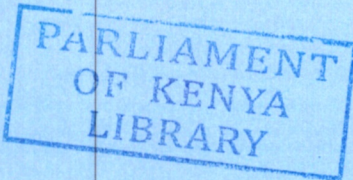


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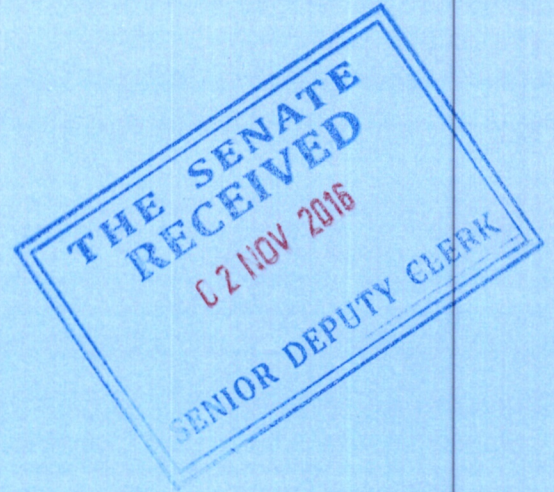


OFFICE OF THE AUDITOR-GENERAL

REPORT



OF



THE AUDITOR-GENERAL

ON

**THE FINANCIAL OPERATIONS OF
COUNTY ASSEMBLY OF MARSABIT**

**FOR THE PERIOD
1 JULY 2014 TO 30 JUNE 2015**

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REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF MARSABIT FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

Executive Summary

Introduction

The Office of the Auditor General has the mandate to audit and report on the accounts of the National and County Governments under Article 229 of the Constitution of Kenya and Public Audit Act, 2003. The financial operations audit has been completed in accordance with article 229 of the Constitution of Kenya.

Audit Objectives

The objective of the audit was to verify and confirm whether the systems formulated and applied by the Marsabit County Assembly were reliable for the management of the finances in the delivery of service to the public.

Terms of Reference

The terms of reference set for the audit included verification and confirmation of transactions in respect to but not limited to the following areas:

- Budgetary Performance analysis
- Procurement of goods and services
- Foreign and domestic travelling and accommodation allowances
- Cash and Bank Balances
- Non-Current Assets
- IT Environment
- Imprest management
- Human Resource Management
- Management of creditors and debtors

The audit aimed to confirm that:-

- Funds appropriated and disbursed for use by the County Assembly were applied for the intended purpose.
- Expenditure conformed to the regulations and procedures that govern such expenditures.
- Application of public funds achieved the desired social and economic outcomes and impact.
- Internal controls and reasonable precautions have been put in place to safeguard receipt, issue and proper use of public property.
- Accountability and transparency principles were adhered to and use of money was economical, efficient and prudent.
- Plans and budget have been implemented as expected.

Key Audit Findings

1.0 Doubtful Expenditure

Examination of County Assembly records on domestic and foreign travel and subsistence revealed that an amount of Kshs. 23,790,640.00 had not been utilized in compliance with the laid down rules on management of travel and subsistence allowance. The following anomalies were noted:-

- a) Funds advanced to officers were expensed immediately without being accounted for through imprest system.
- b) Payments lacked proper supporting documents such as work ticket, invitation letters, and attendance lists.
- c) A total of Kshs.849,000 was paid to Members of County Assembly (MCAs) as allowances during public participation; however no report or minutes were made available for audit verification.
- d) Budget and appropriation committee members were paid for nine (9) days for attending a five (5) day workshop leading to payment of an extra 4 days amounting to Kshs.599,200.
- e) A total of Kshs.1,628,240 was spent on foreign travel, however no supporting documents were available to ascertain whether the foreign trips took place.

2.0 Irregular Mileage Allowance Claims by M.C.As

Examination of records available including payment vouchers on mileage allowance revealed payments amounting to Kshs 24,619,855.70 were made to Members of the County Assembly.

However, the accuracy of the payments could not be confirmed as the method used to calculate the allowances for members of county assembly whose area of representation exceeded distances beyond 45 Kilometers was not disclosed.

3.0 Non-accountability of Ward Fund

A total of Kshs.19,200,000 was disbursed to fund ward operations. However,

- a) Statutory deductions such as NSSF and NHIF on employees at the ward offices were not deducted from their salaries. Further, recruitment procedures could not be ascertained as the records on recruitment were not made available for audit verification.
- b) Review of lease agreement forms for Sololo ward revealed that details pertaining to monthly rent / annual rent amount were omitted from the documents.

4.0 Irregular Payment of Sitting Allowance

Examination of expenditure records in respect of sitting allowance paid to various committee members disclosed the following anomalies;

- a) Members of County Assembly were irregularly paid Kshs.172,000.00 for attending more meetings than provided for in one week.
- b) Payment voucher Nos.45,46 and 553, three (3) MCAs were paid allowances amounting to Kshs.44,000.00 for allegedly attending trade and industry and budget and appropriation committee meetings although they were absent.

5.0 Incomplete Fixed Asset Register

The procurement department maintained a fixed assets movement register to facilitate movement of fixed assets from one location to another. However, the register lacked details such as type and description of asset; acquisition cost of asset; supplier details; date of purchase; estimated useful life; physical location and person allocated; asset condition; tag number; date of disposal and proceeds where applicable.

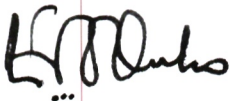
6.0 IT Environment

During the year under review, the County Assembly had not adopted the use of IFMIS, IPPD and GPAY, their operations were purely done on manual ranging from processing of payments and salary payments contrary to the Public Financial Management Act, 2012.

Further, the Assembly did not have an IT department.

Conclusion

The County Assembly needs to embrace use of ICT and adhere to financial management regulations to enhance service delivery and effective use of public resources.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

02 September 2016

DETAILED REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS COUNTY ASSEMBLY OF MARSABIT FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

DETAILED AUDIT FINDINGS

1.0 Doubtful Expenditure

Examination of County Assembly records on domestic and foreign travel and subsistence revealed that an amount of Kshs. 23,790,640.00 (**See Appendix I**) had not been utilized in compliance with the laid down rules on management of travel and subsistence allowance.

However, the following anomalies were noted during audit:-

- a) Funds advanced to officers and Members of the County Assembly (MCAs) were expensed on issuance in disregard of the laid down rules on travelling and accommodation which requires that travel and accommodation be authorized through temporary imprest.
- b) Payments lacked proper supporting documents to validate the payments as a proper charge on public funds such as work tickets/bus tickets, invitation letters, attendance list and programme timetable.
- c) Included in the Kshs.23,790,640 were Kshs.490,000 and Kshs.359,000 paid vide payment voucher Nos. 877 and 257 dated 30 June 2015 and 27 November 2014 respectively to MCAs as allowances during public participation. However, no reports or minutes were presented for audit review. In the absence of the said reports, the effectiveness of the expenditure on public forums remains doubtful.
- d) Budget and appropriation committee of nine MCAs, budget officer, committee clerk and a driver were paid allowances on 30 June 2015 for nine (9) days for attending a five (5) days training workshop from 26 to 30 July 2015. The extra allowances for four days amounting to Kshs.599, 200 could not be justified. (**See Appendix II**)
- e) It was further noted that MCAs attended training based on invitation from training firms. No analysis was conducted to first determine the training needs of members. In addition, the training services were not subjected to competitive bidding.
- f) The County Assembly spent Kshs.1,628,240 on foreign travel to Ethiopia, France and Israel. Scrutiny of expenditure revealed travel documents such as copies of passports, boarding passes were not attached to support trips to Ethiopia and France. Further it was not clear how travel agency services for provision of transport and insurance cover services were awarded.

Recommendations

- (i) The County Assembly management should institute measures and ensure that funds advanced for travelling and subsistence are authorized through

issuance of imprest. Controls be put in place to ensure that imprests issued are surrendered in full within the stipulated period.

- (ii) Cash advanced through safari imprest to be accounted for within 48 hours after completion of duty. The payments should have proper supporting documents such as invitation letter, programme timetable, work tickets and bus tickets in order to validate expenditure as a proper charge on public funds.
- (iii) The unjustifiable extra allowances paid to MCAs and officers be recovered.

2.0 Irregular Mileage Allowance Claims by M.C.As

Examination of County Assembly records on mileage allowance revealed payments amounting to Kshs 24,619,855.70 were made to Members of the County Assembly. It was however not possible to confirm the accuracy of the payments as the method used to calculate the allowances for members of county assembly whose area of representation exceeded distances beyond 45 Kilometers was not elaborated in the payment vouchers. The criteria require that details of the cubic capacity of vehicles should be used as the basis for determination of mileage claims. In the absence of these details it was not possible to determine the authenticity of the said expenditure.

Members of the County Assembly were paid Kshs.6,103,123.20 through payment voucher no. 841 which included one week allowances for attending Loiyangalani Cultural Festivities. The attendance of festivals by members of the county assembly does not fit within the definition of official duty. The committee on culture and tourism could be eligible for such claims but not the entire assembly. (See **Appendix III**).

Recommendations

- (i) The County Assembly to adhere to Salaries and Remunerations Circular on payment of mileage allowance.
- (ii) Recover the irregularly paid mileage allowance from the responsible MCAs
- (iii) Recover the Kshs.6,103,123.20 paid to MCAs for attending cultural festivals from the MCAs responsible.

3.0 Non-Accountability of Ward Fund

During the year under review an amount of Kshs.19,200,000.00 was disbursed towards funding operations at the ward offices. Each ward was entitled to an amount of Kshs.80,000.00 every month. The main purpose of this fund was to enable ward offices to pay for salaries, office rent and other operating costs. However, the following anomalies were observed:

a) Examination of sampled salary schedules provided for audit review revealed that no statutory deductions such as National Social Security Fund (NSSF) for employees on temporary basis and National Hospital Insurance Fund (NHIF) were effected. It was not clear how the officers were engaged since no recruitment

documents were provided. Further, it was also not possible to establish the terms of employment of the officers engaged at the ward offices.

b) Review of lease agreement forms for Sololo ward revealed that details pertaining to monthly rent / annual rent amount were omitted in the documents.

Recommendations

- (i) The statutory deductions like NHIF & NSSF be effected and remitted to relevant statutory bodies.
- (ii) The lease agreement should be completed and be endorsed and rent amount to be shown appropriately.

4.0 Irregular Payment of Sitting Allowance

Examination of expenditure records in respect of sitting allowance paid to various committee members disclosed the following anomalies;

- (i) Members of County Assembly were irregularly paid Kshs.172,000.00 for attending more meetings than provided for in one week. **(See Appendix IV).**
- (ii) In payment voucher Nos. 45,46 and 553, the following MCAs were paid allowances amounting to Kshs.44,000.00 for attending trade and industry and budget and appropriation committee meetings.

P.V NO.	DATE	PAYEE	AMOUNT Kshs.
MCA045	9/11/2014	Elema Wako	20,000.00
MCA046	9/11/2014	Elema Wako	16,000.00
MCA553	3/20/2015	Salim Ali	<u>8,000.00</u>
		Total	<u>44,000.00</u>

However, a perusal of minutes attached revealed that the MCAs were not listed as present in the said meetings. In the circumstances, the propriety of the allowance could not be confirmed.

Recommendation

The County Assembly management to recover the irregularly paid sitting allowances of Kshs.216,000 from the concerned Members of County Assembly.

5.0 Incomplete Fixed Asset Register

The County Assembly of Marsabit owns various assets including office equipment, furniture, laptops, motor vehicles and buildings. It was noted that the procurement department maintained a fixed assets movement register to facilitate movement of fixed assets from one location to another.

The manual provides that the fixed asset register should reflect details such as type and description of asset; acquisition cost of asset; supplier details; date of

purchase; estimated useful life; physical location and person allocated; asset condition; tag number; date of disposal and proceeds if any. However, and contrary to the said minutes, during the period under review, the County Assembly did not maintain a complete and update fixed assets register.

The County Assembly management to comply with the requirements outlined in the County Financial Accounting and Reporting Manual Chapter 7.2.2.

6.0 IT Environment

During the year under review, the County Assembly had not adopted the use of Integrated Financial Management Information System (IFMIS), Integrated Payroll and Personal Data Base (IPPD) and Government Payments (GPAY) system, their operations were purely done on manual ranging from processing of payments and salary payments contrary to the Public Financial Management Act, 2012.

Further, the Assembly did not have an Information Technology (IT) department.

Recommendations

- (i) The County Assembly management to adopt IFMIS and GPAY for all its operations.
- (ii) Further, the County Assembly management to set up a fully equipped IT department.

Conclusion

Due to the fore mentioned drawbacks, the systems formulated and applied by the County Assembly of Marsabit were not reliable for the management of the finances in the delivery of service to the county residents.

The County Assembly management to adhere to the Constitution, the Public Finance Management Act, 2012; the County Government Act, 2013, the Public Procurement and Disposal Act, 2005, and Regulations, 2006 for effective management of Public resources and efficient delivery of services to the County residents.



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AUDITOR-GENERAL

Nairobi

02 September 2016

Appendix I

Doubtful Expenditure Kshs.23,790,640.00

Payee	Details (Domestic Travel)	PV No	Date	Amount (Kshs.)
Marsabit County Assembly	Payment of per diem for MCAs on training in NRB	1080	30.06.15	1,348,200.00
Marsabit County Assembly	Travel by staff for official launching of wind power project	835	30.06.15	248,500.00
Marsabit County Assembly	Payment of per diem for MCAs during public participation	877	30.06.15	490,000.00
Roba Halakhe	Travel to various areas on official duty	225	21.11.14	59,000.00
Salim Ali	Travel to NRB to collect staff IDS	864	30.06.15	72,800.00
Hussein Ali	Travel for benchmarking to parliament	867	30.06.15	127,200.00
Mathew Ioltome	Travel to NRB to follow up budget	403	27.02.15	191,500.00
Konchora Abduba	Travel to NRB to attend workshop	434	27.02.15	86,000.00
Mathew Ioltome	Travel to NRB while on official duty	362	09.02.15	151,200.00
Ahmed Ibrahim	Travel to NRB to attend meeting with chair of CRA	366	09.02.15	130,000.00
Salim Ali		773	6/23/2015	1,438,500.00
Marsabit County Assembly		483	3/12/2015	576,800.00
Marsabit County Assembly		490	3/13/2015	302,400.00
Marsabit County Assembly		955A & B	6/30/2015	1,361,500.00
Obili Mohamed		762	6/23/2015	384,300.00
Galgallo Allo		856	6/26/2015	392,000.00
Fredrick Injela		792	6/8/2015	738,500.00
Adan Chukulisa		242	11/20/2014	632,000.00
Pius Yattani		764	6/23/2015	521,500.00

Marsabit County Assembly		596	4/10/2015	399,000.00
Fatuma Leruk		664	5/13/2015	924,000.00
Marsabit County Assembly		899	6/30/2015	1,071,000.00
Marsabit County Assembly		823	6/23/2015	420,000.00
Marsabit County Assembly		597	4/13/2015	319,200.00
Marsabit County Assembly		66	9/18/2014	1,428,000.00
Marsabit County Assembly		908	6/30/2015	1,438,500.00
Lokho Abduba	Surrender of imprest	248	11/27/2014	550,000.00
Johna Lekiliara	Surrender of imprest	508	3/19/2015	1,675,800.00
Wario Bure	Surrender of imprest for public participation on budget making.	257	11/27/2014	359,000.00
Marsabit C. Assembly	Education Committee	323	1/16/2015	784,000.00
Salim Ali	Surrender of imprest	333	6/2/2015	1,794,000.00
Fatuma Leruki	Surrender of imprest	315	1/16/2015	374,500.00
Marsabit C. Assembly	Per diem to CASB & other staff to Mombasa	948/894	6/29/2015	1,373,500.00
	Sub Total			22,162,400.00
Payee	Details (Foreign Travel)	PV No	Date	Amount (Kshs.)
Marsabit C. Assembly	MCA's travel to Ethiopia for trade & investment promotion	73	9/26/2014	434,580.00
Jitewa Gambare	Hon Jackson Achinya & Issa Gambare Travel to France	334	6/2/2015	864,160.00
Akarim Agencies	Insurance for MCAs travel to Israel	179/453	10/16/2014	329,500.00
	Sub Total			1,628,240.00
Total				23,790,640.00

Appendix II

Irregular payment of subsistence allowance (4 days Unaccounted for)

BUDGET AND APPROPRIATION COMMITTEE

PAYMENT OF PER DIEM WHILE TRAVELLING TO NAIROBI FOR TRAINING.				
Name	Position	No. Days	Rate (Kshs)	Amount (Kshs)
Hon. Wario Bulle	Chair	4	14,000	56,000.00
Hon. Sora Rare	Vice Chair	4	14,000	56,000.00
Hon. Halake Dida	Member	4	14,000	56,000.00
Hon. Golicha Galgalo	Member	4	14,000	56,000.00
Hon. Anno Mado	Member	4	14,000	56,000.00
Hon. Amina Hirbo	Member	4	14,000	56,000.00
Hon. Mark Ekale	Member	4	14,000	56,000.00
Hon. Daniella Lenatiyama	Member	4	14,000	56,000.00
Hon. Daudi Tamasot	Member	4	14,000	56,000.00
Somo Buke	Budget Officer	4	11,200	44,800.00
Albashir Hassan	Committee Clerk	4	6,300	25,200.00
Roba Halake	Driver	4	6,300	25,200.00
Total				599,200.00

Appendix III

Irregular Mileage Allowance Claims for M.C.As

PV No.	Date	Payee	Details	Amounts Kshs
454	12/3/2014	Marsabit C. Assembly	MCA's Mileage Allowance	10,383,632.30
632	5/25/2015	Marsabit C. Assembly	MCA's Mileage Allowance	618,116.40
841	6/29/2015	Marsabit C. Assembly	MCA's Mileage Allowance	6,103,123.20
605	5/26/2015	Marsabit C. Assembly	MCA's Mileage Allowance	4,923,369.00
596	5/18/2015	Marsabit C. Assembly	MCA's Mileage Allowance	1,555,866.00
613	5/26/2015	Marsabit C. Assembly	MCA's Mileage Allowance	517,492.80
660	5/27/2015	Marsabit C. Assembly	MCA's Mileage Allowance	518,256.00
			Total	24,619,855.70

Appendix IV

Sitting Allowance County Assembly of Marsabit 2014/2015

PV No.	Date	Amount	Type of C Committee	Meetings Held Week per	Excess Meetings	Irregular Payments Kshs
189	11/13/2014	723,840.00	Health	4 th week of September 2014-8 meetings.	4	78,000.00
9	9/11/2014	764,000.00	Budget & Appropriation Committee.	2 nd week of June 2014-5 meetings	1	35,500.00
"	"	"	"	3 rd week of June 2014-3 meetings	3	58,500.00
Total		1,487,840.00				172,000.00

