by the Ministry of Local Government.
- (iii) Delays in auditing the accounts of the Councils prior to 1969.

4. This report is therefore made to Parliament in accordance with section 25 (f) of the Exchequer and Audit Act to acquaint the House with the situation and with matters relating to Councils which continue to cause concern to my Department.

5. The report is divided into two parts; the first part covers County Councils and the second part deals with Municipalities.

Tenant-Purchase Schemes and Allocation of Plots

6. Another disturbing feature in some of the Councils is that from records available the operation of and dealings in Tenant-Purchase Schemes and building plots have left much to be desired. Plots appear to have been allocated to persons who have then sold or transferred them to other people within one year of allotment, contrary to the terms and conditions of allotment. More than one dwelling-house plots under different housing schemes appear to have been allocated to councillors and other prominent persons who have in several cases failed to repay their loans regularly.

7. Assuming that these schemes are intended to assist various categories of residents to buy their own houses and that funds are voted for the Ministry of Housing for this purpose, I am doubtful if the money made available to the National Housing Corporation by the Ministry of Housing for eventual lending to Councils has in all cases served the purpose for which it was originally made available.

8. The financial maladministration in at least three Councils is also disquieting. In the case of the Nyeri County Council no replies are given to audit queries and still worse records relating to queries raised dealing with possible frauds or misappropriation have on almost all occasions been "lost" soon after the queries have been raised.

COUNTY COUNCILS

GENERAL WEAKNESSES

9. The main defects which appear to be common to all County Councils may be summarized as follows:—

- (a) Inadequate financial control and weaknesses in the internal checks and supervision.
- (b) Inaccurate and out of date continuity records of accountable documents as well as laxity in control of receipt books.
- (c) Lack of analyses and reconciliation of depositors and other suspense accounts.
- (d) Poorly maintained stores ledgers, inventories and petrol records.
- (e) Failure to observe tender procedures with consequent losses due to purchases from tenderers other than the lowest.
- (f) Improperly maintained telephone calls registers and failure to recover costs of private telephone trunk calls.

10. These weaknesses are, however, dealt with in greater detail in the ensuing paragraphs under the individual County Councils.

Nyeri County Council

REPLIES TO AUDIT REPORTS

11. The Council has been dilatory in replying to audit inspection reports, and a number of important queries dealing with tenders, temporary imprests, bank reconciliation, missing Miscellaneous Receipt Books, and repairs to vehicles still remain unresolved. Important documents on which queries have been raised have subsequently been reported lost.

COLLECTION OF REVENUE

12. The collection of revenue and follow up of arrears leaves much to be desired. It was noted that in October, 1971, arrears of beer hall rents amounted to Sh. 119,985.90, whilst the revenue records maintained at the Nyeri Urban Council indicated that arrears of Sh. 54,424.80 and Sh. 15,981.00 in respect of conservancy charges and house rents respectively remained uncollected at 31st December, 1970.

LACK OF CONTROL OVER EXPENDITURE

13. The control over expenditure was unsatisfactory in that:—

- (i) Expenditure in excess of approved provisions was incurred on 73 items in 1969 and on 26 items in 1970. Avoidable court fees amounting to Sh. 2,168 which arose from failure to settle promptly a trader's bills were paid.
- (ii) Payments were effected on improperly authorized vouchers. Several vouchers for 1970, totalling Sh. 174,203.20 have not been produced for audit.
- (iii) Unpaid teachers' salaries were not promptly and properly accounted for and a number of queries raised in respect of apparent overpayments of salaries and allowances have not been dealt with.
- (iv) Tenders were not invited for capital work. The Council also spent Sh. 55,513 on supply of murrum for Karatina Market which turned out to be mud when the rains came. Consequently, the Council spent Sh. 45,000 to remove the mud and to tarmac the same sections. I am unable to understand why it should have been cheaper to remove the "murrum" and to bituminize the road than to supply the murrum.

Kirinyaga County Council

MAINTENANCE OF SUBSIDIARY RECORDS

14. The subsidiary records such as Counterfoil Receipt Books Register, Farm Rent Register, Plot Rent Register and Medical Stores Records were either inadequate or unsatisfactorily maintained, and consequently, large sums in respect of plot rents, farm rents, etc., remained uncollected. The ascertainable outstanding plot rents amounted to Sh. 37,670 in September, 1971 while only a sum of Sh. 193.85 out of total loans of Sh. 26,000 granted to "farmers and small holders" in 1958/59 had been repaid by the middle of that month. Workshop outstanding debts, some of which have since been collected by instalments, amounted to Sh. 63,543 at the end of December, 1969.

KABARE WATER SUPPLY

15. Consumers' register was very badly kept and did not show the correct number of consumers. Collection was very much in arrears. Out of a total of 1,329 consumers, only 28 appear to have paid their dues in 1969 while 127 consumers had apparently paid no water rates for over 8 years. The actual receipts in 1970 fell short of the estimate (Sh. 40,000) by Sh. 12,040. I am informed that the Council has resolved to hand over this scheme to the Government.

Murang'a County Council

SUBSIDIARY RECORDS AND REVENUE COLLECTIONS

16. The counterfoil receipt book register was not well maintained, as many accountable documents had not been entered, while a number of receipt books shown as completed were not produced for audit. An examination of G.P.T stamps register in June, 1970 revealed a discrepancy of Sh. 60,320 between the physical stock and the balances in the register. Further, no reconciliation between the G.P.T. stamps issued for sale and the actual sale proceeds had ever been made.

17. The collection of revenue was also not diligently pursued. The total arrears in respect of conservancy charges amounted to Sh. 13,994 as at 31st December, 1970, while the ledger relating to plot rents showed that, after the write-off of Sh. 569,704.80, a sum of Sh. 1,412,073.60 was still outstanding as at 31st December, 1970. In addition, Sh. 26,968.78 representing the balance of unsecured loans granted to various farmers prior to independence still remains uncollected and very little effort appears to have been made to collect the amounts.

LACK OF EXPENDITURE CONTROL

18. The Revenue Accounts of the Council and its constituent Urban and Area Councils for the year 1969 reflect expenditure in excess of the estimated provision against 44 items out of 350 expenditure items while an over-expenditure of Sh. 202,607.98 was recorded on 31 expenditure codes in 1970.

Nyandarua County Council

REVENUE

19. The control and internal checks on revenue collection were unsatisfactory, particularly in so far as the control exercised over sub-collectors (market masters) was concerned, and as a result, cash shortages occurred frequently. The collection of school fees was also unsatisfactory, and revenue registers relating to beer hall rent and plot and premises licences were not up to date. It has, therefore, not been possible to determine the extent of revenue debtors.

TENDERS

20. Proper tender procedure was not followed in respect of purchases of Sh. 10,000 and above, and the Council, therefore, did not take advantage of competitive prices.

UNAUTHORIZED AND WASTEFUL EXPENDITURE

21. Expenditure in excess of Sh. 100,000 in respect of capital expenditure was incurred without the Minister's approval. The unauthorized expenditure includes an amount of over Sh. 41,000 spent on the construction of a County Hostel which was not completed but was abandoned halfway through.

COUNCILLORS' ALLOWANCES

22. Councillors were paid considerable amounts in subsistence allowance while attending meetings within the area of jurisdiction of the Council. These payments were in addition to the approved monthly sitting allowances laid down by the Ministry of Local Government. Since such subsistence allowance is only payable when Councillors travel on Council business outside the country, it is considered that the payments are unauthorized.

SALARIES AND ESTABLISHMENT RECORDS

23. These records were very unsatisfactory. The absence of a large number of personal files made it impossible to verify the propriety and correctness of salaries paid. Numerous instances were noted where salaries were collected by employees on behalf of others without written authority, and I was not satisfied with the recording and control of salary advances which were, in many cases, given for trivial reasons.

STORES RECORDS

24. The control and recording of roads, buildings and medical stores was very poor in that—

- (a) a large number of receipted issue notes were not available for audit.
- (b) large quantities of cement, building stones and timber purchased for the construction of the abandoned hostel, and drugs worth Sh. 13,677.05 received from Government Medical Stores, Nairobi, were not taken on charge or otherwise accounted for.

Thomson's Falls Urban Council

25. No payments cash book was maintained although payments were made, and appeared in the Urban Council's bank account. It was, therefore, not possible to balance the cash book or to do a bank reconciliation which was last done in June, 1968.

Embu County Council

26. Insufficient attention appears to have been paid to the collection of revenue, and failure to institute regular checks on collections facilitated fraudulent manipulations in five cases involving a loss of over Sh. 10,000.

The plot rent and canteens registers were not properly kept while there was a lot of duplication of entries in the plot rent registers. In many cases, there was no indication in the registers as to when the plots were allocated. Consequently, I was not able to determine the exact figure outstanding although it appeared that 1969/70 arrears unpaid in June, 1971 were in excess of Sh. 50,000. A similar state of affairs existed in the Urban Council where more than Sh. 253,000 was outstanding in respect of plot rents and site value rates.

TEACHERS' SALARIES

27. Personal files were maintained in only a few cases, and entries in the salary cards were not cross-referenced to facilitate verification. The unpaid salaries register indicated that many returned teachers' salaries remained unclaimed for long periods, and in some instances, salaries for the same teachers were returned repeatedly. In eight instances, monthly salaries had in each case been returned three or more times. In one case, it was noted that the salary had been returned for nine consecutive months.

STORES CONTROL

28. Stores control in general was poor. Ledgers were not kept up to date, and stores items were not taken on charge immediately after purchase. At Munyaka Beer Hall, no stores inventory was maintained as required by Financial Regulations, nor was any ledger maintained for firewood, or for consumable stores issued to the staff. At the Community Development Training Centre, stores ledgers had not apparently been maintained since 1963, and at the Medical Stores it was noted that many items supplied by UNICEF had not been taken on charge.

Meru County Council

EXPENDITURE CONTROL

29. No bank reconciliation for the Urban Council appears to have been done since 1965. Further, the bank overdraft exceeded, on a number of occasions, the limit approved by the Minister, and the authority of the Minister was not seen for the over-expenditure of £10,499-7-25 incurred on 39 expenditure items in 1970.

ESTABLISHMENT AND SALARIES RECORDS

30. In many cases it was noted that either the personal files were not maintained or the information contained in them was inadequate. The record cards in respect of teachers, which should have provided the necessary details, had not been written up since 1967. I am therefore not able to confirm that correct amounts of salaries were in all cases paid.

STORES ACCOUNTING

31. The recording of receipts and issues of stores was found to be unsatisfactory at Meru Urban Council, Nithi, Igembe, North Imenti and South Imenti Area Councils as well as at the Council's Garage and Medical Stores. This lack of control may have resulted in losses.

ARREARS OF REVENUE

32. The outstanding arrears in respect of plot rents by January, 1971 were Sh. 68,833.10 while the sundry debtors ledgers showed that over Sh. 89,000 had not been collected by the end of the year 1970.

Masaku County Council

FAILURE TO REPLY TO AUDIT REPORTS

33. No replies have been received to 21 inspection reports which have been issued on the accounts of the Council and its Constituent Area and Urban Councils for the years 1969 and 1970.

GENERAL FINANCIAL CONTROL

34. The vote control appeared to be very weak. Over-expenditure amounting to Sh. 527,521.15 and Sh. 172,080.60 was incurred on 16 and 20 subheads in the years 1969 and 1970 respectively.

35. There were many alterations in duplicate L.P.O.s and rent receipts which resulted in enhanced payment being made. The stores records were poorly maintained both at the Council and at its Area and Urban Council offices.

COLLECTION OF REVENUE

36. The control over revenue collection appeared to be poor. The counter-foil receipt books registers were not well maintained, as many accountable documents had not been entered, while a number of receipts books shown as completed were not produced for audit. A reconciliation of G.P.T. stamps on hand in February, 1971 revealed a shortage of Sh. 65,016 while the failure to recover strike fines from salary arrears paid to teachers appears to have caused the Council a loss of approximately Sh. 23,000.

37. Many instances of underbanking were noted and commented upon in my inspection reports, and the revenue records revealed that there were substantial uncollected arrears at the end of December, 1970, particularly in respect of plot rents (Sh. 338,000) and site value tax (Sh. 46,044.65) at Urban Council.

Kitui County Council

EXPENDITURE CONTROL

38. The control of expenditure left a lot to be desired. The vote books and other accounting documents were not properly written up or maintained, and the standard of arithmetical accuracy of the daily and monthly abstracts was poor. There was over-expenditure of Sh. 55,143.50 on 24 items in 1969 and of Sh. 88,692.30 on 20 items in 1970.

PERSONAL FILES AND SALARY CARDS

39. The majority of the personal files scrutinized did not contain letters of appointment, pay change advice forms, etc., and the details on salary cards did not in many cases tally with payrolls and it was, therefore, difficult to verify the correctness of salaries paid. The position with regards to teachers' salaries for 1969 was even worse, as their records cards had not, in many cases, been written up since 1962. Further, a register to record unpaid wages was not kept and payrolls for October, 1969 and December, 1969 were not made available for audit.

STORES

40. An inspection of the departmental stores in 1970 revealed that inventories generally were either poor or non-existent, and that the Community Development Stores ledger had not been written up since January 1960. The control of drugs and medical stores at health centres and dispensaries was also extremely unsatisfactory. The situation, however, improved considerably during 1971.

Marsabit County Council

MAINTENANCE OF ACCOUNTING RECORDS

41. Attention was drawn to several errors and omissions made in recording entries in the cash book, particularly to the incorrect entries relating to salary vouchers in which the gross amounts paid were entered on the payment side without making the corresponding entries for deductions on the receipts side of the cash book. These deductions were, in fact, entered twice in the cash book thereby giving an incorrect cash balance. It was also noted that insufficient care was given to the preparation and checking of daily abstracts of expenditure as some vouchers were omitted, incorrect figures posted, and a number of casting errors were observed.

CONTROL OF EXPENDITURE

42. The day to day control of expenditure appeared to be weak. Vote books were not properly maintained, no bank reconciliation statements had been prepared since March, 1969 and no trial balances were drawn, while

insufficient attention appears to have been given to checking of vouchers relating to travelling, imprests and salaries before payment. One hundred and six imprests issued in 1968, 1969 and 1970 amounting to Sh. 45,458.50 had not been retired by July, 1971. Further, it was noted that invoices relating to the years 1967 to 1970 and amounting to Sh. 41,917.65 had not been settled because of insufficient funds, and as far as I am aware, the cash position of the Council still remains critical.

Isiolo County Council

43. Although registers for plot rents, housing and conservancy fees were commenced during 1971, they were incomplete in that outstanding amounts for earlier years were not ascertained and recorded. The true outstanding amount could not therefore be ascertained, although the examination of this register disclosed that Sh. 12,149 in respect of business plot rent for 1971 had not been paid by November, 1971 and that, in Isiolo Township alone, out of 1,191 residential plot holders only 421 owners had paid their rents for 1971.

INSPECTION REPORTS AND QUERIES

44. No replies have yet been received to the inspection reports, issued in April, 1970 and January, 1971, dealing with, amongst other matters, a G.P.T. stamp deficit of Sh. 19,237, missing receipt books, and numerous cases of overpayments and improperly authorized payment vouchers.

County Council of Central Rift

FINANCIAL CONTROL

45. The council's financial administration and expenditure control appears to be unsatisfactory. Financial administration was such that a former officer of the council exercised undue influence over the County Treasurer to obtain irregular advances and loans from the Council including a special advance of K.Sh. 20,000 to buy a house, while the bank gave him an overdraft which was guaranteed by the Council.

TRAVELLING ALLOWANCES

46. Councillors were paid travelling allowances based on vehicles which did not apparently belong to them. When called upon to prove ownership some of them failed to produce the required evidence and I have not been informed whether the amounts paid to these councillors have been recovered. Further, the Council guaranteed a large number of car loans to members of staff without ensuring that such loans were used for the purpose for which they were intended. Council's financial interests in such deals were not recorded in the vehicle registration books.

SALARIES

47. The salaries and wages records were not satisfactory in that the salary scales could not be readily verified from the information contained in personal files. In addition, a check carried on a pay parade in the field revealed that in many cases the paying and witnessing officers could not identify the payees. All salary and wages vouchers for November, 1969 were missing and it was therefore not possible to check the wages account for that month.

REVENUE

48. Revenue records and collection control were very unsatisfactory. Revenue was not banked and accounted for promptly by Area Revenue Officers and a total sum of K.Sh. 6,525 appears to have been underbanked between 1965 and 1968. Arrears of rates and interest due were in excess of K.Sh. 400,000 at the end of December, 1969 and considerable amounts were due to the Council in respect of Water Charges.

CENTRAL RIFT EDUCATION FUND

49. In 1969 the Council acted as agent for the above fund, selling on its behalf second-hand clothing and effecting certain disbursements. As a result of lack of financial control, a number of losses appear to have occurred for which the Council may be held responsible. In addition, two cheques amounting to K.Sh. 8,800 were credited into the Secretary's bank account instead of being utilized for the intended purposes. Further, an amount of over K.Sh. 50,000 was disbursed on behalf of the fund from money belonging to the Council.

Laikipia County Council

REVENUE COLLECTION

50. The control over the collection of revenue was unsatisfactory. Proper records in respect of private work undertaken by Council, accountable documents and premises licences were not maintained. There were considerable arrears, particularly in respect of rates and conservancy charges which, as at 31st December, 1970, amounted to Sh. 69,576.55 and Sh. 68,596.80 respectively.

PAYMENT VOUCHERS

51. Apart from the numerous overpayments which have been queried, it was noted that a number of vouchers in respect of salary advances and travelling expenses had neither been properly processed nor did they contain all the required information or have the supporting receipts.

STORES

52. The stores records and vehicles log books were not well maintained, and there was no furniture ledger. It is therefore not possible to confirm that there were no losses through pilferage or non-payment of appropriate furniture rentals.

Sirikwa County Council

CONTROL OF EXPENDITURE

53. The control of expenditure by the Treasurer's Department was unsatisfactory. All purchases of Sh. 10,000 and above did not go to tender as required by Regulations. Typewriters, adding machines and other office equipment valued at Sh. 33,447.10 were purchased during the year as replacements for old ones. Although Council authorized the Treasurer to replace some of these machines, replacement of some of the equipment was not authorized and there are indications that Council was not informed of the extensive nature of replacements contemplated by the Treasurer. This expenditure, which is of a capital nature, was not provided for in the estimates and did not have the Minister's approval.

54. The Council spent a sum of Sh. 74,448.40 during 1968/69 on school desks for County schools and charged the expenditure to a deposit account. Further, a payment of Sh. 35,683.00 was made to a Quantity Surveyor and a Structural Engineer in 1969 in respect of preliminary work on a proposed County Headquarters, the building of which has since been shelved and is unlikely to be proceeded with.

ARREARS OF REVENUE

55. During 1969, revenue debtors' records were so poorly maintained that it was not possible to determine the extent of the arrears. However, indications are that in the case of plot rents, house rents, and water and conservancy charges there were debts in excess of £20,000 at the end of 1969. Most of these debts were in respect of water charges in Settlement Schemes where it appears that very little effort was made to collect the amounts due.

COUNTERFOIL RECEIPT BOOK REGISTER

56. An examination of this register revealed that more than 25,000 unissued and unused receipts were missing. Checks on continuity of receipts revealed 27 cases where actual collection differed from the amounts banked. I am, therefore, unable to satisfy myself that all revenue collected was brought to account and that no losses occurred.

SALARIES AND ESTABLISHMENT RECORDS

57. These records were not properly kept. Pay change advices were not maintained and it was therefore not possible to ascertain whether the salaries paid were properly earned and authorized. Many over-payments of salaries were noted arising mainly from lack of knowledge of officers' entitlements.

STORES RECORDS

58. Control over stores and stores records was very inadequate and internal checks over receipts and issues were apparently non-existent. There were indications of actual losses of fuel at various district fuel pumps and especially at Kapsabet depot, where 779 gallons of diesel issued to a single vehicle were not entered in the vehicle's log sheets. A test check revealed that 2,000 gallons of diesel said to have been issued to seven graders had not in fact been recorded in the relevant monthly log sheets.

REPLIES TO AUDIT QUERIES

59. Although all the above defects were referred to the Council in April and May, 1970, only very few of the queries raised have been answered.

County Council of Olkejuado

REVENUE COLLECTION

60. Arrears of revenue for Ngong Township in respect of dustbin fees, the bore-hole and the plot rents amounted to approximately Sh. 5,234, Sh. 16,486.50 and Sh. 79,421.65 respectively as at 31st December, 1970, some of which dated back to 1964. No records in respect of slaughter house fees at Loitokitok, licences and investments were kept while the register for slaughter house fees at Kajiado was entered only up to 23rd September, 1969. Further, no action appears to have been taken to recover an amount of Sh. 4,935 owing from the Kenya Meat Commission in respect of the operation of Ngong abattoir for the months of September and October, 1969.

RECEIPT BOOKS

61. No adequate control was exercised over unused counterfoil receipt books and on the receipts issued to sub-collectors. More than one thousand unrecorded books were noted, and I am informed that sums collected on 590 receipts were misappropriated by a sub-collector.

BANK RECONCILIATION STATEMENTS

62. There was no evidence to show that these statements were checked by a senior officer. There were many entries which remained uncleared for a considerably long period, and no recoveries were made from the former clerk to the Council who encashed four cheques, amounting to Sh. 12,407.48, in 1965/66 which were subsequently dishonoured.

STORES RECORDS

63. Council's stores records were maintained in such a poor manner that it was not possible to ascertain whether all stores purchased were received and taken on charge or that they had been properly disposed of. Many items of stores were not on ledger charge while issues were not supported by properly receipted issue notes.

COUNCIL'S GARAGE AT AMBOSELI

64. The management of Council's garage and petrol station was particularly poor. There were losses of petrol at the petrol station, and invoices in respect of both petrol supplied as well as private repairs carried out totalling about Sh. 4,600 remained unpaid for a long time.

Narok County Council

REVENUE

65. There were arrears of revenue amounting to more than Sh. 30,000 as at 31st December, 1969, in respect of rent for a Council beer hall and timber royalties. It was also observed that the amounts outstanding for repairs carried out in Council's garage amounted to more than Sh. 25,000.

CONTROL OF RECEIPT BOOKS

66. The control exercised over receipt books was inadequate. Books comprising 375 receipts were missing, whilst further books comprising 1,100 receipts which were shown as having been issued to collectors and subsequently returned could not be traced. In some cases, receipt books issued in 1966 and 1967 had not been accounted for by November, 1969.

SALARIES AND ESTABLISHMENT RECORDS

67. The position with regard to salaries and establishment records was very unsatisfactory. Personal files did not contain necessary information such as letters of appointment and files could not be traced for some members of staff. In the absence of this information and files, I was unable to satisfy myself that salaries paid were properly assessed. I am, however, informed that these records have now been brought up to date.

Kipsigis County Council

CAPITAL EXPENDITURE

68. Over-payment amounting to K£1,246.15.37 was incurred on capital projects at Ndamai and Fort Ternan. These projects were financed from the Buildings Renewals Fund without authority. Further, a sum of K£1,200 was transferred from the Building Renewals Fund to finance improvements to the Kipkelion beer hall although no Ministerial approval appears to have been given.

SUBSIDIARY REVENUE RECORDS

69. Some of the revenue registers were very poorly maintained, and the collection of revenue was badly in arrears. The following amounts were outstanding as at 31st December, 1970:—

<i>Items</i>	<i>Amounts</i> <i>Sh.</i>
(i) Staff Housing Rent	12,887.65
(ii) Tenant-Purchase Housing Scheme	25,792.00
(iii) Water Mill Licence (since 1964)	191,350.00
(iv) Plot Rent Register	169,935.00
(v) Market Rent Register	3,195.00
(vi) Sewerage Charges	113,749.95
(vii) Beer Halls Rent	29,609.45

Samburu County Council

SALARY RECORDS

70. The Council's authorized establishment could not be ascertained and letters of appointment and history sheets were in many cases non-existent. Personal files lacked some vital information concerning officers' service and it was not therefore possible to verify the correctness of the salaries paid.

Turkana County Council

REVENUE RECORDS

71. In 1969, registers relating to school fees, boarding fees, slaughter fees, liquor and stock traders licences, trade premises and plot rents were not maintained and it was therefore not possible for me to determine how much revenue was receivable from these services or to establish the existence or otherwise of revenue debtors in that year.

BANK RECONCILIATION

72. No bank reconciliation statements were produced for the years 1969, 1970 and 1971 and a trial balance as at 31st December, 1970 had not yet been made available for audit.

LACK OF CONTROL OVER EXPENDITURE

73. Expenditure control during the years 1969 and 1970 was poor and as a result excess expenditure of £2,595.748 was incurred on 32 expenditure items in 1969 and of £9,288.291 on 41 subheads in 1970 without obtaining the Minister's approval.

CAPITAL EXPENDITURE

74. The total over-expenditure of Sh. 34,549.30 on the construction of offices and staff houses as at 31st December, 1969 still remains unauthorized. Further, tenders for this project were not invited as required by Local Government Regulations, 1963. Similar remarks apply to capital expenditure of Sh. 56,879.90 incurred on staff houses in 1970.

ARREARS OF SALARIES—UNGRADED STAFF

75. As a result of paying an unauthorized increase of 15 per cent of the basic salary and the conversion of wages into wrong segments in the revised scales of salaries, the staff were overpaid to the extent of Sh. 15,581.80, which, I am informed, is being recovered by deduction from their salaries.

Kisumu County Council

BASIC AND SUBSIDIARY RECORDS

76. An audit inspection carried out in December, 1971 revealed that the main cash book had not been written up since 1st January, 1971, and the following documents and records were either incomplete or maintained in an unsatisfactory manner:—

- (i) *Payment Vouchers*.—No supporting documents were attached to payment vouchers amounting to Sh. 11,919.30.
- (ii) *Counterfoil Receipt Book Register*.—There were no delivery notes for receipt books issued. It was therefore not possible to ascertain whether about 3,000 receipt books found lying on the floor were the only books which were not entered in the Register. It also appears that receipts involving Sh. 5,607.50 did not appear to have been accounted for.
- (iii) *Salary advances Register*.—This was not properly maintained in that salary advance vouchers totalling Sh. 10,051.35 were not recorded in the register.
- (iv) "*R.D.*" *Cheques Register*.—No such register was maintained, and some cases were noted where personal cheques totalling Sh. 2,530, drawn and encashed by Council's Officers, were returned marked "Refer to drawer" by their bankers between 16th August, 1971 and 24th December, 1971.
- (v) *Other Registers*.—The registers in respect of inward cheques, provident fund, land and plot rents, telephone calls, house rent, etc., did not contain adequate details and it was therefore difficult to ascertain the outstanding amounts in all cases. However, it appeared that private telephone calls charges, amounting to over Sh. 2,000 were outstanding in December, 1971.

TENDERS

77. Tenders for the supply of provisions and stationery during 1971 were either not invited or were invited late in the year with the result that the Council did not avail itself of the benefits of competitive prices.

Gusii County Council

LACK OF FINANCIAL CONTROL

78. Subsidiary records such as vote books and housing ledger cards were unsatisfactory, while the supervision of the Council's cashier appeared to be ineffective. Cash surveys of the cashier's imprest were carried out on two occasions, and each time a shortage was discovered.

In addition, it was found that—

- (i) a considerable amount of the cashier's imprest was used to make salary advances to staff, some of which were outstanding for many months;
- (ii) excess expenditure of Sh. 15,614.20 was incurred on three items in 1970; and
- (iii) there were numerous sundry debtors whose accounts have been outstanding for several years.

SALARIES AND ESTABLISHMENTS

79. The number of officers employed was not confined to the authorized establishment and in the case of teachers, the approved establishment was exceeded by 403. Teachers salary record cards were not maintained and it was therefore difficult to verify whether or not correct salaries were being paid.

80. Attention was drawn to many cases where signatures appearing in August payrolls differed from those in September, and it is possible that salaries may have been misappropriated. It was also noted that unpaid wages totalling K.Sh. 4,364.45 for the months of May, July, August, September and October, 1969 were not brought to account but were used by the paying officers to make advances to Council staff.

TENDERS

81. The tender procedure was unsatisfactory and resulted in heavy losses to Council, particularly in the purchase of stationery during 1969. In addition, no tenders were invited for the purchase of tyres, or for plant and vehicles purchased in 1969 for road maintenance costing £36,968.

South Nyanza County Council

LACK OF CONTROL OVER REVENUE COLLECTION

82. There was little or no supervision or effective internal check on the cashier and subcollectors. Revenue records such as cash books, collection control sheets, bank reconciliation statements, inward cheques register and

counterfoil receipt book register do not appear to have been checked regularly by a senior officer. This omission enabled the officers concerned to underbank collections in a number of cases, and to misappropriate Council's receipts to the extent of about Sh. 110,000. Although I have been informed that investigations are being carried out in connexion with the underbanking of Sh. 9,271 by one cashier, I have not yet been advised of the action taken on another two similar cases which have already been reported to the Council.

83. As many receipt books were not produced for audit, I have not been able to confirm that revenue which might have been collected on these receipt books was properly accounted for. Similarly a number of receipt books used for the collection of activities, sports, and building fund fees were not produced for audit. A test check of these collections, however, indicated that some Sh. 46,000 had not been brought to account.

SALARIES RECORDS

84. The system employed for the preparation and payment of staff salaries is unsatisfactory, and, in my opinion, is susceptible to fraud. Cases were noted where officers signed on behalf of their friends without written authority.

Kakamega County Council

COLLECTION OF REVENUE

85. I am unable to satisfy that all school fees collected during 1969 were properly brought to account as the relevant receipt books were not made available for audit. Control over the collection of revenue by area councils was poor, and a number of irregularities have been brought to the notice of the Clerk to the Council. In one instance, collections amounting to Sh. 4,869 was misappropriated by the Secretary of an Area Council.

LACK OF FINANCIAL CONTROL

86. The general standard of financial control at this Council was very unsatisfactory. Many vouchers for 1969 were not numbered, stamped "paid", or properly authorized and certified, and there was considerable delay in posting vouchers to the payment journals. An amount of Sh. 19,304 was over-spent on eleven expenditure items by 21st November, 1969 whilst six recurrent expenditure items and one capital expenditure item for 1970 recorded excess expenditure of Sh. 21,020 and Sh. 5,598.25 respectively by the end of September, 1970.

Bungoma County Council

GENERAL LACK OF FINANCIAL CONTROL

87. Ineffective supervision of the payments cashier resulted in his adopting irregular accounting procedures which made cash surveys very difficult. A cash survey carried out on 21st December, 1969 disclosed that he had

Sh. 18,140.35 on hand, although his records showed that he had paid Sh. 876,034.35 against Sh. 853,575.00 withdrawn from bank between 29th November, 1969 and 12th December, 1969. The disbursement of more cash than was withdrawn from the bank was made possible by the payment of salaries in instalments and by lack of proper accounting of repayments received from teachers in respect of salary advances as well as unpaid salaries. Several payment vouchers for 1969 and 1970 totalling more than Sh. 1,386,000 and Sh. 688,000 respectively were not made available for audit.

88. Revenue received was used almost exclusively for cashing personal cheques for Council's executive staff. Cheques totalling Sh. 16,904.55 were dishonoured during 1969, of which more than Sh. 9,000 related to one senior officer, and cheques amounting to Sh. 1,414 had not been cleared by June, 1971.

89. The Inward Cheques Register was not maintained up to date in that no entries were made in December, 1969 and no details of receipt numbers were quoted against each entry.

IRREGULAR INCREMENTS OF SALARIES

90. Nine employees of the Council were either granted double increment of salary or they were awarded increments before the due dates.

TEACHERS SALARIES

91. The salaries and establishment records for teachers for the year 1969 had not been written up to date, making verification of the correctness of salaries paid difficult. 101 P.3 teachers were promoted to P.2 scale without authority and this resulted in overpayment of salaries amounting to K£6,085. In addition, a test check disclosed that in 13 cases the teachers involved were being overpaid at varying rates of between £24 to £108 per annum. Numerous instances were noted where salaries were collected by persons other than the named payees without written authority and where unpaid salaries were retained for periods of up to four months.

ADVANCES AND LOANS

92. Car loans amounting to Sh. 19,362.82 were at the time of audit inspection in June, 1971 outstanding against five loan recipients who had already left Council's employment.

SCHOOL FEES

93. During 1969, control over the collection of school fees was extremely poor. Three batches of receipt books were printed with identical numbers, and 396 receipt books were not produced for audit. School fees received were banked direct and no receipts were issued by the cashier. Although I

have been informed that the collections were reconciled with the receipts, no evidence of such reconciliation was seen, and I have therefore been unable to satisfy myself that all fees were brought to account. It appears that about 8,000 pupils failed to pay the second instalment of their school fees.

POOR ESTIMATION

94. An amount of £794 was collected in 1969 for the supply of water against the estimated sum of £9,629 despite the fact that the running costs of this service during the year amounted to approximately £15,000. Council failed to recover water charges from 1,223 consumers connected to Kibi-chori Water Scheme which I am informed has now been taken over by Government.

MISAPPROPRIATION OF REVENUE

95. Boarding fees for Bungoma Secondary School were not paid to the Council but banked by the headmaster on behalf of the Board of Governors. The headmaster ordered his own receipt books which were not recorded anywhere and in the process misappropriated a sum of Sh. 22,225.55.

Busia County Council

LACK OF FINANCIAL CONTROL

96. Attention was drawn to various weaknesses in the Council's control over expenditure and suspense accounts. Numerous instances were noted where vouchers were paid without proper documentation, while payment vouchers totalling Sh. 161,476.80 for 1970 could not be produced for audit. Further, nine expenditure items appeared to have been overspent by Sh. 12,895.20 in 1970.

BUILDING FUND

97. There was inadequate control over the receipts used and the money collected for this project. 190 receipt books were not produced for audit, and a total sum of Sh. 150 was underbanked against collections on a number of receipts. I have also been unable to verify whether Sh. 3,312 collected on 320 receipts was banked.

98. It was noted that on nine occasions cash totalling Sh. 320,000 was borrowed from the fund to meet staff salaries and that out of the total of Sh. 54,000 borrowed in October and December, 1969, Sh. 44,300 had not been repaid by July, 1971. Further, a borrowing of Sh. 94,000 was not credited to Council's main account and no vouchers have been produced to confirm that the cash was properly utilized. I am also unable to confirm that a sum of Sh. 30,000 borrowed from the Activity Fees Fund in 1969 was properly spent.

GARAGE

99. It was noted that fuel was sold to private individuals although little effort was made to obtain payment. A sum of Sh. 12,907.40 was outstanding for petrol, repairs and vehicle hires as at 31st December, 1969.

LACK OF CONTROL OVER STORES

100. The control over medical stores and veterinary drugs was very poor. Ledgers relating to medical stores had not been written up since November, 1968, while the delivery notes for drugs used for veterinary services were not available for audit. I have not yet been advised of the action taken on the report made by the Inspector of drugs in which he mentioned, amongst other things, the misappropriation of drugs amounting to Sh. 13,049.80.

LACK OF FINANCIAL CONTROL

101. The examination of daily and monthly abstracts, for 1969, which were written very much in arrears, revealed that little or no budgetary control was exercised. Expenditure in excess of approved provision amounted to £288,515. Revenue fell short of the estimated amount by £60,349 on 11 revenue heads.

BANK RECONCILIATION

102. The bank reconciliation statements were not being drawn regularly and immediately after the end of each month and there was no evidence to show that these reconciliation statements were checked by a senior officer. The bank reconciliation statement as at the end of August, 1970 was produced for audit in September, 1971, and it included several uncleared items relating to the year 1968 and amounting to Sh. 30,449.45.

REVENUE CONTROL

103. The control over the collection of and accounting for revenue during the period under review was very unsatisfactory. A large number of completely used receipt books were not produced for audit, and the Council appears to have lost revenue through failure to collect water charges in respect of cattle using Council's bore-holes as well as failure to maintain proper records for plot rents.

LACK OF CONTROL OVER EXPENDITURE

104. The Council failed to exercise reasonable control over the expenditure incurred during the years 1969 and 1970. Vouchers were not properly authorized and certified with the result that payments were made for goods which were not received. Fraudulent claims in respect of travelling and subsistence expenses were paid and indiscriminate use was allowed of private vehicles

for journeys which appeared to be duplicated by Council vehicles. In addition, there were considerable delays in making payments to traders and in remitting contributions to the National Social Security Fund, and the Income Tax Department, which resulted in the Council having to pay fines and lawyers fees amounting to K£2,295.

INVENTORIES

105. Inventories were not maintained for office equipment and furniture and there was no register of motor vehicles and plant. It was, therefore, not possible to check these items satisfactorily.

MUTUGA TRAINING CENTRE

106. The financial control at this training centre was very unsatisfactory. Proper records were not maintained for fees and subventions and I was therefore unable to verify that all revenue received had been properly brought to account. It was noted that rent was not collected for the occupation of Council houses and the use of furniture.

107. The consumable stores ledger was unsatisfactory as many purchases and issues were not recorded. No vote book was maintained and consequently it was not possible to determine whether the centre was running economically or not.

REPLIES TO AUDIT INSPECTION REPORTS

108. Five audit inspection reports issued on the accounts in 1969 and 1970 have not been replied to at the time of writing this report. I have been informed that the reasons for these delays in answering audit reports is the shortage of senior staff in the Council's Finance Department.

Malindi and Mamburui County Council

EXPENDITURE CONTROL

109. The control over the Council's expenditure in 1969 appeared to be poor. It was noted that 30 subheads were overspent by Sh. 51,225.05 while a further sum of Sh. 44,374.90 was spent on 11 items for which there was no provision in the estimates. Attention has been drawn to more than 80 vouchers which did not have proper supporting documents. Further, no bank reconciliation statements have been prepared since May, 1971.

REVENUE CONTROL

110. The control over revenue was unsatisfactory. 32 receipt books were only partially accounted for in the collection control sheets, while 57 books could not be produced for audit. Plot rents amounting to over K£2,600 were outstanding as at 31st December, 1969.

STORES RECORDS

111. Stores ledgers and inventories were not maintained during 1969 either for permanent or expendable stores.

VEHICLE LOG-BOOKS

112. There were no log-books for the Council's four tractors.

SALARY RECORDS

113. Personal files for the Council's employees were not maintained, and no letters of appointment appeared to have been issued. It was, therefore, not possible to verify the accuracy of salaries paid and leave earned.

Tana River County Council

COLLECTION OF REVENUE

114. There was complete lack of control and supervision over the collection of council revenue which resulted in theft and fraud involving at least three members of staff. School fees, plot rents, etc., appear to have been collected, but not accounted for to the Council. More than 30 books, some of which are shown as completed, could not be produced for audit.

EXPENDITURE CONTROL

115. The monthly abstracts were not produced for audit, but from an examination of payment vouchers it appeared that Council's expenditure was not limited to the approved estimates. In one instance £8,000 was spent against an approved estimate of £1,500.

CASH SURVEY AND FINANCIAL POSITION

116. Attention has been drawn to the disquieting state of the financial position of the Council disclosed by a cash survey carried out in February, 1972. The Council appears to be facing a serious financial crisis, a situation which appears to have been caused by the failure of Council officers to take their responsibilities seriously. The bank balance of the Council at 31st January, 1972 was Sh. 1,116.55 which, together with cheques and cash of Sh. 6,962.40 on hand with the cashier, gave a total cash holding of Sh. 8,078.95, of which Sh. 5,523.30 related to unpaid wages for January, 1972. The Council, therefore, had a balance of only Sh. 2,555.65 to meet all its current liabilities including salaries for the month of February, 1972. The only investment apparently remaining unsold is that of Sh. 60,150 in Kenya Government Stock, all the other investments having been realized by the Council to pay for its recurrent expenses. In addition, the Council has used a specific grant of Sh. 40,000 given by the Ministry of Agriculture for the construction of a dam, to meet its current liabilities.

Kilifi County Council

STORES AND INVENTORIES

117. No records were kept of school equipment purchased during 1969, worth £3,500. Stores records were not maintained satisfactorily and there were no inventories prior to June, 1969.

BANK RECONCILIATION

118. An examination of the bank reconciliation statement as at 31st December, 1969, revealed several errors and brought to light misappropriation by the cashier amounting to Sh. 44,926.

REVENUE CONTROL

119. There was inadequate internal check and control over the collection and accounting of Council's revenue. Subsidiary records were not maintained in a satisfactory manner, and in view of the absence of continuity control over receipts and the failure to produce many receipt books and revenue collection sheets for audit, I am unable to confirm that revenue is regularly received and properly accounted for and that there have not been misappropriations of the moneys collected.

SALARIES AND ESTABLISHMENT CONTROL

120. Although personal files have now been opened, the control over the establishment in general is poor. It was noted that all the changes affecting officers' salaries were not being recorded in the personal files. Many cases were noted where the salaries shown in the personal records were difficult from those shown in salary cards, and queries involving overpayments, amounting to Sh. 10,361.70, have been raised.

EXPENDITURE—PAYMENT VOUCHERS

121. Due care was not exercised over the preparation and checking of payment vouchers. Several queries have been raised relating to unauthorized payment vouchers, overpayments of allowances to councillors and irregular and improperly supported travelling claims by staff. A large number of missing vouchers were noted during an audit inspection carried out early in 1972.

REPLIES TO AUDIT QUERIES

122. Prompt attention has not been given to audit reports in spite of repeated reminders.

Lamu County Council

CONTROL OF EXPENDITURE

123. The 1970 Estimates were approved by the Minister on 11th December, 1970. However, the Council had already incurred expenditure on two items for which no provision was included in the approved estimates. In addition, it incurred expenditure in excess of the approved provision on about 16 items.

Taita-Taveta County Council

EXPENDITURE CONTROL

124. The expenditure control during the two years ended 31st December, 1970 was very poor. The expenditure was not limited to the approved estimates, and was also incurred on services for which no provisions were made in the estimates. In 1969, many subheads were overspent to the extent of Sh. 110,779.62 while expenditure amounting to Sh. 21,689.06 was incurred on services for which no provision was made in the estimates. I have not, at the date of signing this report, seen the Minister's approval for this unauthorized expenditure. Further, expenditure amounting to Sh. 36,214.50 and relating to the year 1969 was charged to 1970 accounts contrary to the provision of Local Government Regulations, 1963.

125. In addition, insufficient control appeared to have been exercised over the use of telephones, as many instances were noted where trunk calls costing between Sh. 18 to Sh. 23 were made while telephone charges amounting to Sh. 584.65 in respect of calls made from connexions to the houses of the Clerk and Treasurer were met from Council funds during 1969.

126. Further an amount of Sh. 4,943.25 in respect of petrol supplied to the Council during 1966 to 1969 was outstanding at the time of audit in May, 1970, and this amount included Sh. 1,869 in respect of petrol supplied to one Senior Council Official.

BANK RECONCILIATION

127. The bank reconciliation was very much in arrear and at the time of audit in November, 1971, it was prepared up to February, 1971 only.

SALARIES

128. Unauthorized expenditure amounting to Sh. 2,856.95 was incurred in respect of unauthorized salary increments to certain members of staff.

REVENUE CONTROL

129. The control of receipt books was unsatisfactory. I was unable to verify the actual number of accountable documents supplied as issue notes were not available. 32 wholly unused books of receipts were not produced for audit while 17 wholly used books and three partly used ones had not

been recorded in the register. Seven books of Miscellaneous Receipts issued between 1958 and 1967 still appear as outstanding in the register, while no revenue collection control sheets were maintained and I have therefore been unable to satisfy myself that all revenue collected has been properly brought to account.

Kiambu County Council

UNAUTHORIZED EXPENDITURE

130. Regulation 214 (2) (a) of the Local Government Regulations, 1963 stipulates that in the absence of approved estimates for the year, expenditure should be restricted to the level approved in the previous year. The total expenditure during 1969 amounted to K£1,102,131.19.98 and, as there were no approved estimates for 1969, this amount exceeded the approved estimates for 1968 of K£906,138 by K£195,993.19.98 for which I have not yet seen the Minister's approval. Further, cash and assets amounting to K£7,131.15.22 were written off in 1969 without the authority of the Minister, and an excess expenditure of about K£6,580, was recorded on 11 expenditure items for 1970.

DOUBTFUL ASSETS

131. Although provision was made in the accounts for redemption of all moneys borrowed by the Council, and some amounts were set aside for depreciation and renewals, assets appearing in the Council's Balance Sheet as at 31st December, 1970 included an amount of K£67,005.12.24 which, in my opinion, is of a doubtful nature. In addition, the various provisions and reserve funds amounting to K£319,747.05.30 appearing in the accounts are not backed by realizable assets in view of the doubtful nature of some of the assets, and of the fact that the Council had an accumulated deficit of K£107,825.07.06 in the General Fund Account as at 31st December, 1970. In addition, Council had a bank overdraft of K£9,035.16.90 at 31st December, 1970.

STORES

132. During 1969/70, ledgers for medical stores were maintained in such an unsatisfactory manner that it was not possible for me to satisfy myself that there were no losses. Further, no register was maintained to record the receipts and issues of school equipment, and the possibility of losses having occurred cannot therefore be ruled out.

INVENTORIES

133. Inventories of Council property, including buildings, were not produced for audit. Further, the Council does not maintain a rental register for their houses in various townships, and in the absence of these records,

it has not been possible to ascertain the existence or otherwise of the fixed assets appearing in the balance sheet amounting to K£569,536.04.96 at 31st December, 1970. In the case of houses, I have not been able to establish to whom and at what rents they have been allocated, and to verify whether correct amounts of rents are being paid.

LOANS TO STAFF AND COUNCILLORS

134. Loans amounting to K£2,108.0.74 made to members of staff and councillors were outstanding as at 31st December, 1969. In some cases, no recoveries at all were made although the loans were brought forward from 1968, while in other cases recoveries were made at irregular intervals.

SUNDRY CREDITORS

135. Accumulable liabilities in respect of sundry creditors appear in the balance sheet as K£5,289.14.90 at 31st December, 1970. The Council has been owing some of the money for several years and I can see no justification for not paying the debts earlier.

ROAD FRONTAGE CHARGES—LIMURU TOWNSHIP

136. No loan agreements exist between the Council and the building owners for the loan amounting to £15,000, of which only £265.10.00 appears to have been repaid.

MUNICIPAL COUNCILS—1967 to 1971

Nairobi City Council

137. The audit of the Council's records and accounts for 1969 and 1970 revealed various weaknesses, the most serious of which are the following:—

TENANT-PURCHASE SCHEMES

138. The processing of the applications in respect of these schemes leaves much to be desired. The register does not record adequate details of applicants neither does it show the action taken on each application. As for the required deposits, cases have been noted where although the initial deposits were not in accordance with prospectus, houses were allocated to the depositors. Further, arrears of principal and interest do not appear to have been pursued vigorously enough by the Council while outstanding balances are not reconciled regularly. In addition, the records maintained for these schemes are such that it is not possible to tell whether or not deposits are refundable to the unsuccessful applicants as there is no adequate information therein. However, I understand that a new register of applications has been in use since the beginning of 1972 containing comprehensive information on each application and the outcome thereof and that any cases where the deposit appears to be less than the amount required are being pursued.

139. An audit inspection in 1970 revealed that empty houses resulted in a loss of revenue of Sh. 308,839.85 of which New Pumwani accounted for Sh. 277,150. I understand that this situation arose from delays in allocating houses and from a dispute between the tenants and the Council as to the rents payable which delayed the occupation of houses at New Pumwani and particularly because the houses were reserved for former Pumwani residents and could not be offered to other persons on Council's waiting list. Further, it was noted from test checks that the computer tabulation prepared by the Establishments section in respect of rent deductions were not up to date and included amounts due from persons who had either left Council's employment or were transferred from Council houses to privately rented houses and vice versa. This has resulted in credit balances building up against certain accounts which should have been closed on the transfer of the persons concerned. The total credit balances on all ledgers at 31st December, 1970 appeared to be Sh. 475,521.42.

SHOPPING CENTRES AND BEER SHOPS

140. Arrears of shop rents due from four estates as at 31st December, 1970 amounted to Sh. 177,857.10. In two of these estates, the Council has recommended that the arrears amounting to Sh. 149,465 should be settled over a 20-year period. I understand that the situation arose because of delay in finalizing the deeds of title for the properties and that the arrears accumulated during the period the Council was corresponding with the

Commissioner of Lands as to who is ultimately responsible for administering the schemes. The decision that Council should acquire deeds of title was made only recently and the Council has therefore agreed that occupiers should be allowed maximum of twenty years to clear the arrears.

WATER AND SEWERAGE DEPARTMENT

141. A test check of connexions and disconnexions revealed cases where prompt action was not taken to connect supplies although deposits had been paid. On the other hand, cases were noted where disconnexions were **made in error and which had therefore to be reconnected free of charge**, a situation which could have been avoided if adequate care was taken to maintain the records accurately. Further, cases were observed where meters appeared to be out of order for nearly a year and where the consumers were billed at the minimum throughout the period. As the consumers were in many cases large commercial organizations with high consumption rates, it appears that the City Council must have lost substantial sums of revenue. But I am informed that manual checking of meter card readings were resumed in 1971 and back charges have been made based on average consumption.

RATING AND VALUATION

142. The arrears position regarding rates is rather disquieting. Included in the substantial arrear of K£384,413.16.06 outstanding as at 31st December, 1970, were many long outstanding and doubtful cases totalling over £90,000. I am, however, informed that the question of possible write-off of very old and uncollectable rates is under active consideration.

CLEANSING SECTION

143. A print-out of outstanding amounts of over Sh. 1,000 as at 31st December, 1970 shows that 39 debtors owed a total of Sh. 165,725 ranging from Sh. 1,020 to Sh. 35,296. Many of the large debtors are either Government or East African Community Organizations.

FRAUD

144. The internal audit section did not audit revenue records frequently and as a result a misappropriation of cash by a ledger clerk who was not, in any case, supposed to collect cash, occurred. I am informed that this situation resulted from shortage of staff.

Municipal Council of Nakuru

ACCOUNTS RECORDS

145. The checking of the Provident Fund records has had up to 1970 to be abandoned because essential particulars such as dates of engagement, reasons for termination of appointments, etc., had not been inserted. The

preparation of bank reconciliation statements during the year 1970 showed some improvement, but the register of "R/D" cheques was not properly maintained. Further, the register of investments was not maintained in 1970 while the contracts register did not record all the necessary details.

REVENUE COLLECTION

146. The brewery and beer shops accounts for 1970 showed a downward trend in the year's surplus for which no valid explanation was available. However, audit test checks indicated that the decrease may be attributable to pilferage, lack of control and ineffective internal checks. From the records made available for audit, it appeared that a loss of approximately Sh. 39,149.65 occurred in the form of cash and stocks at beer halls. The slaughter houses fees for 1970 reflected a shortfall of £1,503 over the 1969 collection while no rent was collected for letting Town Hall Buildings from which the Council had estimated to receive £1,000 in 1970.

TENDERS

147. The rules regarding acceptances of tenders for purchases and sales by the Council were not followed and the Minister's approval for acceptance of a tender other than the lowest was not obtained on several occasions. Consequently, the Council had to pay approximately Sh. 51,144 more on its purchases, and lost about Sh. 12,678.25 on sales of brewery waste which was sold for a lower price than that tendered.

WATER DEPARTMENT—CREDITORS

148. The Council's attention was drawn to the many serious discrepancies noted in the refunds of water deposits. Investigations into refunds by the water department revealed many cases in which deposits, with interest, were refunded to customers who continued to draw water from the same connexions for which the original deposits were made and refunded. Further, in a number of instances in which the Council had earlier refunded deposits to unidentifiable persons against idemnity forms, it was noted that the Council had to meet the obligation again on the production of the original receipts by the rightful depositors.

Municipal Council of Kisumu

ACCOUNTS AND RECORDS

149. Bank reconciliation statements were not drawn up regularly and promptly each month, and registers in respect of provident fund, house rents and contracts were either not in existence or were not maintained satisfactorily. The position regarding stores and inventories was also extremely unsatisfactory in that 1966 balances were not brought forward to 1967 and no purchases and issues were recorded on the store ledger cards since 1st June, 1967. The examination of the ledgers in 1971 revealed many discrepancies which I understand are currently being investigated.

CONTROL OF EXPENDITURE

150. Inadequate control was exercised over expenditure by the Council during the three years ended 31st December, 1969. Expenditure in excess of the approved estimates was incurred on a number of expenditure items. Further, proper care was not exercised in the preparation and authorization of payment vouchers in that the appropriate certificates and cages on the vouchers were not completed. Adequate details of the services or account numbers were not quoted on the vouchers, and 1967 vouchers for an amount of Sh. 35,961.85 were not produced for audit.

TENDERS

151. Proper procedure was not followed, and many tenders other than the lowest were accepted without Ministerial approval. There was also no evidence that tenders had been approved by the Finance Committee.

REVENUE COLLECTION

152. The collection of revenue and follow up of arrears was unsatisfactory. 300 slaughter houses receipts, 140 licence receipts and 100 ambulance receipts were not produced for audit, and it was noted that out of the arrears of K.£14,564.18.25 in respect of site value rates, K.£5,007.5.90 was outstanding for over ten years. The total of debtors as at 31st December, 1969 amounted to £115,504.

MUNICIPAL DAIRY

153. An examination of the dairy ledger which had not been balanced since 1967 revealed that bills outstanding as at 31st December, 1969 amounted to K.Sh. 90,397.75. Little effort appears to have been made by the Council to collect the outstanding amounts and it seems likely that a great portion of the outstanding sum will eventually have to be written off.

Municipal Council of Thika

ACCOUNTS AND RECORDS

154. No bank reconciliation statements had been prepared prior to November, 1971, while the inward cheques register, counterfoil receipt books register, and the telephone register were not maintained in a satisfactory manner. Five unpaid cheques drawn in November, 1971 totalling Sh. 56,103.60 were on hand in January, 1972 and school fees receipt books for three terms in 1970 could not be produced for audit.

155. Stores records were unsatisfactory as no entries had been made in the ledger since December, 1970 while stores such as school equipment, withdrawn water meters, pipes and surplus building materials returned from abandoned housing schemes had not been taken on charge.

MEDICAL BENEFITS SCHEME

156. This scheme was started in January, 1964, and under the existing rules the Council contributes at the rate of Sh. 300 per annum per member while the member contributes for his dependants at the rate of Sh. 8 per month for the wife and Sh. 3 per month for each child. There is no limit up to which a member may claim. An examination of the records relating to this scheme showed that in 1969 Sh. 224,449.90 was paid out in benefits as against total contributions of Sh. 57,091.90 received, leaving a deficit of Sh. 167,358.90 which does not include the proportionate amount of Council's administrative and management expenses. The outturn for 1970 indicates that Sh. 279,930.95 was paid out, while the receipts amounted to approximately Sh. 63,800, leaving a deficit of Sh. 216,130.95 which has been met out of the general fund.

Municipal Council of Mombasa

CONTROL OF EXPENDITURE

157. The control exercised by the Council over expenditure, revenue collection and suspense accounts was unsatisfactory while the system of internal checks was weak and ineffective. In 1967, unauthorized excess expenditure was incurred on about 251 items while the actual receipts were considerably short of the estimated amounts on 37 items without any apparent reason. There were many dormant and uncleared advances, deposits and other suspense accounts.

MAINTENANCE OF ACCOUNTING RECORDS

158. The internal control over receipt books, revenue collection and deposits summaries was weak and inadequate, and the counterfoil receipt book register was not properly accounted for and several miscellaneous and school fees receipt books were not produced for audit. Consequently, I am unable to satisfy myself that all the receipts issued were accounted for and that there were no losses.

D. G. NJORGE,
Controller and Auditor-General.

NAIROBI
30th March, 1972

