REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY GOVERNMENT OF MARSABIT

FOR THE YEAR ENDED 30 JUNE 2015

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY GOVERNMENT OF MARSABIT FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Government of Marsabit set out on pages 9 to 39, which comprise the statement of assets and liabilities as at 30 June 2015, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of section 9 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

Basis for Adverse Opinion

1. Accuracy of the Financial Statements

The statement of Receipts and Payments for the year ended 30 June 2015 reflected total receipts of Kshs.4,646,790,215 and total payments of Kshs.4,847,130,318. However, the respective ledger reflected total payments of Kshs.4,846,606,969 resulting to an unexplained variance of Kshs.523,349 which translated to an overstatement of the financial statements by the same amount as shown below;

Payments	Balances as per FS	Ledger balances	Variation
Specialized materials and services	120,891,686.00	120,691,686.00	200,000.00
Foreign travel	14,857,879.00	14,827,878.00	30,001.00
Purchase of certified seeds, breeding stock & live animals	6,592,327.00	6,299,026.00	293,301.00
Construction of building	409,316,300.00	409,316,345.00	(45.00)
Rehabilitation & renovation of plant machinery & equipment	41,649,656.00	41,649,564.00	92.00
Total variance	**593,307,848**	**592,784,499**	**523,349.00**

Further, the combined summary statement of appropriation for the year ended 30 June 2015 reflect actual exchequer releases of Kshs.5,122,445,500 while the statement of receipts and payments reflect releases of Kshs.4,527,792,200 for the same period resulting to an unreconciled and unexplained variance of Kshs.594,653,300. In addition, the comparative figures (opening balances) in the financial statements for the year under review differs with the certified figures for the year ended 30 June 2014 by Kshs.514,530,051 as follows;

Item	Balance in 2013/14 Certified A/Cs	2013/14 Balance B/F in 2014/15	Difference
Total Receipts	4,111,195,378	3,853,930,352	257,265,026
Total Payments	2,964,752,724	2,769,770,066	194,982,658
Surplus	1,146,442,654	1,084,160,287	62,282,367
Total	**8,222,390,756**	**7,707,860,705**	**514,530,051**

This difference affected the accuracy of all other opening balances.

Further, although proceeds from domestic and foreign grants of Kshs.13,170,000 were included in the statement of receipts and payments, the amount was omitted in the combined summary statement of appropriation.

In view of the foregoing, the accuracy of the financial statements as a whole as at 30 June 2015 could not be ascertained.

2. Budgetary Control and Performance

During the year under review, the County Government approved a budget of Kshs.5,753,813,946.0 comprised of a recurrent expenditure estimate of Kshs.2,742,614,073.00 (48%) and development expenditure estimate of Kshs.3,011,199,873.00 (52%).

The County Government had 13 cost centers namely the County Executive services (Office of the Governor), County Assembly, Financial management services, Agriculture, Public service board, Education Youth affairs, Health Services, Administration and ICT, Physical planning and Development, Public Works, Water Services, Trade and Industry and Culture and Social services as summarized below;

Cost Center	Vote	Approved Budget	Actual	Absorption Rate
Marsabit County Executive	Recurrent	2,335,611,545.76	2,111,155,543.00	90%
Marsabit County Assembly	Recurrent	407,002,527.00	404,951,499.11	99%
Total Recurrent		**2,742,614,072.76**	**2,516,107,042.11**	**92%**
Marsabit County Executive	Development	2,930,199,873.24	2,514,403,400.00	86%
Marsabit County Assembly	Development	81,000,000.00	81,000,000.00	100%
Total Development		**3,011,199,873.24**	**2,595,403,400.00**	**86%**
Grand total		**5,753,813,946.00**	**5,111,510,442.11**	**89%**

(i) Expenditure

(a) Recurrent expenditure

The actual total expenditure on recurrent activities amounted to Kshs.2,516,107,042.00 against a budget of Kshs.2,742,614,073.00 which represented an absorption rate of 92% as follows;

Sub Head	Approved Budget	Actual	Variance	Absorption Rate
Executive Services (Office of the Governor	288,480,000.00	276,352,516.00	12,127,484.00	96%
County Assembly	407,002,527.00	404,951,499.11	2,051,027.89	99%

Finance Management	649,917,729.40	534,995,443.00	114,922,286.40	82%
Agriculture	126,757,582.00	120,187,738.00	6,569,844.00	95%
County Public Services	60,829,169.17	54,786,859.00	6,042,310.17	90%
Education Youth Affairs	71,477,561.90	69,244,454.00	2,233,107.90	97%
Health Services	632,413,940.20	613,945,402.00	18,468,538.20	97%
Administration and ICT	163,945,442.19	124,419,797.00	39,525,645.19	76%
Physical Planning Development	72,470,416.40	70,000,166.00	2,470,250.40	97%
Public Works	62,867,500.00	56,773,524.00	6,093,976.00	90%
Water Services	105,945,700.00	96,239,905.00	9,705,795.00	91%
Trade and Industry	54,749,108.20	52,071,016.00	2,678,092.20	95%
Culture and Social Services	45,757,396.30	42,138,723.00	3,618,673.30	92%
Grand Total	**2,742,614,072.76**	**2,516,107,042.11**	**226,507,030.65**	**92%**

The County Assembly registered the highest budget utilization rate of 99%.

It was noted that the department of finance management services, health services and the executive services (Office of the Governor) had an allocation amounting to Kshs.1,570,811,669.60 which accounted for 57% of the entire allocation for the County.

(b) Development Expenditure

The total expenditure on development activities amounted to Kshs.2,595,403,400.00 against a budget of Kshs.3,011,199,873.24 which represented an absorption rate of 86% as follows;

Sub Head	Approved Budget Kshs	Actual Kshs	Budget utilization Difference Kshs	Absorption Rate %
Executive Services	60,000,000.00	20,437,310.00	39,562,690.00	34%
Finance Management	1,196,213,997.00	1,145,397,764.00	50,816,233.00	96%
Agriculture	122,010,798.24	89,540,055.00	32,470,743.24	73%
County Public Services	7,000,000.00	3,289,373.00	3,710,627.00	47%
Education Youth Affairs	122,800,000.00	121,578,963.00	1,221,037.00	99%
Health Services	230,000,000.00	157,991,358.00	72,008,642.00	69%
Administration and ICT	93,000,000.00	91,225,189.00	1,774,811.00	98%
Physical Planning Development	153,800,000.00	147,295,349.00	6,504,651.00	96%
Public Works	215,475,078.00	155,339,666.00	60,135,412.00	72%
Water Services	529,900,000.00	438,559,945.00	91,340,055.00	83%
Trade and Industry	118,000,000.00	78,835,318.00	39,164,682.00	67%
Culture and Social Services	82,000,000.00	64,913,110.00	17,086,890.00	79%
County Assembly	81,000,000.00	81,000,000.00	-	100%
Grant Total	**3,011,199,873.24**	**2,595,403,400.00**	**415,796,473.24**	

The County Assembly registered the highest budget utilization rate of 100%.

The total under – expenditure for the recurrent and development votes was Kshs.22,507,030.65 and Kshs.415,796,473.24 both totalling to Kshs.642,303,503.89 rendering the entire budget unrealistic.

In the circumstances, the residents of Marsabit did not get the expected and promised services equivalent to the un utilized budget of Kshs.642,303,503.89.

(ii) Revenue

During the financial year under review, total revenue amounted to Kshs.4,646,790,214.00 which comprised of local revenue of Kshs.105,828,015.00, DANIDA grants of Kshs.13,170,000.00 and exchequer releases of Kshs.4,527,792,199.00 as follows;

Summary of Total Receipts

Details	Amount Received (Kshs)	Amount Budgeted (Kshs)
Exchequer releases	4,527,792,199.00	5,685,565,194
Local Revenue	105,828,015.00	48,628,610
DANIDA grants	13,170,000.00	13,170,000
Total	**4,646,790,214.00**	**5,747,903,804**

The total local revenue collected of Kshs.105,828,015.00 registered an increase of Kshs.57,199,405 (118%) compared to the previous financial year's collection of Kshs.48,628,610.00 as follows;

	Monthly Revenue Collection		
	2013/14	**2014/15**	**Variance**
July. 2014	5,583,515.00	6,679,295.00	1,095,780.00
Aug. 2014	2,305,980.00	15,517,409.00	13,211,429.00
Sept. 2014	3,269,735.00	7,370,841.00	4,101,106.00
Oct. 2014	2,019,760.00	7,794,453.00	5,774,693.00
Nov. 2014	4,047,870.00	5,375,373.00	1,327,503.00
Dec. 2014	2,481,098.00	6,217,045.00	3,735,947.00
Jan. 2015	3,238,943.00	7,173,803.00	3,934,860.00
Feb. 2015	3,776,128.00	8,184,875.00	4,408,747.00
Mar. 2015	4,684,742.00	12,566,713.00	7,881,971.00
Apr. 2015	4,129,993.00	9,966,232.00	5,836,239.00
May. 2015	6,519,051.00	8,326,074.00	1,807,023.00
Jun. 2015	6,571,795.00	10,655,902.00	4,084,107.00
Total	**48,628,610.00**	**105,828,015.00**	**57,199,405.00**

Further, the summary statement of appropriation – recurrent and development shows total budgeted receipts of Kshs.5,753,813,944 and actual receipts of Kshs.5,122,445,500. However, the statement of receipts and payments reflect receipts of Kshs.4,646,790,215 resulting into an unexplained variance of Kshs.475,655,285. In addition, the budgeted receipts of Kshs.5,753,813,944 and the actual receipts of Kshs.4,646,790,215 resulted into an unexplained revenue short fall of Kshs.1,107,023,728.

In the circumstances, the residents of Marsabit did not receive services equivalent to the revenue short fall of Kshs.475,655,285 as at 30 June 2015 between the two sets of records and the overall budgeted revenue shortfall of Kshs.1,107,023,728.

3. Cash and Cash Equivalents

During the year ended 30 June 2015, the County Government of Marsabit operated twelve (12) banks account as follows;

Name	Type	A/c Number	Balance as at 30 June 2015 (Kshs.)
Equity Bank-County Assembly	Operation A/c	1010261309104	2,051,028
Cooperative bank-County Assembly	Car and Mortgage	01141551282300	99,670,878
CBK-County	Revenue Fund	1000170824	632,825,567
CBK-	Development	1000170514	38,205,229
CBK	Recurrent	1000170492	129,448,876
Cooperative bank	Deposit A/c	01141551311100	107,249,011
Equity Bank	Emergency Fund	1010262209545	27,701,780
KCB	Local Revenue	1140751484	9,550,696
First Community	Operational		Nil
Equity Bank	Social protection Fund	1010264004095	6,250,000
KCB	Recurrent	1140789724	1,511
KCB	Development	1162178345	162,112
Total			**1,053,116,112**

The County Government appeared not to have considered the financial implications of maintaining all the twelve (12) accounts. Further, note 20 – financial costs, of the notes to the financial statements, which would have reflected the associated banks charges, reflects nil expenditure on the item.

In addition, the financial statements reflected bank balance of Kshs.1,053,116,688. However, the bank reconciliation statements were not availed for four (4) bank accounts namely; County revenue account (CBK) A/C 1000170824, Local revenue account (KCB) a/c 1140751484, Social protection fund (Equity) a/c 1010264004095 and Emergency Fund account (Equity) a/c 1010262209545.

In the circumstances, the accuracy of the Kshs.1,053,116,688 cash and cash equivalents balance as at 30 June 2015 could not be confirmed.

4. Incomplete Fixed Asset Register

The fixed assets register maintained by the County Assembly 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 if any. Further, as reported in the previous year, the County had not taken over the assets and liabilities of the defunct local authorities.

In the circumstances, the security, existence and value of the fixed assets as at 30 June 2015, could not be ascertained.

5. Incomplete and Irregular Paid Projects

i) During the year under review, the County Government undertook various projects ranging from civil works, road construction and building works. Scrutiny of the procurement process revealed that crucial documents pertaining to the various stages of procurement were not readily available for audit verification as they were kept in multiple locations and no records were kept in a central place. The public procurement regulations of 2006 part II subsection 8(3) (d)(n) defines the functions of the procuring unit as that of maintaining, safeguarding and archiving documents and records of the procurement and disposal activities for the required period.

The following documents were not held by the procuring unit and this was prevalent in majority of the projects;

a) Advertisements
b) Tender opening minutes – Receiving and opening bids
c) Tender committee minutes
d) Tender evaluation committee
e) Notification of awards
f) Acceptance letters
g) Performance bonds
h) Contract agreement
i) Engineers estimates
j) Clearly labeled project files that contain documentation reflecting contractor's claims, payment vouchers, and statement of accounts.

ii) A physical verification on sampled ongoing projects amounting to Kshs.10,504,751 revealed anomalies as indicated in the table below;

No	Project	Amount (Kshs)	Payment Status	Key audit findings
1	Refurbishment of Moyale District hospital	1,570,976	Fully paid	Part of the work not done yet it was paid for, i.e. mounting of air conditioners
2	Roads and parking at Moyale District Hospital	3,739,260	Fully paid	Work paid for was not as per what was indicated in the BQ, 400M2 against BQ of 1500M2 (Parking-cabro blocks)

3	Re-roofing of Moyale District Hospital	5,194,515	Fully paid	Part of the work not done yet it was paid for that is; some areas/part of the hospital was still roofed with asbestos which ought to have been replaced.
	Total Kshs.	**10,504,751**		

In the circumstances, it was not possible to ascertain that the procurement of the three (3) projects valued at Kshs.10,504,751 undertaken by the County government during the year was in line with the Public Procurement and Disposal Regulations, 2006 and that the County Government got value for money as at 30 June 2015.

6. Irregularities in Accounts Payable – Deposits Held in Trust

i) Non – Disclosure of Voluntary and Statutory Deductions

Note 24 of the notes to the Financial Statements reflects Deposit held in trust balance of Kshs.43,064,521 as at 30 June 2015 which was composed of gratuity of Kshs.39,620,404.65 and unremitted employees voluntary and statutory deductions of Kshs.3,441,116.35. However, a review of the payroll records revealed that the Kshs.3,441,116.35 voluntary and statutory deductions were only for five (5) months – July to November 2014 while the unremitted deductions for seven (7) months – December 2014 to June 2015 amounting to Kshs.2,144,921.40 had not been included in the financial statements as a liability. The financial statements were therefore, understated and it was not clear how the County would eventually remit the deductions as they were not part of liabilities disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the Accounts payables balance of Kshs.107,249,011 as at 30 June 2015 could not be ascertained.

ii) Unsupported Provision of Gratuity

Review of gratuity records revealed that the County Government had transferred a total of Kshs.39,620,404.00 into a deposit account no. 0114155131110 held at Co-operative Bank, Marsabit Branch for paying gratuity to employees on contract. However, only Kshs.12,064,683 was approved for the item and no supplementary budget was availed for the Kshs.27,555,721 over – expenditure. Out of this amount, Kshs.17,327,085.25 related to the period March 2013 to June 2014 while the balance of Kshs.22,293,318.75 related to the year under review. However, no contract documents between the bank and the County were availed for audit verification. Further, the fund was not operated under a registered scheme and no records were made available to show whether an agreement existed between the employee and employer outlining how the fund would be administered. In addition, the gratuity obligation was not disclosed in the financial statements in form of a note.

In the circumstances, the security of Kshs.39,620,404.00 deposit could not be ascertained as at June 2015.

7. Pending Bills

Note 24, 26.1 and Annex 3 of the notes to the financial statements reflects pending bills of Kshs.107,249,011, Kshs.521,179,305.60 and Kshs.2,144,921.40 respectively all totaling to Kshs.630,573,238 as at 30 June 2015. However, the respective analysis for the pending bills were not made available for audit review. Further, had the bills been settled during the year under review as required by IPSAS (cash basis), the statement of receipts and payments would have reflected a deficit of Kshs.830,913,341 instead of the Kshs.200,340,103 now shown.

In addition, during the year under review, the County Government spent Kshs.1,233,244,387 to settle previous years pending bills. However, no supporting documents were made available for audit review.

In the circumstances, the propriety of the Kshs.1,233,247,387 could not be ascertained as at 30 June 2015.

8. Irregular Payments

(i) Irregular Claim on Mileage Allowance for Members of County Assembly

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

Irregular Mileage Allowance Claims by M.C.As

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

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.

(ii) 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 as follows;

Sitting Allowance County Assembly of Marsabit 2014/2015

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

ii. In payment voucher numbers no. 45, 46 and 553, MCAs were paid allowances amounting to Kshs.44,000.00 for attending the following committee meetings;

PV. No.	Date	Payee	Amounts
MCA045	9/11/2014	Elema Wako	20,000.00
MCA046	9/11/2014	Elema Wako	16,000.00
MCA553	3/20/2015	Salim Ali	8,000.00
		Total	**44,000.00**

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 sitting allowances of Kshs.216,000 could not be confirmed as at 30 June 2015.

9. Lack of a Staff Establishment

During the year under review, the County Government spent Kshs.9,811,983 in terms of salaries for forty nine (49) new staff recruited at various cadres in various departments. However, the County Government did not prepare or approve its staff establishment and hence managed its human resource without an approved establishment.

In view of the foregoing, the adequacy and appropriateness, the existence and the necessity to fill vacancies or the possibility of staff progression could not be ascertained.

10. Unaccounted for Fuel and Specialized Materials

Examination of the County Government's fuel records revealed that 139,510.58 Litres of fuel worth Kshs.13,804,487.25 was not taken on charge as required by various departments under the County Government. Verification done in the various departments revealed that although the registers were maintained, requisition for additional stock would proceed without involvement of the store's department.

Further, during the year under review, an amount of Kshs.8,892,364.00 was spent on procurement of specialized materials and supplies for the various departments within the County. However, no store records were maintained to record receipt of the goods. In addition, counter receipt vouchers (S13) raised were not taken on charge in the stores records.

In view of the foregoing, it has not been possible to ascertain that the goods were received as ordered and that the expenditure of Kshs.22,696,852.25 was a proper charge to public funds as at 30 June 2015.

11. Doubtful Foreign and Domestic Travel Expenditure

(i) Examination of County Assembly records on domestic and foreign travel and subsistence revealed that an amount of Kshs.22,162,400 and Kshs.1,628,240 in respect to domestic and foreign travels respectively both totaling Kshs.23,790,640.00 had not been utilized in compliance with the laid down rules on management of travel and subsistence allowance.

a) Funds advanced to officers were expensed immediately without being accounted for through imprest system.

b) Payments lacked proper supporting documents such as work tickets, invitation letters, and attendance lists.

c) A total of Kshs.849,000 were paid to MCA as allowances during public participation; however no report or minutes were availed for audit verification.

d) Budget and appropriation committee members were paid nine (9) night outs for attending a five (5) day workshop leading to payment of an extra 4 night outs amounting to Kshs.599,200.

e) A total of Kshs.1,628,240 were spent on foreign travel, however no supporting documents were made available to ascertain whether the foreign trips took place.

In view of the foregoing, it was not possible to confirm that the expenditure of Kshs.23,790,640.00 was a proper charge to public funds.

(ii) Unaccounted for Imprest

Note 13 of the notes to the financial statements reflects an expenditure of Kshs.171,706,187 in respect to domestic travel and subsistence allowance which include Kshs.6,298,630 outstanding temporary imprest. However, the respective imprest warrants were not made available and the amounts were expensed immediately after issuance.

Further, the payments were not supported by work tickets or bus tickets for journeys or invitation letters, timetable, approval of courses attended and list of participants for the trainings attended.

In the circumstance, the propriety of the Kshs.6,298,630 expenditure could not be ascertained.

12. Irregular Ward Fund Expenditure

A total of Kshs.19,200,000 was disbursed towards funding operations at the ward offices being monthly disbursements of Kshs.80,000 for the twenty (20) County wards for the twelve (12) months under review. 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 availed for audit verification.

b) Lease Agreement forms for Sololo ward had no details pertaining to the amount of monthly rent / annual rent.

In the circumstances, the propriety of the Kshs.19,200,000 expenditure could not be ascertained.

13. Unsupported Expenditures: Current Transfers and Grants

Note 16 of the notes to the financial statements reflects an expenditure of Kshs.24,191,300 in respect to other current transfers and grants which included Kshs.11,651,100 paid to council of governors. However, no documents were made available to show that the council was a legal entity and that the County was mandated to make contributions to it. In addition, no documents were made available to show how the Kshs.11,651,100 was accounted for. Further, included in

the Kshs.24,191,300 were unsupported and unexplained transfers of Kshs.12,540,200.

In the circumstances, the propriety of the Kshs.24,191,300 expenditure could not be ascertained.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of County Government of Marsabit as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.

Other Matter

Information Technology (IT) Environment

During the year under review, the County Assembly had not adopted the use of Integrated Financial Management Information System (IFMIS), IPPD and GPAY. Daily operations were done manually including processing of payments and recording financial information contrary to the Public Financial Management Act, 2012. Further, the Assembly did not have an IT department.

In the circumstances, it was not possible to ascertain that the management received accurate and reliable information to enable it make prompt and informed decisions.

My opinion is however not qualified in respect of this matter.

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

Nairobi

12 September 2016