REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF KILIFI

FOR THE YEAR ENDED 30 JUNE 2016

OFFICE OF THE AUDITOR GENERAL
16 FEB 2017
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COUNTY ASSEMBLY OF KILIFI

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)

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I. KEY COUNTY ASSEMBLY OF KILIFI 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 *County Assembly* day-to-day management is under the following key organs:

- Assembly Clerk's Department
- Financial and Accounts Department
- Human Resource Department
- ICT Department
- Hansard Department
- Security Department and
- Internal Audit

(c) Fiduciary Management

The key management personnel who held office during the quarter ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation		Name
1.	Hon. Speaker	-	**Hon. Jimmy K. Kahindi**
2.	County Assembly Clerk	-	**Mkare A. Jefwa**
3.	Director Finance	-	**Charles M. Lwiga**
		-	

(d) Fiduciary Oversight Arrangements

- *Public Investment Committee*
- *Public Accounts Committee*

(e) County Assembly of Kilifi Headquarters

P.O. Box 332-80200
County Assembly of Kilifi
Behind Malindi Sub County offices
Malindi, Kenya

(f) County Assembly of Kilifi Contacts

Telephone: 020-2171220
E-mail: assembly@kilifiassembly.go.ke
Website: www.kilifiassembly.go.ke
E-mail: klfassembly@gmail.com

(g) County Assembly of Kilifi Bankers

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

2. Family Bank
   P.O. Box 74145
   Mtwapa.

3. Co-operative Bank
   P.O. Box 2022 - 80200
   Malindi

4 Kenya Commercial Bank
   P.O. Box 9 - 80200
   Malindi

5. Chase Bank
   P.O. Box 1674 - 80200
   Malindi

(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

II. FORWARD BY THE CLERK OF THE ASSEMBLY

Pursuant to Section 163(1) of the Public Finance Management Act 2012, it's mandatory at the end of each financial year, the accounting officer for a County Government entity to prepare Financial Statements in accordance with the format prescribed by the Accounting Standards Board.

Budget performance

During the financial year, theCounty Assembly had a budget of Kshs.1,079,642,046. This was comprised of Kshs. 276,817,114 being Development budget and Kshs. 802,824,932 being recurrent budget. The absorption rate for the total budget was over 75%.

Performance of key development projects

During the period under review, the assembly undertook and completed the following key projects.

- Refurbished the office block and assembly chambers at an estimated cost of Kshs. 109 Million.
- Installed state of the art Hansard equipment in the Chambers.
- Bought a 10 seater Van to ease logistical pressure during public participation.
  - The van has capacity to carry committee members and its secretariat to andfrom the venue at an estimated cost of Kshs. 6 Million
- Procured 3nophotocopying machines to facilitate committee work at an estimated Cost of Kshs. 0.750 Million
- Bought office furniture and computers for staff.
- Started the construction of an office complex estimated to cost Kshs. 598 Million at completion.

Comment on value-for-money achievements

1. Staff now have conducive working environment.
2. The van has greatly reduced on transport cost
3. The members can freely and amicably conduct their debates in the newchambers
4. The new public gallery can hold approximately 130 persons in a single sitting.

Challenges and Recommended Way Forward

The challenges faced by the Assembly are: -

- Delay in disbursement of funds from National Treasury.
- Instability of the IFMIS in terms of connectivity.
- Tailormade training of the IFMIS especially on the financial reporting module.
- Budget ceiling which is insufficient

Sign: _____
Clerk of the County Assembly

III. 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 Government's financial statements were approved and signed by the Clerk of the County Assembly on **September30, 2016.**

Clerk of the County Assembly

REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the County Assembly of Kilifi set out on pages 1 to 12, which comprise the statement of financial assets as at 30 June 2016, and statement of receipts and payments, statement of cash flows, 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 of Kenya and Section 35 of the Public Audit Act, 2015.

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 preparation of the financial statements that are free from material misstatement, whether due to error or fraud.

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 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 of Kenya. The audit was conducted in accordance with the 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 judgment, 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 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.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1.0 Bank Balances

The statement of financial assets as at 30 June 2016 reflects a balance of Kshs.159,338,916.85. However, examination of documents availed for audit revealed that Kenya Commercial Bank Staff Loan Account's overdrawn balance of Kshs.3,145 was set off against the debit bank balances of Kshs.159,342,061.30 contrary to the International Public Sector Accounting Standards No. 1 on presentation of the financial statements.

Further, the Assembly failed to submit for audit review bank reconciliation statements for the period under audit.

In the circumstances, the accuracy and completeness of bank balance of Kshs.159,338,916.85 as at 30 June 2016 could not be confirmed.

2.0 Transfer from the County Treasury/Exchequer Releases

The statement of receipts and payments for the year ended 30 June 2016 reflects transfers from the County Treasury/Exchequer Releases totaling to Kshs.918,161,934. However, the report of the Controller of Budget indicates that the County Assembly received recurrent exchequer issues totalling to Kshs.677,824,931 and development exchequer totalling to Kshs.150,000,000, or Kshs.827,824,931, in aggregate thus resulting to a variance of Kshs.90,337,003 which has not been explained.

Consequently, the accuracy and completeness of the transfers from the County Treasury/Exchequer Releases totalling to Kshs.918,161,934 for the year ended 30 June 2016 could not be ascertained.

3.0 Use of Goods and Services

3.1 Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June 2016 reflects use of goods and services balance amount of Kshs.324,771,675.40. However, out of this balance expenditure amounting to Kshs.35,339,793.66 was not supported by payment vouchers, as detailed below:

No.	Item	Amount Paid (Kshs)
1	Utilities, Supplies and Services	275,329
2	Domestic Travel and Subsistence Allowances	10,388,306
8	Printing, Advertising Information, Supplies and Services	750,472.00
9	Rental for Produced Assets	2,837,025.00
10	Training Expenses	2,270,130.00
11	Hospitality, Supplies and Services	7,005,415.35
12	Insurance Expenses	7,453,289.00
13	Specialized Materials	805,993
14	Fuel, Oil and Lubricants	1,161,817.31
15	Office and General Supplies and Services	2,392,017.00
	Total	**35,339,793.66**

In the circumstance, propriety of expenditure totalling Kshs.35,339,793.66 incurred on use of goods and services during the year ended 30 June 2016 could not be confirmed.

3.2 Domestic Travel and Subsistence

Included in the use of goods and services balance of Kshs.324,771,675.40 (and as disclosed in Note 3 to the financial statements) is domestic travel and subsistence allowance expenditure totalling to Kshs.184,548,466.20. However, it was observed that allowances amounting to Kshs.6,594,306 were paid to the staff of the Assembly but the payments were not supported by relevant records such as work tickets, bus tickets, attendance registers, minutes of meetings/seminars/workshops attended, memos authorizing journeys,and reports of the meetings/workshops or seminars attended. In addition,the Assembly paid a total of Kshs.350,000 to thirty five members of the County Assembly in respect of consultative meetings held within Malindi. The basis of the payment of kshs.10,000 per member was not explained.
As a result, the propriety of the expenditure totalling Kshs.6,944,306 on domestic travel and subsistence for the year ended 30 June 2016 could not be confirmed.

3.3 Foreign Travel and Subsistence

Included in the use of goods and services balance of Kshs.324,771,675.40 (and as disclosed in Note 3 to the financial statements) is foreign travel and subsistence allowance amounting to Kshs.5,158,218. However, review of documents presented for audit revealed that the payment vouchers amounted to Kshs.11,159,467 thus resulting in a expenditure on record in variance of Kshs.6,001,249 which has not been explained. Further, the vote book reflected a expenditure of Kshs.11,147,164 against the account thus resulting in a difference of Kshs.5,988,946 which the management has also not explained.

In addition, payment vouchers examined amounting to Kshs.11,159,467 for foreign travel and subsistence were not supported with boarding passes, invitation letters and minutes/reports of seminars attended.

Consequently, the propriety, accuracy and completeness of expenditure totalling Kshs.5,158,218 on foreign travel and subsistence allowance for the year ended 30 June 2016 could not be confirmed.

3.4 Hospitality Supplies and Services

Included in the use of goods and services expenditure balance of Kshs.324,771,675 is an amount of Kshs.29,544,071.05 in respect of hospitality supplies and services. Review of the payment documents availed for audit indicated that seven (7) suppliers of goods valued at Kshs.10,482,549.35 were not included in the pre-qualified list for accommodation and catering services. This is contrary to Public and Disposal Regulations, 2006, Section 59 (2) which states that for the purpose of determining the suppliers for goods and services, a procuring entity shall prepare a list of qualified suppliers and invite tenders from only the suppliers who have been pre-qualified under this regulation.

Therefore, the management was in breach of the Law and the propriety of the expenditure totalling Kshs.10,482,549.35 could not be ascertained for year ended 30 June 2016.

4.0 Refurbishment of Buildings

Note 5 to the financial statements reflects expenditure totalling to Kshs.56,394,367.65 on acquisition of assets. Included in the balance is Kshs.36,293,118.15 for the refurbishment of buildings. This was for multimedia structured cabling. However, examination of records availed for audit revealed that the expenditure recorded in the vote book totalled to Kshs.86,114,815, thus resulting to an unexplained variance of Kshs.49,821,696.85. Further, perusal of tender committee minutes revealed that the committee approved a variation of Kshs.12,840,000 without detailing the components which occasioned the variation.

Consequently, the propriety and validity of the expenditure of Kshs.36,293,118.15 incurred on the refurbishment of buildings for the year ended 30 June 2016 could not be confirmed.

5.0 Accounts Receivables

5.1 Outstanding Imprest

The statement of financial assets as at 30 June 2016 reflects an accounts receivable balance amounting to Kshs.57,431,039. Included in the balance is a sum of Kshs.1,627,939 for outstanding staff imprest. Records availed for audit revealed that Kshs.435,764 of the imprests were outstanding for more than six months contrary to

Section 92 (5) of the Public Finance Management Act Regulation, 2015 which requires imprests to be surrendered within seven working days. Further, a sum of Kshs.846,950 was issued in multiple imprests contrary to Section 93 (4) of the Public Finance Management Act Regulations, 2015 which states the accounting officer or AIE Holder shall ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from salary.

5.2 Staff loans

Note 7 to the financial statements reflects an accounts receivable balance of Kshs.57,431,039. Included in the balance are staff loans totalling to Kshs.53,953,000. However, examination of records availed for audit revealed that the Assembly operated two loan schemes for the staff and Members of the County Assembly. As at 30 June 2016, the loan scheme had an accumulated balance of Kshs.373,000,000. The balance was divided into car and mortgage scheme for the Members of the County Assembly – Kshs.270,000,000 and the staff car and mortgage scheme – Kshs.103,000,000. However, the financial statements only reflects a balance of Kshs.53,953,000. The management has not explained why the loan balance of Kshs.319,047,000 was omitted from the financial statements.

It was further observed that the Assembly deposited Kshs.50,000,000 of the proceeds of the fund in an account at Chase Bank on 4 April, 2016 but the bank ceased operations soon after the management had no authority from National Treasury to deposit the money in commercial bank accounts as per the law and it seems no due diligence was done for prudent investment of the deposits.

5.3 Other Advances

Included in accounts receivables balance of Kshs.57,431,039 as at 30 June 2016 is other advances expenditure balance of Kshs.1,850,100. However, the advances register, the policy on the issuance of the advances and the dates of the advances were not presented for audit review.

In the circumstance, the validity, accuracy and completeness of the accounts receivables balance of Kshs.57,341,039 as at 30 June 2016 could not be confirmed.

6.0 Budgetary Control and Performance

6.1 Budget Absorption

The County Assembly of Kilifi total budget for the year under review amounted to Kshs.1,079,642,046 comprising of Kshs.276,817,114 for development and Kshs.802,824,932 for recurrent expenditure. However, the County Assembly's actual expenditure amounted to Kshs.701,391,978.15, resulting to an overall under absorption of Kshs.378,250,067.85 or 35% as summarized below:

Item	Approved Budget for 2015/2016 (Kshs)	Actual Expenditure 2015/2016 (Kshs)	Under Absorption in (Kshs)	Under Absorption in %
Development	276,817,114	36,293,117.70	240,523,996.30	87
Recurrent	802,824,932	665,098,860.20	137,726,071.80	17
Total	**1,079,642,046**	**701,391,977.90**	**378,250,068.20**	**35**

The under-absorption of the approved budget by Kshs.378,250,068.20 or 35% reflects non-adherence to budget provisions. No plausible explanation has been given for the under-expenditure.

6.2 Development Budget

During the year under review, the County Assembly of Kilifi allocated Kshs.276,817,114 for development projects and spent Kshs.36,293,117.70, thus resulting to under-expenditure of Kshs.240,523,996.30 or 87% as summarized below:

Expenditure Item	Budgeted Amount (Kshs)	Actual on Comparable Basis (Kshs)	Under Absorption (Kshs)	Under Absorption %
Non- Residential Buildings	130,000,000	0	130,000,000	100%
Construction of Buildings	20,000,000	0	20,000,000	100%
Refurbishment of Non-Residential Buildings	98,534,146	36,293,118	62,241,028	63%
Other Expenditure	28,282,968	0	28,282,968	100%
Total	**276,817,114**	**36,293,118**	**240,523,995**	**87%**

From the table, it is clear that the County Assembly did not utilize Kshs.240,523,995 or 87%. The under absorption of the development budget means that the County Assembly did not implement or complete some projects as planned, hence the objectives of the budget were not achieved. No plausible explanation has been provided for the under-expenditure.

6.3 Recurrent Budget

During the year under review, the County Assembly of Kilifi allocated Kshs.802,824,932 for recurrent expenditure but spent a total of Kshs.665,098,860.20

thus resulting to an overall under-expenditure of Kshs.137,726,072 or 20% as detailed below:

Expenditure Item	Budgeted Amount (Kshs)	Actual Expenditure as per F.S (Kshs)	Under Absorption (Kshs)	Over Absorption (Kshs)	Under Absorption (%)	Over Absorption (%)
Compensation of Employees	306,860,372	319,688,335.10		12,827,963.10		4
Use of Goods and Services	348,721,509	324,771,675.60	23,949,833.90		7	
Other Grants and Transfers	0	537,600		537,600.00		100
Other Payments	103,418,321		103,418,321		100	
Social Security Benefit	32,412,730		32,412,730		100	
Acquisition of Assets	11,412,000	20,101,249.50		8,689,249.50		76
Total	**802,824,932**	**665,098,860.20**	**159,780,884.90**	**22,054,812.60**	**20**	**3**

From the table, the County Assembly did not spend Kshs.159,780,884.90 or 20%. The management has not provided any explanation for the under-expenditure. In addition, the Assembly exceeded its budget on compensation of employees by Kshs.12,827,963.10 or 4%. The management has not provided for audit review approval for the excess expenditure as required by the Public Finance Management, Act, 2012.

7.0 Delay in Payment of Works Certified

Contract files and other records available revealed that the Assembly contracted four (4) companies to construct an Assembly Complex to house staff and members of the County Assembly offices at a total cost of Kshs.508,549,884. Records indicated that by 30 June 2016, works certified amounted to Kshs.31,485,524.41. More works valued at Kshs.22,028.583 were certified on 22 September, 2016. The total works certified by the time of audit in November 2016 amounted to Kshs.53,514,108.24. However, no records were presented for audit review to show any payments were made in respect of the certified works. A visit to the site and an interview carried out with the foreman revealed that the contractor scaled down work due to delayed payments. Although 31% of contract time had elapsed, only 11% of work had been certified. This is likely to delay the project's implementation, and may result to escalation of costs. Further, although the total value of the signed contract amounted to Kshs.508,549,884, the certificates of work done indicated the value of contracted works was Kshs.598,105,095.20, thus resulting to unexplained nor reconciled variance of Kshs.89,555,211.20.

Consequently, the validity, accuracy and completeness of the contracted sum of Kshs.508,549,884 the construction of the Assembly's Complex as at 30 June 2016 could not be confirmed.

8.0 Fixed Assets Register

The County Assembly of Kilifi availed a fixed assets register which did not capture all the assets of the County Assembly for the year under review contrary to Section 149(2) of the Public Finance Management Act, 2012, which requires the public entities to maintain a system of tracking the assets they own. Assets not captured in the fixed assets register included vehicles and other transport equipment valued at Kshs.26,652,077 and buildings valued at Kshs.245,473,711 acquired in the previous financial year. Further, assets of undetermined value acquired from the defunct Local Authority, including land in which the Assembly is situated have not been captured in the asset register.

Failure to update the fixed assets register could result to loss of the assets.

Disclaimer Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

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

Nairobi

15 August 2017

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015/2016 Kshs	2014/2015 Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	918,161,934.00	-
TOTAL RECEIPTS		**918,161,934.00**	-
PAYMENTS			
Compensation of Employees	2	319,688,335.10	-
Use of goods and services	3	324,771,675.40	-
Subsidies		-	-
Transfers to Other Government Entities		-	-
Other grants and transfers	4	537,600.00	-
Social Security Benefits		-	-
Acquisition of Assets	5	56,394,367.65	-
TOTAL PAYMENTS		**701,391,978.15**	-
SURPLUS/DEFICIT		**216,769,955.85**	-

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **September30, 2016** and signed by:

Clerk of the Assembly

Chief Finance Officer – County Assembly

V. STATEMENT OF FINANCIAL ASSETS

FINANCIAL ASSETS	Note	2015/2016 Kshs	2014/2015 Kshs
Cash and Cash Equivalents			
Bank Balances	6	159,338,916.85	-
Cash Balances		-	-
Total Cash			
Accounts receivables -Imprests/ advances/ loans	7	57,431,039.00	-
TOTAL FINANCIAL ASSETS		216,769,955.85	-
REPRESENTED BY			
Fund balance b/fwd		-	-
Surplus for the year		216,769,955.85	-
NET FINANCIAL POSITION		216,769,955.85	-

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **September30, 2016** and signed by:

Clerk of the Assembly
Assembly

Chief Finance Officer - County

VI. STATEMENT OF CASHFLOW

	Note	2015/2016 Kshs	2014/2015 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	918,161,934.00	-
Other Receipts		-	-
Payments for operating expenses			-
Compensation of Employees	2	(319,688,335.00)	-
Use of goods and services	3	(324,771,675.00)	-
Subsidies		-	-
Transfers to Other Government Entities		-	-
Other grants and transfers	4	(537,600.00)	-
Adjusted for:			
Adjustments during the year		-	-
			-
Net cash flows from operating activities		**273,164,323.50**	-
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		-	-
Acquisition of Assets	5	(56,394,367.65)	-
Net cash flows from investing activities		**(56,394,367.65)**	-
NET INCREASE IN CASH AND CASH EQUIVALENT		**216,769,955.85**	-
Cash and cash equivalent at BEGINNING of the year		-	-
Cash and cash equivalent at END of the year		**216,769,955.85**	-
As per statement of assets		-	-

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **September30, 2016** and signed by:

Clerk of the Assembly
Assembly

Chief Finance Officer - County

VII. 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	1,079,642,046	-	1,079,642,046	918,161,934.00	85%
Proceeds from Sale of Assets					
Other Receipts					
TOTAL	1,079,642,046	-	1,079,642,046	918,161,934.00	85%
PAYMENTS					
Compensation of Employees	314,571,932	-7,711,560	306,860,372	319,688,335.10	93%
Use of goods and services	346,509,949	2,211,560	348,721,509	324,771,675.40	96%
Subsidies			-		
Transfers to Other Government Entities			-		0%
Other grants and transfers			-	537,600.00	0%
Social Security Benefits	32,412,730		32,412,730		
Acquisition of Assets	282,729,114	5,500,000	288,229,114.0	56,394,367.65	21%
Finance Costs	-				
Other Payments	103,418,321		103,418,321.0		100%
TOTAL	1,079,642,046	-	1,079,642,046	701,391,978.15	75%

The County Assembly of Kilifi financial statements were approved on **September30, 2016** and signed by:

Clerk of the Assembly
Assembly

Chief Finance Officer – County

VIII. 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	802,824,932	-	802,824,932	768,161,934.00	84%
Proceeds from Sale of Assets					
Other Receipts					
TOTAL	802,824,932	-	802,824,932	768,161,934.00	84%
PAYMENTS					
Compensation of Employees	314,571,932	-7,711,560	306,860,372	319,688,335.10	93%
Use of goods and services	346,509,949	2,211,560	348,721,509	324,771,675.60	96%
Other grants and transfers			-	537,600.00	0%
Social Security Benefits	32,412,730		32,412,730		
Acquisition of Assets	5,912,000	5,500,000	11,412,000	20,101,249.50	220%
Other Payments	103,418,321		-	-	100%
TOTAL	802,824,932	-	802,824,932	665,098,860	94%

Please note that the 94% utilization came because of purchasing of motor vehicles using the Re-current account yet it was budgeted in development expenditure.

The County Assembly of Kilifi financial statements were approved on **September30, 2016** and signed by:

Clerk of the Assembly
Assembly

Chief Finance Officer – County

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

Receipt/Expense Item	Original Budget	Adjustment	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	276,817,114	-	276,817,114	150,000,000.00	54%
TOTAL	276,817,114	-	276,817,114	150,000,000.00	54%
PAYMENTS					
Acquisition of Assets	276,817,114	-	276,817,114	36,293,118.15	13%
TOTAL	**276,817,114**	-	276,817,114-	36,293,118.15	**13%-**

The County Assembly of Kilifi received Kshs 150,000,000 for development out of the budget of Kshs 276,817,114. The utilization of 13% was because the process of opening the development account at Central Bank was completed in February 2016 and the development funds were disbursed late (end of the financial year)

The County Assembly of Kilifi financial statements were approved on **Septembers30,2016** and signed by:

Clerk of the Assembly
Assembly

Chief Finance Office – County

X. 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 County Assembly of Kilifi. 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 County Assembly of Kilifi recognises all receipts from the various sources when the event occurs and the related cash has been received by the County Assembly of Kilifi. In addition, the County Assembly of Kilifi recognises all payments when the event occurs and the related cash has actually been paid out by the County Assembly of Kilifi.

3. In-kind contributions

In-kind contributions are donations that are made to the County Assembly of Kilifi 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 County Assembly of Kilifi 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 County Assembly of Kilifi 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 County Assembly of Kilifi 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 County Assembly of Kilifi'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 County Assembly of Kilifi'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.

XI. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM THE COUNTY TREASURY/EXCHEQUER RELEASES

Description	2015/2016	2014/2015
	Kshs	Kshs
Total Exchequer Releases for quarter 1	90,337,003	-
Total Exchequer Releases for quarter 2	235,000,000	-
Total Exchequer Releases for quarter 3	253,000,000	-
Total Exchequer Releases for quarter 4	339,824,931	-
Total	918,161,934	-

2. COMPENSATION OF EMPLOYEES

Description	2015/2016	2014/2015
	Kshs	Kshs
Basic salaries of permanent employees	255,946,974.10	-
Basic wages of temporary employees	37,648,285.00	-
Compulsory national social security schemes	26,093,076.00	-
Total	319,688,335.10	-

3. USE OF GOODS AND SERVICES

Description	2015/2016	2014/2015
	Kshs	Kshs
Utilities, supplies and services	2,248,648.45	-
Communication, supplies and services	672.064.00	-
Domestic travel and subsistence	184,548,466.20	-
Foreign travel and subsistence	5,158,218.00	
Printing, advertising and information supplies & services	9,563,900.00	
Rentals of produced assets	24,803,740.00	-
Training expenses	7,000,000.00	-
Hospitality supplies and services	29,544,071.05	-
Insurance costs	21,843,914.00	-
Specialized materials and services	2,012,483.75	-
Fuel Oil and Lubricant	2,619,426.25	-
Office and general supplies and services	7,404,449.45	-
Other operating expenses	23,007,848.56	-
Routine maintenance – vehicles and other transport equipment	3,259,379.45	-
Routine maintenance – other assets	1,085,065.54	-
Total	324,771,675.40	-

4. OTHER GRANTS AND TRANSFERS

Description	2015/2016	2014/2015
	Kshs	Kshs
Scholarships and other educational benefits	537,600.00	-
Total	**537,600.00**	-

5. ACQUISITION OF ASSETS

Description	2015/2016	2014/2015
	Kshs	Kshs
Non-financial assets		
Refurbishment of Buildings	36,293,118.15	-
Purchase of Vehicles and Other Transport Equipment	6,676,078.00	-
Purchase of Office Furniture and General Equipment	7,686,460.00	-
Purchase of ICT Equipment, Software, and Other ICT Assets	5,738,711.50	-
Total	**56,394,367.65**	-

6. BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2015/2016	2014/2015
Currency – KSHS.		Kshs	Kshs
Central Bank of Kenya, A/c 1000239085	Recurrent	205,158.60	-
Central Bank of Kenya, A/c 1000265108	Development	107,325,899.90	
Kenya Commercial Bank, A/c 1181021499	Recurrent	-3,145.00	
Kenya Commercial Bank, A/c 1181021391	Recurrent	42,805.00	-
Chase Bank A/c 0192330273002	Recurrent	48,998,734.15	-
Co-operative Bank A/c 01141262122000	Recurrent	2,769,464.20	-
Total		**159,338,916.85**	-

Kilifi County Assembly has an account at Family Bank (A/C no.94000003755) has an outstanding balance of Kshs 270,000,000 as at 30.06.2016 being Car & Mortgage funds which

were issued to the Members of the County Assembly in the financial year 2013/2014. The county assembly does not maintain a cash book for the account. Also, the account is being managed by Family Bank. The County Assembly Service Boards only gives instruction to the bank to disburse loans.

7. ACCOUNTS RECEIVABLES (See Annex 4)

Description	2015/2016	2014/2015
	Kshs	Kshs
Staff Imprests	1,627,939.00	-
Staff loans	53,953,000.00	-
Other Advances	1,850,100.00	-
Total	57,431,039.00	-

8. OTHER IMPORTANT DISCLOSURES

8.1 PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2015/2016	2014/2015
	Kshs	Kshs
Supply of services	14,883,820.00	-
Total	14,883,820.00	-

8.2 PENDING STAFF PAYABLES (See Annex 2)

	2015 – 2016 Kshs	2014 - 2015 Kshs
Members of the County Assembly	3,253,040.00	-
Staff of the County Assembly	1,897,285.00	-
Total	**5,150,325.00**	

The pending staff payables of Kshs 5,150,325 are monies in respect of allowances to both Members of County Assembly and staff for attending different committee meetings which were outstanding as at June 30, 2016.

ANNEXES

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2016	Comments
	a	b	c	d a-c	
Supply of services					
1. AVC MANAGEMENT	2,004,015			2,004,015	
2. KILIFI BAY BEACH RESORT	180,000			180,000	
3. KILIFI MEDIA GROUP LTD	1,044,000			1,044,000	
4. MEDIAMAX NETWORK LTD	2,668,000			2,668,000	
5. NATION MEDIA GROUP	563,992			563,992	
6. PINE COURT HOTEL	32,500			32,500	
7. SAI EDEN ROK	115,500			115,500	
8. SAIROK HOTEL	649,790			649,790	
9. SUN&SAND	149,650			149,650	
10. THE STAR PUBLICATIONS	3,078,519			3,078,519	
11. THE STARNDARD GROUP	1,870,245			1,870,245	
12. COAST COMFORT	608,909			608,909	
13. VOI WILDLIFE LODGE	1,918,700			1,918,700	
Total	14,883,820			14,883,820	

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable	Amount Paid To-Date	Outstanding Balance 2016	Comments
		A	B	c	d=a-c	
Members of the County Assembly						
1. ADAMSON MWATHETHE	P	29,500.00	30 June 2016	0	29,500.00	
2. ALBERT KIRAGA	P	186,100.00	30 June 2016	0	186,100.00	
3. ALPHONCE MWAYAA	P	29,500.00	30 June 2016	0	29,500.00	
4. ANDERSON NGOMBO	P	28,000.00	30 June 2016	0	28,000.00	
5. ANTHONY MUPE	P	112,000.00	30 June 2016	0	112,000.00	
6. ANTHONY NZAKA	P	98,000.00	30 June 2016	0	98,000.00	
7. ASHA CHIKU	P	42,000.00	30 June 2016	0	42,000.00	
8. BARKA MOHAMED	P	56,500.00	30 June 2016	0	56,500.00	
9. BONIFACE MWANGO	P	42,000.00	30 June 2016	0	42,000.00	
10. BONIFACE MWINGO	P	46,000.00	30 June 2016	0	46,000.00	
11. CHRISTINE FONDO	P	29,500.00	30 June 2016	0	29,500.00	
12. COSMAS FOLENI	P	84,000.00	30 June 2016	0	84,000.00	
13. DANIEL CHAI CHIRIBA	P	70,000.00	30 June 2016	0	70,000.00	
14. DANIEL MANGI	P	168,000.00	30 June 2016	0	168,000.00	
15. DUNCAN KAINGU	P	28,000.00	30 June 2016	0	28,000.00	
16. EDWARD DELE	P	87,000.00	30 June 2016	0	87,000.00	
17. ELINA MBARU	P	84,000.00	30 June 2016	0	84,000.00	
18. ELIZABETH MUTHOKA	P	56,000.00	30 June 2016	0	56,000.00	
19. ESTHER DZIDZA ALBERT	P	52,000.00	30 June 2016	0	52,000.00	
20. GETRUDE MBEYU	P	14,000.00	30 June 2016	0	14,000.00	
21. GIBSON MATANO	P	70,000.00	30 June 2016	0	70,000.00	
22. GRACE CHIHANGA	P	1,500.00	30 June 2016	0	1,500.00	
23. GRACE KWEKWE	P	5,700.00	30 June 2016	0	5,700.00	
24. HAMZA HUSEIN	P	59,000.00	30 June 2016	0	59,000.00	
25. HASSAN MOHAMED	P	112,000.00	30 June 2016	0	112,000.00	

Name of Staff	Job Group	Original Amount	Date Payable	Amount Paid To-Date	Outstanding Balance 2016	Comments
26. JANE MWARO	P	73,600.00	30 June 2016	0	73,600.00	
27. JAPHET NZARO	P	28,000.00	30 June 2016	0	28,000.00	
28. JARED CHOKWE	P	77,200.00	30 June 2016	0	77,200.00	
29. KAHINDI MUHAMBI	P	33,700.00	30 June 2016	0	33,700.00	
30. LALI SAID	P	28,000.00	30 June 2016	0	28,000.00	
31. LAWRENCE KILABO	P	42,000.00	30 June 2016	0	42,000.00	
32. NAPHTALI KOMBO	P	212,040.00	30 June 2016	0	212,040.00	
33. NASHEE NANA	P	43,000.00	30 June 2016	0	43,000.00	
34. NIXON MRAMBA	P	28,000.00	30 June 2016	0	28,000.00	
35. ONESMAS GAMBO	P	115,000.00	30 June 2016	0	115,000.00	
36. PASCAL JACOB	P	67,000.00	30 June 2016	0	67,000.00	
37. PRISCILA ZAWADI	P	98,000.00	30 June 2016	0	98,000.00	
38. RENSON KAMBI	P	42,000.00	30 June 2016	0	42,000.00	
39. SAID MWACHENDA	P	112,000.00	30 June 2016	0	112,000.00	
40. SAMSOM IHA	P	70,000.00	30 June 2016	0	70,000.00	
41. SELINA KHADIJA SALIM	P	98,000.00	30 June 2016	0	98,000.00	
42. SILAS CHITIBWI	P	140,000.00	30 June 2016	0	140,000.00	
43. SOPHIE BURNS	P	32,500.00	30 June 2016	0	32,500.00	
44. STANLEY KARISA	P	73,000.00	30 June 2016	0	73,000.00	
45. TECLER MUYE	P	77,200.00	30 June 2016	0	77,200.00	
46. TEDDY MWAMBIRE	P	15,500.00	30 June 2016	0	15,500.00	
47. THEOPHILUS FONDO	P	87,000.00	30 June 2016	0	87,000.00	
48. VALENTINE MATSAKI	P	70,000.00	30 June 2016	0	70,000.00	
Sub-Total		3,253,040.00		0	3,253,040.00	
County Assembly Staff members						
GIDEON KARISA		90,735.00	30 June 2016	0	90,735.00	
SILAS MULEWA		84,000.00	30 June 2016	0	84,000.00	
ALI MWANENGO		28,000.00	30 June 2016	0	28,000.00	
TEDDY PENDA		84,000.00	30 June 2016	0	84,000.00	

Name of Staff	Job Group	Original Amount	Date Payable	Amount Paid To-Date	Outstanding Balance 2016	Comments
MERCY KOTI		30,000.00	30 June 2016	0	30,000.00	
CHARLES MAPINGA		56,000.00	30 June 2016	0	56,000.00	
SIMON NGARI		37,800.00	30 June 2016	0	37,800.00	
LILIAN NGALA		28,000.00	30 June 2016	0	28,000.00	
WILLIAM KATANA		2,000.00	30 June 2016	0	2,000.00	
GEORGE KUMBATHA		28,000.00	30 June 2016	0	28,000.00	
MARTHA NGUGI		42,000.00	30 June 2016	0	42,000.00	
OMARI CHUPHI		22,400.00	30 June 2016	0	22,400.00	
HARRISON CHIZAMBO		56,000.00	30 June 2016	0	56,000.00	
MERCY KURIA		22,400.00	30 June 2016	0	22,400.00	
KEITH KITSAC		5,000.00	30 June 2016	0	5,000.00	
JOSPHAT SARO		4,000.00	30 June 2016	0	4,000.00	
JOSEPH CHAKA		46,400.00	30 June 2016	0	46,400.00	
ELIZABETH THOYA		23,400.00	30 June 2016	0	23,400.00	
SELINA KASICHANA		68,200.00	30 June 2016	0	68,200.00	
SHIDA KAPOMBE		45,800.00	30 June 2016	0	45,800.00	
STARNLY CHARO		12,200.00	30 June 2016	0	12,200.00	
CHRIS KANYETTA		7,750.00	30 June 2016	0	7,750.00	
ALFRED MUMBA		15,200.00	30 June 2016	0	15,200.00	
EMMANUEL KARISA		4,000.00	30 June 2016	0	4,000.00	
SAMSON MAKAZI		4,000.00	30 June 2016	0	4,000.00	
GABRIEL CHARO		4,200.00	30 June 2016	0	4,200.00	
HASTINGS MRISA		4,200.00	30 June 2016	0	4,200.00	
JOSEPHINE LUGWE		4,600.00	30 June 2016	0	4,600.00	
MARGRET PENDO		4,800.00	30 June 2016	0	4,800.00	
JOYCE KWEKWE		5,800.00	30 June 2016	0	5,800.00	
VELDA GWIYO		10,000.00	30 June 2016	0	10,000.00	
AMOS TAURA		11,200.00	30 June 2016	0	11,200.00	
ANITA MASHAKA		100,800.00	30 June 2016	0	100,800.00	

CHARITY MWARUMBA		78,400.00	30 June 2016	0	78,400.00	
CHARLES KOMBE		33,600.00	30 June 2016	0	33,600.00	
EDNA PENDO		11,200.00	30 June 2016	0	11,200.00	
ERIC LIBENDI		11,200.00	30 June 2016	0	11,200.00	
MARGRET KADENGE		33,600.00	30 June 2016	0	33,600.00	
MATILDA MWENDWA		22,400.00	30 June 2016	0	22,400.00	
RAPHAEL MKULA		56,000.00	30 June 2016	0	56,000.00	
SAMMY MWADZIWE		78,400.00	30 June 2016	0	78,400.00	
SAMSON KAHINDI		112,000.00	30 June 2016	0	112,000.00	
SYLVESTER NYULE		56,000.00	30 June 2016	0	56,000.00	
AGNESS KAZUNGU		16,800.00	30 June 2016	0	16,800.00	
RASHID MBETO		70,000.00	30 June 2016	0	70,000.00	
CONSOLATA KACHE		16,800.00	30 June 2016	0	16,800.00	
ADBDULRAHMAN CHUBA		22,400.00	30 June 2016	0	22,400.00	
ELIJA KOI		22,400.00	30 June 2016	0	22,400.00	
GIDEON MGANDI		22,400.00	30 June 2016	0	22,400.00	
HABEL MBARU		44,800.00	30 June 2016	0	44,800.00	
JUSTIN KARABU		67,200.00	30 June 2016	0	67,200.00	
MWAGANDI KIPONDA		22,400.00	30 June 2016	0	22,400.00	
PERIS KACHE		22,400.00	30 June 2016	0	22,400.00	
REHEMA KENETH		44,800.00	30 June 2016	0	44,800.00	
SALLY KADZO		11,200.00	30 June 2016	0	11,200.00	
PATIENCE KINGI		28,000.00	30 June 2016	0	28,000.00	
Total		**1,897,285.00**		**0**	**1,897,285.00**	

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost FY2015/2016 KShs	Historical Cost FY2014/2015 KShs
Buildings	36,293,118.15	-
Vehicles and Other Transport Equipment	6,676,078.00	-
Office Furniture and General Equipment	7,686,460.00	-
ICT Equipment, Software, and Other ICT Assets	5,738,711.50	-
Total	56,394,367.65	-