REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF THARAKA NITHI

FOR THE YEAR ENDED 30 JUNE 2016

KENYA NATIONAL AUDIT OFFICE
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COUNTY ASSEMBLY OF THARAKA NITHI

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

TABLE OF CONTENTS

I. KEY COUNTY ASSEMBLY OF THARAKA NITHI INFORMATION AND MANAGEMENT..... 3

II. FORWAD BY THE CLERK OF THE COUNTY ASSEMBLY 5

THARAKA NITHI COUNTY ASSEMBLY..... 5

III. STATEMENT OF COUNTY ASSEMBLY OF THARAKA NITHI MANAGEMENT RESPONSIBILITIES..... 6

IV. REPORT OF THE INDEPENDENT AUDITORS ON THE COUNTY ASSEMBLY OF THARAKA NITHI 7

V. STATEMENT OF RECEIPTS AND PAYMENTS 8

VI. STATEMENT OF ASSETS 9

VII. STATEMENT OF CASHFLOW.....10

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED.....11

IX. SIGNIFICANT ACCOUNTING POLICIES..... 1

X. NOTES TO THE STATEMENT OF RECEIPTS AND PAYMENTS 1

I. KEY COUNTY ASSEMBLY OF THARAKA NITHI INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Key Management

The County Assembly of Tharaka Nithi's day-to-day management is under the following key organs:
-The Tharaka Nithi 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.	Designation	Name
1.	Assembly Clerk	M.K Kariuki
2.	Deputy Clerk	E.S Nthumbi
3.	Principal Finance Officer	P.M.Muniu
4.	Senior Accountant	P.K Njeru

(d) Fiduciary Oversight Arrangements

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

- *County Assembly Budget Committee*
- *Assembly Public County committee*
- *Assembly Public Investment Committee*

(e) Entity Headquarters

Tharaka Nithi County Assembly
P.O. Box 694
Chuka, KENYA

(f) Entity Contacts

Telephone: 064-630071
E-mail: tharakanithicountyassembly@gmail.com
Website: www.tharakanithicountygovernment.go.ke

(g) Entity Bankers

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

2. Equity Bank- Limited- Chuka
   P.0 Box 213
   Chuka.

(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. FORWAD BY THE CLERK OF THE COUNTY ASSEMBLY

The County Assembly of Tharaka Nithi budget was approved in according to the law. It was funded by exchequer releases amounting to Kshs. 320,335,310 for the year ended 30th June 2016, from the National Treasury. The county assembly utilised the fund as follows on employees' compensation, Kshs.188, 491,137 on goods and services Kshs.129, 588,372, Acquisition of Assets Kshs.1,541,220 and other payments Kshs.550, 000 totalling kshs. 320,170,729 of which Kshs. 164,581 were funds unutilised and returned to treasury adding up to exchequer releases of Kshs. 320,335,310.

During the reporting period ending 30th June 2016 the County Assembly of Tharaka Nithi continued with its oversight and legislative role, approval of various bills. The County Assembly also operationalized the mortgage scheme and car loan during this period.

Being the first devolved County Assembly of Tharaka Nithi we were faced with various challenges/difficulties. Our headquarters being at Kathwana where no proper infrastructures were in place posed some challenges.

The County Assembly will continue investing heavily on programs that will have direct impact to oversight and legislative roles thereby uplift the Tharaka Nithi Citizens standards of living. We will also enhance human resource capacity to achieve more efficiency in our operations.

Kareiki M.K.

Clerk of the County Assembly
THARAKA NITHI COUNTY ASSEMBLY

III. STATEMENT OF COUNTY ASSEMBLY OF THARAKA NITHI MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for County Assembly of Tharaka Nithi shall prepare financial statements in respect of that County Assembly of Tharaka Nithi. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the *The County Assembly of Tharaka Nithi* is responsible for the preparation and presentation of the County Assembly of Tharaka Nithi's financial statements, which give a true and fair view of the state of affairs of the County Assembly of Tharaka Nithi for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Assembly of Tharaka Nithi; (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 of Tharaka Nithi; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the *County Assembly of Tharaka Nithi* accepts responsibility for the County Assembly of Tharaka Nithi'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 Accounting Officer is of the opinion that the County Assembly of Tharaka Nithi's financial statements give a true and fair view of the state of County Assembly of Tharaka Nithi's transactions during the financial year ended June 30, 2016, and of the County Assembly of Tharaka Nithi's financial position as at that date. The Accounting Officer charge of *The County Assembly of Tharaka Nithi* further confirms the completeness of the accounting records maintained for the County Assembly of Tharaka Nithi, which have been relied upon in the preparation of the County Assembly of Tharaka Nithi's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the *County Assembly of Tharaka Nithi* confirms that the County Assembly of Tharaka Nithi has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Assembly of Tharaka Nithi'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 Accounting Officer confirms that the County Assembly of Tharaka Nithi's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Assembly of Tharaka Nithi's financial statements were approved and signed by the Accounting Officer on 28/09/2016.

Kariuki M.K.

Clerk of the Assembly

Principal Finance Officer-C. Assembly

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the County Assembly of Tharaka Nithi set out on pages 8 to 21 which comprise the statement of assets as at 30 June, 2016, and the statement of receipts and payments, summary statement of appropriation and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions.

Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 qualified audit opinion.

Basis for Qualified Opinion

1.0 Non Submission of the County Assembly Revolving Fund Financial Statements

The County Assembly as provided for in Section 116 (1) of the Public Finance Managements Act, 2012, established the Tharaka Nithi County Assembly Revolving Fund Members Scheme through Legal Notice No.18 of 2012 of 14 March 2014.

Note II A of the Notes to the audited 2014/2015 financial statements reflected a bank account balance of Kshs.230,320,533 which included Kshs.13,741,323 and Kshs.7,807 in respect to Mortgage and Car Loan A/C No. 11357728265 and Mortgage and Car Loan repayments A/C No 1157609368 respectively both totaling Kshs.13,749,130 and which represented the closing cash balance for the car and mortgage scheme accounts.

Further, Note 6 to the financial statements indicates that a transfer to car loan and mortgage of Kshs.550,000 was made during the year under review. The total indicates that funds available for car loans and mortgages during the year amounted to Kshs.14,299,130. However, the respective log books were not made available for audit verification as required by Section 149 (1) and (2) of the Public Finance Management Act 2012.

Further, no documents were made available to show that the car and mortgage loans issued were charged against the properties as collateral for the loans.

In addition, although the Revolving Fund was created on 14 March 2014, no financial statements related to the Fund have been prepared and submitted to the Auditor - General for audit contrary to Section 116(7) of the Public Finance Management Act, 2012, Section 47 of the Public Audit Act, 2015 and Section 27(1)(d) of the Tharaka Nithi County Assembly Revolving Fund Regulations, 2014. Further, although the Revolving Fund was wholly owned by the County Assembly, the Assembly's financial statements as at 30 June 2016 did not include transactions/balances to the Fund.

In the circumstances, the County Assembly has breached the law. Further, it has not been possible to ascertain the accuracy and completeness of the cash and cash equivalents balance of Kshs.164,581 as at 30 June 2016.

2.0 Irregularities in Repair of Motor Vehicle

Note 4 of the Notes to the financial statements reflects expenditure on use of goods and services totaling to Kshs.129,588,372 which includes the sum of Kshs.710,000 incurred on routine maintenance of motor vehicles and other transport equipment. Included in the sum (Kshs.710,000) was Kshs.322,700 spent on repair of motor vehicles with the respective services procured using direct procurement instead of request for quotations contrary to Section 103 (2) of the Public Procurement and Asset Disposal Act, 2015.

Further, the County Assembly records reflected expenditure totalling to Kshs.367,500 paid vide payment voucher No. 417/15-16 to M/s Hitec Auto Garage for supply of tyres for County Assembly vehicles. However, the firm had not been prequalified for supply of tyres for the period under review.

In view of the foregoing, the propriety of the expenditure amounting to Kshs.710,000 incurred on repair of motor vehicles during the year under review could not be ascertained.

3.0 Unsupported Expenditure on Foreign Travel and Subsistence Allowances

Note 4 to financial statements reflects expenditure on foreign travel and subsistence totalling Kshs.19,153,131. However, the following irregularities were noted in relation to the expenditure:

i) Egyptian Travel

A sum of Kshs. 9,792,000 was spent on purchase of air tickets for thirty-two (32) persons/officers for an educational tour to Egypt. However, there was no evidence showing that the supplier, Kenfam International Ltd was appointed competitively through open tender as required under Section 29(1) of Public Procurement Act 2005.

Further, there was no activity budget for the journey which appeared to have been planned haphazardly.

Consequently, the propriety of the expenditure totalling Kshs. 9,792,000 incurred on purchase of air tickets cannot be confirmed.

ii) UAE Travel-UAE - DUBAI

A Member of the County Assembly (MCA) was paid Kshs.314,712 vide payment voucher number 053/15-16 dated 10 November 2015 in respect of per-diem while travelling to Dubai for a seminar on high performance leadership. Although the seminar was reportedly held between 04 to 08 May 2015, the payments were made on 10 November 2015 and hence it is not clear how the MCA undertook the trip without the funding.

Further, there was no evidence showing that the MCA requested to use personal funds to finance the trip and the County Assembly committed to refund the money spent by the MCA on the journey.

In addition, there was no evidence that the participant paid the required facilitation fee of US$1250.

Further, the copies of the MCA's passport, air-ticket and back to office report were not made available to confirm that the trip indeed took place.

In addition, the County Assembly cash book indicated that Kshs.150,000 was paid in respect of the trip while the payment voucher reflected a sum of Kshs.314,712 thus resulting to an unexplained difference of Kshs.164,712.

In view of the foregoing, the propriety and value-for-money of the expenditure of Kshs.10,106,712 incurred on foreign travel during the year under review could not be confirmed.

4.0 Unsupported Pending Bills

Annex 1 and Note 9 of the Notes to the financial statements reflect pending bills totaling Kshs.3,973,752. However, supporting documents including invoices, delivery notes, and other evidence for pending bills totaling Kshs.3,452,088 were not made available for audit review.

In the circumstance, the existence, authenticity, completeness and accuracy of the pending bills balance amounting to Kshs. 3,973,752 as at 30 June 2016 could not be confirmed.

5.0 Unvouched and Unsupported Expenditure

Note 4 of the Notes to the financial statements reflects expenditure on use of goods and services totaling to Kshs.129,588,372 which further includes Kshs.9,804,087 spent on six items as follows:

	Item	Amount (Kshs)
i.	Other Operating Expenses	81,060
ii.	Hospitality Supplies & Services	993,175
iii.	Communication Supplies & Services	1,549,907
iv.	Office & General Supplies & Services	1,446,523
v.	Domestic Travel & Subsistence	3,215,515
vi.	Training Expenses	2,517,907
	Total Kshs	**9,804,087**

However, the respective expenditure ledgers or other relevant records supporting the expenditure were not made available for audit review.

In the circumstance, the propriety of the expenditure could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Tharaka Nithi County Assembly as at 30 June 2016 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) comply with the Public Finance Management Act, 2012.

Other Matters

1.0 Weak Internal Control System

The County Assembly's internal control system has the following weaknesses:

i) The internal audit section has only two staff members who were employed during the year under review and did not appear to understand the scope of work required of them.
ii) There was no program of work for the internal audit section and no internal audit reports were published during the year under review.
iii) There was no audit committee and internal audit charter in place.
iv) The County Assembly did not maintain a cheque dispatch register. A delivery book maintained for that purpose was recorded haphazardly and most of the paid cheques could not be traced in the register.

As a result, the internal control system and governance of the County Assembly was weak and unreliable.

2.0 Budget Control and Performance

The County Assembly had an approved budget of Kshs.359,409,914 for recurrent expenditures but no budget for capital expenditure. However, out of the approved recurrent budget, only Kshs.320,335,310 was received from the National Government to the County Treasury thus resulting to a shortfall in receipts totalling to Kshs.39,239,185.

No explanation has been given for the failure to transfer the budget of Kshs.39,239,185 from the County Treasury to the Assembly. Further, although the overall operating budget amounting to Kshs.359,409,914 was not exceeded, two items exceeded their respective budgetary allocations by Kshs,469,400 as shown below:

Item	Budget (Kshs.)	Actual (Kshs.)	Variance (Kshs.)
Basic Wages – Temporary Employees	7,921,032	8,000,623	79,591
Other operating expenses	10,237,993	10,627,804	389,809
Total Kshs	**18,159,025**	**18,628,427**	**469,400**

No supplementary budget was prepared as required by Section 135 (2) of the Public Finance Management Act 2012.

In the circumstances, the residents of Tharaka Nithi were denied public services equivalent to the shortfall in receipts of Kshs.39,239,185 as at 30 June 2016.

3.0 Illegal Bank Accounts

The County Assembly management during the year under review operated four bank accounts, two of which were imprest accounts. One of the accounts was held at the Central Bank of Kenya. However, one bank account was held at a commercial bank (KCB A/C No. 1157609368) contrary to Section 82 (1) (b) of the Public Finance Management Act, 2012 which stipulates that all County Government bank accounts shall be operated at the Central Bank of Kenya except for imprest bank accounts for petty cash.

In the circumstance, the County Assembly contravened the provisions of the Public Finance Management Act, 2012.

My opinion is not qualified in respect of these matters.

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

Nairobi

15 August 2017

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-2016 Kshs	2014-2015 Kshs
RECEIPTS			
Exchequer releases	(1)	320,335,310	372,632,429
Other Receipts		-	1,587,298
TOTAL RECEIPTS		**320,335,310**	**374,219,727**
PAYMENTS			
Compensation of Employees	(3)	188,491,137	151,094,457
Use of goods and services	(4)	129,588,372	98,132,259
Acquisition of Assets	(5)	1,541,220	25,931,323
Other payments	(6)	550,000	97,474,460
TOTAL PAYMENTS		**320,170,729**	**372,632,499**
SURPLUS/DEFICIT		**164,581**	**1,587,228**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Assembly of Tharaka Nithi financial statements were approved on 28/9/2016 and signed by:

Karioki M.K.

Clerk of the Assembly

Principal Finance Officer-C.Assembly

VI. STATEMENT OF ASSETS

		2015-2016 Kshs.	2014-2015 Kshs.
FINANCIAL ASSETS			
Cash and Cash Equivalents	(7)	164,581	13,749,130
TOTAL FINANCIAL ASSETS		**164,581**	**13,749,130**
REPRESENTED BY			
Fund balance b/fwd		–	–
Surplus/Deficit for the year		164,581	13,749,130
Mortgage and car loan fund		–	–
NET FINANCIAL POSITION		**164,581**	**13,749,130**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Assembly of Tharaka Nithi financial statements were approved on 28/9/2016 and signed by:

Kariuki M.K.

Clerk of the Assembly

Principal Finance Officer-C.Assembly

VII. STATEMENT OF CASHFLOW

		2015/16 (Kshs)	2015/16(Kshs)
Receipts for operating income			
Exchequer Releases	1	320,335,310	372,632,429
Other receipts; Repayment of car loan and mortgage			1,587,298
Net Cash Flow for Operating Income		**320,335,310**	**374,219,727**
Payments for Operating Expenses			
Compensation of Employees	3	(188,491,137)	(151,094,457)
Use of goods and services	4	(129,588,372)	(98,132,259)
Other payments	6	(550,000)	(97,474,460)
Total Payments		**(318,629,509)**	**(346,701,176)**
Adjustment For:			
Adjustment during the year		(13,749,130)	-
Net Cash Flow from Operating Activities		**(12,043,329)**	**(27,518,551)**
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	5	(1,541,220)	(25,931,323)
Net Cash Flows from Investing Activities		**(1,541,220)**	**(25,931,323)**
NET INCREASE IN CASH AND CASH EQUIVALENT		**(13,584,549)**	**1,587,228**
Cash and cash equivalent at BEGINNING of the year		**13,749,130**	**12,161,902**
Cash and cash equivalent at END of the year		**164,581**	**13,749,130**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Assembly of Tharaka Nithi financial statements were approved on 28/9/2016 and signed by:

Karioki M.K.

Clerk of the Assembly

Principal Finance Officer C.Assembly

VIII. 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	**Kshs.**	**Kshs.**	**Kshs.**	**Kshs.**	**Kshs.**	**Kshs.**
Exchequer releases	359,409,914	-	359,409,914	320,335,310	39,074,604	89.13
Other Receipts	-	-	-	-	-	-
TOTAL RECEIPTS	**359,409,914**	-	**359,409,914**	320,335,310	**39,074,604**	**89.13**
PAYMENTS						
Compensation of Employees	239,299,315	(49,392,043)	189,907,272	188,491,137	1,416,135	99.25
Use of goods and services	108,103,020	51,926,823	160,029,843	129,588,372	30,441,471	80.98
Acquisition of Assets	9,326,000	(7,784,780)	1,541,220	1,541,220	-	100.00
Other Payments	2,681,578	5,250,001	7,931,579	550,000	7,381,579	6.93
TOTAL PAYMENTS	**359,409,914**	-	**359,409,914**	**320,170,729**	**39,239,185**	**89.13**

The County Assembly of Tharaka Nithi financial statements were approved on 28/9/2016 and signed by:

Karioki M.K.

Clerk of the Assembly

Principal Finance Officer-C.Assembly

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. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the County Assembly of Tharaka Nithi. 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. The cash basis of accounting recognises transactions and events only when cash is received or paid by the County Assembly of Tharaka Nithi.

2. Recognition of revenue and expenses

The County Assembly of Tharaka Nithi recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the County Assembly of Tharaka Nithi. In addition, the County Assembly of Tharaka Nithi recognises all expenses when the event occurs and the related cash has actually been paid out by the County Assembly of Tharaka Nithi.

3. In-kind contributions

In-kind contributions are donations that are made to the County Assembly of Tharaka Nithi in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the County Assembly of Tharaka Nithi 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

5. Pending bills

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

6. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The County Assembly of Tharaka Nithi 's budget was approved as required by Law and as detailed in the assembly of Kenya Budget Printed Estimates. A high-level assessment of the County Assembly of Tharaka Nithi 's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

7. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

IX. NOTES TO THE STATEMENT OF RECEIPTS AND PAYMENTS

1. EXCHEQUER RELEASES

	2015-2016 Kshs	014-2015 Kshs
Exchequer Releases	320,335,310	372,632,429
Total	**320,335,310**	**372,632,429**

2. OTHER RECEIPTS

	2015-2016	014-2015 Kshs
Interest Received-Mortgage	-	1,587,298
Medium term loans (1-3 yr repayment) mortgage & car loan	-	0
Total	-	**1,587,298**

3. COMPENSATION OF EMPLOYEES

	2015-2016 Kshs	2014-2015 Kshs
Basic salaries of permanent employees	107,309,295	99,141,325
Personal Allowance paid as part of salary	42,087,379	
Basic wages of temporary employees	8,000,623	5,172,108
Pension and other Social Security Contributions	28,114,440	
Social security schemes outside government		10,567,280
Personal allowances paid as reimbursements	800,000	36,213,744
Compulsory National Social Security Fund	515,200	
Compulsory National Hospital Insurance Fund	1,664,200	
Total	**188,491,137**	**151,094,457**

4 USE OF GOODS AND SERVICES

	2015-2016 Kshs	2014-2015 Kshs
Utilities, supplies and services	348,302	239,656
Communication, supplies and services	1,549,907	1,592,659
Domestic travel and subsistence	45,910,674	36,985,965
Foreign travel and subsistence	19,153,131	14,367,823
Printing, advertising and information supplies & services	14,837,712	11,863,504
Training expenses	8,095,211	10,429,435
Hospitality supplies and services	3,809,022	3,382,191
Insurance costs	15,054,018	7,553,787
Specialised materials and services	6,456,402	40,500
Office and general supplies and services	1,446,523	1,347,268
Other operating expenses	10,237,995	6,549,979
Routine maintenance – vehicles and other transport equipment	710,000	1,200,402
Routine maintenance – other assets	125,130	42,540
Fuel oil and lubricants	1,854,345	2,536,550
Total	**129,588,372**	**98,132,259**

5. ACQUISITION OF ASSETS

Non Financial Assets	2015-2016 Kshs.	2014 -2015 Kshs.
Purchase of ICT Equipment, Software$ other ICT Assets	1,541,220	-
Purchase of Household Furniture and Institutional Equipment		2,976,049
Purchase of Office Furniture and General Equipment		1,691,650
Purchase of Specialised Plant, Equipment and Machinery		503,500
Research, Studies, Project Preparation, Design & Supervision		20,760,124
Total	**1,541,220**	**25,931,323**

6. OTHER EXPENSES

	2015-2016 Kshs.	2014 -2015 Kshs.
Car loan to state officers	-	60,500,000
Transfer to Car Loan & Mortgage	550,000	-
Mortgage to public officers	-	-
Housing loan to state officers	-	36,974,460
Total	**550,000**	**97,474,460**

7 .BANK ACCOUNTS

Name of Bank, Account No. & currency	Amount in bank account currency	Exc rate	2015-2016 Kshs.	2014 - 2015 Kshs.	
TNCA CBK A/C 1000199393-Recurrent			4,900	-	
Tharaka Nithi County Assembly service Board Imprest account No.0210261489699	Kshs.		159,681	-	
Tharaka Nithi County Assembly service Board Imprest account No.0210261489699	Kshs.		-	13,741,323	
KCB Fund, TNC Assembly Mortgage & Car loan Repayment A/C N0.1157609368	Kshs.		-	7,807	
	Kshs.		**164,581**	**13,749,130**	

8. FUND BALANCE BROUGHT FORWARD

			2015-2016	2014-2015
			Kshs	Kshs
	Mortgage and Car Loan Funds Accounts		13,749,130	12,161,902
	Total		**13,749,130**	**12,161,902**

9. PENDING ACCOUNTS PAYABLE (See Annex 1)

	2015-2016	2014-2015
	Kshs.	Kshs.
Supply of services		
Supply of services	3,973,752	2,582,000
TOTAL	**3,973,752**	**2,582,000**

10. PROGRESS ON FOLLOW UP TO 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.

Ref. No on the external audit report	Observation from the Auditor	Management Comments	Focal point person to resolve the issue(Name and Designation)	Status: (Resolved/Not Resolved)	Time frame: (Date)
Budget control and performance	No explanation was given for failure to receive and amount of Kshs. 56,764,916.40	The controller of budget is approving county assembly exchequer release separately	Assembly clerk	Resolved	Continuous
Cash and Bank	Bank confirmation certificates and board of survey were not made available hence inaccuracy of cash and bank balances as at 30.06.2015	The said documents were made available	Accountant	Resolved	End of each financial year
Incomplete fixed asset register	Incomplete fixed asset register	The fixed asset register was updated	Procurement officer	Resolved	Continuous
Mortgage and car loan	Provide ownership documents for cars and mortgages Provide evidence of security for the loans given to the MCAs	The said documents are available, charging of security ongoing	Senior Legal officer	unresolved	continuous

Late payment of statutory deductions	No explanation was provided for failure to remit money deducted on time	The statutory deductions are currently paid on time	Principal finance officer	Resolved	Continuous
Unsupported expenditure	No proper supporting documents Insurance tender documents not provided	Documents are available and insurance tender documents are available	Procurement officer	Resolved	Continuous
Irregular domestic travel and foreign travel and substance expenditure	Relevant supporting document should be made available	All supporting documents are available and attached to the payment vouchers	Assembly clerk	Resolved	End of year
Foreign travel flight charges	No evidence of competitive sourcing of supplier	Evidence of sourcing supplier available	Senior procurement officer	Resolved	End of year
Purchase of furniture and fittings	No explanation was provided for accepting delivered furniture different from the one ordered	explanation has been provided for accepting delivered furniture different from the one ordered	Senior Procurement officer	Resolved	End of year
Unauthorised expenditure	None examination and authorisation of payment voucher	All vouchers are being examined and authorised	Assembly clerk and finance officer	Resolved	Continuous
IT environment	Failure to adopt IFMIS	IFMIS is fully in the operation	Assembly clerk and finance officer	Resolved	July 2016
Irregular and supported pending bills	No pending bill register ,supporting documents	Pending bill register and supporting document available	Senior procurement officer and senior accountant	Resolved	End of the year

Karuki M.K.

Clerk of the County Assembly

Principal Finance Officer

11. OTHER FURTHER DISCLOSURES

(i) In financial year 2014/15 under Note 79 Bank Accounts) captured both recurrent operations Imprest Account and Car and Mortgage scheme operation reflecting amount of Kshs. 13,749,130. In the year 2015/16 financial statements we have separated the two bank accounts report and an adjustment of Kshs. (13,749,130) hence the balance brought/down to 2015/16 is NIL

By separating these two accounts the balances in the bank accounts and the statement of cash flow (Cash and cash equivalents at the end of the year) are now balancing.

(ii) Bank accounts under Car and Mortgage scheme

Name of Bank, Account No. & currency	Amount in bank account currency	Exc rate	2015-2016	2014 - 2015
	Kshs.		Kshs.	Kshs.
KCB, TNC Assembly Mortgage & Car loan A/C N0.1155825268	Kshs		1,243,026	13,741,323
KCB Fund, TNC Assembly Mortgage & Car loan Repayment A/C N0.1157609368	Kshs		5,995,733	7,807
	Kshs		**7,238,759**	**13,749,130**

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		
Sub-Total						
Supply Of Services						
The Standard Group Limited		230,649				
The Star Publications Limited		131,544				
Mutindwa Enterprises Limited		20,083				
Hillside Grand Hotel		80,000				
Ideal Infinity Company		480,000				
Orange Limited		80,000				
Staff And Members Allowances		299,300				
Members Committee Sitting Allowances		1,159,600				
Members Service Gratuity		970,912				
Commissioner of domestic taxes		513,424				
Commissioner of domestic taxes		8,240				
Sub-Total		**3,973,752**				
Grand Total		**3,973,752**				

ANNEX 2: SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs.) 2015/16	Historical Cost (Kshs.) 2014/15
Purchase of Vehicles and Other Transport Equipment Purchase of ICT Equipment, software and other ICT Assets	1,541,220	
Purchase of Household Furniture and Institutional Equipment	2,976,049	2,976,049
Purchase of Office Furniture and General Equipment	1,691,650	1,691,650
Purchase of Specialised Plant, Equipment and Machinery	503,500	503,500
Research, Studies, Project Preparation, Design & Supervision	20,760,124	20,760,124
Total	**27,472,543**	**25,931,323**