REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF ISIOLO

FOR THE YEAR ENDED 30 JUNE 2017

KENYA NATIONAL AUDIT OFFICE
EMBU HUB
11 APR 2018
2360
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COUNTY ASSEMBLY OF ISIOLO

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017

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

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KEY ASSEMBLY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Key Management

The Assembly's day-to-day management is under the following key organs:

- Clerks Department
- Accounts and Finance Department
- Human resource and Procurement Department
- Budget and Audit Department

(c) Fiduciary Management

The key management personnel who held office during the year ended 30th June, 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	**Salad Boru Guracha**
2.	Principal Accountant	**Issadin Muktar**
3.	Principal Finance	**Rahima Atikiya**
4.	Principal Human Resource	**Abubakar Ali Boru**
5.	Principal Procurement	**Tunu Abdi Tunu**
6.	Deputy Clerk	**Abdullahi Mohamud**
7.	Principal Budget	**Yussuf Mohamed**
8.	Principal Auditor	**Hadija Yussuf**

(d) Fiduciary Oversight Arrangements

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

- Audit and finance committee activities
- Parliamentary committee activities
- Development partner oversight activities
- Other oversight activities

II. RECOMMENDED WAY FOWARD.

- Timely disbursement of funds by The National treasury.
- The National Treasury to address IFMIS connectivity delay challenges
- Prioritising activities to utilise the limited budgeted resources
- The National Treasury to provide approved financial reporting framework for the County Assembly on a timely basis
- Provide capacity to County staff operating the IFMIS

CLERK
COUNTY ASSEMBLY
P.O. Box 195-60300
ISIOLO

Clerk of the County Assembly

Sign

III. STATEMENT OF MANAGEMENT RESPONSIBILITIES

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Assembly; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended June 30, 2017 and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the County Assembly which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The Clerk confirms that the County Assembly has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Assembly's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Assembly's financial statements were approved and signed by the Clerk of the County Assembly on **September 20, 2017.**

Clerk of the County Assembly

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF ISIOLO FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Assembly of Isiolo set out on pages 6 to 25, which comprise statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion Section of my report, the financial statements do not present fairly, the financial position of County Assembly of Isiolo as at June 30, 2017 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the County Government Act, 2012 and the Public Finance Management Act, 2012.

In addition, and as required by Article 229 (6) of the Constitution, based on the audit procedures performed, I confirm that public money has not been applied lawfully and in an effective way.

Basis for Adverse Opinion

1.0 Cash and Cash Equivalents

The statement of financial assets as at 30 June 2017 reflects a cash and cash equivalents balance of Kshs.46,296,708 as at 30 June 2017 as follows;

Bank	Account No.	Bank statement Balance (Kshs)	Purpose
Central Bank of Kenya	1000195738	19,985	Recurrent

Central Bank of Kenya	1000195746	1	Development
Equity	0410261437860	25,201,474	Development
National bank of Kenya	00121001340301	21,075,248	Car loan
Total		**46,296,708**	

However, bank confirmation certificates were not provided for audit review. Further, Equity Bank Account No. 0410261437860 and National Bank Account No. 0012001340301 were held in commercial banks contrary to Section 82 of the Public Finance Management (County Government) regulations, 2015 that require such accounts to be held at the Central Bank.

In the circumstances, the County Assembly was in breach of the law and the accuracy of the cash and cash equivalents balance of Kshs.46,296,708 as at 30 June 2017 could not be ascertained.

2.0 Un surrendered Imprests

The County Assembly's manual imprest register reflects outstanding imprest totaling to Kshs.7,447,748 as at 30 June 2017. However, despite Integrated Financial Management Information Systems (IFMIS) being used to process transactions, imprest issuing and processing was not done through IFMIS. Futher, officers were being issued with additional imprests before surrendering previous outstanding imprests.

In the circumstances, the accuracy and recoverability of the Kshs.7,447,748 outstanding imprests as at 30 June 2017 could not be confirmed.

3.0 Accounts Payables

The statement of financial assets reflects a nil accounts payable balance as at 30 June 2017. However, the IFMIS vote book status report indicates outstanding commitments totaling to Kshs.31,640,687 as at 30 June 2017, resulting in unexplained and unreconciled difference of Kshs.31,640,687. Further, the respective accounts payables supporting documents including payment vouchers, creditors ledgers and registers were not made available for audit review.

Consequently, it has not been possible to ascertain the accuracy, existence and authenticity of the nil accounts payable balance shown in the statement of financial assets as at 30 June 2017.

4.0 Non-current Assets

The statement of receipts and payments reflects acquisition of fixed assets balance of Kshs.224,581,735 as at 30 June 2017. However, the fixed assets register provided showed that twenty six laptops valued at Kshs.3,120,000 were issued to staff members, which included, twenty two laptops that were not available during physical verification. Further, two laptops issued to Mr. Abdullahi. M. Halake and Mr. Tunu A. Tunu had different serial numbers from the numbers recorded in the fixed assets

register. In addition, ownership documents for two motor vehicles registration numbers 11CG002A and 11CG029A were not provided for audit review. The summary of fixed assets shows purchase of office equipment of Kshs.7,009,534 which however was not reflected in the statement of receipts and payments nor the statement of comparison of budget and actual amounts.
In consequence, the accuracy, ownership, existence and security of non-current assets balance stated at Kshs.224,581,735 as at 30 June 2017 could not be ascertained.

5.0 Human Resource Management

5.1 Casuals

Note 3 of the notes to the financial statements reflects a balance of Kshs.14,720,519 in respect to basic wages – temporary employee which included Kshs.11,660,000 in respect to casuals paid during the year under review. However, documents showing how the casuals were hired, authority to hire, allocation of work and duty stations, identification numbers, designations and muster roll showing days worked were not provided for audit review. Further, approved staff establishment showing shortage of staff that necessitated the hiring of casuals has not been seen.

In the circumstances, it has not been possible to ascertain that the Kshs.11,660,000 expenditure on casuals wages as at 30 June 2017 was a proper charge to public funds.

5.2 Compensation of Employees

The financial statements reflected a compensation of employees balance of Kshs.171,183,391 as at 30 June 2017. Included in this balance was Kshs.22,650,770, paid to various officers without being processed through the Integrated Payroll and Personnel Database (IPPD) casting doubts on double and ghost payments. No explanation was provided as to why the officers could not be paid through the IPPD.

As a result, it has not been possible to ascertain the propriety of the Kshs.22,650,770 expenditure as at 30 June 2017.

5.3 Ward Office Rent and Salaries

Records made available for audit review showed that the County Assembly spent Kshs.610,000 on ward office rent. However, valuation reports showing the amount to be charged as rent and agreement between the tenants and the landlords were not made available for audit review.

In the circumstances, it has not been possible to ascertain the existence of the ward offices which were rented at Kshs.610,000, including whether the County Assembly got an equivalent value for money.

5.4 Irregular Mileage Claims

The County Assembly spent Kshs.646,601 on Members of County Assembly (MCA) mileage claims as follows;

Date	Pv No.	Payee	Amount (Kshs)
29/9/16	44	Adan Ali Wako	212,991
22/11/16	77	Adan Ali	89,080
14/12/16	105	Abdi Sora	242,976
22/11/16	75	Abdi Sora	42,995
22/11/16	76	Peter Losu	58,560
		Total	**641,601**

However, the expenditure was not supported by details of the vehicles used including engine capacity, kilometers covered, rural home location and reasons for travel to the rural home.

In view of the foregoing, it has not been possible to determine the authenticity and accuracy of Kshs.641,601 claims including whether the Assembly got an equivalent value for money.

6.0 Non Maintenance of Stores Records

6.1 Fuel, Oils and Lubricants

Note 5 to the financial statements reflected a balance of Kshs.9,250,000 spent on fuel oil and lubricants. However, although a fuel register was maintained, certain information such as quantities of fuel received, their value, fuel balances and detailed order numbers were not included in the register. It was therefore not possible to confirm whether all the fuel purchased was received and consumed appropriately. In the circumstance, the accuracy and propriety of the expenditure of Kshs.9,250,000 as at 30 June 2017 could not be confirmed.

7.0 Unaccounted for Expenditure – Use of Goods and Services

The statement of receipts and payments reflected an expenditure of Kshs.174,229,712 on use of goods and services during the year under review. However, included in this expenditure was Kshs.70,143,313 in respect to eleven (11) expenditure items which were not properly accounted for as follows;

	FS Amount Kshs	Supported Amount Kshs	Unsuported Amount Kshs
Communication Supplies Services	3,794,312	3,260,352	533,960
Domestic Travel and Subsistence	56,773,410	48,170,344	8,603,066
Printing Advertising and Info. Supplies	3,800,340	3,402,040	398,300

Rental of Produced Assets	20,192,982	9,400,000	10,792,982
Training Fees	4,307,700	3,939,300	368,400
Hospitality Supplies Services	6,988,920	5,416,920	1,572,000
Insurance	18,134,004	7,234,004	10,900,000
General Office Supplies Services	3,864,400	2,918,800	945,600
Refined Fuels and Lubricants for Transport	9,250,000	6,250,000	3,000,000
Construction of Building	15,843,905	9,446,303	6,397,602
Construction and Civil Works	87,596,094	60,964,691	26,631,403
Total	**230,546,067**	**160,402,754**	**70,143,313**

Further, use of goods and services balance of Kshs.164,247,173 in the statement of comparison of budget and actual amounts varies with an unexplained difference of Kshs.9,982,539.
In the circumstances, it has not been possible to ascertain the propriety of the Kshs.80,125,852 unsupported expenditure as a proper charge to public funds.

8.0 Foreign Travel and Subsistence

Note 4 to the financial statements reflects an expenditure of Kshs.6,265,004 spent on foreign travel and subsistence which included Kshs.4,404,414 spent on foreign travel and subsistence allowances to nine (9) officers to Dubai for nine days and two days at Nairobi. However, boarding passes, program of activities and copies of endorsed passports were not provided for audit review. Therefore, it was not possible to determine whether the officers went for the trip.

Under the circumstances, the validity and value for money for the expenditure of Kshs.4,404,414 could not be confirmed.

9.0 Rental of Produced Assets

Note 4 to the financial statements reflects an expenditure of Kshs.20,192,982 spent on rental of produced assets which included Kshs.4,560,000 spent on hire of motor vehicles. However, ownership documents such as copies of logbooks for the vehicles on hire including their registration numbers, insurance certificates, copies of temporary work tickets showing the distance covered, name of the drivers and name of the officers who authorized the journeys and list of people ferried were not provided for audit review. Further, review of requests for quotations provided did not show official time and dates of quotations closing. In addition, opening dates and the officials who opened the quotations were not indicated.

Under the circumstances, the propriety of Kshs.4,560,000 expenditure as at 30 June 2017 could not be confirmed.

10.0 Construction of Buildings

Further, the County Assembly entered into contracts with ten contractors for construction of ten ward offices at total contract cost of Kshs.44,530,005 on 29 June 2015 for a duration of 12 weeks ending 21 September 2015. However, as at the time of this audit on 15 February 2018 five offices in Sericho, Oldonyiro, Garbatula, Kinna and Burat wards had not been completed despite the contract duration having elapsed and the contractors having left the site. Therefore, the projects appeared to have stalled. Records provided for audit review show that as at 30 June 2017, the Assembly had paid Kshs.30,418,805, out of which Kshs.15,843,905 was paid during the year under review. However, ownership documents for the ten pieces of land where the ward offices were constructed were not provided for audit review.

Further, during physical verification, it was observed that three offices in Ngaremara ward, Cherab ward and Chari ward were issued with certificates of practical completion and handing over certificates, though works valued at Kshs.462,400 had not been done. In addition, included in the bills of quantities for the construction of seven offices each located in Chari, Burat, Kinna, Cherab, Ngeremara, Bula pesa and Wabera wards was Kshs.200,000 and Kshs.100,000 for contingency and project management respectively all totaling to Kshs.2,100,000. However, details showing how the amount was accounted for were not provided for audit review.

In the circumstances, the propriety and value for money for the expenditure of Kshs.30,418,805 total payment for the contracts on construction of ward offices could not be ascertained.

11.0 Irregular Procurement of Office Furniture and Equipment's

Note 4 of the notes to the financial statements reflected an expenditure of Kshs.7,009,534 spent on purchase of office furniture and equipment which included Kshs.2,896,400 spent on procurement of office desks and chairs. However, the County Assembly used request for quotation method contrary to Section 105(a) of Public Procurement and Assets Disposals Act 2015 that require request for quotations to be used only when the value is equal to or below the prescribed maximum value required by regulations. Legal notice no 106 of Public Procurement and Disposal (Amendment) Regulations, 2013 set the maximum limit for use of request for quotation on procurement of goods at Kshs.2,000,000. No explanation was provided as to why the management did not adhere to the prescribed maximum value as required by the law.

In the circumstances, the Assembly was in breach of the law and it was not possible to ascertain that the Kshs.2,896,000 office desks and chairs expenditure had the best value for money.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Isiolo in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters discussed in the Basis for Adverse Opinion and Other Matter sections of my report, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1. Budget Control and Performance

The approved budget for the County Assembly of Isiolo for the year under review was Kshs.585,649,165 comprising of Kshs.377,924,581 (65%) for recurrent vote and Kshs.207,724,584. (35%) for the development vote. However, the statement of comparison of budget and actual amounts reflected Kshs.522,794,021 resulting in under expenditure of Kshs.62,855,144.

Further, the statement of receipts and payments and the respective bank statements reflected receipts totaling to Kshs.555,000,000 during the year which comprised of Kshs.377,900,000 for recurrent and Kshs.177,100,000 for development expenditures respectively. Therefore, the County Assembly had a revenue shortfall of Kshs.30,649,165 which translated to non-delivery of public services of equivalent value promised to and expected by the residents of Isiolo County.

2. Failure to Adhere to Public Finance Management Act 2012

During the financial year under review, the County Assembly did not prepare, publish and publicize quarterly financial reports as required by Section 166 of the Public Finance Management Act 2012. In addition, quarterly cash flow reports supported by approved procurement plan as required by Section 43 (3),(4),(6) of the Public Finance Management Act 2012 were not provided for audit review. In the circumstance the County Assembly contravened the Public Finance Management Act 2012.

3. Failure to Adhere to Public Procurement and Assets Disposal Act 2015

During the year under review, the head of procurement did not prepare and submit monthly progress report for all procurement contracts as required by Section 152 of Public Procurement and Assets Disposal Act 2015. Further, quarterly report stating compliance with Sections 157(12),(13) and 158(3) containing disaggregated data indicating the number of youth, women and persons with disability whose goods and services have been procured was not provided. In addition, no documentary evidence was provided that the Assembly published and publicized all contract awards on its notice boards at conspicuous places, and website. In the circumstances, the Assembly was in breach of the Public Procurement and Assets Disposal Act 2015.

4. Non Establishment of Audit Committee

As at 30 June 2017, the County Assembly had not established an audit committee as required by Section 42.(1) (e) of Public Finance Management (County Government) Regulation 2015 and guidelines required by gazette notice number 2690 of 15 April, 2016 on audit committee, guidelines for County Government. The audit committee would have performed various roles stipulated in the act which would have ensured that an effective internal control mechanism is established in the Assembly.

In the circumstance the County Assembly contravened the Public Finance Management (County Government) Regulation 2015 and it was not possible to confirm whether the Assembly had established an effective internal control mechanism.

5. Internal Control Effectiveness - Information, Communication and Technology (ICT) Environment

Review of the Assembly's ICT environment revealed that there was no formal approved ICT policy in place as at 30 June 2017. The policy would have included data security and disaster recovery plans. Further, the ICT organization structure was not provided for audit review.

In the circumstances, the security and reliability of the County Assembly's data integrity and the management information system could not be confirmed.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Assembly's ability to continue to sustaining its services, disclosing, as applicable, matters related to sustainability of services and using going concern of accounting assumption unless the management either intends to liquidate the Assembly's or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Assembly's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Assembly's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Assembly's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Assembly's to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Assembly's to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

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

Nairobi

16 July 2018

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Notes	Kshs	Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	555,000,000	403,000,000
Other Receipts	2	11,306,684	-
TOTAL RECEIPTS		**566,306,684**	**403,000,000**
PAYMENTS			
Compensation of Employees	3	196,141,598	171,183,391
Use of goods and services	4	174,229,712	166,244,407
Acquisition of Assets	5	151,999,999	65,572,202
Other Payments	6	422,712	-
TOTAL PAYMENTS		**522,794,021**	**403,000,000**
SURPLUS/DEFICIT		**43,512,663**	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Assembly financial statements were approved on **September 20, 2017** and signed by:

CLERK
COUNTY ASSEMBLY
P.O. Box 195-60300
ISIOLO

Clerk of the Assembly

CLERK
ISIOLO COUNTY ASSEMBLY
P.O. Box 195-60300
ISIOLO

Principal Finance Officer

V. IV STATEMENT OF FINANCIAL ASSETS

	Note	2016/2017	2015/2016
FINANCIAL ASSETS		**Kshs**	**Kshs**
Cash and Cash Equivalents			
Bank Balances	7	46,296,708	11,419,177
Total Cash and cash equivalents		**46,296,708**	**11,419,177**
Accounts receivables – Outstanding Imprests	8	7,447,748	-
TOTAL FINANCIAL ASSETS		**53,744,456**	**11,419,177**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	9		11,251,176
NET FINANCIAL ASSETS		**53,744,456**	**168,001**
REPRESENTED BY			
Fund balance b/fwd	10	10,231,793	168,001
Surplus/Defict for the year		43,512,663	
NET FINANCIAL POSITION		**53,744,456**	**168,001**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Assembly financial statements were approved on **September 20, 2017** and signed by:

Clerk of the Assembly

Principal Finance Officer

VI. STATEMENT OF CASHFLOW

	Note	2016/2017	2015/2016
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	555,000,000	403,000,000
Other Receipts	2	11,306,684	
		566,306,684	**403,000,000**
Payments for operating expenses			
Compensation of Employees	3	(196,141,598)	(171,183,391)
Use of goods and services	4	(174,229,712)	(166,244,407)
Other Payments	5	(422,712)	
		(370,794,022)	**(337,427,798)**
Adjusted for:			
Adjustments during the year			
Net cash flows from operating activities		**195,512,662**	**65,572,202**
Acquisition of Assets	6	(151,999,999)	(65,572,202)
Net cash flows from investing activities		**(151,999,999)**	**(65,572,202)**
NET INCREASE IN CASH AND CASH EQUIVALENT		**43,512,663**	-
Cash and cash equivalent at BEGINNING of the year (adjusted)	16	**10,231,793**	**168,001**
Cash and cash equivalent at END of the year		**53,744,456**	**11,419,177**

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	585,649,165	50,000,000	635,649,165	555,000,000	87%
Other Receipts	-	-	-	11,306,684	100%
TOTAL	**585,649,165**	**50,000,000**	**635,649,165**	566,306,684	**89%**
PAYMENTS					
Compensation of Employees	196,736,600	-	196,739,077	196,141,598	100%
Use of goods and services	161,720,333	-	181,185,504	174,229,712	96%
Acquisition of Assets	166,724,584	50,000,000	207,724,584	151,999,999	73%
Other Payments	-	-	-	422,712	100%!
TOTAL	**525,181,517**	**50,000,000**	**585,649,165**	**522,794,021**	**89%**

The Assembly financial statements were approved on **September 20, 2017** and signed by:

Clerk of the Assembly

Principal Finance Officer – County Assembly

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	380,933,679		380,933,679	377,900,000	99%
Other Receipts				11,306,684	100%
TOTAL	**380,933,679**	-	**380,933,679**	**389,206,684**	**102%**
PAYMENTS					
Compensation of Employees	196,739,077	-	196,739,077	196,141,598	100%
Use of goods and Services	181,185,504	-	181,185,504	174,229,712	96%
Other payments	-	-	-	422,712	100%
TOTAL	**380,933,679**	-	**377,924,581**	**370,794,022**	**98%**

The Assembly financial statements were approved on **September 20, 2017** and signed by:

Clerk of the Assembly

Principal Finance Officer – County Assembly

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	157,724,584	50,000,000	207,724,584	177,100,000	85%
TOTAL	**157,724,584**	**50,000,000**	**207,724,584**	**177,100,000**	**85%**
PAYMENTS					
Acquisition of Assets	157,724,584	50,000,000	207,724,584	151,999,999	73%
TOTAL	**157,724,584**	**50,000,000**	**207,724,584**	**151,999,999**	**73%**

The Assembly financial statements were approved on **September 20, 2017** and signed by:

Clerk of the Assembly

Principal Finance Officer – County Assembly

X. SIGNIFICANT ACCOUNTING POLICIES

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

1. **Statement of compliance and basis of preparation**
   The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

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

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

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

3. **In-kind contributions**
   In-kind contributions are donations that are made to the Assembly 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 Assembly 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 Assembly 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 Assembly 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 Assembly's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Assembly's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

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

11. Subsequent events

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

XI. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM THE COUNTY TREASURY/EXCHEQUER RELEASES

		2016/2017	2015/2016
		Kshs	Kshs
Total Exchequer Releases for quarter 1		120,000,000	60,000,000
Total Exchequer Releases for quarter 2		142,000,000	146,000,000
Total Exchequer Releases for quarter 3		143,000,000	102,000,000
Total Exchequer Releases for quarter 4		150,000,000.	95,000,000
Total		**555,000,000**	**403,000,000**

2. OTHER RECEIPTS

		2016/2017	2015/2016
		Kshs	Kshs
Repayment of Car Loan		11,306,684	
Total		**11,306,684**	-

3. COMPENSATION OF EMPLOYEES

		2016/2017	2015/2016
		Kshs	Kshs
Basic Salaries - Permanent Employees		94,907,979	76,207,973
Basic Wages - Temporary Employees		14,720,519	9,920,000
Personal Allowances paid as part of Salary		77,436,395	80,055,418
Personal Allowances paid as Reimbursements		-	3,000,000
Employer Contributions to Compulsory National Social Security Schemes		9,076,705	2,000,000
TOTAL		**196,141,598**	**171,183,391**

4. USE OF GOODS AND SERVICES

		2016/2017	2015/2016
		Kshs	Kshs
Utilities Supplies Services		484,958	20,470
Communication Supplies Services		3,794,312	2,085,000
Domestic Travel and Subsistence		56,773,410	52,218,832
Foreign Travel and Subsistence		6,265,004	6,345,146

Printing Advertising and Information Supplies		3,800,340	3,070,996
Rental of Produced Assets		20,192,982	20,725,900
Training Fees		4,307,700	453,500
Hospitality Supplies Services		6,988,920	10,512,761
Insurance		18,134,004	12,361,620
Specialized Material			1,263,356
General Office Supplies Services		3,864,400	3,360,164
Refined Fuels and Lubricants for Transport		9,250,000	3,095,000
Other Operating Expenses		23,570,348	41,187,850
Maintenance Expenses - Motor Vehicles		1,793,800	2,941,714
Gratuity - Members of Parliament		8,000,000	
Routine Mainatainance Other Assets			151,000
Purchase of Office Furniture and Fittings& Equip		7,009,534	
Total		**174,229,712**	**166,244,407**

5. ACQUISITION OF ASSETS

		2016/2017	2015/2016
Non Financial Assets		**Kshs**	**Kshs**
Construction of Building		15,843,905	11,961,485
Refurbishment of Buildings		-	8,516,685
Construction and Civil Works		87,596,094	13,500,000
Purchase of Vehicles and Other Transport Equipment		-	5,684,000
Purchase of Office Furniture and General Equipment		-	3,668,112
Research, Feasibility Studies, Project Preparation and Design, Project Supervision		48,560,000	22,241,920
Total		**151,999,999**	**65,572,202**

6. OTHER PAYMENTS

		2016/2017	2015/2016
		Kshs	**Kshs**
Commission		175,304	
Ledger Fees		19,800	

Capital Transfers to Non-Financial Public Enterprises		227,608	
Total		**422,712**	-

7. BANK ACCOUNTS

Name of Bank, Account No. & Currency	**Indicated whether recurrent or development**	**2016/2017**	**2015/2016**
Central Bank of Account No. 1000195738	Recurrent	19,985	227,608.00
Central Bank of Account No. 1000195738	Development	1	0.
Equity Bank Limited Account No. O410261437860	Recurrent	25,201,474	40,517
National Bank Of Kenya Account No.Car loan Account	Recurrent	21,075,248	11,151,052
Total		**46,296,708**	**11,419,177**
Prior year adjustment (overcast on car laon balance)	Recurrent		- 1,187,384.37
Total			**10,231,793**

8. ACCOUNTS RECEIVABLE

		2016/2017	**2015/2016**
		Kshs	**Kshs**
Government Imprests		**17,430,286**	
Total		17,430,286	-

9. ACCOUNTS PAYABLE

		2016/2017	**2015/2016**
		Kshs	**Kshs**
Withholding Taxes		-	**614334**
Total		-	1,024,101

10. FUND BALANCE BROUGHT FORWARD

		2016/2017	2015/2016
		Kshs	Kshs
Bank accounts		11,419,177	168,001
Cash in hand			
Overcast of car Loan Fund Account		(1,187,384)	
Total		10,231,793	168,001

11 RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the County Assembly.

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

Related party transactions:

	2016/2017	2015/2016
	Kshs	Kshs
Compensation to the MCAs	58,896,000	53,006,400
Key Management compensation	23,496,000	21,146,400
	========	=======
Transfers from the County Treasury	555,000,000	403,000,000
	========	=======

XII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.0	Presentation, Accuracy and Completeness of Financial statement	Inaccuracies in the financial statement will be reconciled and amendments made.	Issadin Muktar – Principal accountant	Resolved	11th April 2018
2.0	Cash and Cash equivalent	The issue is being rectified and the correct cashbooks and reconciliation will be provided.	Issadin Muktar – Principal accountant	Resolved	11th April 2018
3.0	Non Maintenance of stores records			Not resolved	April 2018
	a) Refined fuel oil and lubricants	Details pertaining the fuel and respective supporting documents will be provided.	Tunu A Tunu Principal Procurement officer		April 2018
	b) Procurement of Office furniture and General Equioments	The supporting documents will be provided			April 2018
4.0	Compensation of	We have corrected the situation and all officers	Abubakar Ali-Principal	Resolved	April 2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	Employees	are in IPPD	Human Resource Manager		
5.0	Unsupported Expenditure a) Hospitality Supplies Services	The supporting documents will be provided	Tunu A Tunu Principal Procurement officer	Not resolved	April 2018
	b) Domestic Travel c) Foreign Travel	The supporting documents will be provided	Tunu A Tunu Principal Procurement officer	Not resolved	April 2018
	d) Procurement of Conference facilities	The supporting documents will be provided	Tunu A Tunu Principal Procurement officer	Not resolved	April 2018
	e) Hire of Transport	The supporting documents will be provided	Tunu A Tunu Principal Procurement officer	Not resolved	April 2018
	f) Rent and Rates	The supporting documents will be provided	Tunu A Tunu Principal Procurement officer	Not resolved	April 2018
	g) Pre-feasibility Studies	The documents have been provided		Resolved	
6.0	Accounts Payables	The financial statements inaccuracies have been resolved	Issadin Muktar – Principal accountant	Resolved	April 2018
Other Matters					
1	Budget and Performance	The budget have been fully utilized	Rahima Atikiya – principal finance	Resolved	April 2018
2	Information	The management is the	Fatma Adan –	Not	April 2018

COUNTY ASSEMBLY OF ISIOLO
Reports and Financial Statements
For the year ended June 30, 2017

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	Communication Technology	process of preparing and approving I.T policy	ICT and Hansard	resolved	
3	Failure to establish Audit committee	The management is the process of preparing and approving audit committee	Hadija Yusuf – Principal Auditor	Not resolved	April 2018

Clerk of the County Assembly

Sign.....

Date.....

XIII. ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Land				
Buildings and structures	33,978,170	151,999,999		185,978,169
Transport equipment	5,684,000			5,684,000
Office equipment, furniture and fittings	3,668,112	7,009,534		10,677,646
ICT Equipment, Software and Other ICT Assets	-			-
Other Machinery and Equipment	22,241,920			22,241,920
Total	**65,572,202**	**159,009,533**	-	**224,581,735**

XIV. ANNEX 2 – ANALYSIS OF OUTSTANDING IMPREST

Government Imprest Holders

Name of Officer or Institution	*Date Imprest Taken*	*Amount Taken*	*Amount Surrendered*	*Balance*
		Kshs.	Kshs.	Kshs.
Tunu Abdi Tunu	02-Nov-16	184,800		184,800
Tunu Abdi Tunu	30-Oct-16	500,000		500,000
Salad Boru Guracha	12-Oct-16	123,200		123,200
Salad Boru Guracha	12-Oct-16	104,000		104,000
Ali Huka	23-Mar-17	539,000		539,000
Yussuf A. Sugale	15-May-17	159,600		159,600
Yussuf A. Sugale	25-Aug-16	90,000		90,000
Abdi Eno Senior	11-Jan-17	1,955,000		1,955,000
Abdi Eno Senior	24-Jan-17	75,600		75,600
Abdi Eno Senior	23-Feb-17	140,000		140,000
Yasin Hassan	23-Feb-17	275,000		275,000
Yasin Hassan	19-Oct-16	126,000		126,000
Ibrahim Adan Gonjobicha	03-Oct-16	240,000		240,000
Adan Hussein Bagaja	15-Sep-16	480,000		480,000
Adam Hussein Guyo	23-Nov-16	340,000		340,000
Adan Dabaso Guyo	23-Mar-17	94,500		94,500
Juma Haro Sime	12-Oct-16	123,200		123,200
Abdullahi Bagaja	23-Sep-16	67,548		67,548
Moses Kinyua Driver	26-Oct-16	9,000		9,000
Moses Kinyua Driver	26-Oct-16	16,200		16,200
Moses Kinyua Driver	08-Sep-16	31,300		31,300
Amos Mangi	05-Sep-16	60,000		60,000
Hon. Diba Tubi	31-Oct-16	113,000		113,000
Hon. Diba Tubi	15-Feb-17	143,500		143,500
Moses Kithinji	12-Oct-16	123,000		123,000
Moses Kithinji	27-Sep-16	90,000		90,000
Peter Losu MCA	27-Sep-16	33,600		33,600
Hussein Maalim	27-Sep-16	126,000		126,000
Abdulahi Jillo Dadacha	28-Sep-16	140,000		140,000
Abdulahi Jillo Dadacha	28-Sep-16	140,000		140,000
Muslim Jaldesa	23-Mar-16	199,000		199,000
Muslim Jaldesa	28-Sep-16	422,000		422,000
Amina Guyo Shunu	26-Oct-16	68,000		68,000
Adan Abduba Guyo	23-Mar-17	25,700		25,700
Hon. Adan Ali Wako	14-Oct-16	90,000		90,000
Total		**7,447,748**		**7,447,748**

XV. ANNEX 3 – BANK RECONCILIATION/FO 30 REPORT

ISIOLO COUNTY ASSEMBLY			
DEVELOPMENT ACCOUNT			
BANK RECONCILIATION STATEMENT AS AT 30 JUNE 2017			
Balance as per Cash book			0.80
Add			
Unpresented Cheques			-
Date	**Detail**	**Amount**	
30/06/2017	Transfer to Equity	15,100,000.00	
30/06/2017	Transfer to Equity	10,000,000.00	25,100,000.00
Less			
Uncredited Receipts			-
Balance as per Bank Statement			**25,100,000.80**

ISIOLO COUNTY ASSEMBLY			
RECURRENT BANK ACCOUNT			
BANK RECONCILIATION STATEMENT AS AT 30 JUNE 2017			
Balance as per Cash book			19,985
Add			
Unpresented Cheques			-
Date	**Detail**	**Amount**	
Uncredited Receipts			-
30/06/2017	ISIOLO COUNTY ASSEMBLY	4,888,000	
			4,888,000
Balance as per Bank Statement			**4,907,985**

ISIOLO COUNTY ASSEMBLY

EQUITY BANK

BANK RECONCILIATION STATEMENT AS AT 30 JUNE 2017

	Balance as per Cash book		25,201,474.08
Add			
	Unpresented Cheques		-
Date	**Detail**	**Amount**	
Less			
	Uncredited Receipts		-
30/06/2017	Transfer to Equity	(15,100,000.00)	
30/06/2017	Transfer to Equity	(10,000,000.00)	25,100,000.00
	Balance as per Bank Statement		**101,474.08**

ISIOLO COUNTY ASSEMBLY			
CAR LOAN FUND			
BANK RECONCILIATION STATEMENT AS AT 30 JUNE 2017			
Balance as per Cash book			21,075,247.86
Add			
Unpresented Cheques			-
Less			
Uncredited Receipts			-
Balance as per Bank Statement			**21,075,247.86**