REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF MURANG'A

FOR THE YEAR ENDED 30 JUNE 2016

COUNTY GOVERNMENT OF MURANG'A

REPORTS AND FINANCIAL STATEMENTS
COUNTY EXECUTIVE

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 ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Key Management

The *Murang'a county Government* day-to-day management is under the following key organs:

- Murang'a County Executive
- Murang'a County Assembly and
- Murang'a County Public Service Board

(c) Fiduciary Management

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

No.	NAME	DESIGNATION
1.	Mr Peter G. Kahora	Accounting officer-Finance and economic planning
2.	Mr. Thomas Gakahu	Director of county treasury-Accounting service and receiver of revenue
3.	Mr Patrick Mukuria	County Secretary
4.	Mr Joseph Mbae	Accounting Officer-Health
5.	Mr Peter Gichigo	Accounting Officer-Trade
6.	Mr Gabriel Kamau	Accounting Officer-Transport & Infrastructure
7.	Mr Charles Thuo	Accounting Officer-Cooperatives development
8.	Mr Peter Mburu	Accounting Officer-Agri-business
9.	Mr Joseph Ndung'a	Accounting Officer-Agriculture
10.	Mr Moses Waiharo	Accounting Officer-Governorship and Administration
11.	Mr Titus Waweru	Accounting Officer-Human Resource
12.	Ms Catherine Mwaura	Accounting Officer-Education
13.	Ms Damaris Maina	Accounting Officer-Environment
14.	Mr John Mwangi	Accounting Officer-Lands
15.	Mr Richard Kamami	Accounting Officer-PSB
16.	Mr James Kairu	Accounting Officer-Finance

(d) Fiduciary Oversight Arrangements

The County government consists of two arms of government namely the county executive and county assembly as per the Kenya Constitution of 2010. The county assembly has an oversight role on the management of the county government through the County Public Account Committee, County Finance Committee, County Budget Committee and Committee on implementation. Sectorial committee's to have an oversight role in their respective sector programs.

The county also has an Internal Audit Department which ensures that internal control are followed
The county also works hand in hand with the development partners to ensure that funds received from donors are utilized as their terms

(e) County Headquarters

P.O. Box 52-10200
County Hall
Murang'a Town
Nairobi, KENYA

(f) County Contacts

Telephone: (254) 2030271
E-mail: info@muranga.go.ke
Website: www.muranga.go.ke

(g) County Bankers

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

2. Kenya Commercial Bank
   Murang'a

(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 CEC

I hereby forward the County executive financial statements for the financial year ended 30th June 2016. These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the Public Finance Management Act 2012. The accounts show the county had a surplus of 201Million

Murang'a county government had prepared its budget guided by the county's integrated development plan with key development programs been Infrastructure development, Milk production and marketing, increased food production and production and provision of water allocated the lion share of development funds. ECD and Youth polytechnics were also allocated funds to improve the infrastructure and education/training standards. The county government was able to absorb over 78% of development expenditure.

The impact of these programs can already be felt for example the two irrigation projects that have been completed have enhanced food production. Milk production has increased fourfold following the provision of quality A.I services and a ready market. These initiatives are providing farmers with guaranteed monthly income that has boosted the livelihood of many to mention but a few. The county projects are completed in time thereby ensuring the residents get value for their money.

The main challenge the county is facing is growing its revenue base. With few industries in the county and low economic activities, the county is constrained on local revenues. We also faced challenges on timely approval of budgets and processing of all financial items through IFMIS which is been addressed with assistance from the National Treasury officials.

The county executive committee members, chief officers and all staff have worked well creating harmony and synergy thereby achieving great results. We are further working closely to put in place structures and policies that will enhance efficient delivery of services

DAVID WAWERU
CEC-FINANCE, IT AND ECONOMIC PLANNING
COUNTY GOVERNMENT OF MURANG'A

III. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of revenue and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The County Executive Committee (CEC) member for finance of the County Government is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the financial year ended on June 30, 2015. 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 Government; (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 Government; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The CEC member for finance accepts responsibility for the County Government'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 CEC member for finance is of the opinion that the County Government's financial statements give a true and fair view of the state of the County Government's transactions during the financial year ended June 30, 2015, and of its financial position as at that date. The CEC member for finance further confirms the completeness of the accounting records maintained for the County Government 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 CEC member for finance confirms that the County Government has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Government'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 CEC member for finance confirms that the County Government'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 CEC member for finance on _____ 2017

_____

County Executive Committee member – Finance

IV) REPORT OF THE INDEPENDENT AUDITORS

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF MURANG'A FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Executive of Murang'a set out on pages 6 to 30, which comprise the statement of financial assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows, and statement of comparison of budget and 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. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the County Executive's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion

1.0 Exchequer Releases/Disbursements

The statement of receipts and payments for the year ended 30 June 2016 indicates that the County Executive received Transfers from the National Treasury of Kshs.5,040,997,309, grants of Kshs.24,810,000 and transfers from other government entities (Road Maintenance Levy Fund, Free maternity fee and user fee foregone) of Kshs.159,508,000 totaling to Kshs.5,225,315,316. However, records of disbursement from the National Treasury indicate that total exchequer releases to the county Executive amounted to Kshs.5,380,807,309, resulting in unexplained difference of Kshs.155,491,993.

Further, the report of the Controller of Budget indicated that the County Executive received exchequer issues totaling Kshs.5,544,320,000 comprised of Kshs.5,360,000,000 equitable share of revenue raised nationally and Kshs.184,320,000 total conditional allocations.

No reconciliation was provided for the variances noted in relation to the exchequer. As a result of these variances, the accuracy and completeness of releases balances of the Exchequer releases and other transfers received by the county executive in the year ended 30 June 2016 cannot be confirmed.

2.0 Finance costs

The statement of receipts and payments reflects a balance of Kshs.25,283,423 under finance costs including loan interest for the year ended 30 June 2016. Records indicate that the payments relate to interest charged on overdraft during the year. However, Note 22 to the financial statements indicate that as 30 June 2015, the County Government had a bank overdraft of Kshs.223,631,252 and which was apparently repaid in whole during the year thus the positive balance of Kshs.130,571 reflected as at 30 June 2016. No reconciliation or explanation was provided on the conflicting balances. Further, Note 20 to the financial statements reflects nil repayment of principal domestic borrowing and yet the County Executive repaid the overdraft taken from Kenya Commercial Bank as indicated above.

In the circumstances, the accuracy and validity of the finance costs including loan interest of Kshs.25,283,423 for the year ended 30 June 2016 could not be confirmed.

3.0 Cash and bank balances

3.1 Bank balances

The statement of assets as at 30 June 2016, reflects Cash-and-cash equivalents balance Kshs.516,892,167 as at 30 June 2016, comprised of bank balances and cash balances of Kshs.515,601,658 and Kshs.1,290,509 respectively. However, bank reconciliation statements for thirty seven (37) bank accounts maintained by various county departments were not made available for audit review. In the circumstances, the accuracy of bank balance of Kshs.515,601,658 as at 30 June 2016 cannot be confirmed.

4.0 Accounts Receivable-Outstanding Imprest

The statement of financial assets as at 30 June 2016 under accounts receivable reflects outstanding imprests totalling Kshs.35,179,108 which ought to have been accounted for or recovered on or before 30 June 2016. Further, the balance include several multiple imprests held by employees of the County Executive contrary to Section 5.6.6 of the Government Financial Regulations and Procedures which require officers to surrender or account for previous imprests before new ones are issued to them and, in addition account for imprests within the stipulated time after completing tasks funded through the imprests.

5.0 Pending account payables

Note 26.1 and Note 26.2 to the financial statements on pending accounts payable and pending staff payables reflect balances of Kshs.955,778,548 and Kshs.176,975,209 respectively totaling Kshs.1,132,753,757 as at 30 June 2016. However, supporting documents including supplier invoices, and contract agreements, were not provided for audit verification. Further, ledgers detailing dates of contracts, names of suppliers, opening balances, payments made during the year and the closing balances of pending bills were not maintained during the year.

In addition, had the bills been paid and the expenditure charged to the accounts for the year under review, the surplus of Kshs.295,711,847 reflected in the statement of receipts and payments would have decreased to a deficit of Kshs.837,041,910, an indication that the management entered into financial commitments for which no resources were available contrary to section 5.2.1 to the Government Financial Regulations and Procedures which provide that expenditure not budgeted for should not be incurred. The bank balance of Kshs.515,892,167 as at 30 June 2016 is also inadequate to cover these pending bills.

Consequently, the propriety of the pending bills totaling Kshs.1,132,753,757 could not be confirmed and the financial statements do not present a true and fair view of the financial position of the County Executive as at 30 June 2016

6.0 Failure to Prepare Financial Statements for the County Funds

Review of records revealed that the County Executive of Murang'a has created three (3) funds under PFM Act, 2012 namely Alcohol and drug Abuse Rehabilitation Fund, Bursary Fund and Car & Mortgage Fund. However, the administrators of these funds

have not prepared and submitted annual financial statements to the Auditor-General for audit since inception and including for the year under review. The omission is contrary to section 167(1) of the PFM Act, 2012 which requires the administrator of each county public fund to prepare financial statements for the fund for each financial year in a form prescribed by the Public Sector Accounting Standards Board.

7.0 Unaccounted for Fuel

Included in Note 13 to the financial statements under use of goods and services account is expenditure totaling Kshs.29,224,332 incurred on purchase of fuel, oil and lubricants. However, included in this balance is sum of Kshs.12,292,712 against which no records such as fuel registers, detail orders and copies of work tickets were made available for audit review.

As a result, it has not been possible to confirm that the fuel was received and used for the intended purpose.

Adverse Opinion

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of County Executive of Murang'a as at 30 June 2016, and its financial performance and its cash flows for the period then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.

Other Matter

1.0 Budget Performance

1.1 Overall Budget Performance

The County Government had an approved gross total budget for 2015/2016 of Kshs.6,369,336,988, comprised of Kshs.2,959,451,730 for recurrent and Kshs.3,409,885,258 for development expenditure while the gross actual expenditure amounted to Kshs.5,571,415,499 incurred as follows;

Item	Approved Budget 2015/2016 Kshs.	Actual Expenditure 2015/2016 Kshs.	Absorption rate %	% of total expenditure
Recurrent Vote	2,959,451,730	3,262,349,630	110%	59%
Development vote	3,409,885,258	2,309,065,869	68%	41%
Total	**6,369,336,988**	**5,571,415,499**	**87%**	**100**

a) The gross approved recurrent budget was Kshs.2,959,451,730, while actual expenditure amounted to Kshs.3,262,349,630 or approximately 110% of the

approved budget of Kshs.2,959,451,730. The actual expenditure for development vote amounted to Kshs.2,309,065,869 or 68% of the approved budget of Kshs.3,409,885,258. However, no explanation was provided for the failure to adhere to the approved budget provisions.

b) Further, actual expenditures for the development and recurrent vote presented to the Controller of budget for the year under review indicated that the County executive spent Kshs.2,282,579,158, excluding expenditure of Kshs.35,000,000 incurred by the County Assembly on development expenditure. The aggregate balance differed from actual expenditure of Kshs.1,718,230,006 reflected in the vote book. The difference of Kshs.564,349,152 between the two records has not been explained.

1.2 Actual Expenditure Vs Budget

The County Executive incurred a total expenditure of Kshs.5,571,415,499 against budget allocation of Kshs.6,369,336,988 as analyzed below:

Expenditure item	Budgeted amount 2015/2016 Kshs.	Actual expenditure- 2015/2016 Kshs	Under/Over expenditure Kshs	As % of Budget
Compensation to employees	2,167,676,000	2,295,533,103	-127,857,103	-6
Use of goods and services	1,540,997,481	1,360,760,190	44,716,091	3
Transfers to other Government entities	125,781,530	116,593,972	9,187,558	7
Other grants and transfers	150,000,000	133,320,120	16,679,880	11
Social security benefits	30,000,000	0	30,000,000	100
Acquisition of assets	2,182,435,977	1,512,166,504	670,269,473	30
Finance costs including loan interest	50,700,000	25,283,423	25,416,577	50
Repayment of principal on domestic and foreign loan	50,000,000	0	50,000,000	100
Other payments	71,746,000	127,758,186	-56,012,186	-78
Total	**6,369,336,988**	**5,571,415,499**	**797,921,489**	**13**

The above analysis shows that:

a) The County Government overspent on compensation to employees and other payments but underspent on other sub heads.

b) Further, the County Government transferred funds from the recurrent and development accounts held at the Central Bank into departmental bank accounts operated in various commercial banks resulting into a mix of both the recurrent and development funds. Payment vouchers were also not completed separately

according to votes. The funds transferred to the departmental bank accounts were not accompanied by schedules of expenditure limits on the various votes. In addition, vote book control was not done through the IFMIS system as payments were only journalized in the system once the expenditure was incurred.

In view of these anomalies, it is not therefore not possible to differentiate what was paid under recurrent, development votes or by department.

1.3 Development Vote Expenditure

The summary statement of appropriation; recurrent and development combined reflects expenditure for the year ended 30 June 2016 as follows:

Item	2015/2016 Approved budget Kshs.	2015/2016 Actual Expenditure Kshs.	Under/Over expenses- Kshs.	Actual as a % of budget
Use of Goods and services	858,023,281	510,537,636	347,485,645	60
Transfers to other government units	103,000,000		103,000,000	
Other grants and transfers	150,000,000	133,320,120	16,679,880	89
Acquisition of Assets	2,182,435,977	1,512,166,504	670,269,473	69
Finance cost including loan interest	50,700,000	25,283,423	25,283,423	50
Other payments	60,926,000	127,758,186	66,832,186	210
Total	**3,409,885,258**	**2,309,065,869**	**1,100,819,389**	**68**

The analysis shows that an amount of Kshs.3,409,885,318 was allocated to twelve (12) departments to finance projects while actual expenditure amounted to Kshs.2,309,065,869. However, no departmental breakdown of projects budgeted for and implemented was provided for audit review and as a result the accuracy validity and propriety of the project expenditure reported cannot be confirmed.

1.4 Compensation of Employees

Analysis of the staff salaries and wages was as follows;

Details	Actual 2014/2015	Actual 2015/2016	Approved Budget	Over Expenditure
Basic Salaries of Permanent Employees	1,099,520,610	2,295,533,103	2,167,676,000	127,857,103
Temporary Employees	113,605,509	-		
Personal Allowances paid as Part of Salary	819,768,850	-		
Total	**2,031,894,969**	**2,295,533,103**	**2,167,676,000**	**127,857,103**

a) Out of the county expenditure of Kshs.5,571,415,499 incurred during the year under review, the County Executive spent Kshs.2,295,533,103 on personnel emoluments or approximately 41% of the total expenditure.

b) The expenditure of Kshs.2,295,533,103 on personnel emoluments during the year under review represented 70% of the recurrent actual expenditure of Kshs.3,262,349,630.

c) Total county employee costs increased by Kshs.263,638,134 in 2015/2016 financial year compared to 2014/2015. No explanation has been provided for the recorded material increase in expenditure.

2.0 Revenue Performance Analysis

2.1 Overall Revenue Performance

The total revenue received by the County increased by Kshs.598,862,593 from Kshs.5,268,264,753 in 2014/2015 to Kshs.5,867,127,346 in 2015/2016. The increase was a result of an increase exchequer releases, grants and improved local revenue collection as analyzed below:

Receipts by category	Actual Receipts 2014/2015- Kshs.	Approved Budget 2015/2016 Kshs.	Actual Receipts 2015/2016 Kshs.	Performance- Actual as % of budget
Domestic and foreign grant	22,430,000	24,810,000	24,810,000	100%
Exchequer releases	4,673,157,909	5,355,997,309	5,040,997,309	94%
Transfer from other Government entities	-	170,812,907	159,508,007	93%
Local Revenue collection	572,676,844	850,000,000	641,812,030	76%
Total	**5,268,264,753**	**6,401,620,216**	**5,867,127,346**	**92%**

The above analysis shows that:

(i) The County Government received total revenue of Kshs.5,867,127,346 against an estimated collection of Kshs.6,401,620,216, resulting in under-collection of Kshs.534,492,870 or approximately 8% of the approved revenue budget for the period ended 30 June 2016.

(ii) The actual local revenue collected of Kshs.641,812,030 represents only 11% of total revenue raised during the year, while 89% of the budget is financed through exchequer releases and grants from the national government.

2.2 Under Collection of Revenue from Local Sources

The approved county revenue budget for 2015/2016 from local sources amounted to Kshs.850,000,000. However, only Kshs.641,812,030 or approximately 76% was collected resulting in under-collection of Kshs.208,187,970. Analysis of revenue collection for the year was as follows:

Revenue stream	Revenue Target 2015/2016 Kshs.	Actual Revenue 2015/2016 Kshs.	Over/(Under) collection- Kshs.	Actual Revenue as % of target for 2015/2016
Licenses	149,582,757	101,037,870	-48,544,887	68
Land rates	70,674,675	48,341,146	-22,333,529	68
Other cess revenue	4,567,059	11,686,680	7,119,621	256
Bus park fees	48,876,152	34,140,150	-14,736,002	70
Parking fee	26,286,158	21,439,740	-4,846,418	82
Barter market fee	72,499,500	50,231,815	-22,267,685	69
Plan approval	14,640,676	21,248,784	6,608,108	145
Sub division/transfers	11,385,565	11,282,340	-103,225	99
Liquor	32,765,978	39,136,100	6,370,122	119
Motor bikes	14,401,267	10,998,690	-3,402,577	76
Building materials and other cess	106,698,221	70,653,549	-36,044,672	66
Sale of forms	17,676,441	11,425,650	-6,250,791	65
Conservancy	20,102,574	13,484,790	-6,617,784	67
Self Help group	3,613,779	1,899,470	-1,714,309	53
Morgue fee	2,411,431	1,715,000	-696,431	71
Slaughter	1,757,312	779,660	-977,652	44
Others	27,304,156	5,120,857	-22,183,299	19
Mariira Farm	15,035,495	2,301,710	-12,733,785	15
Livestock-A.I	16,122,319	5,302,745	-10,819,574	33
Livestock-Meat inspection	13,529,694	9,867,840	-3,661,854	73
Hospital/H.C	117,380,294	85,933,391	-31,446,903	73
Public health	21,978,152	26,148,580	4,170,428	119
Other Revenue	40,710,345	33,521,058	-7,189,287	82
Sale of manure	-	24,114,415	24,114,415	-
Total	**850,000,000**	**641,812,030**	**-208,187,970**	**76**

The above analysis shows that the county realized actual revenue collection of Kshs.641,812,030 representing about 76% of the local revenue target. No explanation

has been provided for the material shortfall in revenue collection.

3.0 Ministry of Transport, Water and Infrastructure

3.1 Procurement of Baseline Survey Consultancy for Road Infrastructure Projects

Available records indicate that the county procured consultancy service for baseline surveys on road infrastructure at a cost of Kshs.3,700,000. However, tender documents including requisitions, quotations, and quotation evaluation and award minutes for the procurement of the service were not provided for audit review. Therefore the service may have been procured on a single-sourcing basis contrary Section 29 of the Public Procurement and Disposal Act, 2005.

3.2 Unsupported Expenditure

Examination of expenditure vouchers for the department of infrastructure revealed that payments amounting to Kshs.14,064,979 were not adequately supported with relevant documents including requisitions, quotations, filled tenders, tender evaluation minutes, LPOs or contract agreement, delivery notes and invoices were not attached to the payments. Further, some subsistence allowances did not have authority letters, work tickets and cash sale receipts. Consequently, the propriety of expenditure of Kshs.14,064,979 incurred during the year ended 30 June 2016 cannot be confirmed.

3.3 Unaccounted for Laptops and Tyres

Records indicate that in February and May 2016, the County Executive procured tyres and laptops worth Kshs.420,000 and Kshs.610,000 from M/s Boss Auto Solution Limited and M/s Turnarush Enterprises which were paid on 9 February 2016 and 31 May 2016 respectively. The items were however not entered in the stores ledger or fixed assets register as applicable and therefore it has not been possible to confirm whether the items were received and accounted for as required under government financial procedures and regulations.

4.0 Ministry of Health

4.1 Supply, Delivery, Installation, Commissioning and Testing of 300KVA Generator

Records maintained by the County Executive of Murang'a indicate that contract for supply, delivery, installation, commissioning and testing of a 300KVA generator for Murang'a Level IV Hospital 95 was awarded to M/s Lekha Trading Company Limited at a cost of Kshs.13,424,979. Although tender minute No 23/2014 of 18 December 2014 indicated that restricted tendering method was used to procure of the generator, requests for quotations were issued to only five (5) bidders instead of ten (10) as provided for under the Public Procurement Regulations. Further, there was no justification for using restricted tender instead of the preferred open tender as stipulated in Section 29 (3) of the Public Procurement and Disposal Act, 2005 and related 2006 Regulations. No reason was provided for these anomalies.

Under the circumstances, it has not been possible to confirm whether value-for-money

was achieved from the expenditure of Kshs.13,424,979.95 incurred on the generator during the year ended 30 June 2016.

4.2 Other Irregularities in Procurement of Goods and Services for Health Facilities

The County Government of Murang'a has centralized the management of the hospitals and health units. This includes financial control of the recurrent and development expenditure. However the following weaknesses were noted in relation to financial management of the facilities:

i. Purchase requisitions were not raised for procured goods worth Kshs.10,025,740. It was not possible to establish whether the goods procured during the year were needed and met specifications set by the respective user departments.

ii. The County Government has not established a central store management system for proper planning of purchases of essential items including drugs and non-pharmaceutical items. This has resulted in continuous purchases throughout the year under review and thus interrupting provision of health services.

In view of these anomalies, the propriety and validity of the expenditure incurred on drugs and other medical supplies during the year ended 30 June 2016, cannot be confirmed.

4.3 Rehabilitation Programme for Alcoholics and Drug Abuse and Circumcision of Boys

Records indicate that between period August 2015 and May 2016 a total of Kshs.66,676,208 was transferred from County recurrent account at the Central Bank of Kenya (CBK) to the Department of Health account No.01141573092700 at Cooperative bank-Murang'a for circumcision of boys and rehabilitation of alcoholics or 'Kaa Soba Project'. The funds were utilized on purchase of personal items for the addicts, foodstuffs, initiation expenses, allowances to staff and addicts, camp equipment and consultancy service fees to professionals.

However, the payments, which were made through imprest and cheques to individuals and suppliers, were not supported with relevant documentation as summarized below:

No.	Purpose	Amount Kshs.	Remarks
1	Allowances for alcoholic rehabilitation program	17,511,320	No supporting documents and signed list of beneficiaries attached to the payment vouchers
2	Foodstuffs for alcoholics	7,898,820	No procurement records and the items were not recorded/taken on charge
3	Allowances for alcoholic	1,003,247	Details of beneficiaries missing and basis of payment not indicated.
4	Allowances for boys initiation	6,837,237	No documents provided

5	Foodstuffs for initiates	4,023,729	No procurement records
6	Rite of passage ceremony	915,125	No supporting documents presented
7	Cash withdrawals from bank	4,000,000	Details and purpose of payments not provided
8	Personal effects, mattresses, T-shirts television set and equipment	7,184,240	Procurement records missing and goods not taken on charge
	Total	**49,373,718**	

Further, two (2) consultants were paid consultancy fees totaling Kshs.6,890,708 for carrying out a baseline survey on alcohol & drug abuse and writing a situational report on male circumcision in the county.However, supporting documentation including notice of tender, completed quotations, tender evaluation minutes and terms of reference were not made available for audit review. It was also not explained why the county government used public funds on rite of passage/circumcision which is normally carried out by the families of those involved.

In view of these anomalies, the propriety of the monies totaling Kshs.56,264,426 spent by the County Executive on male circumcision and rehabilitation of alcoholics and drug addicts during the year ended 30 June 2016, cannot be confirmed.

4.4 Procurement of Branded Reader Spectacles for Elderly People

Records, maintained at Murang`a County offices indicate that the County Executive at a meeting held on 10 May 2016 resolved to provide reading glasses (spectacles) to the elderly through a `vision for the elderly program.' The program targeted 200,000 elderly persons with poor eye-sight. To implement the program, Local Purchase Order (LPO) No. 6945 was issued on 2 June 2016 to M/s Prime Health Pharmaceutical Limited for supply of 25000 readers of three brands types at a cost of Kshs.400 each thus totaling Kshs.10 million as follows:

Description of glasses	Quantity	Unit Cost Kshs.	Total Kshs.
+1.5005	1500	400	600,000
+2.005	3500	400	1,400,000
+3.005	20000	400	8,000,000
Total			**10,000,000**

The items were received at Muranga County Referral Hospital on 19 May 2016 vide Counter Receipt Voucher No.2519. However, the following irregularities were noted in relation to the procurement:

(i) No tender documents appear to have been prepared for the purchase. Records attached to the payment voucher included tender evaluation minutes dated 24 November 2014 for open tender No. MCG/010/2014-2015 for the supply and

delivery of ophthalmic and optical medical equipment, which however did not mention the tender for supply of reader glasses. It appears therefore that the procurement was not adjudicated by a tender committee in a competitive process contrary to Section 46 of the Public Procurement and Asset Disposal Act, 2015.

LPO No.6945 was issued on 2 June 2016 after receipt of the goods on 19 May 2016 as evidenced by goods receipt Note number 2519.

(i) Although the reader glasses were indicated to have been received at County Referral Hospital, the delivery note was stamped at the hospital's Kenneth Matiba Eye Clinic.

(ii) No record of issue to user department or patients was maintained. The County Executive did not provide requisitions for the items indicating need for the glasses and how the beneficiaries were identified.

As a result of these anomalies, the propriety and value-for-money on expenditure of Kshs.10 million incurred on purchase of the reading glasses during the year under review cannot be confirmed.

4.5 Shipping Costs on Donated Drugs from USA

An amount of Ksh.2,746,760 was on 27 May 2016 paid to Benevolent Health Foundation USA a non-governmental organization supporting health care systems, capacity building, and acquisition of medical supplies and equipment for developing countries. Records indicate that the payment was to cater for shipping costs of drugs and medical equipment worth Kshs.45,000,000 donated to Murang'a County. However, the drugs had not been delivered at the County as at the time of this audit in October 2016 and there was no indication that the drugs and equipment had been dispatched from the country of origin. Further, no document was provided indicating that inspection of the medical equipment was carried out to avoid dumping of medical inappropriate equipment and drugs in the country. Consequently, the propriety of the expenditure on shipping cost of Kshs.2,746,760 made to the non-governmental cannot be confirmed.

5.0 Ministry of Lands, Housing and Physical Planning - Direct Procurement of Works

During the time of audit, it was noted that the County Government procured and paid for partitioning, repair and renovation works worth Kshs.525,798 at the county lands offices. However, there was no evidence presented for audit review indicating the procedure used in identifying the contractors and awarding the contract was open and competitive contrary to Section 29 of the Public Procurement and Disposal Act, 2005. Therefore, the works may have been single-sourced contrary to the requirements of the Act. In the circumstances, the propriety of the expenditure of Kshs.525,798 incurred on the county lands office during the year under review cannot be confirmed.

6.0 Procurement

6.1 Procurement of Coffee Seedlings

Records maintained by the County Executive of Murang'a indicate that a local company M/s Wacera Nurseries, was on 7 May 2014 issued with Local Purchase Order (LPO) No. 1653 for supply of 375,000 coffee seedlings at a cost of Kshs.30 each totaling Kshs.11,250,000 which was paid in 2015/2016 financial year. The seedlings of two varieties were meant to be distributed to local farmers. However, the seedlings were sourced through requests for quotations as opposed to national open tendering method. This was contrary to Section 26(3) (b) of the Public Procurement and Disposal Act, 2005 and Regulations vide legal notice no.106 of 2013 which requires open tender for procurement of goods and services that exceed the threshold of Kshs.4,000,000. Further, management did not explain why the seedlings could not be obtained from a government agency institution such Coffee Research Foundation. In addition, no evidence was provided showing how the seedlings were received and issued out to the farmers, targeted to benefit if any, from the procurement.

Consequently, the propriety of the expenditure of Kshs.11,250,000 incurred on purchase of coffee seedlings could not be confirmed.

6.2 Tender for the Supply, Installation and Commissioning of Milk Processing Plant at Maragua

As previously reported, contract No. MCG/033/2013-2014 for the supply, installation and commissioning of a milk processing plant was awarded through open tender on 1 September 2014 to a firm at a contract sum of Kshs.250,824,393.

According to the signed contract dated 28 November 2014, the contract was to be implemented in two phases namely; Phase I-setting up a pasteurization plant including building, installation and commissioning at a cost of Kshs.161,501,462 and Phase II installation of extended shelf life (ESL) processing and packaging line and yoghurt processing packing lines at a cost of Kshs.89,322,931. The contract period was for six months and therefore the project was expected to be completed by 2 June 2015. However, physical verification carried out in November 2016, twenty three (23) months after commencement of the works revealed that the project was incomplete.

Consequently, the propriety of the expenditure incurred on the project during the year ended 30 June 2016, could not be confirmed.

6.3 Unexplained Funds Transfer

Records maintained by the County Executive indicated that during the year under review, a total of Kshs.25,000,000 was transferred in three tranches from the CBK-development account to Muranga County Creameries Limited bank account No.01120573502100 maintained at Cooperative bank- Muranga branch. However, contrary to government financial regulations and procedures no documentary evidence was provided showing the purpose of the funds and how they were accounted for.

In the circumstance, the propriety of the sum of Kshs.25,000,000 transferred to Muranga county Cooperative during the year ended 30 June 2016, cannot be confirmed.

7.0 Ministry of Finance and Economic Planning

7.1 Unsupported Expenditure

Examination of records maintained at the County Executive revealed that included in the payments for the year ended 30 June 2016 is expenditure totaling Kshs.156,909,034 comprised of Kshs.8,441,400 on KICOSCA games, Kshs.98,447,063 paid to the KRA, Kshs.47,302,071 cash transferred to department of Information Communication and Technology (ICT) and Tourism account and Kshs.2,718,500 for purchase of stationery were not supported with relevant documentation including payment vouchers, explanations of purposes of payments and other records.

Consequently, it has not been possible to confirm that the payments constituted proper charges to public funds.

8.0 Human Resources Audit

8.1 Irregular Retention of Staff

Records of employees revealed that one employee P/No. 1976018136 aged sixty two (62) years was past the mandatory retirement age of sixty (60) years yet he was still in employment of the County Executive contrary to the Ministry of Public Service Circular No. MSPS/HRM/2/2/2/(76) dated 2 November 2010 which states that the mandatory retirement age of all public servants is 60 years unless the public servant is disabled in which case he/she would retire at the age of 65 years.

Under the circumstances, the County Executive breached the law and thus retention of the officer in employment was irregular.

8.2 Special Duty Allowance

Section J.5 (3) of the Revised COR, 2006 states when an officer is called upon to perform duties of a higher post but does not possess the necessary qualifications for appointment to that post, he will be paid special duty allowance at the rate of 10% of the officer's basic salary for not more than one (1) year. However, analysis of the payroll revealed that four (4) officers were over paid special duty allowance totaling Kshs.163,071.10 in the year under review.

No explanation was provided for the anomaly. Consequently, the validity and propriety of the special duty allowances totalling Kshs.163,071 paid to the four officers during the year under review cannot be confirmed.

9.0 Weakness of the Internal Audit Department

The County Government has established an internal audit department but the department has not been executing its mandate as expected because of various reasons. These include:

(i) Lack of a clear reporting structure outlining responsibility for discussing and acting on the internal audit reports. The County an audit committee to discuss the reports. As such the internal audit department is incapacitated as it's required to report to the officers responsible for processing the transactions that it audits:

(ii) Lack of a Charter defining the mandate of the internal audit department;

(iii) Lack of budgetary control authority and financial independence.

My opinion is not qualified in respect of these matters.

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

Nairobi

30 August 2017

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-2016 Kshs	2014-2015 Kshs
RECEIPTS			
Tax Receipts	1	-	-
Social Security Contributions	2	-	-
Proceeds from Domestic and Foreign Grants	3	24,810,000	22,430,000
Exchequer releases	4	5,040,997,309	4,673,157,909
Transfers from Other Government Entities	5	159,508,007	-
Proceeds from Domestic Borrowings	6	-	-
Proceeds from Foreign Borrowings	7	-	-
Proceeds from Sale of Assets	8	-	-
Reimbursements and Refunds	9	-	-
Returns of Equity Holdings	10	-	-
Other Receipts	11	641,812.030	575,477,497
		-	
TOTAL RECEIPTS		5,867,127,346	**5,271,065,406**
PAYMENTS			
Compensation of Employees	12	2,295,533,103	2,123,160,680
Use of goods and services	13	1,360,760,190	1,288,974,569
Subsidies	14		-
Transfers to Other Government Units	15	116,593,973	-
Other grants and transfers	16	133,320,120	193,065,229
Social Security Benefits	17	-	-
		1,512,166,504	
Acquisition of Assets	18		1,709,401,669
Finance Costs, including Loan Interest	19	25,283,423	16,277,144
Repayment of principal on Domestic and Foreign borrowing	20	-	-
Other Payments	21	127,758,186	208,570,555
TOTAL PAYMENTS		**5,571,415,499**	**5,539,449,846**
SURPLUS/DEFICIT		**295,711,847**	**(268,384,440)**

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

Chief Officer

Head of Treasury

I. STATEMENT OF ASSETS

	Note	2015-2016 Kshs	2014-2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	22A	515,601,658	255,403,523
Cash Balances	22B	1,290,509	4,061,579
Total Cash and cash equivalent		**516,892,167**	**259,465,102**
Accounts receivables – Outstanding Imprests	23	35,179,108	-
TOTAL FINANCIAL ASSETS		**552,071,275**	**259,465,102**
FINANCIAL LIABILITY			
Accounts payable-Deposits and retentions	24	-	-
NET FINANCIAL ASSETS		**552,071,275**	**259,465,102**
FINANCIAL LIABILITIES			
REPRESENTED BY			
Fund balance b/fwd	25	161,648,472	527,849,572
Surplus/Deficit for the year		295,711,847	(268,384,469)
Prior Period Adjustment		94,710,956	
NET FINANCIAL POSITION		**552,071,275**	**259,465,106**

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

Chief Officer

Head of Treasury

STATEMENT OF CASHFLOW

		2015 - 2016 Kshs	2014 - 2015 Kshs
Receipts for operating income			
Tax Revenues	1	-	-
Social Security Contributions	2	-	-
Proceeds from Domestic and Foreign Grants	3	24,810,000	22,430,000
Exchequer Releases	4	5,040,997,309	4,673,157,909
Transfers from Other Government Entities	5	159,508,007	-
Reimbursements and Refunds	9	-	-
Returns of Equity Holdings	10	-	-
Other Revenues	11	641,812,030	575,477,497
		5,867,127,346	5,271,065,406
Payments for operating expenses			
Compensation of Employees	12	2,295,533,103	2,123,160,680
Use of goods and services	13	1,360,760	1,288,974,569
Subsidies	14	-	-
Transfers to Other Government Units	15	116,593,973	-
Other grants and transfers	16	133,320,120	193,065,229
Social Security Benefits	17	-	-
Finance Costs, including Loan Interest	19	25,283,423	16,277,144
Other Expenses	21	127,758,186	208,570,555
		4,059,248,995	3,830,048,177
Adjusted for:			
Changes in receivables		35,179,108	-
Changes in payables			
Adjustments during the year		94,710,956	-
Net cash flow from operating activities		1,867,410,199	1,441,017,230
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	8	-	-
Acquisition of Assets	18	(1,512,166,504)	(1,709,401,699)
Net cash flows from Investing Activities		(1,512,166,504)	(1,709,401,669)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	6	-	-
Proceeds from Foreign Borrowings	7	-	-
Repayment of principal on Domestic and Foreign borrowing	20	-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		355,243,695	(268,384,469)
Cash and cash equivalent at BEGINNING of the year	24	161,648,473	527,849,572
Cash and cash equivalent at END of the year	25	516,892,167	259,465,103

II. STATEMENT OF CASHFLOW

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

Chief Officer

Head of Treasury

II. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	24,810,000	-	24,810,000	24,810,000	-	100%
Exchequer releases	5,355,997,310	-	5,355,997,310	5,040,997,309	315,000,001	94%
Transfers from Other Government Entities	170,812,907	0	170,812,907	159,508,007	11,304,900	93%
Other Receipts	850,000,000	0	850,000,000	641,812,030	208,187,970	76
TOTAL RECEIPTS	6,401,620,217	0	6,401,620,217	5,867,127,346	534,492,871	92
PAYMENTS						
Compensation of Employees	2,067,676,000	100,000,000	2,167,676,000	2,295,533,103	-127,857,103	106
Use of goods and services	1,202,935,000	338,062,481	1,540,997,481	1,360,760,190	180,237,291	88
Subsidies	0	0	0	0	0	
Transfers to Other Government Units	202,810,000	-77,028,650	125,781,350	116,593,973	9,187,377	93
Other grants and transfers	92,000,000	58,000,000	150,000,000	133,320,120	16,679,880	89
Social Security Benefits	30,000,000	0	30,000,000	0	30,000,000	0
Acquisition of Assets	1,353,271,000	829,164,977	2,182,435,977	1,512,166,504	670,269,473	69
Finance Costs, including Loan Interest	55,700,000	-5,000,000	50,700,000	25,283,423	25,416,577	50
Repayment of principal on Domestic and Foreign borrowing	50,000,000	0	50,000,000	0	50,000,000	0
Other Payments	759,746,000	-688,000,000	71,746,000	127,758,186	-56,012,186	178
TOTAL	5,814,138,000	555,198,808	6,369,336,808	5,571,415,499	797,921,309	87

The County financial statements were approved on _____ 2016 and signed by:

Chief Officer

Head of Treasury Accounts

III.SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	24,810,000		24,810,000	24,810,000	0	100
Exchequer releases	2,677,998,655		2,677,998,655.00	2,677,998,655	0	100
Transfer from Government Entities	102,773,930		102,773,930	91,469,030	11,304,900	89
Other Receipts	500,000,000		500,000,000	441,812,030	58,187,970	88
TOTAL	3,305,582,585	0	3,305,582,585	3,236,089,715	69,492,870	98
PAYMENTS					0	
Compensation of Employees	2,067,676,000	100,000,000	2,167,676,000	2,295,533,103	-127,857,103	106
Use of goods and services	613,475,000	69,499,200	682,974,200	850,222,554	-167,248,354	124
Subsidies	0	0	0	0	0	
Transfers to Other Government Units	310,000	21,971,350	22,281,350	116,593,973	-94,312,623	523
Other grants and transfers	0	0	0	0	0	
Social Security Benefits	30,000,000	0	30,000,000	0	30,000,000	0
Acquisition of Assets	0	0	0	0	0	
Finance Costs, including Loan Interest	45,700,000	0	45,700,000	0	45,700,000	0
Repayment of principal on Domestic and Foreign borrowing	0	0	0	0	0	
Other Payments	10,820,000	0	10,820,000	0	10,820,000	0
TOTAL	2,767,981,000	191,470,550	2,959,451,550	3,262,349,630	-302,898,080	110

The County financial statements were approved on _____ 2016 and signed by:

Chief Officer

Head of Treasury Accounts

VII.SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS	-					
Proceeds from Domestic and Foreign Grants						
Exchequer releases	2,677,998,655		2,677,998,655	2,362,998,654.00	315,000,001	88
Transfer from Government Entities	68,038,977		68,038,977	68,038,977	0	100
Other Receipts	350,000,000		350,000,000	200,000,000	150,000,000	57
TOTAL	**3,096,037,632**		**3,096,037,632**	**2,631,037,631**	**465,000,001**	**85**
PAYMENTS						
Compensation of Employees	-					
Use of goods and services	589,460,000	268,563,281	858,023,281	510,537,636	347,485,645	60
Subsidies	0	0	0	0	0	
Transfers to Other Government Units	202,500,000	-99,000,000	103,500,000	0	103,500,000	0
Other grants and transfers	92,000,000	58,000,000	150,000,000	133,320,120	16,679,880	89
Social Security Benefits	0	0	0	0	0	
Acquisition of Assets	1,353,271,000	829,164,977	2,182,435,977	1,512,166,504	670,269,473	69
Finance Costs, including Loan Interest	10,000,000	-5,000,000	5,000,000	25,283,423	-20,283,423	506
Repayment of principal on Domestic and Foreign borrowing	50000000	0	50000000	0	50,000,000	
Other Payments	748,926,000	-688,000,000	60,926,000	127,758,186	-66,832,186	210
TOTALS	**3,046,157,000**	**363,728,258**	**3,409,885,258**	**2,309,065,869**	**1,100,819,389**	**68**

The County financial statements were approved on _____ 2016 and signed by:

Chief Officer

Head of Treasury Accounts

VI. 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 Government of Murang'a. 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 revenue and expenses**
The County Government of Murang'a recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *entity*. In addition, the County Government of Murang'a recognises all expenses when the event occurs and the related cash has actually been paid out by the County Government of Murang'a.

3. **In-kind contributions**
In-kind contributions are donations that are made to the County Government of Murang'a 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 Government of Murang'a includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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

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

6. **Accounts Payable**
For the purposes of these financial statements, deposits and retentions held on behalf of third parties has been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

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

8. **Pending bills**
Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the County Government of Murang'a 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 Government of Murang'a 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 Government of Murang'a 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**
Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

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.

VI. NOTES TO THE FINANCIAL STATEMENTS

1 TAX REVENUES

	2015 - 2016 Kshs	2014 - 2015 Kshs
Taxes on Income, Profits and Capital Gains	-	-
Taxes on Property	-	-
Taxes on Goods and Services	-	-
Taxes on International Trade and Transactions	-	-
Other Taxes (not elsewhere classified)	-	-
	-	-
Total	-	-

2 SOCIAL SECURITY CONTRIBUTIONS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Receipts for Health Insurance Contribution	-	-
Receipts to NHIF for Health Insurance Contributions	-	-
Receipts from Govt Employees to Social & Welfare Schemes in Govt	-	-
	-	-
Total	-	-

3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2015 - 2016	2014 - 2015
			Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
DANIDA	-	-	12,405,000	11,215,000
DANIDA	-	-	12,405,000	11,215,000
(Insert name of donor)	-	-	-	-
Total			**24,810,000**	**22,430,000**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 EXCHQUER RELEASES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Total Exchequer Releases for quarter 1	428,479,785	1,004,728,951
Total Exchequer Releases for quarter 2	1,847,819,072	1,144,923,687
Total Exchequer Releases for quarter 3	1,338,999,328	864,534,213
Total Exchequer Releases for quarter 4	1,740,699,124	1,658,971,058
LESS internal transfer- county Assembly	-315,000,000	
Total	**5,040,997,309**	**4,673,157,909**

5 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	**2015 - 2016**	**2014 - 2015**
	Kshs	**Kshs**
Transfers from Central government entities		
RMLF	68,038,977	-
Free Maternity	69,497,500	-
User fee foregone	21,971,530	-
(insert name of budget agency)	-	-
(insert name of budget agency)	-	-
TOTAL	**159,508,007**	**-**

6 PROCEEDS FROM DOMESTIC BORROWINGS

	2015 - 2016	**2014 - 2015**
	Kshs	**Kshs**
Borrowing within General Government	-	-
Borrowing from Monetary Authorities (Central Bank)	-	-
Other Domestic Depository Corporations (Commercial Banks)	-	-
Borrowing from Other Domestic Financial Institutions	-	-
Borrowing from Other Domestic Creditors	-	-
Domestic Currency and Domestic Deposits	-	-
Total	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 PROCEEDS FROM FOREIGN BORROWINGS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Foreign Borrowing – Draw-downs Through Exchequer	-	-
Foreign Borrowing - Direct Payments	-	-
Foreign Currency and Foreign Deposits	-	-
Total	-	-

8 PROCEEDS FROM SALE OF ASSETS

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

9 REIMBURSEMENTS AND REFUNDS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Refund from World Food Programme (WFP)	-	-
Reimbursement of Audit Fees	-	-
Reimbursement on Messing Charges (UNICEF)	-	-
Reimbursement from World Bank – ECD	-	-
Reimbursement from Individuals and Private Organizations	-	-
Reimbursement from Local Government Authorities	-	-
Reimbursement from Statutory Organizations	-	-
Reimbursement within Central Government	-	-
Reimbursement Using Bonds	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 RETURNS OF EQUITY HOLDINGS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Returns of Equity Holdings in Domestic Organisations		-
Returns of Equity Holdings in International Organisations		-
	-	-
Total	-	-

11 OTHER REVENUES

	2015 - 2016 Kshs	2014 - 2015 Kshs
Interest Received	-	-
Profits and Dividends	-	-
Rents	-	-
Other Property Income		4,151,395
Sales of Market Establishments	-	-
Receipts from Administrative Fees and Charges	-	-
Receipts from Administrative Fees and Charges - Collected as AIA	-	-
Receipts from Incidental Sales by Non-Market Establishments	-	-
Receipts from Sales by Non-Market Establishments	-	-
Receipts from Sale of Incidental Goods	-	-
Fines Penalties and Forfeitures	8,438,382	4,560,415
Receipts from Voluntary transfers other than grants		-
Other Receipts not Classified Elsewhere		
Business permits	151,599,620	109,754,299
Cesses	82,340,229	77,086,513
Poll rates	-	-
Plot rents	48,341,146	43,097,517
Other local levies	-	16,524,052
Administrative services fees	3,429,400	39,174,881
Various fees	579,970	-
Council's natural resources exploitation	14,208,370	-
Sales of council assets	-	1,309,193.60
Lease / rental of council's	250,290	-
Other miscellaneous revenues	5,120,857	7,740,325
Other miscellaneous revenues	24,114,415	13,250,053
Insurance claims recovery	-	-
Medium term loans (1-3 yr repayment)		-
Long term loans (over 3 yr rpayment)	-	-
Transfers from reserve funds	-	-
Donations	-	-

Fund raising events	-	-
Other revenues from financial assets loan	-	-
Market/trade centre fee	50,231,815	44,983,309
Vehicle parking fees	66,578,580	62,046,280
Housing	-	7,661,526
Social premises use charges	2,881,123	-
School fees	-	937,490
Other education-related	2,962,360	-
Other education revenues	-	-
Public health services	85,933,391	15,982,120
Public health facilities operations	26,148,580	80,248,600
Environment & conservancy	13,484,790	12,551,575
Administration	9,867,840	-
Slaughter houses administration	521,373	1,166,685
Water supply administration	-	-
Sewerage administration	1,715,000	-
Other health & sanitation	35,531,124	32,538,992
Technical services fees	7,533,375	2,021,470
External services fees	-	-
	641,812,030	**575,477,497**

12 COMPENSATION OF EMPLOYEES

	2015 - 2016 Kshs	2014 - 2015 Kshs
Basic salaries of permanent employees	2,295,533,103	2,123,160,979
Basic wages of temporal employees		-
Personal allowances paid as reimbursements		-
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	-
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	-
Other personnel payments	-	-
Total	**2,295,533,103**	**2,123,160,979**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 USE OF GOODS AND SERVICES

	2015 - 2016 Kshs	2014 - 2015 Kshs
Utilities, supplies and services	66,310,630	38,504,461
Communication, supplies and services	7,621,818	37,727,548
Domestic travel and subsistence	149,169,783	75,351,684
Foreign travel and subsistence	11,882,075	23,404,730
Printing, advertising and information supplies & services	66,641,643	93,045,484
Rentals of produced assets	11,535,000	39,473,916
Training expenses	13,813,768	64,404,322
Hospitality supplies and services	40,245,941	123,972,082
Insurance costs	24,525,953	24,145,170
Specialized materials and services	425,514,300	346,603,001
Office and general supplies and services	51,075546	35,530,226
Other operating expenses	418,956,915	308,620,944
Routine maintenance – vehicles and other transport equipment	28,543,912	21,928,885
Fuel oil and lubricants	29,224,332	-
Routine maintenance – other assets	15,698,574	56,264,117
Total	**1,360,760,190**	**1,288,974,569**

14 SUBSIDIES

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Subsidies to Public Corporations	-	-
Subsidies to Private Enterprises	-	-
TOTAL	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Transfers to Central government entities		
County Assembly	116,593,973	-
County Assembly car loan fund Account		-
TOTAL	**116,593,973**	**-**

16 OTHER GRANTS AND OTHER PAYMENTS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Scholarships and other educational benefits	79,143,998	161,751,338
Emergency relief and refugee assistance	51,807,572	21,535,440
Subsidies to small businesses, cooperatives, and self employed	1,428,550	9,778,451
Membership fees and subscriptions	940,000	-
Total	**133,320,120**	**193,065,229**

17 SOCIAL SECURITY BENEFITS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 ACQUISITION OF ASSETS

Non-Financial Assets	2015 - 2016 Kshs	2014 - 2015 Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	23,809,386
Refurbishment of Buildings	-	106,247,387
Construction of Roads	373,938,181	539,003,337
Construction and Civil Works	498,644,859	262,214,870
Overhaul and Refurbishment of Construction and Civil Works	-	70,675,364
Purchase of Vehicles and Other Transport Equipment	3,698,094	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	11,495,578
Purchase of Office Furniture and General Equipment	-	-
Purchase of ICT Equipment	-	175,591,908
Purchase of Specialised Plant, Equipment and Machinery	376,970,553	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	7,380,640	65,077,604
Purchase of Certified Seeds, Breeding Stock and Live Animals	235,952,323	42,193,681
Research, Studies, Project Preparation, Design & Supervision	15,581,854	287,869,154
Rehabilitation of Civil Works	-	-
Acquisition of Strategic Stocks and commodities	-	6,941,788
Acquisition of Land	-	-
Acquisition of Intangible Assets		261,020
Financial Assets		
Domestic Public Non-Financial Enterprises	-	100,800,000
Domestic Public Financial Institutions	-	17,220,622
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
Foreign Payables - From Previous Years	-	-
Total	**1,512,166,504**	**1,709,401,699**

19 FINANCE COSTS, INCLUDING LOAN INTEREST

	2015 - 2016 Kshs	2014 - 2015 Kshs
Exchange Rate Losses	-	-
Interest Payments on Foreign Borrowings	-	-
Interest Payments on Guaranteed Debt Taken over by Govt	-	-
Interest on Domestic Borrowings (Non-Govt)	25,283,423	16,277,144
Interest on Borrowings from Other Government Units		-
Total	**25,283,423**	**16,277,144**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING

	2015 - 2016 Kshs	2014 - 2015 Kshs
Repayments on Borrowings from Domestic	-	-
Principal Repayments on Guaranteed Debt Taken over by Government	-	-
Repayments on Borrowings from Other Domestic Creditors	-	-
Repayment of Principal from Foreign Lending & On – Lending	-	-
Total	-	-

21 OTHER EXPENSES

	2015 - 2016 Kshs	2014 - 2015 Kshs
Budget Reserves	78,913,806	-
Civil Contingency Reserves	-	-
Other expenses	-	208,570,555
Domestic Accounts	48,844,380	-
	127,758,186	**208,570,555**

22A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit, revenue e.t.c	Exc rate (if in foreign currency)	2015 - 2016	2014 - 2015
				Kshs	Kshs
Kenya Commercial Bank A/C no.01142449033					5,859,773
KCB car and Mortgage revolving A/C no. 1167298179					
KCB car and Mortgage interest /C no.1167298535					
KCB car and Mortgage operation A/C no.1167297733					
Jamii Bora car loan A/C no. 3031734204001					
Jamii Bora car loan A/C no. 3031734204003				-	

Central Bank A/c no. 1000196408					-
Central Bank A/c no. 1000196416					-
County Revenue Fund				424,474,572	440,430,628
CBK- County Development A/C				9,370,330	142,045
CBK- County Recurrent A/C no				1,233	520,592
CBK Road maintenance levy fund account				68,038,977	-
Kenya Commercial Bank operations account				130,571	(223,631,252)
Kenya commercial bank Revenue account				3,014,599	11,691,384
Jamii Bora bank A/c				466,640	-
Kenya Commercial Bank Imprest Account				200,696	(163,450)
Cooperative bank health recurrent Hq A/c				350,129	40,612
Kenya Commercial Bank HealthA/c 114761931				86,584	831,286
Kenya commercial bank infrastructure account 1147877130				56,693	48,719
Co-operative bank imprest A/C				767,291	803,757
Co-operative bank Operations A/C				136,189	18,789,268
Co-operative bank Agromarketing A/C				14,299	193,450
Murata sacco- Muranga Tea account				302,006	-
Murata sacco- Muranga Coffee account				123,339	-
Co-operative bank Agriculture A/C				412,399	97,869
Co-operative bank Trade A/C				-	9,100
Co-operative bank Education A/C				31,399	198
Family Bank PSB a/c				33,368	37,338
Family Bank Public Service a/c				-	31,058
Family Bank Land & Housing a/c				1,575,268	-
Family Bank-bursary a/c				6,001,644	-

Consolidated Bank-Youth a/c				3,026	4,021
KCB Payments account				-	
Kahuro Sub-County				3,355	
Kiharu Sub-County				-	
Town Management				129	
Kandara Sub-County				991	
Kangema Sub-County				-	
Kigumo Sub-County				1,688	
Mathioya Sub-County				1,372	
Maragua Sub-County				59	
Gatanga Sub-County				2,813	
Total				**515,601,658**	**255,403,523**

22B: CASH IN HAND

	2015 - 2016 Kshs	2014 - 2015 Kshs
Cash in Hand – Held in domestic currency	1,376,442	4,061,579
Cash in Hand – Held in foreign currency	-	-
Total	**1,376,442**	**4,061,579**

Cash in hand should also be analysed as follows:

	2015 - 2016 Kshs	2014 - 2015 Kshs
Gatanga sub-county revenue office	139,430	762,230
Kandara sub-county revenue office	51,460	85,220
Maragua sub-county revenue office	61,650	1,066,290
Town management sub-county revenue office	153,573	1,237,567
Kiharu subcounty revenue office	118,530	236,380
Mathioya sub-county revenue office	346,560	80,711
Kangema sub-county revenue office	53,955	514,686
Kahuro sub-county revenue office	178,901	-
HQ revenue office	186,450	78,495
Total	**1,290,509**	**4,061,579**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Outstanding imprest-staff	35,179,108	-
Government imprest	-	-
Total	**35,179,108**	-

24. ACCOUNTS PAYABLE

	2015 - 2016 Kshs	2014 - 2015 Kshs
Overdraft-KCB Imprest a/c	-	
Overdraft-KCB operations a/c	-	
Total	-	

25. FUND BALANCE BROUGHT FORWARD

	2015 - 2016 Kshs	2014 - 2015 Kshs
Bank accounts		-
Cash in hand	-	-
Accounts Receivables-outstanding imprest	-	-
Accounts Payables- deposits		-
Fund balance	259,465,102	527,849,572
Total	**259,465,102**	527,849,572

26. OTHER IMPORTANT DISCLOSURES

26.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2015 – 2016 Kshs	2014 - 2015 Kshs
Construction of buildings	75,276,494	61,345,459
Construction and civil works	387,951,061	548,601,359
Supply of goods	380,951,208	312,502,216
Supply of services	111,599,785	121,110,701
	955,778,548	**1,043,559,735**

26.2: PENDING STAFF PAYABLES (See Annex 2)	2015 – 2016	2014 - 2015
	Kshs	Kshs
Unpaid staff deductions	64,677,968	-
Unpaid staff arrears	112,297,241	-
Unionisable employees	-	-
Others (*specify*)	-	112,297,741
	176,975,209	**112,297,741**

26.3: OTHER PENDING PAYABLES (See Annex 3)	2015 – 2016	2014 - 2015
	Kshs	Kshs
Amounts due to National Government entities	-	-
Amounts due to County Government entities	-	-
Amounts due to third parties	-	-
Others (*specify*)	-	-
	-	-

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
	a	b	c	d=a-c		
Construction of buildings						
1. Various	61,345,459			75,276,494	61,345,459	
Sub-Total						
Construction of civil works						
2.	548,601,359	various		387,951,061	548,601,359	
Sub-Total						
Supply of goods						
3.	312,502,216			380,951,208	312,502,216	
Sub-Total						
Supply of services						
4.	121,110,701			111,599,785	121,110,701	
Sub-Total						
Grand Total	**1,043,559,735**			**955,778,548**	**1,043,559,735**	

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
		a	b	c	d=a-c		
Staff deductions					64,677,968		
Defunct Local Authorities Debts							
1. Murang'a county council		26,316,244			26,316,244	26,316,244	Defunct local government
2. Murang'a municipal council		45,320,832			45,320,832	43,520,832	
3. Maragua county council		9,931,727			9,931,727	9,931,727	
4. Makuyu county council		19,352,621			19,352,621	19,352,621	
5. kangema county council		10,283,690			10,283,690	10,283,690	
6. kandara county council		1,871,368			1,871,368	1,871,368	
7. Maragua town council		1,021,259			1,021,259	1,021,259	
Sub-Total		**112,297,241**			**112,297,241**	**112,297,241**	Defunct local government
Grand Total		**112,297,241**			**176,975,209**	**112,297,241**	

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/2016	Historical Cost (Kshs) 2014/2015
Land		351,894,400
Buildings and structures		189,755,056.20
Roads and Civil works	888,164,894	614,759,388
Transport equipment	3,698,094	96,148,941
Office equipment, furniture and fittings		64,708,457
ICT Equipment, Software and Other ICT Assets		19,672,500
Other Machinery and Equipment	384,351,193	307,518,886
Heritage and cultural assets		-
Strategic stocks and commodities	235,952,323	72,019,392
Intangible assets, and research		42,454,701
Financial Assets		118,020,622
Infrastructure		539,003,337
Total	**1,512,166,504**	**2,415,955,680.20**