REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

COUNTY ASSEMBLY OF ISIOLO

FOR THE YEAR ENDED 30 JUNE, 2019

OFFICE OF THE AUDITOR - GENERAL
EMBU HUB P. O. Box 113 - 60100, EMBU
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COUNTY ASSEMBLY OF ISIOLO

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County Assembly is constituted as per the constitution of Kenya and headed by the Speaker, who is responsible for the general policy and strategic direction of the County Assembly. The County Assembly constitutes 10 Members of County Assembly (MCAs) elected and 7 (MCAs) nominated to represent members of the public from their respective wards. The MCAs are responsible for making any laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Executive.

(b) Key Management

The *entity's* day-to-day management is under the following key organs:

- Clerks Department
- Accounts and Finance Department
- Human resource and Procurement Department
- Budget and Audit Department
-

(c) Fiduciary Management

The key management personnel who held office during the year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	**Salad Boru Guracha**
2.	Principal Accountant	**Issadin Muktar**
3.	Principal Finance	**Rahima Atikiya**
4.	Principal Human Resource	**Abubakar Ali Boru**
5.	Principal Procurement	**Tunu Abdi Tunu**
6.	Deputy Clerk	**Abdullahi Mohamud**
7.	Principal Budget	**Yussuf Mohamed**
8.	Principal Auditor	**Hadija Yussuf**

(d) Fiduciary Oversight Arrangements

- Audit and finance committee activities
- Parliamentary committee activities
- Development partner oversight activities
- Other oversight activities

(e) Entity Headquarters

P.O. Box 195 – 60300
County Assembly Building
Hospital Road
Isiolo, KENYA

(f) Entity Contacts

Telephone: (254) 0719574394
E-mail: clerkisiolo@gmail.com.
Website: www.isiolo.go.ke

(g) Entity Bankers

1. Central Bank of Kenya
   Haile Selassie Avenue
   P.O. Box 60000
   City Square 00200
   Nairobi, Kenya

2. Equity Bank Limited
   P.O. Box 197
   Isiolo

(h) Independent Auditors

Auditor General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. FORWARD BY THE CLERK OF THE ASSEMBLY

BUDGET PERFORMANCE.

County Assembly of Isiolo total budget allocation in the Financial Year 2018/2019 for both Recurrent and Development Budget was Kshs. 500,284,815 with actual total expenditure of Kshs. 492,624,242 representing 98% level of utilization.

EXPENDITURES FOR THE COUNTY ASSEMBLY

The total budget for the County Assembly for FY 2018/2019 was Kshs 500,284,815. The County Exchequer disbursed to the County Assembly a total sum of Kshs 498,000,000.The actual expenditure of the County Assembly was Kshs 492,624,242 out of the total budget allocation for the Assembly of Kshs 500,284,815 which comprised of Recurrent Kshs 415,284,815 and Development Ksh 85,000,000.

VALUE FOR MONEY

County Assembly of Isiolo funds were utilized in accordance with the provisions of Public Finance Management Act 2012 and the purpose for which they were intended for.

PHYSICAL PROGRESS ON DEVELOPMENT.

During the financial year 2018/2019 the County Assembly was able to undertake most capital projects which were budgeted. It's expected that the capital projects will have a positive outcome on service delivery by the county assembly. These development projects included:

- Refurbishment of County Assembly buildings
- Purchase of computers.
- Purchase of furniture.
- Purchase of office equipment and machines
- Development of local area network

IMPLEMENTATION CHALLENGES.

The major implementation challenges faced by the County Assembly during the financial year 2018/2019 were as follows;

- Delay of disbursement of funds from the National Treasury.
- IFMIS connectivity challenges
- Limited budget resources vis a vis demand for the resources.
- The County Assembly operated with a skeleton staff for most of the financial year
- Lack of capacity for effective IFMIS utilization and operations.

RECOMMENDED WAY FOWARD.

- Timely disbursement of funds by The National treasury.
- The National Treasury to address IFMIS connectivity delay challenges
- Prioritising activities to utilise the limited budgeted resources
- The National Treasury to provide approved financial reporting framework for the County Assembly on a timely basis
- Provide capacity to County staff operating the IFMIS

Sign

Clerk of the County Assembly

3. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 164 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of a County Government Entity to prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year ended June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Assembly; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended June 30, 2019, and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the County Assembly which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The Clerk confirms that the County Assembly has complied fully with applicable Government Regulations and that the County Assembly's funds received during the quarter under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

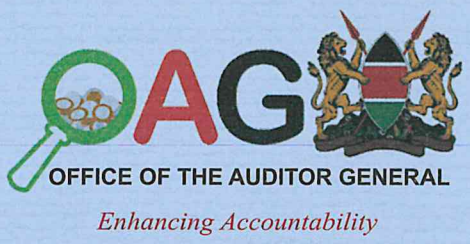
Approval of the financial statements

The County Government's financial statements were approved and signed by the Clerk of the County Assembly on 1st NOV. 2019.

Clerk of the County Assembly

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF ISIOLO FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Assembly of Isiolo set out on pages 1 to 17, which comprise the statement of financial assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts 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 and Section 35 of the Public Audit Act, 2015. 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.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the County Assembly of the Isiolo as at 30 June, 2019, 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 and the County Governments Act, 2012.

Basis for Adverse Opinion

1.0 Presentation of the Financial Statements

The Public Sector Accounting Standards Board (PSASB) requires certain disclosures in notes to the financial statements; report on progress on follow up of auditor's recommendations, annexures on analysis of pending accounts payables, analysis of pending staff payables, analysis of other pending payables and analysis of outstanding imprest. However, the report and analyses were not included in the Assembly's financial statements for the year under review. Further, the financial statements did not include the report of the Clerk of the Assembly on operational performance as per the requirements of the Public Sector Accounting Standards Board.

In addition, the Finance Officer is required to indicate their membership number with the Institute of Certified Public Accountants of Kenya (ICPAK) when signing financial statements. However, the County Assembly's Finance Officer did not append his

membership number with the Institute of Certified Public Accountants of Kenya (ICPAK) as per the requirements of the Public Sector Accounting Standards Board.

The issues were raised in the audit of the 2017/2018 financial year. Management has not made efforts to comply with the disclosure requirements prescribed by the Public Sector Accounting Standards Board

In the circumstances the Assembly's financial statements did not comply fully with the format prescribed by the Public Sector Accounting Standards Board.

2.0 Unapproved Reallocation of Funds

During the year under review, expenditure of Kshs.343,950 and Kshs.1,550,000 was incurred in respect of training expenses and routine maintenance of vehicles respectively under use of goods and services. However, the expenditure was charged to domestic travel and subsistence also under use of goods and services. Similarly, an expenditure of Kshs.1,376,920 on construction of buildings under acquisition of assets was charged to domestic travel and subsistence without approval. This was contrary to Section 154 (2)(b) of the Public Finance Management Act, 2012 which provides that a request for the reallocation of funds should be made to the County Treasury explaining the reasons for reallocations before such reallocations can get approval.

3.0 Inaccuracies in Cash and Cash Equivalents

The statement of financial assets and liabilities and as disclosed under Note 13A to the financial statements reflects a balance of Kshs.5,375,758 in respect to bank balances. This was comprised of Kshs.1,997 and Kshs.5,366,161 in two accounts held at the Central Bank of Kenya (CBK), and Kshs.7,600 held in Equity Bank. However, the cash book maintained for the Equity Bank account reflects a negative account balance of Kshs.8,649. The difference of Kshs.16,249 was not reconciled or explained. Further, the reconciliation statements for the Equity Account reflected a Nil balance as per bank statements. The resultant variance of Kshs.17,630 was not explained.

In addition, the certificate of bank balances for the recurrent and development bank accounts held at the Central Bank of Kenya (CBK) reflected Kshs.2,639 and Kshs.11,690 respectively However, the respective bank reconciliation statements reflected bank balances of Kshs.1,996 and Kshs.5,366,161 for the recurrent and development accounts resulting in unexplained variances of Kshs.643 and Kshs.5,354,471 respectively.

Consequently, the accuracy of the bank balance of Kshs.5,375,758 as at 30 June, 2019 could not be confirmed.

4.0 Inaccuracies in Fund Balance Brought Forward

The statement of financial assets and liabilities reflects Kshs.27,948,745 as the fund balance brought forward. However, the fund balance carried forward from 2017/2018 in the audited financial statements was Kshs.21,551,771. The resultant variance of Kshs.6,396,974 was not reconciled or explained.

Consequently, the net financial position of Kshs.5,375,758 reflected in the statement of financial assets and liabilities as at 30 June, 2019 has been overstated by the Kshs.6,396,974.

5.0 Inaccuracies in the Statement of Cash Flows

A review of the statement of cash flows for the year revealed a number of inaccuracies as follows: -

i. Transfers to other government entities was reflected as a Nil balance, while in the statement of receipts and payments reflected a balance of Kshs.27,948,745 resulting in an unexplained variance of Kshs.27,948,745 between the two statements.

ii. Operating expenses were reflected as Kshs.409,819,543. A re-cast of expenses reflected a figure of Kshs.410,644,815 resulting in an understatement of Kshs.825,272.

iii. The statement of cash flows reflected an amount of Kshs.27,948,745 in respect to cash and cash equivalents at the beginning of the year. This was used to offset a negative balance in respect to transfers to other government entities. No explanation was provided for this treatment or how the negative figure on transfers to other government entities was arrived at.

iv. The statement of cash flows includes an item named "as per statement of assets" which has a balance of Kshs.5,375,758. However, the source of this entry was not explained. Further, this item was not among expenditure items for the year under review.

In the circumstances, the accuracy of the statement of cash flows for the year ended 30 June, 2019 could not be confirmed.

6.0 Difference Between Financial Statements and Notes to the Financial Statements

The statement of receipts and payments reflected a Nil balance in respect of transfers to other government entities. However, Note 7 to the financial statements reflected Kshs.27,948,745 in respect of the same item resulting in an unreconciled variance of Kshs.27,948,745. Further, the Note reflected an amount of Kshs.26,538,156 as returns to County Revenue Fund (CRF) comprising of unspent balance returned to CRF. However, documents including bank statements in support of the transfer were not availed for audit review.

Consequently, the accuracy of the Notes to the financial statements and the transfers to other government entities could not be confirmed.

7.0 Unsupported Expenditures

The statement of receipts and payments reflected an amount of Kshs.141,501,405 in respect of use of goods and services. The expenditure included an amount of Kshs.4,770,846 being payments in seven (7) expenditure items which were not supported with invoices, back to office reports and Local Purchase Orders (LPOs). Also, the expenditure of Kshs.7,000,000 in respect of research, feasibility studies, project preparation and design and project supervision under acquisition of assets as per Note 4 to the financial statements was also not supported with invoices, good received notes, Local Purchase Orders (LPOs) and delivery notes.

In the circumstances, the accuracy and the validity of the amount of Kshs.141,501,405 in respect of use of goods and services could not be confirmed.

8.0 Unlawful Contributions to County Assembly Forum (CAF)

The statement of receipts and payments and as disclosed under Note 4 to the financial statements, reflects an amount of Kshs.141,502,405 in respect of use of goods and services. This includes an amount of Kshs.11,049,619 being expenditure in respect of other operating expenses. The amount includes Kshs.3,000,000 paid as subscriptions to County Assemblies Forum (CAF). However, the enabling legislation supporting the contribution to the forum including documents showing how the funds were expended were not provided for audit review.

In the circumstances, the validity of the Kshs.3,000,000 expenditure could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly of Isiolo Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Budget Performance

The statement of comparison of budget and actual amounts – recurrent and development combined for the year under review reflects an approved receipts budget of

Kshs.500,284,815 and actual receipts of Kshs.498,000,000 resulting in revenue shortfall of Kshs.2,284,815 or 0.5%.

Further, the statement reflects an expenditure budget of Kshs.500,284,815 and an actual expenditure of Kshs.492,624,242 resulting to a deficit of Kshs.7,660,573 or 1.5%. The under absorption of Kshs.7,660,573 represents services expected but not delivered to the residents of Isiolo County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Failure to Prepare, Publish and Publicize Quarterly Financial Reports

As reported in the previous years, the County Assembly did not prepare, publish and publicize quarterly financial reports as required by Section 166 of the Public Finance Management Act, 2012.

In the circumstance, the County Assembly was in breach of the Law.

2.0 Staff Recruitment and Appointments

The County Assembly employed fifty-four (54) employees contrary to its approved staff establishment which provided for eleven (11) vacancies. Further, thirty (30) employees did not have the relevant qualifications as stated in the advertisement in the Assembly's website on 9 June, 2018.

In the circumstances, the Assembly's Management is in breach of their own policies and procedures.

3.0 Irregular Splitting of Procurement

The County Assembly spent Kshs.13,479,407 on construction of a perimeter fences in seven (7) Ward offices. The works were split into ten (10) different procurement instead of being advertised as a single tender. Further, the evaluation criteria, quotation register and contract agreements were not availed for audit verification. This was contrary to the provisions of Section 54(1) of Public Procurement and Asset Disposal Act, 2015 which provides that no procuring entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure except where prescribed.

Consequently, Management was in breach of Law.

4.0 Stalled and Incomplete Projects at Ward Level

The County Assembly spent an amount of Kshs.13,479,407 for erecting perimeter fences in seven (7) ward offices However, the construction works of the said ward offices had stalled at the time of audit. Further, physical verification of four (4) ward projects carried out in September 2019 revealed that three (3) perimeter fencing projects were incomplete despite the County Works Officer having issued certificates of practical completion in June 2019 and full contract sums of Kshs.2,860,000, Kshs.2,950,000 and Kshs.2,706,280 respectively paid.

Consequently, the value for money for the Kshs.13,479,407 spent on perimeter fencing in the three ward offices could not be ascertained.

5.0 Unutilized Projects

Records availed for audit review indicated that ten (10) ward offices were completed in 2016/2017 financial year at a cost of Kshs.49,565,714. In addition, Kshs.25,815,687 was spent on perimeter fencing in those offices in 2017/2018 and 2018/2019 financial years all totaling to Kshs.75,381,401. However, the Ward offices had not been put to use as at the time of concluding my audit. Management explained that the Ward offices have not been operationalized due lack of office furniture, printers and computers, which is factored in the budget for 2019-2020.

In the circumstances, the residents of Isiolo County are yet to get value for money for the Kshs.75,381,401 expenditure incurred between financial years 2016/2017 and 2018/ 2019 on ward offices.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and governance were not effective.

Basis for Conclusion

1.0 Lack of ICT Policies

It was noted that the County Executive did not have in place a business continuity plan, disaster recovery plan, backup policy or a backup site. It was also observed that password

protocols were not adhered to. The Accounting Officer therefore failed to institute appropriate measures to ensure confidentiality of data and information, data integrity and business continuity.

2.0 Failure to Establish an Audit Committee

The County Assembly did not have in place an Audit Committee to oversight the operations of the County Assembly, as provided in Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides for the establishment of an Audit Committee. This affects the independence of the internal audit function.
In the circumstances, the County Assembly was in breach of the Law.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the County Assembly's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the County Assembly or cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the County Assembly's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation

to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Assembly's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Assembly to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Assembly to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

08 April, 2021

5. FINANCIAL STATEMENTS

5.1. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018/2019 Kshs	2017/2018 Kshs
RECEIPT			
Transfers from the County Treasury/Exchequer Releases	1	498,000,000	515,500,000
Proceeds from Sale of Assets	2	-	-
Other Receipts			-
TOTAL		**498,000,000**	**515,500,000**
PAYMENT			
Compensation of Employees	3	258,122,461	188,264,089
Use of goods and services	4	141,501,405	175,864,973
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	11,020,949	-
Acquisition of Assets	10	81,979,427	150,894,415
Finance Costs	11	-	-
Other Payments	12	-	-
TOTAL		**492,624,242**	**515,023,477**
SURPLUS/DEFICI		**5,375,758**	**476,523**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 1st Nov. 2019 and signed by:

CLERK
ISIOLO COUNTY ASSEMBLY
P.O. BOX 105 - 60300,
ISIOLO

Clerk of the Assembly
Name: **Salad Boru Guracha**

HEAD OF TREASURY ACCOUNTS
COUNTY ASSEMBLY

Finance Office – County Assembly
Name: **Issadin Muktar**
ICPAK Member Number:

5.2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

	Note	2018/2019	2017/2018
FINANCIAL		**Kshs**	**Kshs**
Cash and Cash			
Bank Balances	13	5,375,758	27,948,745
Cash Balances	13	-	-
Total Cash and cash equivalents		**5,375,758**	27,948,745
Accounts receivables – Outstanding Imprests		-	-
TOTAL FINANCIAL		**5,375,758**	27,948,745
FINANCIAL			
Accounts Payables – Deposits and retentions		-	-
NET FINANCIAL		**5,375,758**	**27,948,745**
REPRESENTED			
Fund balance b/fwd	14	27,948,745	21,075,248
Tranfers to other government entities	7	- (27,948,745)	
Surplus/Defict for the year		5,375,758	476,523
NET FINANCIAL		**5,375,758**	**21,551,771**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 1st Nov. 2019 and signed by:

Clerk of the Assembly
Name: **Salad Boru Guracha**

Finance Officer – County Assembly
Name: **Issadin Muktar**
ICPAK Member Number:

HEAD OF TREASURY ACCOUNTS
COUNTY ASSEMBLY

5.3. STATEMENT OF CASH FLOWS

	Note		2018/2019 Kshs		2017/2018 Kshs
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from operating income					
Transfers from the County Treasury/Exchequer Releases	1		498,000,000		515,500,000.00
Other Receipts			-		-
Payments for operating expenses					
Compensation of Employees	3	-	258,122,461	-	188,264,089.00
Use of goods and services	4	-	141,501,405	-	175,864,973.00
Subsidies	6		-		-
Transfers to Other Government Entities	7		-		-
Other grants and transfers	8		-		-
Social Security Benefits	9	-	11,020,949		-
Finance Costs	11		-		-
Other Payments	12		-		-
		-	409,819,543	-	364,129,062.00
Adjusted for:					
Adjustments during the year			-		
Net cash flows from operating activities			87,355,185		151,370,938.00
CASHFLOW FROM INVESTING ACTIVITIES					
Proceeds from Sale of Assets	2		-		-
Acquisition of Assets	10	-	81,979,427	-	150,894,415.00
Net cash flows from investing activities		-	81,979,427	-	150,894,415.00
NET INCREASE IN CASH AND CASH EQUIVALENT			5,375,758		476,523.00
Cash and cash equivalent at BEGINNING of the year			27,948,744.75		21,075,248.00
Tranfers to other government entities			(27,948,744.75)		-
Cash and cash equivalent at END of the year			5,375,758		27,948,744.75
As per statement of assets			5,375,758		21,551,771.00

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 1st Nov. 2019 and signed by:

Clerk of the Assembly
Name: **Salad Boru Guracha**

CLERK
ISIOLO COUNTY ASSEMBLY
P. O. Box 195 – 60300,
ISIOLO

Finance Office – County Assembly
Name: **Issadin Muktar**
ICPAK Member Number

HEAD OF TREASURY ACCOUNTS
COUNTY ASSEMBLY

5.4. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable	% of utilization to final Budget
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers from the County Treasury/Exchequer	490,284,815.00	10,000,000	500,284,815.00	498,000,000	98%
	490,284,815.00	**10,000,000**	**500,284,815.00**	498,000,000	**98%**
Compensation of	250,168,555.00	7,953,906.00	258,122,461.00	258,122,461	100%
Use of goods and services	138,595,311.00	2,906,094.00	141,501,405.00	141,501,405	100%
Social Security Benefits	11,020,949.00	0	11,020,949.00	11,020,949.00	100%
Acquisition of Assets	90,500,000.00	-860,000.00	89,640,000.00	81,979,427	90%
	490,284,815.00	10,000,000.00	500,284,815.00	492,624,242.00	98%

(a) The 10% underutilization of acquisition of assets was as a result of bureaucratic procurement processes.

The entity financial statements were approved on 1st Nov. 2019 and signed by:

Clerk of the Assembly
Name: **Salad Boru Guracha**

Finance Office – County Assembly
Name: **Issadin Muktar**
ICPAK Member Number:

5.5. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers from the County Treasury/Exchequer Releases	415,284,815	-	415,284,815	413,000,000	98%
	415,284,815	-	**415,284,815**	**413,000,000**	98%
Compensation of	250,168,555	7,953,906	258,122,461	258,122,461	100%
Use of goods and Services	138,595,311	2,906,094	141,501,405	141,501,405	100%
Social Security Benefits	11,020,949	-	11,020,949	11,020,949	100%
Acquisition of Assets	15,500,000	(10,860,000)	4,640,000	4,500,000	97%
	415,284,815	-	**415,284,815**	**415,144,815**	99%

(a) The 3% underutilization of acquisition of assets was as a result of bureaucratic procurement processes.

The entity financial statements were approved on 1st Nov. 2019 and signed by:

CLERK
COUNTY ASSEMBLY
P.O. BOX 375 - 60500,
ISIOLO

Clerk of the Assembly
Name: **Salad Boru Guracha**

HEAD OF TREASURY ACCOUNTS
COUNTY ASSEMBLY

Finance Office – County Assembly
Name: **Issadin Muktar**
ICPAK Member Number:

5.6. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilization diffe to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers from the County Treasury/Exchequer	75,000,000	10,000,000	85,000,000	85,000,000	100%
	75,000,000	**10,000,000**	**85,000,000**	**85,000,000**	100%
Acquisition of Assets	75,000,000	10,000,000	85,000,000	76,584,995	90%
	75,000,000	**10,000,000**	**85,000,000**	**76,584,995**	**90%**

(a) The 10% underutilization of acquisition of assets was as a result of bureaucratic procurement processes.

The entity financial statements were approved on 1st Nov. 2019 and signed by:

CLERK
ISIOLO COUNTY ASSEMBLY
P. O. Box 195 – 60300,
ISIOLO

Clerk of the Assembly
Name: **Salad Boru Guracha**

HEAD OF TREASURY ACCOUNTS
COUNTY ASSEMBLY

Finance Office – County Assembly
Name: **Issadin Muktar**
ICPAK Member Number:

5.7. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Progra	Sub	Descriptio	Approved Budget	Actual Payments	Varianc
3511			0		
	0	Default - Non Programmatic	0		
709003511			233,634,439.0	233,634,439.00	0
	709013510	Personnel Services	0 0	0	0
	709023510	Support Services	233,634,439.00	233,634,439.00	0
	709053510	Other Support Services	0	0	0
720003511			7,000,000.00	7,000,000.00	0
	720013510	Acquisition of Assets	7,000,000.00	7,000,000.00	0
721003511			78,000,000.00	72,624,242	5,375,758
	721013510	Infrastructure support	78,000,000.	72,624,242	5,375,758
	721023510	Policy development services	0	0	0
	721033510	Transport Services	0	0	0
722003511			181,650,376.0	179,365,561	2,284,815
	722023510	Legislative service	181,650,376.0	179,365,561	0
		Grand Total	**500,284,815.00**	**492,624,242.00**	**7,660,573**

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the County budgets which are programmatic. Ensure this document is accurately presented to enable consolidation with other County Entities).

5.8. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The statement of assets and liabilities, although not a requirement of the IPSAS Cash Standard, has been included to disclose information on receivables and payables.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

The financial statements are for the County Assembly of Isiolo. The financial statements encompass the reporting entity as specified in section 164 of PFM Act 2012.

3. Recognition of receipts and payments

a) Recognition of receipts

The County Assembly recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Assembly.

Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

Transfers from the Exchequer/ County Treasury

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

Other Receipts

Other receipts relate to receipts such as tender fees among others. These are recognised in the financial statements when the associated cash is received.

b) Recognition of payments

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

4. In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

Restriction on cash

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. There were no other restrictions on cash during the year.

6. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

7. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted and prescribed by the Public Sector Accounting Standards Board. Other liabilities including pending bills are disclosed in the financial statements.

8. Non-current assets

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

9. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the *entity* at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

10. Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *entity's* budget was approved as required by Law .The original budget was approved by the County Assembly on 30th June 2018 for the period 1st July 2018 to 30 June 2019 as required by law. There was two number of supplementary budgets passed in the year. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

11. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

12. Subsequent events

Events subsequent to submission of the financial year end financial statements to County Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of the County Treasury.

13. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

14. Related party transactions

Related party transactions involve cash and in kind transactions with the National Government, National Government entities and County Government entities. Specific information with regards to related party transactions is included in the disclosure notes.

5.9. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from the County Treasury/Exchequer Releases

	2018/2019 Kshs	2017/2018 Kshs
Total Exchequer Releases for quarter 1	40,000,000.00	79,000,000.00
Total Exchequer Releases for quarter 2	155,000,000.00	108,500,000.00
Total Exchequer Releases for quarter 3	106,000,000.00	120,000,000.00
Total Exchequer Releases for quarter 4	197,000,000.00	208,000,000.00
Total	**498,000,000.00**	**515,500,000.00**

NOTES TO THE FINANCIAL STATEMENTS

3. COMPENSATION OF EMPLOYEES

	2018/2019 Kshs	2017/2018 Kshs
Basic Salaries - Permanent Employees	86,378,847	84,676,256
Basic Wages - Temporary Employees	58,106,519	14,870,520
Personal Allowances paid as part of Salary	90,998,011	72,115,224
Personal Allowances paid as Reimbursements	-	
Personal Allowances provided in Kind	-	
Employer Contributions to Compulsory National Social Security	22,639,083	16,602,089
TOTA	**258,122,461**	**188,264,089**

4. USE OF GOODS AND SERVICES

	2018/2019 Kshs	2017/2018 Kshs
Utilities, Supplies and Services	1,734,400	1,391,200
Communication, Supplies and Services	2,050,000	3,760,000
Domestic Travel and Subsistence, and Other Transportation	67,228,732	92,058,000
Foreign Travel and Subsistence, and other transportation costs	3,952,654	2,378,109
Printing , Advertising and Information Supplies and Services	3,026,000	5,753,600
Rentals of Produced Assets	11,600,000	8,600,000
Training Expenses	9,700,000	13,000,000
Hospitality Supplies and Servi	6,500,000	6,500,000
Insurance Costs	15,000,000	19,000,000
Specialised Materials and Supp	700,000	4,000,000
Office and General Supplies and Services	5,620,000	4,324,064
Fuel Oil and Lubricants	1,500,000	2,500,000
Other Operating Expenses	11,049,619	9,400,000
Routine Maintenance - Vehicles	1,700,000	2,200,000
Routine Maintenance - Other Assets	140,000	1,000,000
Total	**141,501,405.00**	**175,864,973**

7. TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2018/2019 Kshs	2017/2018 Kshs
Return to County Revenue Fund Account(CRF)	26,538,156	
County Assembly Car Loan Fund Account	1,410,589	
TOTAL	27,948,745	-

9. SOCIAL SECURITY BENEFITS

	2018/2019 Kshs	2017/2018 Kshs
Government pension and retirement benefits	11,020,949.00	
Social security benefits in cash and in kind		
Employer Social Benefits in cash and in kind		
Total	**11,020,949**	**-**

(Give explanations and distinguish between NSSF benefits and contributions made to other entities on behalf of staff.)

10. ACQUISITION OF ASSETS

Non Financial Assets	2018/2019 Kshs	2017/2018 Kshs
Construction of Building	48,046,674	26,370,291
Refurbishment of Buildings	140,000	2,500,000
Construction of Roads	-	
Construction and Civil Works	22,292,753	46,030,245
Overhaul and Refurbishment of Construction and Civil Works	-	
Purchase of Vehicles and Other Transport Equipment	-	10,900,000
Overhaul of Vehicles and Other Transport Equipment	-	
Purchase of Household Furniture and Institutional Equipment	-	
Purchase of Office Furniture and General Equipment	4,500,000	10,700,000
Purchase of Specialised Plant, Equipment and Machinery	-	3,000,000
Rehabilitation and Renovation of Plant, Machinery and	-	
Purchase of Certified Seeds, Breeding Stock and Live Animals	-	
Research, Feasibility Studies, Project Preparation and Design, Project Supervision	7,000,000	51,393,879
Rehabilitation of Civil Works	-	
Foreign Lending and On- Lending	-	
Foreign Equity Participation	-	
Other Foreign Accounts Receivable		
Total	**81,979,427**	**150,894,415**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13A. BANK BALANCES

	Indicated recurrent or development	2018/2019	2017/2018
Name of Bank, Account No. & Currency		**Kshs**	**Kshs**
Central Bank of Account No. 1000195738	Recurrent	1,996.95	1,768,332
Central Bank of Account No. 1000195746	Development	5,366,161	24,522,259
Equity Bank Limited Account No. O4102614 37860	Recurrent	7,600	247,565
National Bank of Kenya Car loan a/c	Recurrent		1,410,589
Total		**5,375,757.95**	**27,948,745**

14 FUND BALANCE BROUGHT FORWARD

	2018/2019 Kshs	2017/2018 Kshs
Bank accounts	27,948,745	21,075,248
Cash in hand		
Accounts Receivables		
Accounts Payables		
Total	27,948,745	21,075,248

COUNTY ASSEMBLY OF ISIOLO
Reports and Financial Statements
For the year ended June 30, 2019

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (KShs) 2017/18	Additions during the year (KShs)	Disposals during the year (KShs)	Transfers in/out	Historical Cost c/f (KShs) 2018/19
Buildings and structures	**266,313,549**	**70,479,427**			**336,792,976**
Transport equipment	**20,610,396**				**20,610,396**
Office equipment, furniture and fittings	**22,430,081**	**4,500,000**			**26,930,081**
ICT Equipment					
Machinery and Equipment	**25,241,920**				**25,241,920**
Biological assets					
Infrastructure Assets					
Heritage and cultural assets					
Intangible assets		**7,000,000**			**7,000,000**
Work In Progress					
Total	**334,595,946**	**81,979,427**			**416,575,373**

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the County Assembly since its inception. Additions during the year should tie to note 10 on acquisition of assets during the year and subsequently the statement of receipts and payments

ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT

(Attach FO 30 Reports from IFMIS)