REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF ISIOLO

FOR THE YEAR ENDED 30 JUNE 2016

KENYA NATIONAL AUDIT OFFICE
EMBU HUB
1895
Tel: 068 - 30260
P. O. BOX 113, EMBU

COUNTY ASSEMBLY OF ISIOLO

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016

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

Contents

KEY ENTITY INFORMATION AND MANAGEMENT 1
III. FORWARD BY THE CLERK OF THE ASSEMBLY 3
IV. RECOMMENDED WAY FOWARD 4
V. STATEMENT OF MANAGEMENT RESPONSIBILITIES 5
VI. STATEMENT OF RECEIPTS AND PAYMENTS 6
VII. IV STATEMENT OF FINANCIAL ASSETS 7
VIII. STATEMENT OF CASHFLOW 8
IX. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED 9
X. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT 10
XI. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT 11
XII. SIGNIFICANT ACCOUNTING POLICIES 12
XIII. NOTES TO THE FINANCIAL STATEMENTS 14
XIV. ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE 22
XV. ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES 23
XVI. ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES 24
XVII. ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER 25
XVII. ANNEX 5 – ANALYSIS OF OUTSTANDING IMPREST 26
XIX. ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT 27

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County Assembly is constituted as per the constitution of Kenya is headed by the Speaker, who is responsible for the general policy and strategic direction of the County Assembly.

(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, 2016 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

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- *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
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

3. Nationl Bank of Kenya
   National Bank Building,Harambee Avenue, Nairobi
   P.O BOX 72866-00200 Nairobi

(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(i) Principal Legal Adviser

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

III. FORWARD BY THE CLERK OF THE ASSEMBLY

BUDGET PERFORMANCE.

Isiolo County Government executive total budget allocation in the Financial Year 2015/2016 for both Recurrent and Development Budget was Kshs. 3,269,426,895 with actual total expenditure amount to Kshs. 2,879,043,161 representing 88% level of utilization.

EXPENDITURES FOR THE COUNTY ASSEMBLY

The total budget for the County Assembly for FY 2015/2016 was Kshs 465,933,679. The County Exchequer disbursed to the County Assembly a total sum of Kshs 403,000,000.The actual expenditure of the County Assembly was Kshs 395,384,765 out of the total budget allocation for the Assembly of Kshs465. 933,679 which comprised of Recurrent Kshs 367,933,679 and Development Ksh 98,000,000.

VALUE FOR MONEY

Isiolo County Assembly 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 2015/2016 the County Assembly was able 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 2015/2016 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 approved financial reporting framework for the County Assembly
- Lack of capacity for effective IFMIS utilization and operations.

IV. 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

Clerk of the County Assembly

Sign

V. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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 on June 30, 2016. 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, 2016 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 the terms of external financing covenants (where applicable), and that the County Assembly's funds received during the year 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 Assembly's financial statements were approved and signed by the Clerk of the County Assembly on June 29, 2016.

Clerk of the County Assembly

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF ISIOLO FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Assembly of Isiolo set out on pages 6 to 27, which comprise the statement of financial assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actuals 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 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.

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 47 of the Public Audit Act, 2015.

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 48 of the Public Audit Act, 2015 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. 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 Assembly'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

1.0 Presentation, Accuracy and Completeness of the Financial Statements

The International Public Sector Accounting Standards (Cash Basis), financial statements presentation format prescribed by the Public Sector Accounting Standards Board requires the inclusion in financial statements of a report on action taken on the previous years' audit issues and a summary statement of appropriation. In the year 2014/2015, County Assembly of Isiolo had a qualified opinion. However, no report on the progress on follow up of the audit issues has been included in the financial statements for the year under review. Further, the financial statements do not include a summary statement of appropriation.

In addition, the financial statements and the respective supporting schedules reflect total expenditures of Kshs.231,816,608 and Kshs.237,422,305 respectively under two expenditure items thus resulting to an unexplained variance of Kshs.5,605,697 as follows:

Components	Balance As Per F/S (Kshs.)	Supporting schedules (Kshs.)	Variation (Kshs.)
Use of goods and services	166,244,407	167,638,104	1,393,697
Acquisition of Assets	65,572,202	69,784,201	4,211,999
Total	**231,816,609**	**237,422,305**	**5,605,696**

The discrepancies have affected the accuracy of the respective balances reflected in the statement of receipts and payments, statement of assets and liabilities, cash flow statement, appropriation statement and Notes to the financial statements.

Consequently, the accuracy, validity, completeness and presentation of the financial statements as at 30 June 2016 cannot be confirmed and does not conform wholly to the prescribed standards.

2.0 Cash and Cash Equivalents

The financial statements reflect a cash and cash equivalents balance of Kshs.11,419,177 as at 30 June 2016. Note 13 A of the Notes to the financial statements

shows that the aggregate Kshs.11,419,177 balance was held in the Assembly's three bank accounts. However, the County Assembly did not maintain proper cashbooks for the three Bank accounts namely: Equity Bank account number 0410261437860, National Bank account number 00121001340301 and account number 1000195738 held at the Central Bank of Kenya. Further, no bank reconciliation statements for the three bank accounts were made available for audit verification. In addition, the bank accounts at Equity bank and National bank were opened and operated contrary to Section 82 of the Public Finance Regulations, 2015.

In the circumstances, the Assembly breached Public Finance Management Regulations, 2015 and further, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 11,419,177 as at 30 June 2016 cannot be ascertained.

3.0 Non-maintenance of Stores Records

3.1 Refined Fuel, Oil and Lubricants

Note 5 of the Notes to the financial statements reflects an expenditure on use of goods and services totaling to Kshs.166,244,407 which includes Kshs.3,095,000 in respect to fuel, oil and lubricants procured during the year under review. However, records presented for audit review reflected expenditure of Kshs.4,962,000 resulting to an unexplained variance of Kshs.1,867,000. Further, although a fuel register was maintained, certain critical data such as quantities receipted and their values and respective Local Purchase Order (LPO) numbers and fuel balances were not included in the register. It was therefore not possible to confirm whether all the fuel purchased was received and consumed as appropriate.

In the circumstance, the accuracy and propriety of the expenditure of Kshs.3,095,000 as at 30 June 2016 cannot be confirmed.

3.2 Procurement of Office Furniture and General Equipment

Note 10 to the financial statements reflects expenditure on acquisition of assets totaling to Kshs.166,244,407 which includes a sum of Kshs.3,668,112 spent on purchase of office furniture and general equipment. However, no stores records were presented for audit showing receipt and issue of goods to the user department.

In the circumstance, the propriety of the Kshs.3,668,112 expenditure cannot be ascertained.

4.0 Compensation of Employees

The financial statement reflects expenditure of Kshs.171,183,391 as at 30 June 2016 incurred in respect of compensation to employees. However, included in the balance is a sum of Kshs.17, 717,559 paid to various officers without being processed through Integrated Payroll and Personnel Database (IPPD). No explanation has been provided for failure to process employee salaries through the IPPD.

Further, included in the balance of Kshs.171,183,391 was a sum of Kshs.2,592,015 paid to various officers as top-ups. However, no supporting documents in relation to payment of top-ups were made available for audit verification.

In the circumstance, the propriety of the balance of Kshs.20,309,574 being the top-ups paid (Kshs. 2,592,015) and salaries not processed through the IPPD (Kshs.17,717,559) cannot be confirmed.

5.0 Unsupported Expenditure

Note 5 of the Notes to the financial statements reflects expenditure on use of goods and services totaling to Kshs. 166,244,407 incurred during the year under review. However, included in the balance were expenditures on seven (7) items which were not properly supported as follows:

5.1 Hospitality Supplies and Services

Included in the use of goods and services balance of Kshs. 166,244,407 is an expenditure of Kshs.10,512,761 in respect of hospitality supplies and services. However, the supporting ledger reflected expenditure of Kshs.13,512,211 under the account thus resulting to an unexplained understatement of the account in the financial statements by Kshs.2,999,450. Further, out of the Kshs.10,512,761 expenditure, only Kshs.159,160 was accounted for thus resulting to unaccounted for expenditure of Kshs.10, 353, 601.

In the circumstance, the propriety of the Kshs.10,512,761 expenditure cannot be confirmed.

5.2 Domestic Travel

Included in the use of goods and services balance of Kshs.166,244,407 is expenditure of Kshs.52,218,832 incurred on domestic travel and subsistence.

However, the balance included payments totaling to Kshs.15,705,935 made to the MCAs and County Assembly staff for domestic travel in disregard of Section 93 (3) of Public Finance Management (County Governments) Regulations 2015 which requires safari imprests be used for such activity.

Under the circumstance, the County Assembly breached the Public Finance Management Regulations, 2015 and therefore the propriety of the sum of Kshs.15,705,935 spent on the MCAs cannot be confirmed.

5.3 Foreign Travel

The County Assembly incurred, under use of goods and services, expenditure totalling Kshs.166,244,407 which included and a sum of Kshs.6,345,146 incurred on foreign travel and subsistence. However, the ledger and other supporting documents reflected foreign travel expenditure of Kshs.7,929,793 thus resulting to an unexplained

understatement of the financial statements balance by Kshs.1,584,647. Further, out of the Kshs.6,345,146 expenditure only Kshs.1,509,303 was accounted for thus resulting to unaccounted for expenditure Kshs.4,835,843 in relation to foreign travel. In addition, no travel documents and back-to-office reports were made available for audit verification and as a result, it has not been possible to confirm that the trips occurred.

In the circumstances, it has not been possible to confirm that the sum of Kshs.6,345,146 charged to foreign travel and subsistence was expended as appropriated and that the County Assembly received value-for-money on the expenditure.

5.4 Procurement of Conference Facilities

Further, included in the use of goods and services balance of Kshs.166,244,407 was an expenditure of Kshs.2,563,250 spent on procurement of conference and catering services from Elsa Hotel-Meru, on various occasions. However,

(i) The hotel was not among suppliers listed in the County Assembly's list of pre-qualified suppliers of conference facilities;
(ii) The respective payment vouchers were not supported with copies of invoices;
(iii) The payment vouchers did not include attendance lists confirming attendance by the personnel for whom the conference services were reportedly procured.
(iv) There were no back-to-office reports or letters explaining the purposes of the meetings.

Further, Kshs. 1,500,000 was spent on procurement of conference and catering services from Madiba Hotel. However, the payment was not supported by the Local Service Order invoices, attendance registers and back to office reports.

Consequently, the propriety of the expenditure totalling Kshs.4,063,250 incurred on procurement of conference facilities could not be confirmed.

5.5 Hire of Transport

Included in the use of goods and services balance of Kshs.166,244,407 was an expenditure of Kshs.20,737,900 spent on hire of transport. However, out of this expenditure, only Kshs.6,381,054 was accounted for thus resulting to unaccounted for expenditure of Kshs.14,356,846.

In the circumstance, the propriety and value-for-money of the expenditure totalling Kshs.14,356,846 could not be confirmed.

5.6 Rent and Rate

Included in the use of goods and services expenditure balance of Kshs.166,244,407 was Kshs.3,000,000 spent on Ward offices. However, documents to support the Ward office expenditure were not presented for audit verification.

In the circumstance, the propriety of the Kshs.3,000,000 expenditure cannot be confirmed.

5.7 Pre-feasibility Study

Included in the use of goods and services balance of Kshs.166,244,407 was an expenditure of Kshs.19,856,800 spent on a feasibility study. However, out of this balance only Kshs.2,385,120 was accounted for, thus resulting to a unaccounted for balance of Kshs.17,471,680.

As a result, it has not been possible to ascertain the propriety and value-for-money obtained from the sum of Kshs.17,471,680 reportedly spent on a feasibility study.

In view of the foregoing, expenditures totalling Kshs.71,455,618 out of the total balance of Kshs.166,244,407 spent on use of goods and services were not accounted for. Therefore the propriety of the expenditures cannot be confirmed.

6.0 Account Payables

Note 15 of the Notes to the financial statements reflects a nil accounts payables balance whereas the statement of financial assets reflects a balance of Kshs.11,251,176 in respect to the account. Further, no supporting documents were made available for audit verification in respect to accounts payable balance.

In the circumstance, the accuracy, accountability and existence of the accounts payables balance of Kshs.11,251,176 cannot be confirmed.

Adverse Opinion

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of County Assembly of Isiolo as at 30 June, 2016, and 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 Matters

1. Budgetary Control and Performance

The approved budget for the County Assembly of Isiolo for the year under review amounted to Kshs. 465,933,679 comprised of Kshs. 367,933,679 (79%) for the recurrent vote and Kshs.98,000,000 (21%) for the development vote. However, the statement of comparison of budget and actual amounts reflected nil original budget and nil final budget.

Further, the statement of receipts and payments and the respective bank statements revealed that during the year, the County Assembly received a total of Kshs.403,000,000 comprised of Kshs.327,000,000 and Kshs.76,000,000 for recurrent and development expenditures respectively. Therefore, County Assembly's fell short of the budget by Kshs.62,933,679 which translated to non-delivery of public services of equivalent value promised to and thus expected by the residents of Isiolo County.

2. Information, Communication and Technology (ICT) Environment

Review of the County Assembly's (ICT) Information & Communication Technology environment revealed that there was no approved ICT policy in place as at 30 June 2016. The policy would have included data security policy and disaster recovery plans. Further, the County Assembly management ICT organization structure was not provided for audit review and it was therefore not possible to confirm it's existence.

In the circumstances, the security and reliability of the County Assembly's data, and the management of information system cannot be ascertained.

3. Failure to Establish an Audit Committee

As at 30 June 2016, the County Assembly had not established an audit committee as required by Section 155 (5) of the Public Finance Management Regulations, 2015. The audit committee would have performed various roles stipulated in the Act. In addition, the internal audit unit was not independent as it was part of the finance department and lacked an internal audit charter.

Further, no risk assessment processes were put in place to identify possible operational and financial risks for mitigation.

In the circumstances, the County Assembly has contravened Section 155 (5) of the Public Finance Management Regulations, 2015.

My opinion is not qualified in respect to these matters.

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

Nairobi

15 August 2017

VI. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015/2016	2014/2015
		Kshs	Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	403,000,000	-
Proceeds from Sale of Assets	2	-	-
Other Receipts	3		-
TOTAL RECEIPTS		403,000,000	-
PAYMENTS			
Compensation of Employees	4	171,183,391	-
Use of goods and services	5	166,244,407	-
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Acquisition of Assets	10	65,572,202	-
Finance Costs	11	-	-
Other Payments	12	-	-
TOTAL PAYMENTS		403,000,000	-
SURPLUS/DEFICIT		0	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on **June 29, 2016** and signed by:

Clerk of the Assembly

Principal Finance Officer

VII. IV STATEMENT OF FINANCIAL ASSETS

	Note	2015/2016	2014/2015
FINANCIAL ASSETS		Kshs	Kshs
Cash and Cash Equivalents			
Bank Balances	13A	11,419,177	-
Cash Balances	13B	-	-
Total Cash and cash equivalents		**11,419,177**	-
Accounts receivables – Outstanding Imprests	14	-	-
TOTAL FINANCIAL ASSETS		**11,419,177**	-
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	11,251,176	-
NET FINANCIAL ASSETS		**168,001**	-
REPRESENTED BY			
Fund balance b/fwd	16	168,001	-
Surplus/Deficit for the year		0	-
NET FINANCIAL POSITION		**168,001**	-
	Control	//	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on **June 29, 2016** 2015 and signed by:

Clerk of the Assembly

Principal Finance Officer

VIII. STATEMENT OF CASHFLOW

	Note	2015/2016	2014/2015
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	403,000,000	
Other Receipts	3	-	
Payments for operating expenses			
Compensation of Employees	4	(171,183,391)	
Use of goods and services	5	(166,244,407)	
Subsidies	6	-	
Transfers to Other Government Entities	7	-	
Other grants and transfers	8	-	
Social Security Benefits	9	-	
Finance Costs	11	-	
Other Payments	12	-	
		(337,427,798)	
Adjusted for:			
Adjustments during the year		11,251,176	
Net cash flows from operating activities		**76,823,378**	
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	
Acquisition of Assets	10	(65,572,202)	
Net cash flows from investing activities		**(65,572,202)**	
NET INCREASE IN CASH AND CASH EQUIVALENT		**11,251,176**	
Cash and cash equivalent at BEGINNING of the year		**168,001**	
Cash and cash equivalent at END of the year		**11,419,177**	
As per statement of assets		**11,419,177**	
		0	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on **June 29, 2016** and signed by:

Clerk of the Assembly

Principal
Finance Officer

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	-	-	-	403,000,000	#DIV/0!
Proceeds from Sale of Assets	-	-	-		#DIV/0!
Other Receipts	-	-	-		#DIV/0!
TOTAL	-	-	-	403,000,000	#DIV/0!
PAYMENTS					
Compensation of Employees	179,332,679	(723,745)	178,608,934	169,920,035	95%
Use of goods and services	131,241,000	42,033,033	173,274,033	159,892,528	92%
Subsidies	-	-	-		#DIV/0!
Transfers to Other Government Entities	-	-	-		#DIV/0!
Other grants and transfers	-	-	-		#DIV/0!
Social Security Benefits	-	-	-		#DIV/0!
Acquisition of Assets	140,360,000	(26,309,288)	114,050,712	65,572,202	57%
Finance Costs	-	-	-		#DIV/0!
Other Payments	-	-	-		#DIV/0!
TOTAL	450,933,679	15,000,000	465,933,679	395,384,765	#DIV/0!

The entity financial statements were approved on **June 23, 2016** and signed by:

Clerk of the Assembly

Principal Finance Officer – County Assembly

X. 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
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases				403,000,000	#DIV/0!
Proceeds from Sale of Assets					#DIV/0!
Other Receipts					#DIV/0!
TOTAL	-	-	-	403,000,000	#DIV/0!
PAYMENTS					
Compensation of Employees	179,332,679	(723,745)	178,608,934	169,920,035	95%
Use of goods and Services	131,241,000	42,033,033	173,274,033	159,892,528	92%
Subsidies	-	-	-		#DIV/0!
Transfers to Other Government Units	-	-	-		#DIV/0!
Other Grants and Transfers	-	-	-		#DIV/0!
Social Security Benefits	-	-	-		#DIV/0!
Acquisition of Assets	70,360,000	(54,309,288)	16,050,712	12,184,797	76%
Finance Costs, including Loan Interest	-	-	-		#DIV/0!
TOTAL	380,933,679	(13,000,000)	367,933,679	341,997,360	#DIV/0!

The entity financial statements were approved on **June 23, 2016** and signed by:

Clerk of the Assembly

Principal Finance Office – County Assembly

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases				-	#DIV/0!
Proceeds from Sale of Assets					#DIV/0!
Other Receipts					#DIV/0!
TOTAL	-	-	-	-	#DIV/0!
PAYMENTS					
Compensation of Employees	-	-	-	-	#DIV/0!
Use of goods and services	-	-	-	-	#DIV/0!
Subsidies	-	-	-		#DIV/0!
Transfers to Other Government Entities	-	-	-		#DIV/0!
Other grants and transfers	-	-	-		#DIV/0!
Social Security Benefits	-	-	-		#DIV/0!
Acquisition of Assets	70,000,000	28,000,000	98,000,000	53,387,405	54%
Finance Costs	-	-	-		#DIV/0!
Other Payments	-	-	-		#DIV/0!
TOTAL	70,000,000	28,000,000	98,000,000	53,387,405	54%

The entity financial statements were approved on June 23, 2016 and signed by:

Clerk of the Assembly

Principal Finance Office – County Assembly

XII. 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 and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

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

   The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

2. **Recognition of receipts and payments**
   The *entity* recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the *entity*. In addition, the *entity* recognises all payments when the event occurs and the related cash has actually been paid out by the *entity*.

3. **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 revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. **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.

5. 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 expenditure 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.

6. Accounts Payable
For the purposes of these financial statements, deposits and retentions held on behalf of third parties has 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 by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

7. 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.

8. 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.

9. Budget
The budget is developed 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 and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

10. Comparative figures
This is the first time the County Assembly is preparing its full year financial statements. Being a first time adopter, there are no comparative amounts for the previous year.

11. Subsequent events

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

XIII. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from the County Treasury/Exchequer Releases

Description	2015/2016 Kshs	2014/2015 Kshs
Total Exchequer Releases for quarter 1	60,000,000	-
Total Exchequer Releases for quarter 2	146,000,000	-
Total Exchequer Releases for quarter 3	102,000,000	-
Total Exchequer Releases for quarter 4	95,000,000	-
Total	403,000,000	-

2 PROCEEDS FROM SALE OF ASSETS

Description	2015/2016 Kshs	2014/2015 Kshs
Receipts from the Sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Receipts from Sale of Certified Seeds and Breeding Stock	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Receipts from the Sale of Inventories, Stocks and Commodities	-	-
Disposal and Sales of Non-Produced Assets	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 OTHER RECEIPTS

Description	2015/2016 Kshs	2014/2015 Kshs
Other Receipts II		
Other Receipts III		
Other Receipts IV		
Other Receipts XXXX		
Total		-

4 COMPENSATION OF EMPLOYEES

Description	2015/2016 Kshs	2014/2015 Kshs
Basic salaries of permanent employees	76,207,973	-
Basic wages of temporary employees	9,920,000	-
Personal allowances paid as part of salary	80,055,418	-
Personal allowances paid as reimbursements	3,000,000	-
Personal allowances provided in kind		-
Pension and other social security contributions		-
Compulsory national social security schemes	2,000,000	-
Compulsory national health insurance schemes		-
Social benefit schemes outside government		-
Other personnel payments		-
Total	171,183,391	-

5 USE OF GOODS AND SERVICES

Description	2015/2016 Kshs	2014/2015 Kshs
Utilities, supplies and services	20,470	-
Communication, supplies and services	2,085,000	-
Domestic travel and subsistence	52,218,832	-
Foreign travel and subsistence	6,345,146	-
Printing, advertising and information supplies & services	3,070,996	-
Rentals of produced assets	20,725,900	-
Training expenses	453,500	-
Hospitality supplies and services	10,512,761	-
Insurance costs	12,361,620	-
Specialized materials and services	1,263,356	-
Fuel Oil and Lubricant	3,095,000	-
Office and general supplies and services	3,360,164	-

Description	2015/2016 Kshs	2014/2015 Kshs
Other operating expenses	41,187,850	-
Routine maintenance - vehicles and other transport equipment	2,941,714	-
Routine maintenance - other assets	151,000	-
Total	166,244,407	-

6 SUBSIDIES

Description	2015/2016 Kshs	2014/2015 Kshs
Subsidies to Public Corporations		
See list attached		
	-	-
	-	-
Subsidies to Private Enterprises		
See list attached	-	-
	-	-
TOTAL	-	-

7 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2015/2016 Kshs	2014/2015 Kshs
Transfers to National Government entities		
See attached list	-	-
Transfers to Counties		
County Assembly Car Loan Fund Account	-	-
(insert name of budget agency)	-	-
TOTAL	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER GRANTS AND TRANSFERS

Description	2015/2016 Kshs	2014/2015 Kshs
Scholarships and other educational benefits	-	-
Emergency relief and refugee assistance	-	-
Subsidies to small businesses, cooperatives, and self employed	-	-
Other current transfers, grants	-	-
Other capital grants and transfers	-	-
Total	-	-

9 SOCIAL SECURITY BENEFITS

Description	2015/2016 Kshs	2014/2015 Kshs
Government pension and retirement benefits	-	-
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	-	-
Total	-	-

10 ACQUISITION OF ASSETS

Description	2015/2016 Kshs	2014/2015 Kshs
Non-financial assets		
Purchase of Buildings	0	-
Construction of Buildings	11,961,485	-
Refurbishment of Buildings	8,516,685	-
Construction of Roads	0	-
Construction and Civil Works	13,500,000	-
Overhaul and Refurbishment of Construction and Civil Works	0	-
Purchase of Vehicles and Other Transport Equipment	5,684,000	-
Overhaul of Vehicles and Other Transport Equipment	0	-
Purchase of Household Furniture and Institutional Equipment	0	-
Purchase of Office Furniture and General Equipment	3,668,112	-
Purchase of ICT Equipment, Software and Other ICT Assets	0	-
Purchase of Specialised Plant, Equipment and Machinery	0	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	0	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13A BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2015/2016
		Kshs
Central Bank of Kenya Acc. No. 1000195738	Recurrent	227,608
Equity Bank limited Acc. No. 0410261437860	Recurrent	40,517
National Bank of Kenya Car loan Account No.00121001340301	Recurrent	11,151,052
Total		11,419,177

13B CASH IN HAND

Description		2015/2016	2014/2015
		Kshs	Kshs
Cash in Hand	Held in domestic currency	-	-
Cash in Hand	Held in foreign currency	-	-
Total		-	-

Cash in hand should be analysed as follows:

Description	2015/2016	2014/2015
	Kshs	Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Total	-	-

14 ACCOUNTS RECEIVABLE

Description	2015/2016	2014/2015
	Kshs	Kshs
Government Imprests	-	-
Clearance Accounts	-	-
Staff Advances	-	-
Other Advances	-	-
Total	-	-

**See Annex 5 for a detailed analysis of the outstanding imprests.*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13A BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2015/2016
		Kshs
Central Bank of Kenya Acc No. 1000195738	Recurrent	227,608
Equity Bank limited Acc. No. 0410261437860	Recurrent	40,517
National Bank of Kenya Car loan Account No.00121001340301	Recurrent	11,151,052
Total		11,419,177

13B CASH IN HAND

Description		2015/2016	2014/2015
		Kshs	Kshs
Cash in Hand	Held in domestic currency	-	-
Cash in Hand	Held in foreign currency	-	-
Total		-	-

Cash in hand should be analysed as follows:

Description	2015/2016	2014/2015
	Kshs	Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Total	-	-

14 ACCOUNTS RECEIVABLE

Description	2015/2016	2014/2015
	Kshs	Kshs
Government Imprests	-	-
Clearance Accounts	-	-
Staff Advances	-	-
Other Advances	-	-
Total	-	-

See Annex 5 for a detailed analysis of the outstanding imprests.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 ACCOUNTS PAYABLE

	2015/2016	2014/2015
	Kshs	Kshs
Other Liabilities		
Withholding Taxes		
System Required Liabilities A/cs		
Total		

16 FUND BALANCE BROUGHT FORWARD

	2015/2016	2014/2015
Description	Kshs	Kshs
Bank accounts	168,001	
Cash in hand		
Accounts Receivables		
Accounts Payables		
Total	168,001	-

17 OTHER IMPORTANT DISCLOSURES

17.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2015/2016	2014/2015
Description	Kshs	Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
Total	-	-

17.2? PENDING STAFF PAYABLES (See Annex 2)

Description / Name of Staff	2015/2016	2014/2015
	Kshs	Kshs
Total		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17.3: OTHER PENDING PAYABLES (See Annex 3)

Description	2015/2016 Kshs	2014/2015 Kshs
Amounts due to National Government entities	-	-
Amounts due to County Government entities	-	-
Amounts due to third parties	-	-
Total	-	-

XIV. ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

XV. ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
Sub-Total							
Grand Total							

XVI. ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

me	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
ounts due to National Govt atities							
Sub-Total							
ounts due to County Govt Entities							
Sub-Total							
ounts due to Third Parties							
Sub-Total							
thers (*specify*)							
Sub-Total							
Grand Total							

XVII. ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost FY2015/2016 KShs	Historical Cost FY2015/2016 KShs
Land	-	-
Buildings and structures	33,978,170	-
Transport equipment	5,684,000	-
Office equipment, furniture and fittings	3,668,112	-
ICT Equipment, Software and Other ICT Assets	0	-
Research and design expenditures	22,241,920	-
Heritage and cultural assets	0	-
Intangible assets	0	-
Total	65,572,202	-

XVIII. ANNEX 5 – ANALYSIS OF OUTSTANDING IMPREST

Government Imprest Holders

Name of Officer or Institution	*Date Imprest Taken*	*Amount Taken*	*Amount Surrendered*	*Balance*
		Kshs	*Kshs*	*Kshs*
Name of Officer or Institution	dd/mm/yy	-	-	-
Name of Officer or Institution	dd/mm/yy	-	-	-
Name of Officer or Institution	dd/mm/yy	-	-	-
Name of Officer or Institution	dd/mm/yy	-	-	-
Name of Officer or Institution	dd/mm/yy	-	-	-
Name of Officer or Institution	dd/mm/yy	-	-	-
Total		-	-	-

XIX. ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT

(Attach FO 30 Report from IFMIS)