

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR GENERAL

ON

**THE FINANCIAL OPERATIONS OF
ELGEYO MARAKWET COUNTY ASSEMBLY**

**FOR THE PERIOD
1 JULY 2013 TO 30 JUNE 2014**

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REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF ELGEYO MARAKWET COUNTY ASSEMBLY FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

EXECUTIVE SUMMARY

Introduction

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 and the Public Audit Act, 2003. Further, the Constitution and Section 107 of the Public Finance Management Act, 2012 requires the County Treasury to adhere to the principles of public finance.

Audit Objectives

The objective of the audit was to ensure existence of internal controls for proper accountability of public resources, confirm that procurement of goods, works and services was done in accordance with the Public Procurement and Disposal Act, 2005 and related regulations and that public funds have been utilized effectively and in accordance with the law.

1.0 Key Audit Findings

1.1 Mortgage Loan Facility

A review of the mortgage loan facility for the members indicated that thirty (30) members of the County Assembly were each paid mortgage loan amounting to Kshs.3,000,000 totalling Kshs.90,000,000. However, information availed for audit review indicate that the members did not purchase residential houses but the money was utilized to repay their personal bank loans which were outstanding as at 30 May 2014.

Under the circumstances, it has not been possible to confirm the propriety of mortgage loans totalling to Kshs.90,000,000.

1.2 Payment of Sitting Allowances to Members of County Assembly (MCAs)

Records availed for audit review indicates that in the months of December 2013 to June 2014, the chairmen and vice-chairmen of various house committees were paid higher rates of sitting allowances at Kshs.6,500 and Kshs.5,200 respectively compared to the rate of Kshs.3,900 approved by Salaries and Remuneration Commission (SRC). As a result, the chairmen and vice-chairmen of the various house committees were overpaid sitting allowances totaling Kshs.2,229,500.

Further, records also availed for audit review indicated that in the months of December 2013 to June 2014, the members of the County Assembly were paid sitting allowances twice per day as they held more than one plenary sittings in those. However, it is not clear and the management has not explained if express

approval from the Speaker was obtained to hold two sittings in a day. As a result, the members of County Assembly were double paid, resulting to excess payment of sitting allowances totalling to Kshs.2,744,300.

Consequently, the propriety of members sitting allowances amounting to Kshs.4,973,800 paid during the year under review, could not be confirmed as at 30 June 2014.

1.3 Payment of ¼ per diem to MCAs on Local Travel

During the month of November 2013, several Members of the County Assembly who participated in a fully paid outreach programme in the County were paid ¼ per diem totalling to Kshs.629,375. Information available indicated that the programme was fully paid for by the County Assembly to a tune of Kshs.910,980 to cater for transport, food and accommodation. In paying the ¼ per diem, the County Assembly relied on Section 5.3(3) of the Code of Regulations which is applicable to payment of subsistence allowance when traveling for duty outside Kenya and not on local travel. As a result, the ¼ per diem paid to MCAs is irregular as it contravenes the Government Financial Regulations and Procedures.

1.4 Foreign trips and over-expenditure

Available information indicates that the County Assembly incurred a total of Kshs.11,399,480 on members' travel outside the country during the period under review. However, the expenditure could not be verified and confirmed as validly incurred due to lack of travel documents including passports and clearance certificates. Further, no reports appear to have been prepared by members for tabling, adoption and implementation in the Assembly as required by the Assembly Standing Orders.

Also according to the approved budget on foreign travel for 2013/2014, a total of Kshs.7,500,000 had been allocated, implying that there was unauthorized over expenditure of Kshs.3,899,480 as compared with actual expenditure of Kshs.11,399,000 contrary to the Public Finance Management Act, 2012.

1.5 Books of Accounts and Records

During the audit review, it was noted that the County Assembly did not maintain the required books of account and records as set out in the Public Finance Management Act 2012, including imprest register, payment voucher movement register and fixed assets register.

1.6 Authority to Incur Expenditure

Authority to Incur Expenditure (AIEs) information for expenditure amounting to Kshs.25,535,765 expended during the year were not provided for audit review.

1.7 Hire of Assembly Staff

A review of County Assembly Service Board records indicated that forty three (43) score cards and evaluation reports of interviewing panels for newly recruited staff

were not provided for audit verification, while some two (2) staff did not meet set minimum qualifications on their job groups. Consequently, it could not be ascertained whether or not the criteria used to offer opportunity in employment of new staff was fair and without bias as set out in Section 65(1) (e) of the County Government Act, 2012.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 May 2015

DETAILED REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF ELGEYO MARAKWET COUNTY ASSEMBLY FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

Detailed Audit Findings

1.0 Mortgage Loan Facility

A review of implementation of the mortgage loan facility approved by the Salaries and Remuneration Commission (SRC) vide circular No. SRC/TS/CGOVT3/16 dated 15 November 2013 for the members indicated that thirty (30) members of the County Assembly were each paid mortgage loan amounting to Kshs.3,000,000 totalling Kshs.90,000,000 as analysed in **Appendix I**. However, information availed for audit review indicate that the members did not purchase residential houses but the money was utilized to repay their personal bank loans which were outstanding as at 30 May 2014 and the net paid as advances to the MCAs.

It was not possible therefore to confirm the propriety of mortgage loans totalling to Kshs.90,000,000.

Recommendation

The management should ensure that the provisions contained in the County Assembly Mortgage Loan Act, 2014 are complied with.

2.0 Payment of Sitting Allowances to Members of County Assembly (MCAs)

2.1 Overpayment to Chairmen and Vice chairmen of house committees

Records availed for audit review indicates that in the months of December 2013 for June 2014, the chairmen and vice-chairmen of various house committees were paid on plenary sittings higher rates of sitting allowances at a rate of Kshs.6,500 and Kshs.5,200 respectively compared to the rate of Kshs.3,900 approved by Salaries and Remuneration Commission (SRC). As a result, the chairmen and vice-chairmen of various house committees were overpaid sitting allowances totaling Kshs.2,229,500 as summarized below:

No.	Month	Overpayments Kshs.
1.	December 2013	48,100.00
2.	January 2014	202,800.00
3.	February 2014	282,100.00
4.	March 2014	460,200.00

5.	April	2014	569,400.00
6.	May	2014	178,100.00
7.	June	2014	<u>488,800.00</u>
	Total		<u>2,229,500.00</u>

2.2 Excess Payments on Plenary Sitings

Records availed for audit review indicated that in the months of December 2013 to June 2014, the members of the County Assembly were paid sitting allowances twice per day as they held more than one plenary sittings in those months. However, information was not availed for audit review to confirm if express direction from the Speaker was sought that necessitated the Assembly to hold two sittings in a day. As a result, the members of County Assembly were double paid, resulting to excess payment of sitting allowances totalling to Kshs.2,744,300 as summarized below:

No.	Month	Excess Payments Kshs.
1.	December 2013	913,900.00
2.	January 2014	176,800.00
3.	February 2014	202,800.00
4.	March 2014	387,400.00
5.	April 2014	572,000.00
6.	May 2014	176,800.00
7.	June 2014	<u>314,600.00</u>
	Total	<u>2,744,300.00</u>

Consequently, the propriety of members sitting allowances amounting to Kshs.4,973,800 paid during the year under review, could not be confirmed as at 30 June 2014.

Recommendation

The management officer should ensure that sitting allowances for Members of the County Assembly is paid in accordance with the approved rates, processing of benefits and salaries is done through payroll system and overpayments of Kshs.4,973,800 made during the financial year should be recovered from the

respective members' emoluments. Also the management should ensure that control measures are put in place by signing off the register by members attending meetings to avoid open ended entries.

3.0 Payment of ¼ per diem to MCAs on Local Travel

During the month of November 2013, several Members of the County Assembly who participated in a fully paid outreach programme in the County were paid ¼ per diem totalling to Kshs.629,375 vide voucher No.32 of 28 November 2013. Information available indicated that the programme was fully paid for by the County Assembly to a tune of Kshs.910,980 to cater for transport, food and accommodation. In paying the ¼ per diem, the County Assembly relied on Section 5.3(3) of the Code of Regulations which is applicable to payment of subsistence allowance when traveling for duty outside Kenya and not on local travel. As a result, the ¼ per diem paid to MCAs is irregular as it contravenes the Government Financial Regulations and Procedures.

Recommendation

The management should ensure that the irregularly ¼ per diem paid totaling to Kshs.629,375 to County Assembly Members is recovered from the respective members and in future, financial regulations governing payment of travel and subsistence allowances is adhered to.

4.0 Travel and Accommodation Allowance (Foreign trips)

4.1 Doubtful Allowances

Available information indicates that the County Assembly incurred a total of Kshs.11,399,480 on members' travel outside the country including Rwanda, Uganda, South Africa, Canada and Singapore. However, the expenditure could not be verified and confirmed as validly incurred due to lack of travel documents including passports and clearance certificates. Further, no reports appear to have been prepared by members for tabling, adoption and implementation in the Assembly as required by the Assembly Standing orders.

In addition, the actual expenditure under foreign travel amounts to Kshs.11,399,480 but the Assembly provided payment vouchers amounting to Kshs.5,132,187 as summarized in **Appendix II**. The supporting payment documents for the balance of Kshs.6,267,293 were not availed for audit review.

4.2 Unauthorized Over-expenditure

According to the approved budget on foreign travel for 2013/2014, a total of Kshs.7,500,000 had been allocated while actual expenditure for the period amounted to Kshs.11,399,000 resulting to unauthorized over expenditure of Kshs.3,899,000 which is contrary to the Public Finance Management Act, 2012.

Recommendation

The management should ensure that imprest paid to officers and Members of the Assembly is accounted for within 48 hours after accomplishing the intended assignment or after return from field visit. It is also recommended that the expenditure which is not fully accounted for is recovered from the concerned Members of the Assembly.

5.0 Books of Account and Records

During the audit review, it was noted that the County Assembly did not maintain the required books of account and records as set out in the Public Finance Management Act 2012, which include imprest register, payment voucher movement register and fixed assets register.

Recommendation

The management should ensure that imprest registers, payment voucher movement register and fixed asset register are opened and updated regularly.

6.0 Authority to Incur Expenditure

Authority to Incur Expenditure (AIEs) information for expenditure amounting to Kshs.25,535,765 expended during the year were not provided for audit review.

It was not possible therefore, to confirm whether expenditure incurred was in accordance with the budget. Details of the disbursement without AIEs are provided in **Appendix III**.

Recommendation

It is recommended that the AIEs amounting to Kshs.25,535,765 should be accounted for and availed for audit verification.

7.0 Hire of Assembly Staff

A review of County Assembly Service Board (CASB) records indicated several weaknesses as detailed below:

Forty three (43) score cards and evaluation reports of interviewing panels for newly recruited staff were not provided for audit verification.

One officer who was recruited as an Administrative Assistant II (Salary Scale CASB8) did not have a Bachelor's degree in Secretarial Studies as a minimum requirement for the job.

One officer in salary scale CASB7 Administrative officer 1 had a certificate of primary education only (CPE 1976) and certificates of attendance in Agriculture

from a college. However, according to the scheme of service, the candidates for the position should have at least the equivalent of Kenya Certificate of Secondary Education (KCSE) mean grade C (plain).

Consequently, it could not be ascertained whether or not the criteria used to offer opportunity in employment of new staff was fair and without bias as set out in Section 65(1) of the County Government Act, 2012.

Recommendation

The management should ensure that measures are put in place to ensure filling of employment vacancies in the Assembly is competitive, fair and conform to the principles set out in the Constitution and County Government Act, 2012.

Conclusion

The Elgeyo Marakwet County Assembly should address the anomalies noted in order to ensure effective delivery of service to the people of Elgeyo Mrakwet. Laid down Government regulations and procedures should be adhered to ensure public resources are only utilized for the purposes for which they were intended.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 May 2015

Appendix I

Elgeyo Marakwet

Mortgage Loan to MCAs

	Name	Loan Amount 'Kshs'	Monthly deductions 'Kshs'	Commercial loans repaid 'Kshs'	Financial institution/ Commercial bank	Remarks
1	Hon. Wilson B. Kipketer	3,000,000	87,900	-	Co-op	No security deposited
2	Hon. Benson Kiptire	3,000,000	87,900	1,206,007	Co-op	
3	Hon. William Chesingany	3,000,000	87,900	-		
4	Hon. Kenneth Langat	3,000,000	87,900	-		
5	Hon. Paul K. Suter	3,000,000	87,900	1,543,583	Co-op	No security deposited
6	Hon. C. Cheboiboch	3,000,000	87,900	1,336,334	Keiyo Tech Sacco	No security deposited
7	Hon. Simion Chebii	3,000,000	87,900	1,302,432	Equity	No security deposited
8	Hon. Festus K. Kirop	3,000,000	87,900	770,716	KCB	No security deposited
				1,710,893	Co-op	No security deposited
9	Hon. Gilbert Kaptugen	3,000,000	87,900	-		
10	Hon. Vincent K. Keitany	3,000,000	87,900	91,520	KCB	No security deposited
				300,458	Keiyo Tech Sacco	No security deposited
11	Hon. Christopher Kibor	3,000,000	87,900	1,734,029	KCB	No security deposited
12	Hon. David Yego	3,000,000	87,900	702,157	KCB	No security deposited
13	Hon. Rosa Cherop	3,000,000	87,900	2,752,868	KCB	No security deposited
14	Hon. David K. Kipketer	3,000,000	87,900	1,496,699	Equity	No security deposited

15	Hon.Vincent.Ki pchumba	3,000,000	87,900	2,228,606	Co-op	No security deposited
16	Hon.Charles Cherono	3,000,000	87,900	1,362,489	KCB	No security deposited
17	Hon.Thomas K.Kigen	3,000,000	87,900	-		
18	Hon.Tecla J.Kibet	3,000,000	87,900	1,786,082	Equity	No security deposited
19	Hon.Daniel K.Chirchir	3,000,000	87,900	1,710,943	Co-op	No security deposited
20	Hon.Philemon. K.Koech	3,000,000	87,900	1,215,998	KCB	No security deposited
21	Hon.Emmy K.Jelagat	3,000,000	87,900	-		
22	Hon.Caroline Kangogo	3,000,000	87,900	1,111,722	KCB	No security deposited
23	Hon.E. Cheruiyot	3,000,000	87,900	1,383,518	Equity	No security deposited
24	Hon.Esther J.Kemboi	3,000,000	87,900	-		
25	Hon.Rael.J.Lim o	3,000,000	87,900	-		
26	Hon.Salina J.Cherop	3,000,000	87,900	1,267,531	Co-op	No security deposited
27	Hon.Eunice J.Chebii	3,000,000	87,900	975,710	KCB	No security deposited
28	Hon.Titus Kabuswa	3,000,000	87,900	1,383,518	Co-op	No security deposited
29	Hon.Neddy J.Kiptoo	3,000,000	87,900	1,637,665	Co-op	No security deposited
30	Hon.Faith J.Chepkairor	3,000,000	87,900	924,313	KCB	No security deposited
	TOTALS	90,000,000		31,935,791		

Appendix II

Elgeyo Marakwet

MCA's Foreign Travel Expenditure

No.	Date	Country	PV No.	Amount
1	16.12.2013	Rwanda	50	539,910
	23.4.2014		130	129,853
				669,763
2	28.5.2014	Canada	133	392,045
	28.5.2014		132	590,568
				982,613
3	3.4.2014	South Africa	112	249,680
	3.4.2014		113	512,455
				762,135
4	19.2.2014	Singapore	337	1,073,000
	20.2.2014		327	274,645
	20.2.2014		326	274,645
	20.2.2014		328	274,645
	20.2.2014		329	274,645
				2,171,580
5	24.2.2014	Uganda	1898	79,688
	21.2.2014		1894	93,280
	21.2.2014		1896	93,280
	21.2.2014		1897	93,280
	24.2.2014		1893	93,280
	21.2.2014		345	93,280
				546,088
	Grand Total			5,132,187

Appendix III

Elgeyo Marakwet

**Funds Received by County Assembly without AIEs -
Kshs.25,535,765**

Date	AIE No.	Amount-Kshs.	Remarks
29.10.2013	-	15,585,765	No AIE issued
10.1.2014	-	1,150,000	No AIE issued
20.1.2014	-	1,100,000	No AIE issued
11.2.2014	-	900,000	No AIE issued
4.3.2014	-	5,400,000	No AIE issued
6.5.2014	-	1,400,000	No AIE issued
	Total	25,535,765	