REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF MURANG'A

FOR THE YEAR ENDED 30 JUNE 2018

Revised template of June 2018

OFFICE OF THE AUDITOR GENERAL
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MURANGA COUNTY ASSEMBLY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The County Assembly is constituted as per the constitution of Kenya is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes 35 Members of County Assembly (MCAs) elected to represent members of the public from their respective wards and an additional 18 members nominated by political parties. The MCAs are responsible for making laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Executive.

b) Key Management

Pursuant to section 12 of the County Government Act, the County Assembly Service Board is responsible for:

(a) Providing services and facilities to ensure efficient and effective functioning of the County Assembly.
(b) Constituting offices in the County Assembly Service and appointing and supervising the office holder.
(c) Preparing annual estimates of expenditure of the County Assembly Service and submitting them to the County Assembly for approval and executing budgetary control over the same.
(d) Undertaking programmes to promote the ideals of parliamentary democracy.
(e) Performing the function necessary for the wellbeing of the members and staff of the County Assembly.

c) Fiduciary Management

The key management personnel who held office during the year ended June 30, 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	**Chris Kinyanjui**
2.	Principal finance Officer	**Isaac Khalisia**

d) Fiduciary Oversight Arrangements

While the County Assembly Service Board has the overall fiduciary oversight roles the board has established the following committees:

(i) The loan management committee which considers application for car and mortgage loans. The committee is appointed by the Board and oversight the loan management.
(ii) The members welfare and Board Advisory committee comprising of 9 members of the Assembly who receive and consider the representations and suggestions of members of the County Assembly and makes recommendations to the Board for action.
(iii) The management committee consists of all heads of departments in the Assembly and is responsible for advising the board on matters relating to the functions and powers of the board

(iv) The staffs Advisory Committee consists of heads of departments and the clerk and is responsible for advising the Board through the committee on matters relating to staff.

e) Entity Headquarters

P.O. Box 731-102000
MURANGA COUNTY ASSEMBLY OFFICES
Along Muranga Kiriaini Road

f) Entity Contacts

Telephone: 0722733391
E-mail: clerk@assembly.muranga.go.ke
Website: www.assembly.muranga.go.ke

g) Entity Bankers

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

h) Independent Auditors

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

i) Principal Legal Adviser

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

2. FORWARD BY THE CLERK OF THE ASSEMBLY

The County Assembly approved a budget of Kss.936,403,857 for the financial year 2017/2018 of which Kshs.853,430,857 was for recurrent expenditure and Kshs.73,000,000 was allocated for development expenditure.

The budget was later reviewed through supplementary budget to Kshs.746,746,528 of which Kshs.673,746,528 was for recurrent expenditure and Kshs.73,000,000 was allocated development expenditure.

However, by the end of June 2018, the County Assembly Service Board had received Kshs.501,971,452 through Exchequer Releases representing 67% of the approved supplementary budget comprising of recurrent receipts of kshs 489,971,452 representing 73% of current budget and development receipts of kshs 12,000,000 representing 16% of the development budget.

As these financial statements demonstrate, the Assembly received 67% of it's annual budget. This made the assembly's planned activities suffer financial constraints which we hope shall be addressed in subsequent years.

Chris Kinyanjui
Clerk of the County Assembly

3. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year ended June 30, 2018. 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, 2018, 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 28 December 2018.

Chris Kinyanjui
Clerk of the County Assembly

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF MURANG'A FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Murang'a set out on pages 1 to 27, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statements of comparison of budget and actual amounts-recurrent, development and combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Assembly of Murang'a as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the County Government Act, 2012.

Basis for Qualified Opinion

1. Variances Between IFMIS Balances and the Financial Statements

The financial statements for the year ended 30 June 2018 reflects various amounts and balances which are at variance with figures shown in the IFMIS report as follows:

1.1. Statement of Receipts and Payments

The statement of receipts and payments totalling Kshs.501,971,452 and Kshs.518,280,523 are at variance with IFMIS report figures of Kshs.338,971,452 and Kshs.505,675,292 for receipts and payments respectively, as tabulated below:

Details	Amounts as per Financial Statements-Kshs.	Amounts as per IFMIS Report-Kshs.	Variance-Kshs.
Receipts-Exchequer Releases	501,971,452	338,971,452	163,000,000
Payments			

Details	Amounts as per Financial Statements-Kshs.	Amounts as per IFMIS Report-Kshs.	Variance-Kshs.
Compensation of Employees	225,538,988	210,888,182	14,650,806
Use of Goods and Services	208,706,450	206,976,321	1,730,129
Transfers to other Government entities	16,375,590	10,625,445	5,750,145
Social security Benefits	10,321,120	26,820,382	(16,499,262)
Acquisition of assets	33,946,652	47,958,000	(14,011,348)
Other Payments	23,391,723	2,406,962	20,984,761
Total Payments	**518,280,523**	**505,675,292**	**12,605,231**

1.2. Statement of Financial Assets and Liabilities

Similarly, the balances reflected in the statement of financial assets and liabilities as at 30 June 2018 do not agree with IFMIS report balances as summarized below:

Details	Amounts as per Financial Statements-Kshs.	Amounts as per IFMIS Report-Kshs.	Variance-Kshs.
Bank balances	1,778,462	37,791,022	(36,012,560)
Cash balances	0	541,159,445	(541,159,445)
Account Payables – Deposits and retentions	1,711,943	2,399,094,200	(2,397,382,257)
Fund Balance Brought Forward	16,375,590	(1,653,439,893)	1,669,815,483
Surplus/(Deficit) for the year	(16,309,071)	(166,703,840)	150,394,769

No satisfactory explanations or reconciliations have been provided for the above variances.

2. Subscription Fees

The statement of receipts and payments reflects expenditure of Kshs.208,706,450 on use of goods and services. As further disclosed in Note 5 to the financial statements, the expenditure includes an amount of Kshs.18,833,667 relating to other operating expenses, out of which, Kshs.3,200,000 relate to subscription fees made to the County Assemblies Forum (CAF) and the Society of Clerks at the Table (SOCAT). However, during the year under review, the County Assembly did not have policy guidelines or regulations

governing payment of subscriptions to such bodies. Under the circumstances, the validity of the expenditure of Kshs.3,200,000 on subscriptions fees cannot be confirmed.

3. Cash and Cash Equivalents

The statement of financial assets and liabilities as at 30 June 2018 reflects cash and cash equivalents balance of Kshs.1,778,462 while the statement of cash flows shows cash and cash equivalents at the end of the year of Kshs.66,519. The resultant difference of Kshs.711,943 has not been reconciled or explained.

4. Pending Accounts Payables (Bills)

The financial statements of the County Assembly under Note 5.10. indicate that accounts payables (bills) amounting to Kshs.16,579,754 and Kshs.32,850,892 relating to construction of buildings and staff allowances and salaries respectively, were not settled during the year under review but were carried forward to 2018/2019. Had the bills been paid and the expenditure charged to the accounts for the year under review, the deficit of Kshs.16,309,071 reflected in the statement of receipts and payments would have increased to Kshs.65,739,717 an indication that the management entered into financial commitments for which no resources were available.

Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions for the subsequent year to which they have to be charged.

Further, although reference is made in Note 5.10 to the financial statements as regards pending staff allowance and salaries of Kshs.32,850,892, no details have been provided for the same. As a result, the validity, completeness and accuracy of the pending staff allowance and salaries of Kshs.32,850,892 cannot be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Murang'a in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Budget Performance

During the year under review, Murang'a County Assembly's approved expenditure budget was Kshs.746,746,528 comprising Kshs.673,746,528 and Kshs.73,000,000 for recurrent and development votes, respectively. However, the Assembly incurred actual expenditure of Kshs.475,152,975 and Kshs.43,127,548, on recurrent and development votes, respectively. No satisfactory explanation has been provided for the under-utilization of Kshs.198,593,553 of the recurrent budget and Kshs.29,872,452 of the development budget, which apparently affected service delivery and development programmes during the year for the County Assembly

2. Delay in Construction of Assembly Chambers

2.1. Initial Contract

As reported previously, the initial contract for the construction of the Assembly Chambers was awarded to a local construction firm on 11 November 2014 at a contract sum of Kshs.77,484,830, vide tender reference No. MCA/024/2013/2014/1, for a contract period of 24 weeks, with a scheduled completion date of 25 April 2015. Available information indicates that the contractor terminated the contract in January 2017 owing to delays in payment for certified works which stood at Kshs.33,092,879, representing about 43% level of completion as per last certificate No.3 against an elapsed contract period of 114 weeks.

2.2. New Contract

Records maintained by the County Assembly further indicate that after the termination of the first contract, a new contract, reference No. MCA/ADM/155/6/2017, was awarded on 24 October 2017 at a contract sum of Kshs.49,016,050, for a contract period of 26 weeks, effective from the date of signing the contract.

However, as the time of audit in October 2018, the project had not been completed and was noted to have stalled with effect from April 2018, which the Assembly management attributed to delay in paying the contractor.

2.3. Payments to the Contractors

According to available information, the initial contractor was paid for value of certified works of Kshs.33,092,879 up to the time of termination of contract in January 2017 which included accumulated interest on delayed payments of Kshs.361,642.

The new contractor had been paid a net amount of Kshs.9,463,238 (less retention money and applicable taxes) as at 30 June 2018. In addition, the unpaid value of certified work stood at Kshs.16,579,754 as at 30 June 2018. Despite the fact that the project has taken over four years to be completed, no evidence has been provided of any mechanism put in place to ensure that the new contractor is promptly paid to guard against cost escalation and unnecessary interest accumulation.

It is evident also that the total cost of the project has increased from the original contract sum of Kshs.77,484,830 to Kshs.82,108,929 comprising of payments made to the first contractor of Kshs.33,092,879 and new contract sum of Kshs.49,016,050.

3. Unexplained Usage of Motor Vehicles

The Salaries and Remuneration Commission (SRC), vide circular Ref. SRC/TS/CGOVT/3/61 VOL.IV (4a) of 11 December 2017, clarified that the SRC, vide Gazette Notice No.6518 of 7 July 2017, advised on the provision of official transport for the Governor, Deputy Governor, County Assembly Speaker and County Executive Committee Members. Further, the Commission, vide circular No. SRC/TS/CGOVT/3/61 dated 14 October 2013, advised that other county officers to whom an official vehicle had not been provided could utilize Government vehicles for official functions as approved by the County Government in compliance with the existing transport policy.

A review of work tickets for the Assembly motor vehicles revealed cases of unexplained usage of three County Assembly motor vehicles as follows:

i. Toyota Fortuner, Registration No. 21CG 033A

It was observed that between the months of July and November 2017, this vehicle was routinely operating between Nairobi and Murang'a. The work tickets were authorized by the Assembly Clerk and Director of Human Resource Management (DHRM).

ii. Toyota RAV 4, Registration No. 21CG 054A

During the month of December 2017, the vehicle was routinely operating between Nairobi and Murang'a and its work tickets during this month were being authorized by the DHRM. Further, during the months of February and March 2018, the vehicle was still plying the Nairobi - Murang'a route with its work tickets being authorized by the Assembly Clerk.

iii. Toyota RAV 4, Registration No. 21CG 051A

During the months of November and December 2017, and January, February and April 2018, the vehicle was routinely operating between Nairobi and Murang'a, with the work

tickets being authorized by the Assembly Clerk and Director-Human Resource Management.

No plausible explanation has been provided for the seemingly improper use of these motor vehicles between Nairobi and Murang'a, and as a result, unnecessary costs were incurred on fuel, wear and tear, and routine maintenance during the year under review.

4. Procurement of Motor Vehicles

Included in the acquisition of assets expenditure of Kshs.33,946,652 as disclosed in Note 10 to the financial statements is an amount of Kshs.21,074,552 in respect of purchase of vehicles and other transport equipment. The Assembly purchased three motor vehicles from M/s Toyota Kenya Ltd at total contract sum of Kshs.21,790,000.

According to the original budget for the Assembly, the initial approved budget for purchase of motor vehicles during 2017/2018 financial year was Kshs.25,000,000. This provision was later reduced to Kshs.21,000,000 through supplementary budget of March 2018 after the payments for the vehicles had been made, thereby occasioning an over expenditure of Kshs.790,000, for which no approval from the County Assembly was obtained.

5. Avoidable Expenditure on Domestic Travel and Subsistence

Disclosed under Note 5 to the financial statements is expenditure of Kshs.107,939,854 relating to domestic travel and subsistence. The amount includes subsistence allowances of Kshs.33,171,700 paid to Members of the County Assembly (MCAs) and staff for attending various meetings in facilities outside the precincts of the County Assembly premises. The meetings could have been conveniently held within the County Assembly premises designated for such meetings.

The Assembly has not provided satisfactory justification for holding such meetings outside it's chambers and offices so as to save on costs relating to travel, accommodation and hire of facilities. In the circumstances, the regularity and value for money on the expenditure of Kshs.38,062,300 incurred on domestic travel and subsistence cannot be confirmed.

6. Benchmarking Visit to the East African Legislative Assembly (EALA)

Note 5 also includes foreign travel and subsistence expenditure of Kshs.7,053,830, out of which an amount of Kshs.1,603,744 was paid to delegated committee members of the County Assembly while on benchmarking visit to the East African Legislative Assembly (EALA) in Arusha, Tanzania. However, the relevance of the benchmarking trip to EALA has not been justified given that EALA has a different mandate and is of a higher level than the County Assembly. In the circumstances, the regularity and value for money on the expenditure of Kshs.1,603,744 incurred on the benchmarking trip cannot be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusions on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Audit Committee and Ineffective Internal Audit Function

As reported in 2016/2017, Murang'a County Assembly has not established to date an audit committee. Further, although an internal audit department exists, the only staff in the audit function had resigned during the year under review and had not been replaced as at the time of audit in October 2018. No satisfactory explanation has been provided for the failure to establish an independent audit committee and a functioning internal audit department. As a result, the operations of the Assembly are exposed to ineffective oversight and monitoring by an Internal Audit Committee and Internal Audit Function respectively, which may lead to loss of public funds.

2. Risk Management

A review of the County Assembly governance processes revealed that the Assembly does not have a documented risk management policy and do not conduct regular risk assessments on its systems and operations. This has the potential of exposing the County Assembly to possible loss of resources.

3. Numbering of Payment Vouchers

A review of the Integrated Financial Management Information System (IFMIS) reports for the year ended 30 June 2018 for the Assembly revealed that the numbering of payment vouchers in IFMIS was not sequential as there were gaps in the serialization and numbering of payment vouchers, thereby exposing the County Assembly to possible loss

of public funds in case skipped payment voucher numbers were processed without detection.

This is contrary to the provision of section 104(1) of Public Finance Management (County Government Regulations), 2015 which requires that all receipts and payments vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the ability of the County Assembly to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

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

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

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

Nairobi

18 February 2019

5. FINANCIAL STATEMENTS

5.1. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017/18 KShs	2016/17 KShs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	501,971,452	650,000,000
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		**501,971,452**	**650,000,000**
PAYMENTS			
Compensation of Employees	4	225,538,988	366,090,549
Use of goods and services	5	208,706,450	246,714,757
Subsidies	6	-	-
Transfers to Other Government Entities	7	16,375,590	-
Other grants and transfers	8	-	-
Social Security Benefits	9	10,321,120	-
Acquisition of Assets	10	33,946,652	20,819,104
Finance Costs	11		
Other Payments	12	23,391,723	-
TOTAL PAYMENTS		**518,280,523**	**633,624,410**
SURPLUS/DEFICIT		**(16,309,071)**	**16,375,590**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 2018 and signed by:

Chris Kinyanjui
Clerk of the Assembly

Isaac Khalisia
Chief Finance Office – County Assembly
ICPAK Member Number:

5.2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

		2017/2018	2016/17
FINANCIAL ASSETS	Note	KShs	KShs
Cash and Cash Equivalents			
Bank Balances	13A	1,778,462	16,375,590
Cash Balances	13B		
Total Cash and cash equivalents		**1,778,462**	**16,375,590**
Accounts receivables – Outstanding Imprests	14	-	-
TOTAL FINANCIAL ASSETS		**1,778,462**	**16,375,590**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	1,711,943	-
NET FINANCIAL ASSETS		**66,519**	**16,375,590**
REPRESENTED BY			
Fund balance b/fwd	16	16,375,590	0
Surplus/Deficit for the year		(16,309,071)	16,375,590
NET FINANCIAL POSITION		**66,519**	**16,375,590**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 2018 and signed by:

Chris Kinyanjui
Clerk of the Assembly

Isaac Khalisia
Chief Finance Officer – County Assembly
ICPAK Member Number:

5.3. STATEMENT OF CASH FLOWS

	Note	2017/18 KShs	2016/17 KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	501,971,452	650,000,000
Other Receipts	3	-	-
Payments for operating expenses			
Compensation of Employees	4	(225,538,988)	(366,090,549)
Use of goods and services	5	(208,706,450)	(246,714,757)
Subsidies	6	-	-
Transfers to Other Government Entities	7	(16,375,590)	-
Other grants and transfers	8	-	-
Social Security Benefits	9	(10,321,120)	-
Finance Costs	11		
Other Payments	12	(23,391,723)	-
Adjusted for:			
Adjustments during the year		-	-
Net cash flows from operating activities		**17,637,581**	**37,194,694**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	(33,946,652)	(20,819,104)
Net cash flows from investing activities		**(33,346,652)**	**(20,819,104)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(16,309,071)**	**16,375,590**
Cash and cash equivalent at BEGINNING of the year	13	**16,375,590**	**0**
Cash and cash equivalent at END of the year		**66,519**	**16,375,590**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 2018 and signed by:

Chris Kinyanjui
Clerk of the Assembly

Isaac Khalisia
Chief Finance Office – County Assembly

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilization difference
	KShs	KShs	c=a+b	e=d-c	KShs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	936,403,857	(189,657,329)	746,746,528	501,971,452	67%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**936,403,857**	**(189,657,329)**	**746,746,528**	**501,971,452**	**67%**
PAYMENTS					
Compensation of Employees	416,452,462	(151,906,462)	264,546,000	225,538,988	85%
Use of goods and services	433,596,000	(45,196,000)	388,400,000	208,706,450	54%
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	16,375,590	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	13,355,395	7,445,133	20,800,528	10,321,120	-
Acquisition of Assets	73,000,000	0	73,000,000	33,946,652	46%
Finance Costs					
Other Payments	-	-	-	23,391,723	-
TOTAL	**936,403,857**	**(189,657,329)**	**746,746,528**	**518,280,523**	**69%**
SURPLUS/ DEFICIT	**0**	**0**	**0**	**(16,309,071)**	

The changes between the original and final budget are as a result of reallocations within the budget. The entity financial statements were approved on 2018 and signed by:

Chris Kinyanjui
Clerk of the Assembly

Isaac Khalisia
Chief Finance Office, County Assembly

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilisation difference
	a	b	c=a+b	e=d-c	
RECEIPTS					
Transfers from the County Treasury/ Exchequer Releases	863,403,857	(189,657,325)	673,746,532	489,971,452	73%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**863,403,857**	**(189,657,325)**	**673,746,532**	**489,971,452**	**73%**
PAYMENTS					
Compensation of Employees	416,452,462	(151,906,462)	264,546,000	225,538,988	85%
Use of goods and services	433,596,000	(45,196,000)	388,400,000	208,706,450	54%
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	7,194,694	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	13,355,395	7,445,133	20,800,528	10,321,120	50%
Acquisition of Assets	-	-	-	-	-
Finance Costs	-	-	-		-
Other Payments	-	-	-	23,391,723	-
TOTAL	**863,403,857**	**(189,657,329)**	**673,746,528**	**475,152,975**	**71%**
Surplus/ Deficit	**0**			**14,818,477**	

The changes between the original and final budget are as a result of reallocations within the budget. As at of June 2017. The entity financial statements were approved on 2018 and signed by:

Chris Kinyanjui
Clerk of the Assembly

Isaac Khalisia
Chief Finance Office – County Assembly

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilization difference
	KShs	KShs	c=a+b	e=d-c	KShs
RECEIPTS					
Transfers from the County Treasury/ Exchequer Releases	73,000,000	0	73,000,000	12,000,000	16%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**73,000,000**	**0**	**73,000,000**	**12,000,000**	**16 %**
PAYMENTS					
Compensation of Employees	-	-	-	-	-
Use of goods and services	-	-	-	-	-
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	9,180,896	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	73,000,000	0	73,000,000	33,946,652	46%
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	**73,000,000**	**-**	**73,000,000**	**43,127,548**	**58%**
SURPLUS/ DEFICIT	**0**	**0**	**0**	**(31,127,548)**	

The changes between the original and final budget are as a result of reallocations within the budget. The entity financial statements were approved on 2018 and signed by:

Chris Kinyanjui
Clerk of the Assembly

Isaac Khalisia
Chief Finance Office – County Assembly

5.7. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	KShs	KShs	KShs	KShs	KShs
Oversight					
Oversight	203,512,015	(49,730,015)	153,782,000	111,155,595	42,626,405
Legislation and Representation					
Legislation and Representation	302,378,929	(24,434,401)	277,944,528	215,986,469	61,958,059
General administration planning support					
General administration planning support	430,512,913	(115,492,913)	315,020,000	191,138,460	123,881,540
TOTAL	**936,403,857**	**(189,657,329)**	**746,746,528**	**518,280,523**	**228,466,003**

5.8. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

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

2. Reporting entity

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

3. Recognition of receipts and payments

a) Recognition of receipts

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

Tax receipts

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

Transfers from the Exchequer/ County Treasury

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

Other Receipts

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

b) Recognition of payments

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

Compensation of employees

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

Use of goods and services

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

Acquisition of fixed assets

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

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

4. In-kind contributions

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

5. Cash and cash equivalents

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

Restriction on cash

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2018, this amounted to KShs 1,143,117 compared to KShs 0 in prior period as indicated on note 15 There were no other restrictions on cash during the year.

6. Accounts Receivable

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

7. Accounts Payable

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

8. Non-current assets

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Pending bills

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

10. Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *entity's* budget was approved as required by Law .The original budget was approved by the County Assembly on 27th June 2017 for the period 1st July 2017 to 30 June 2018 as required by law. There was 1 number of supplementary budgets passed in the year. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

11. Comparative figures

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

12. Subsequent events

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

13. Errors

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

14. Related party transactions

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

5.9. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from the County Treasury/Exchequer Releases

	2017/18	2016/17
	KShs	KShs
Transfers from the County Treasury for Q1	41,000,000	144,000,000
Transfers from the County Treasury for Q2	135,000,000	180,000,000
Transfers from the County Treasury for Q3	126,871,452	135,000,000
Transfers from the County Treasury for Q4	199,100,000	191,000,000
Cumulative Amount	**501,971,452**	650,000,000

2. PROCEEDS FROM SALE OF ASSETS

	2017/18	2016/17
	KShs	KShs
Receipts from the Sale of Buildings	0	0
Receipts from the Sale of Vehicles and Transport Equipment	0	0
Receipts from the Sale Plant Machinery and Equipment	0	0
Receipts from Sale of Certified Seeds and Breeding Stock	0	0
Receipts from the Sale of Strategic Reserves Stocks	0	0
Receipts from the Sale of Inventories, Stocks and Commodities	0	0
Disposal and Sales of Non-Produced Assets	0	0
Receipts from the Sale of Strategic Reserves Stocks	0	0
Total	**0**	**0**

3. OTHER RECEIPTS

	2017/18	2016/17
	KShs	KShs
Tender fees received	0	0
Other Receipts II	0	0
Other Receipts III	0	0
Other Receipts IV	0	0
Total	**0**	**0**

4. COMPENSATION OF EMPLOYEES

	2017/18	2016/17
	KShs	KShs
Basic salaries of permanent employees	189,004,045	222,057,899
Basic wages of temporary employees	10,762,854	14,717,695
Personal allowances paid as part of salary	24,923,455	72,542,934
Personal allowances paid as reimbursements	848,634	5,395,375
Personal allowances provided in kind	0	0
Pension and other social security contributions	0	0
Compulsory national social security schemes		51,376,646
Compulsory national health insurance schemes	0	0
Social benefit schemes outside government	0	0
Other personnel payments	0	0
Total	**225,538,988**	**366,090,549**

Murang'a County Assembly had a total of 69 members of staff at the beginning of financial year, recruited 4 while 2 were transferred and one retired.

5. USE OF GOODS AND SERVICES

	2017/18	2016/17
	KShs	KShs
Utilities, supplies and services	1,057,794	1,331,621
Communication, supplies and services	4,759,611	6,765,868
Domestic travel and subsistence	107,939,854	122,134,432
Foreign travel and subsistence	7,053,830	4,170,435
Printing, advertising and information supplies & services	3,086,421	3,800,338
Rentals of produced assets	3,007,947	4,153,844
Training expenses	11,598,781	5,885,159
Hospitality supplies and services	29,306,567	16,335,070
Insurance costs	16,323,217	12,062,258
Specialized materials and services	577,850	0
Office and general supplies and services	1,902,540	3,009,460
Other operating expenses	18,833,667	64,703,856
Routine maintenance – vehicles and other transport equipment	361,515	450,876
Routine maintenance – other assets	1,247,743	1,911,540
Fuel oil and Lubricants	1,649,113	
Total	**208,706,450**	**246,714,757**

6. SUBSIDIES

Description	2017/18	2016/17
	KShs	KShs
Subsidies to County Corporations	0	0
See list attached		
(insert name)		
Subsidies to Private Enterprises	0	
See list attached		
(insert name)	0	0
TOTAL	**0**	**0**

7. TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2017/18	2016/17
	KShs	KShs
Transfers to National Government entities		
Transfers to other County Assembly entities		
Transfer to the County Revenue Fund	16,375,590	0
TOTAL	**16,375,590**	**0**

The amount was transferred pursuant to section 109 of the public finance management Act, 2012

8. OTHER GRANTS AND TRANSFERS

	2017/18	2016/17
	KShs	KShs
Scholarships and other educational benefits	0	0
Emergency relief and refugee assistance	0	0
Subsidies to small businesses, cooperatives, and self employed	0	0
Total	**0**	**0**

9. SOCIAL SECURITY BENEFITS

	2017/18	2016/17
	KShs	KShs
Government pension and retirement benefits	10,321,120	0
Social security benefits in cash and in kind	0	0
Employer Social Benefits in cash and in kind	0	0
Total	**10,321,120**	**0**

The amount relates to transfer of Kshs.10,321,120 to LAPFUND for members gratuity

10. ACQUISITION OF ASSETS

Non Financial Assets	2017/18	2016/17
	KShs	KShs
Purchase of Buildings		
Construction of Buildings		
Refurbishment of Buildings	12,000,000	20,819,104
Construction of Roads		
Construction and Civil Works		
Overhaul and Refurbishment of Construction and Civil Works		
Purchase of Vehicles and Other Transport Equipment	21,074,552	
Overhaul of Vehicles and Other Transport Equipment		
Purchase of Household Furniture and Institutional Equipment		
Purchase of Office Furniture and General Equipment	872,100	
Purchase of ICT Equipment, Software and Other ICT Assets		
Purchase of Specialised Plant, Equipment and Machinery		
Rehabilitation and Renovation of Plant, Machinery and Equip.		
Purchase of Certified Seeds, Breeding Stock and Live Animals		
Research, Studies, Project Preparation, Design & Supervision		
Rehabilitation of Civil Works		
Acquisition of Strategic Stocks and commodities		
Acquisition of Land		
Acquisition of Intangible Assets		
Financial Assets		
Domestic Public Non-Financial Enterprises		
Domestic Public Financial Institutions		
Total	**33,946,652**	**20,819,104**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. FINANCE COSTS

	2017/18	2016/17
	KShs	KShs
Bank Charges		
Exchange Rate Losses		
Other Finance costs		
Interest on borrowings		
Total		

12. OTHER PAYMENTS

	2017/18	2016/17
	KShs	KShs
Budget Reserves	2,404,675	0
Civil Contingency Reserves	0	0
Capital Transfers to Non-Financial Public Enterprises	0	0
Capital Transfer to Public Financial Institutions and Enterprises	0	0
Capital Transfer to Private Non-Financial Enterprises	0	0
Other expenses	987,048	0
Domestic Accounts	20,000,000	0
Total	**23,391,723**	**0**

Domestic Accounts represent an amount of Kshs.20,000,000 transferred to account 006000027989 held at Family bank for car and mortgage loan fund.

13. CASH AND BANK BALANCES

13A. BANK BALANCES

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2017/18	2016/17
		KShs	KShs
Central Bank of Kenya Acc. No.1000196416	Development	0	9,180,896
Central Bank of Kenya Acc. No.1000196408	Recurrent	0	7,194,694
Central Bank of Kenya Acc. No.1000196417	Deposits	1,711,943	0
Kenya Commercial Bank Acc no.112449033	Imprest	66,519	0
Total		**1,778,462**	**16,375,590**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13B. CASH IN HAND

	2017/18	2016/17
	KShs	KShs
Cash in Hand – Held in domestic currency	0	
Cash in Hand – Held in foreign currency	0	0
Total	**0**	**0**

	2017/18	2016/17
	KShs	KShs
Cashier office	0	
Total	**0**	

14. ACCOUNTS RECEIVABLE

	2017/18	2016/17
	KShs	KShs
Government Imprests	0	0
Clearance Accounts	0	0
Staff Advances	0	0
Other Advances	0	0
Total	0	0

15. ACCOUNTS PAYABLE

	2017/18	2016/17
	KShs	KShs
Deposits and Retentions	1,711,943	0
Total	1,711,943	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FUND BALANCE BROUGHT FORWARD

	2017/18	2016/17
	KShs	KShs
Bank accounts	16,375,590	0
Cash in hand		
Accounts Receivables		
Accounts Payables		
Total	**16,375,590**	**0**

17. PRIOR YEAR ADJUSTMENTS

Description of the adjustment	2017/18	2016/17
	KShs	KShs
Adjustments on bank account balances	0	29,067,835
Adjustments on cash in hand	0	2,657
Adjustments on payables	0	0
Adjustments on receivables	0	0
Others (Expenditure)	0	24,737,006
Total	0	**53,807,498**

Bank accounts balances were bank balances but adjusted to cash book balances.

On expenditure payments made during the financial year but paid at the beginning of the following financial year were not included in the expenditure.

5.10. OTHER DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 1)

	2017/18	2016/17
	KShs	KShs
Construction of buildings	16,579,754	8,677,320
Construction of civil works	0	0
Supply of goods	0	12,506,410
Supply of services	0	0
Total	**16,579,754**	**33,690,140**

2. PENDING STAFF PAYABLES (See Annex 2)

Name of Staff	2017/18	2016/17
	KShs	KShs
Allowances and salary	32,850,892	28,692,096
Total	32,850,892	28,692,096

3. OTHER PENDING PAYABLES (See Annex 3)

	2017/18	2016/17
	KShs	KShs
Amounts due to National Government entities	0	0
Amounts due to County Government entities	0	0
Amounts due to third parties	0	0
Total	0	0

4. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS. The following comprise of related parties to the County Assembly.

- Members of County Assembly;
- Key management personnel that include the Clerk of the Assembly and heads of departments;
- The County Executive;
- County Ministries and Departments;
- Other County Government entities including corporations, funds and boards;
- The National Government;
- Other County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

OTHER DISCLOSURES (CONTINUED)

Related party transactions:

	20xx- 20xx	20xx- 20xx
	Kshs	Kshs
Compensation to Key Management		
Compensation to the Speaker, Deputy Speaker and the MCAs		
Key Management Compensation(Clerk and Heads of departments)		
Total Compensation to Key Management		
Transfers to related parties		
Transfers to other County Government Entities such as car and mortgage schemes	20,000,000	0
Transfers to County Corporations		
Transfers to non reporting entities e.g ECD centres, welfare centres etc		
Total Transfers to related parties		
Transfers from related parties		
Transfers from the County Executive- Exchequer		
Payments made on behalf of the County Assembly by other Government Agencies		
(Insert any other transfers received)		
Total Transfers from related parties	**20,000,000**	**0**

5. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Clerk of the County Assembly

Sign.....

Date.....

ANNEXES

ANNEX 1 – ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
	A	b	c	d=a-c		
Construction of buildings						
1. Stepal builders Com Ltd				16,579,754	8,677,320	
2.						
3.						
Sub-Total				**16,579,754**	**8,677,320**	
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				**16,579,754**	**8,677,320**	

ANNEX 2 – ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
		a	b	c	d=a-c		
ALLOWANCE AND SALARY							
1. Personnel emoluments					30,359,414	28,692,096	
2. Operation and maintenance					2,591,478		
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
Sub-Total					**32,950,892**	**28,692,096**	
Grand Total					**32,950,892**	**28,692,096**	

ANNEX 3 – ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (*specify*)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (KShs) 2016/2017	Additions during the year (KShs)	Disposals during the year (KShs)	Historical Cost c/f (KShs) 2017/2018
Land	**127,000,000**		**0**	**127,000,000**
Buildings and structures	**220,819,104**	**12,000,000**	**0**	**232,819,104**
Transport equipment	**28,600,242**	**21,074,552**	**0**	**49,674,794**
Office equipment, furniture and fittings	**7,558,835**	**872,100**	**0**	**8,430,935**
ICT Equipment, Software and Other ICT Assets	**11,870,209**	**0**	**0**	**11,870,209**
Other Machinery and Equipment	**4,454,050**	**0**	**0**	**4,454,050**
Heritage and cultural assets				
Intangible assets				
Total	**400,402,440**	**33,946,652**	**0**	**434,349,092**

ANNEX 5 – ANALYSIS OF OUTSTANDING IMPRESTS

Government Imprest Holders

Name of Officer or Institution	*Date Imprest Taken*	*Amount Taken*	*Amount Surrendered*	*Balance*
		KShs	***KShs***	***KShs***
Total		0	0	**0**

ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT

(Attach FO 30 Reports from IFMIS)