REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF MACHAKOS

FOR THE YEAR ENDED 30 JUNE 2017

MACHAKOS COUNTY ASSEMBLY

AMMENDED 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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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Key Management

The County Assembly's day-to-day management is under the County Assembly Service Board.

(c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	**Felix Gitari Mbiuki**
2.	Chief Finance Officer	**Benson Mulinge Mutua**

(d) Fiduciary Oversight Arrangements

- Audit and finance committee activities- N/A
- Parliamentary committee activities- N/A
- Development partner oversight activities- N/A
- Other oversight activities
    - The County Assembly Service Board is the does the oversight role on the management of the entire Assembly and during the Financial Year it held several meeting to concerning the running of the County Assembly.

(e) Entity Headquarters

P.O. Box 1168-90100
Machakos –Kenya County Hall
Along Mwatu wa Ngoma Rd.
Email:assemblymks@gmail.com
Info@machakosassembly.com

(f) Entity Contacts

Telephone: (254) 95-017-034/ (254) 76-645-659
E-mail: assemblymks@gmail.com
Website: www.go.ke

(g) Entity Bankers

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

2. Kenya Commercial Bank
   Address: P.O. Box 30 Machakos
   City/Town: Machakos.
   Telephone Number: 044-21780/1, 21817

3. Co-operative Bank
   Address: P.O. Box 1259-90100
   City/Town: Machakos.

4. Chase Bank
   Address: P.O. Box 66049-00800
   City/Town: Nairobi

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. FORWARD BY THE CLERK OF THE ASSEMBLY

During the Financial Year ended 30th June 2017, the Machakos County Assembly has performed its role of legislative and oversight alongside other development projects. Among the achievements during the year are as highlighted below;

Budget performance

The County Assembly was able to utilise Ksh. 936,140,270.00 of the annual budget out of the approved budget of Ksh. 1,095,699,438.00. This translates to 85% total budgetary utilization.

Performance of key development projects

Since the inception of the County Assembly, several development projects have been undertaken. Currently, the Assembly is in the process of constructing an office block. This project is not yet complete so it has been budgeted for in the FY 2017/2018. The County Assembly acquired Local Area Network equipment which has improved the efficiency of the Assembly operations by ensuring there is good connectivity.

The county assembly has also erected parking sheds, purchased computers, Printers, office furniture, and motor vehicles to create a more conducive working environment and performance of its core role which is legislative and oversight.

Comment on value-for-money achievements

In effort to ensure that we get value for money, the assembly has ensured that purchases are done through the approved procurement processes.

Challenges and Recommended Way Forward

The County Assembly is not fully under e-procurement hence this function was not operational since the module is still being re-engineered by the National Treasury, and this was beyond the Assembly control.

Sign

Clerk of the County Assembly

STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year, ended 30th June 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 30th June 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 financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Government's financial statements were approved and signed by the Clerk of the County Assembly on _____ 2017.

_____
Clerk of the County Assembly

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE COUNTY ASSEMBLY OF MACHAKOS 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 Machakos set out on pages 1 to 40, which comprise the statement of financial assets and liabilities 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 the County Assembly of Machakos as at 30 June 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 Public Finance Management Act, 2012.

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

Basis for Adverse Opinion

1. Presentation and Disclosures

The financial statements do not include explanations on significant under-utilisation and over-utilisation of budgeted provisions as prescribed in the reporting template issued by the Public Sector Accounting Standards Board. The statement of financial assets and liabilities, statement of receipts and payments and statement of cash flow indicate that the comparative figures have been restated while the statement of financial assets in addition indicate that the current year balances have been restated. Management has however not disclosed the reasons and extent of the restatement. Consequently, the financial statements do not comply with the format prescribed by the Public Sector Accounting Standards Board.

2. Inaccuracies in the Financial Statements

i. The total expenditure as per statement of receipts and payments is reflected as Kshs.936,140,270 while IFMIS (vote book) reflects Kshs.882,860,547 (recurrent

Kshs.745,593,047; development Kshs.137,267,500) resulting to an unexplained difference of Kshs.53,279,723.

ii. The statement of comparison of budget and actual amounts for recurrent excludes an amount of Kshs.703,316 being actual expenditure on other payments but included in the statement of receipts and payments.

iii. The statement of financial assets reflects cash and cash equivalent balance of Kshs.15,385,230 as at 30 June 2017 (comprising of bank balances of Kshs.15,384,430 and cash in hand balance of Kshs.800). However, the following material omissions have been observed:

- The cash books closing balances as at 30 June 2017 in virtually all the cash books were not certified by the board of survey members.
- A balance of Kshs.4,492,190 as at 30 June 2017 held in a Tender Account No.1144054559 at the Kenya Commercial Bank, apart from not having been swept into the County Treasury General Revenue Fund (GRF), was excluded from the schedule of bank balances.
- A balance of Kshs.14,977,079 as at 30 June 2017 held in a Deposit Account No.000264543 at the Central bank was also excluded from the schedule of bank balances.

Consequently, the accuracy of the financial statements for the year ended 30 June 2017 cannot be confirmed.

3. Compensation of Employees

3.1. Basic Salaries for Permanent Employees

Note 4 to the financial statements reflects a figure of Kshs.169,962,923 under basic salaries for permanent employees while the Integrated Payroll and Personnel Database (IPPD) reflect Kshs.167,227,229. The difference of Kshs.2,735,694 has not been explained.

3.2. Acting Allowances

During the year under review, the County Assembly paid acting allowances at the rate of 20% of the substantive basic salary amounting Kshs.642,717 to three officers of the Assembly beyond the six months period stipulated in Chapter 14 of the Human Resource Policies and Procedure Manual for the Public Service, which the County Assembly had referred to when paying the acting allowances. Consequently, the validity of the acting allowances amounting to Kshs.642,717 paid to the three officers cannot be confirmed.

4. Accounts Payables

The statement of financial assets and liabilities reflects accounts payable balance of Kshs.92,188,357 (2015/16 – Kshs.103,077,187). The figure includes pending bills of Kshs.77,211,278 (2015/16-Kshs 198,910,961) as disclosed under Note 15 to the financial statements. However, under IPSAS cash basis of accounting, an expenditure is recognised

when paid and hence pending bills should not appear in the statement of financial assets but are required to be disclosed only in form of an annex to the notes to the financial statements. Consequently, the accuracy of accounts payable balance of Kshs.92,188,357 as at 30 June 2017 cannot be confirmed.

5. Pending Bills

Note 15 to the financial statements reflects pending bills of Kshs.77,211,278 as at 30 June 2017 (2015/16 - Kshs 98,910,961). Had the pending bills been settled during the year under review, the Assembly would have reported a deficit of Kshs.61,826,848 as opposed to the current surplus of Kshs.15,384,430. Further, the annex on pending bills has not detailed out the ageing of the bills, details of the goods and services rendered, movements during the year and the reasons for delay in the settlement. As at the time of completion the audit, the bills were yet to be settled despite the treasury requirement of pending bills to take the first charge on the budget of the following year. No explanation has been provided for this anomaly.

6. Unresolved Prior Year Audit Issues

The matters highlighted below were raised in the Audit Report for 2015/16 but have remained unresolved to date:

6.1. Basic Pay

The expenditure of Kshs.381,080,919 on compensation of employees for 2015/16 included annual basic salaries for staff amounting to 154,043,786 which differed with the Integrated Payroll and Personnel Database (IPPD) system total annual basic pay amount of Kshs.35,187,892 by Kshs. of 118,855,894. The difference has not been explained or reconciled. Further, thirty (30) new employees introduced into the payroll on 1st September 2015 have not yet been supported with proof of recruitment and subsequent placement.

6.2. Temporary Employees

The expenditure on compensation of employees for 2015/16 also included basic wages for temporary employees amounting to Kshs.26,289,141. However, the temporary employees` wages analysis and casual payroll provided in support indicated amounts of Kshs.32,240,252, and Kshs.26,953,000, resulting in variances of Kshs.5,951,111 and Kshs.663,859 between the financial statements and records respectively, which have not been explained so far.

6.3. Unsupported Conference Fee for World Ploughing Championship in Bordeaux, France

As reported in the previous years, three Members of the County Assembly were paid conference fees totalling Kshs.756,000 while attending conference for World Ploughing Championship in Bordeaux, France. The expenditure has so far not been supported by documentary evidence to confirm that the event took place.

6.4. Media Partnership with M-Government Abu Dhabi 2014

As reported in the previous years, Members of the County Assembly made a trip to Abu Dhabi from 23 December 2014 to 3 January 2015 and were paid per diems amounting to Kshs. 2,673,900. However, no report has been provided so far to support the gains made by the County Assembly from the trip despite having spent such significant amount of money. Further, no explanation has been made to date in respect of an additional claim of Kshs.150,000 made and paid to the Members as miscellaneous expenses despite full per diems having been paid.

6.5. Irregular Procurement of Security Services

As reported in the previous years, the County Assembly paid a total of Kshs.3,633,850 for security services in 2014/15, of which amounts of Kshs.742,400 and Kshs.413,983 were paid to two security companies. The tender committee minutes for the meeting held on 3 February 2015 awarded the security tender to another company at Kshs.12,500 per guard per month. The committee further resolved to contract the company for one year starting February 2015. The County Assembly, however, continued to engage the services of the earlier two companies that had not tendered at the monthly rates of Kshs.16,000 and Kshs.13,000 per guard up to June 2015, contrary to the resolution of the tender committee. These security companies were paid amounts of Kshs.222,720 and Kshs.192,983 for the service provided after February 2015 and as consequence, an expenditure of Kshs.415,703 was irregularly incurred against the recommendations of the tender committee. Further, although losses incurred by the County Assembly arising from failure to adhere to the Public Procurement Act and Regulations ought to be recovered from the responsible officers, no evidence has been provided to show that these recoveries were made as at 30 June 2017.

6.6. Overseas Travelling and Subsistence Allowances

As reported in 2015/16, the County Assembly Members and staff made various foreign trips during the previous years. In a number of cases the members were double paid per diems while at the same time a travel agency had been contracted to provide for full package of the trip including airport transfers, local transport and full board accommodation all totalling Kshs.24,287,027. Recommendation to recover the over payment from the concerned MCAs and staff of Kshs.24,287,027 is yet to be implemented.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Machakos County Assembly 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 matter described in the

Basis for Adverse Opinion and Other Matter sections, I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. Budget as a Control Tool

The Assembly's total approved budget for the year under review was Kshs.1,095,699,438 against total actual expenditure of Kshs.936,140,270 for the same period resulting in under expenditure of Kshs.159,559,168 or 14.6% of the approved budget. The approved recurrent and development budgets were Kshs.914,139,368 (83%) and Kshs.181,560,070 (17%) while actual expenditure against the same was Kshs.914,139,368 and Kshs.139,696,301, respectively. Detailed analysis of individual expenditure items revealed various variances between the budgeted and actual expenditure as shown below:

Recurrent Budget

Category	Item description-component	Budget Kshs	Actual Kshs	Budget absorption %
Receipts		**914,139,368**	**807,113,142**	**88**
	Transfers from National Treasury	914,139,368	803,783,256	96
	Other receipts		3,329,906	
Compensation of employees		**423,561,621**	**393,296,478**	**93**
	Basic salaries-Permanent employees	176,205,261	169,962,923	96.46
	Basic salaries-Temporary employees	27,300,000	26,817,881	98.23
	Personal allowances paid as part salaries	159,172,714	140,299,701	88.14
	Pension and other social security Schemes	14,000,000	13,945,236	99.61
	Compulsory National Social Security Schemes	2,000,000	465,400	23.27
	Social benefits Schemes outside Govt-Gratuity	44,883,646	41,805,338	**93.14**
Use of goods and services		**340,577,747**	**326,444,175**	**95.85**

	Utilities, supplies and services-electricity, water	2,300,000	1,724,230.90	74.97
	Communication, supplies and services-telephone and internet	4,675,281	4,651,608.00	99.49
	Domestic travel and subsistence	192,822,164	195,279,999.05	101.27
	Foreign travel and subsistence	15,760,302	15,728,278.15	99.80
	National Celebration		30,000.00	
	Printing, advertising and information supplies & services	8,500,000	6,999,748.85	82.35
	Training expenses	27,390,000	27,380,078.00	99.96
	Hospitality supplies and services	3,280,000	2,689,847.10	82.01
	Insurance costs	28,200,000	26,780,538.00	94.97
	Specialised materials and services- uniforms	3,500,000	3,535,766.25	101.02
	Office and general supplies and services	7,230,000	4,665,942.00	64.54
	Ward office rent and Expenses	14,400,000	13,753,800.00	95.51
	Other operating expenses(cleaning, security, membership & subscription, legal fees	22,100,000	14,614,926.50	66.13
	Routine maintenance – vehicles and other transport equipment	6,220,000	3,102,574.30	49.88
	Fuel Oil and Lubricants	4,200,000	4,199,536.00	99.99
	Routine maintenance –other assets		1,307,302.00	
Transfers to other Government units		**150,000,000**	**76,000,000**	49%
Total		**914,139,368**	**795,740,653**	**87%**

Development Budget

Item description	Budget Kshs	Actual Kshs	% Budget absorption
Construction of non-Residential Buildings (HQ offices)	115,785,700	114,323,330	98.74
Refurbishment of Buildings (Non Residential)	3,000,000		0
Refurbishment of buildings - Chamber Renovations	2,000,000	455,111	22.76
Construction of civil works		729,900	
Purchase of Vehicles	11,700,000	11,037,931	94.34
Purchase of Office General Furniture	1,000,000	382,480	38.25
Purchase of Computers, Printers and other IT Equipment	2,000,000		0
Purchase of Household and Institutional Appliances	1,074,370	576,690	53.68
Other Infrastructure and Civil Works - parking shed	1,500,000		0
Purchase of Exchanges and other Communications Equipment	15,500,000		0
Purchase of other office equipment - Mace	5,000,000		0
Purchase of ICT networking and Communications Equipment	6,500,000	12,190,859	187.55
purchase of Police and Security Equipment - Walk through/Metal Detectors	1,500,000		0
Engineering and Design Plans	15,000,000		0
Total	**181,560,070**	**139,696,301**	**77**

2. ICT Internal Control Environment

The following weaknesses were identified in the County Assembly's IT internal control environment:

- Lack of a formally approved IT security policy to ensure data confidentiality, integrity and availability.

- Non-existence of an Information Technology strategic committee.

- Failure to implement an IT strategic plan that supports business requirements and ensures that IT spending remains within the approved IT strategic plan.

- Lack of training program to build IT capacity.

- Lack of a formally documented and approved process to manage upgrades and system changes made to all financial / performance information systems.

- There was no backup and retention policy. Lack of documented schedule for routine maintenance for IT infrastructure.

Recommendations to the County Assembly to develop an IT policy to address the above gaps is yet to be addressed by management.

3. Fraud Assessment

As reported in the previous period, I reiterate that the Machakos County Assembly has no system for identifying and responding to the risks of fraud within the entity. It is, therefore, highly exposed to fraud related risks and hence cases of fraud and errors may go undetected.

4. Internal Audit Function

The following weaknesses were identified regarding the functioning of the internal audit unit:

- The scope of internal audit function did not include evaluating and reporting on internal controls applicable to high risk areas as identified by management.

- Audit of the financial year as outlined in the annual audit plan was not fully achieved.

- Although progress audit reports conducted during the year were made available, responses from the management on the issues raised were not provided for audit verification.

- Internal audit unit was understaffed with only one auditor hence it may not have the necessary capacity to carry out the internal audit mandate.
- There was no documentary evidence to confirm that the internal auditor had been granted unrestricted access to all records and assets of the County.

- No audit committee was in place during the year under review to discuss the reports of the internal audit.

Responsibility 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 County Assembly's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the County Assembly 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 County 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 of Kenya. 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 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 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 County 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 County 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 County Assembly to cease to continue to sustain its services.

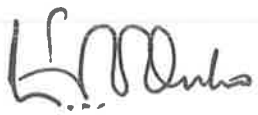
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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



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

Nairobi

16 July 2018

III. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016/17 Kshs	RESTATED 2015/16 Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	948,194,794	827,023,521
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	3,329,906	-
TOTAL RECEIPTS		**951,524,700**	**844,944,592**
PAYMENTS			
Compensation of Employees	4	393,296,478	381,080,919
Use of goods and services	5	326,444,175	297,401,947
Subsidies	6	-	
Transfers to Other Government Entities	7	76,000,000	75,000,000
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Acquisition of Assets	10	139,696,301	76,882,481
Finance Costs	11	-	-
Other Payments	12	703,316	5,783,694
TOTAL PAYMENTS		**936,140,270**	**836,149,041**
SURPLUS/DEFICIT		**15,384,430**	**8,795,550**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2017 and signed by:

Clerk of the Assembly
Name: Felix Mbiuki

Chief Finance Office – County Assembly
Name: Benson Mutua
ICPAK Member Number:

IV. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

	Note	RESTATED 2016/2017 Kshs	RESTATED 2015/16 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	13A	15,384,430	8,769,133
Cash Balances	13B	800	26,417
Total Cash and cash equivalents		**15,385,230**	**8,795,550**
Accounts receivables – Outstanding Imprests	14	622,087	2,716,167
TOTAL FINANCIAL ASSETS		**16,007,317**	**11,511,717**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	92,188,357	103,077,187
NET FINANCIAL ASSETS		**(76,181,040)**	**(91,565,470)**
REPRESENTED BY			
Fund balance b/fwd	16	(91,565,470)	(100,361,021)
Surplus/Deficit for the year		15,384,430	8,795,550
NET FINANCIAL POSITION		**(76,181,040)**	**(91,565,471)**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2017 and signed by:

Clerk of the Assembly
Name: Felix Mbiuki

Chief Finance Officer – County Assembly
Name: Benson Mutua
ICPAK Member Number:

V. STATEMENT OF CASH FLOWS

	Note	RESTATED 2015/16 Kshs	RESTATED 2014/15 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	948,194,794	827,023,521
Other Receipts	3	3,329,906	-
Payments for operating expenses			
Compensation of Employees	4	(393,296,487)	(381,080,919)
Use of goods and services	5	(326,444,175)	(297,401,947)
Subsidies	6	-	-
Transfers to Other Government Entities-Transfer to loan A/CS	7	(76,000,000)	(75,000,000)
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Finance Costs	11	-	-
Other Payments	12	(703,316)	(5,783,694)
Adjusted for:			
Adjustments during the year	17	(622,087)	(6,882,393)
Net cash flows from operating activities		**154,458,643**	**157,128,090**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		-	-
Acquisition of Assets	10	(139,696,301)	(76,882,481)
Net cash flows from investing activities		**(139,696,301)**	**(76,882,481)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings		-	**5,000,000**
Proceeds from Foreign Borrowings	3	-	-
Transfer to Fund account		-	**(75,000,000)**
Net cash flow from financing activities		-	**(70,000,000)**

NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year	**13**	**14,762,323**	**10,245,609**
Cash and cash equivalent at END of the year		**(90,115,411)**	**(100,361,021)**
		(75,353,068)	**(90,115,411)**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2017 and signed by:

Clerk of the Assembly
Name: Felix Mbiuki

Chief Finance Office – County Assembly
Name: Benson Mutua
ICPAK Member Number

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilisation difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	1,102,741,272	(7,041,834)	**1,095,699,438**	948,194,794	87%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts- **NOTE 3**	-	-	-	3,329,906	
TOTAL	**1,102,741,272**	**(7,041,834)**	**1,095,699,438**	**951,524,700**	**87%**
PAYMENTS					
Compensation of Employees	400,177,975	(21,500,000)	378,677,975	351,491,140	94%
Use of goods and services	317,605,281	22,972,466	340,577,747	326,444,175	96%
Subsidies	-	-	-	-	-
Transfers to Other Government Entities- **Note 20**	183,000,000	(33,000,000)	150,000,000	76,000,000	51%
Other grants and transfers	-	-	-	-	-
Social Security Benefits	44,883,646	0	44,883,646	41,805,338	93%
Acquisition of Assets- **Note 20**	157,074,370	24,485,700	181,560,070	139,696,301	77%
Finance Costs	-	0	0	0	-
Other Payments			0	703,316	0%
TOTAL	-	-	-	-	-
SURPLUS/ DEFICIT	**1,102,741,272**	**(7,041,834)**	**1,095,699,438**	**936,140,270**	**85%**

(NB: the total under actual on comparable basis should be the same as the totals under the statement of receipts and payments, where the tow statements are not in agreement, a reconciliation of these two statements should be prepared as required under IPSAS and presented hereunder)

[Provide below a commentary on significant underutilization (below 10% of utilization) and any overutilization]

(a) Xxxx
(b) Xxxx
(c) Xxxx
(d) Xxxx
(e) Xxxx

(Explain *whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23) .Where the result of the statement of receipts and payments is a deficit, the Assembly should explain how the deficit was funded.*

As shown in the statement of comparison, the figure 87% represents and under funding by the County Treasury.

The entity financial statements were approved on _____ 2017 and signed by:

Clerk of the Assembly
Name: Felix Mbiuki

Chief Finance Office – County Assembly
Name: Benson Mutua
ICPAK Member Number:

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilisation difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	945,666,902	(31,527,534)	914,139,368	803,783,236	88%
Proceeds from Sale of Assets					
Other Receipts	-	-	-	3,329,906	-
TOTAL	**945,666,902**	**(31,527,534)**	**914,139,368**	**807,113,142**	**88%**
PAYMENTS					
Compensation of Employees	400,177,975	(21,500,000)	378,677,975	351,491,140	93%
Use of goods and services	317,605,281	22,972,466	340,577,747	326,444,175	96%
Subsidies	-	-	-		-
Transfers to Other Government Entities- Note 20	183,000,000	(33,000,000)	150,000,000	76,000,000	51%
Other grants and transfers	-	-	-		-
Social Security Benefits	44,883,646	-	44,883,646	41,805,338	93%
Acquisition of Assets	-	-	-	-	-
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	**945,666,902**	**(31,527,534)**	**914,139,368**	**795,740,653**	**87%**
Surplus/ Deficit					

[Provide below a commentary on significant underutilization (below 10% of utilization) and any overutilization]

(a) As shown in the statement of comparison (Recurrent) under receipts, the figure 88% represents and under funding by the County Treasury.
(b) As shown in the statement of comparison (Recurrent) under Payments, the figure 51% budget utilization for transfer to other government entities, there was an under-utilization of budget by 49%. This was as a result of underfunding by the County Treasury during the FY.

(c) Xxxx
(d) Xxxx
(e) Xxxx

(Explain *whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23*)

The entity financial statements were approved on _____ 2017 and signed by:

Clerk of the Assembly
Name: Felix Mbiuki

Chief Finance Office – County Assembly
Name: Benson Mutua
ICPAK Member Number:

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilisation difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	157,074,370	24,485,700	181,560,070	144,411,538	80%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	157,074,370	24,485,700	181,560,070	144,411,538	**80%**
PAYMENTS					
Compensation of Employees	-	-	-	-	-
Use of goods and services	-	-	-	-	-
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	157,074,370	24,485,700	181,560,070	139,696,301	77%
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	157,074,370	24,485,700	181,560,070	139,696,301	**77%**
SURPLUS/ DEFICIT					

[Provide below a commentary on significant underutilization (below 10% of utilization) and any overutilization]

(a) Xxxx
(b) Xxxx
(c) Xxxx
(d) Xxxx
(e) Xxxx

(Explain *whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23*)

The entity financial statements were approved on _____ 2017 and signed by:

Clerk of the Assembly
Name: Felix Mbiuki

Chief Finance Office – County Assembly
Name: Benson Mutua
ICPAK Member Number:

IX. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	20xx		20xx	Date, 20xx	
	Kshs	Kshs	Kshs	Kshs	Kshs
Programme 1					
Sub-programme 1					
Sub-programme 2					
Sub-programme 3					
Programme 2					
Sub-programme 1					
Sub-programme 2					
Sub-programme 3					

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the County budgets which are programmatic)

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

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

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

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

3. **Recognition of receipts and payments**
a) Recognition of receipts
The County Assembly t recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Assembly.

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Recognition of payments

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

Compensation of employees

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

Use of goods and services

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

Acquisition of fixed assets

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

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

4. In-kind contributions

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

5. Cash and cash equivalents

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

Restriction on cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2017, this amounted to Kshs 14,977,079 compared to Kshs 4,166,226 in prior period as indicated on note 15.There were no other restrictions on cash during the year

SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Accounts Receivable

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

7. Accounts Payable

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

8. Non current assets

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

9. Pending bills

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

10. Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *entity's* budget was approved as required by Law. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Comparative figures

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

12. Subsequent events

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

13. Errors

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

14. Related party transactions

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

XI. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from the County Treasury/Exchequer Releases

	2016/17	2015/16
	Kshs	Kshs
Transfers from the County Treasury for Q1	182,111,150	168,953,120
Transfers from the County Treasury for Q2	290,166,725	209,918,020
Transfers from the County Treasury for Q3	244,806,725	120,537,533
Transfers from the County Treasury for Q4	231,110,194	327,614,848
Cumulative Amount	**948,194,794**	**827,023,521**

(Where money is transferred to the County Assembly on a monthly basis, include the months instead of quarters. A detailed annex showing the reconciliation of transfers between the County Treasury and County Assembly is included in this report.)

2 PROCEEDS FROM SALE OF ASSETS

	2016/17	2015/16
	Kshs	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	-	-

3 OTHER RECEIPTS

	2016/17	2015/16
	Kshs	Kshs
Other Receipts I- Paid projects on behalf by County Treasury	-	12,921,071
Other Receipts II- Borrowing from Chase Bank	-	5,000,000
Other Receipts III- Interest earned from MCAs/Staff loan account	1,857,460	-
Other Receipts IV- Refund from BRITAM	1,472,446	-
Other Receipts	-	-
Total	**3,329,906**	**17,921,071**

(Provide a detailed explanation of what other receipts relate to, who they were received from and whether they had been budgeted for)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 COMPENSATION OF EMPLOYEES

	2016/17	2015/16
	Kshs	Kshs
Basic salaries of permanent employees	169,962,922.54	154,043,786
Basic wages of temporary employees	26,817,881	26,289,141
Personal allowances paid as part of salary	140,299,701	160,769,908
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	13,945,236	7,536,070
Compulsory national social security schemes	465,400	1,150,734
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	41,805,338	29,671,650
Other personnel payments	-	1,619,631
Total	**393,296,478**	**381,080,919**

(Provide detailed explanation with regard to the number of employees recruited by the Assembly, new employees and resignations. Explain what other personnel costs relate to)

5 USE OF GOODS AND SERVICES

	2016/17	2015/16
	Kshs	Kshs
Utilities, supplies and services	1,724,231	1,793,324
Communication, supplies and services	4,651,608	4,141,210
Domestic travel and subsistence	195,279,999	147,056,993
Foreign travel and subsistence	15,728,278	28,655,133
Printing, advertising and information supplies & services	6,999,749	10,021,480
Rentals of produced assets	-	-
Training expenses	27,380,078	29,937,098
Hospitality supplies and services	2,689,847	3,506,522
Insurance costs	26,780,538	24,057,298
Specialized materials and services	3,535,766	956,845
Office and general supplies and services	4,665,942	5,172,448
Other operating expenses	14,614,927	18,798,598
Routine maintenance – vehicles and other transport equipment	3,102,574	3,264,028
Routine maintenance – other assets	1,307,302	1,147,738
Ward office rent and expenses	13,753,800	14,488,450
Fuel, Oil and Lubricants	4,199,536	4,404,783
National Celebration	30,000	-
Total	**326,444,175**	**297,401,947**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 SUBSIDIES

Description	2016/17	2015/16
	Kshs	Kshs
Subsidies to County Corporations		
See list attached	xxx	Xxx
(insert name)	xxx	Xxx
Subsidies to Private Enterprises		
See list attached	xxx	xxx
(insert name)	xxx	xxx
TOTAL	**xxx**	**xxx**

(Provide explanations as to what subsidies relate to)

7 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016/17	2015/16 RESTATED
	Kshs	Kshs
Transfers to National Government entities	-	-
See attached list		
Transfer to Car loan and housing fund-MCAs	17,000,000	75,000,000
Transfer to Car loan an housing fund-Staff	59,000,000	
(insert name of budget agency)	-	-
(insert name of budget agency)	-	-
TOTAL	**76,000,000**	**75,000,000**

(Explain what the transfers relate to and whether they are to be refunded by the institution referred to)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER GRANTS AND TRANSFERS

	2016/17	2015/16
	Kshs	**Kshs**
Scholarships and other educational benefits	xxx	xxx
Emergency relief and refugee assistance	xxx	xxx
Subsidies to small businesses, cooperatives, and self employed	xxx	xxx
Other current transfers, grants	xxx	xxx
Other capital grants and transfers	xxx	xxx
Total	**xxx**	**xxx**

(Give explanations on what other grants and transfers relate to and who the beneficiaries are)

9 SOCIAL SECURITY BENEFITS

	2016/17	2015/16
	Kshs	**Kshs**
Government pension and retirement benefits	Xxx	xxx
Social security benefits in cash and in kind	Xxx	xxx
Employer Social Benefits in cash and in kind	Xxx	xxx
Total	**xxx**	**xxx**

(Give explanations and distinguish between NSSF benefits and contributions made to other entities on behalf of staff.)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 ACQUISITION OF ASSETS

Non Financial Assets	2016/17 Kshs	2015/16 Kshs
Purchase of Buildings	-	-
Construction of Buildings	114,323,330	36,049,530
Refurbishment of Buildings	455,111	8,666,507
Construction of Roads	-	-
Construction and Civil Works	729,900	-
Overhaul and Refurbishment of Construction and Civil Works	-	-
Purchase of Vehicles and Other Transport Equipment	11,037,931	13,307,519
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	576,690	615,634
Purchase of Office Furniture and General Equipment	382,480	1,626,950
Purchase of ICT Equipment, Software and Other ICT Assets	12,190,859	16,616,341
Purchase of Specialised Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Purchase of Certified Seeds, Breeding Stock and Live Animals	-	-
Research, Studies, Project Preparation, Design & Supervision	-	-
Rehabilitation of Civil Works	-	-
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Financial Assets		
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
Foreign Payables - From Previous Years	-	-
Total	**139,696,301**	**76,882,481**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 FINANCE COSTS

	2016/17	2015/16 RESTATED
	Kshs	Kshs
Bank Charges	Xxx	Xxx
Exchange Rate Losses	Xxx	Xxx
Other Finance costs	Xxx	Xxx
Interest on borrowings	Xxx	Xxx
Total	**Xxx**	**xxx**

(Provide detailed explanation on finance costs and whether they relate to borrowings on bank overdraft)

12 OTHER PAYMENTS

	2016/17	2015/16 RESTATED
	Kshs	Kshs
Budget Reserves		
Civil Contingency Reserves		
Capital Transfers to Non-Financial Public Enterprises		
Capital Transfer to Public Financial Institutions and Enterprises		
Capital Transfer to Private Non-Financial Enterprises		
Other expenses(Bank Charges)		
Domestic Accounts	703,315.92	5,783,694
Total	-	-
	703,315.92	**5,783,694**

(Provide detailed explanations for other payments)

13 A BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2016/17	2015/16
		Kshs	Kshs
CBK- 1000264578	DEVELOPMENT A/C-	13,320,279.40	3,433,095.50
CBK - 1000240393	RECCURRENT A/C -	958.60	23,726.05
COOPEARTIVE BANK-	IMPREST ACCOUNT	2,063,191.91	5,312,311.28
Total		**15,384,429.91**	**8,769,132.83**

(NB: all bank accounts operated by the County Assembly should be included in this note.)

NOTE:

The County Assembly has a tender Account and several vehicles were disposed during the FY and the revenue deposited in the account . There is a total of Ksh. 4,485,700. This money will be swept to the County Revenue Fund Account, and hence the reason as to why the amount was not included in the statement of Receipts and Payments as part of receipts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 B CASH IN HAND

	2016/17	2015/16
	Kshs	Kshs
Cash in Hand – Held in domestic currency	800	26,417
Cash in Hand – Held in foreign currency	-	-
Total	800	26,417

13 C Cash in hand should be analysed as follows:

	2016/17	2015/16
	Kshs	Kshs
Location 1- Cashiers office	800	26,417
Location 2	-	-
Location 3	-	-
Total	**800**	**26,417**

(Provide locations where cash in hand is held e.g head office, cashier's office, cash office etc)

14 ACCOUNTS RECEIVABLE

	2016/17	2016/17
	Kshs	Kshs
Government Imprests	-	-
Clearance Accounts	-	-
Staff Advances	622,087	2,716,166.80
Other Advances		
Total	**622,087**	**2,716,166.80**

**See Annex 6 for a detailed analysis of the outstanding imprests.*

15 ACCOUNTS PAYABLE

	2016/17	2015/16
	Kshs	Kshs
Stépal Builders- 10% Retention	14,977,079	4,166,226
Accounts payables/pending bills	77,211,278	98,910,961
Total	**92,188,357**	**103,077,187**

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 FUND BALANCE BROUGHT FORWARD

	2016/17	2015/16
	Kshs	Kshs
Bank accounts	15,384,429.91	8,769,132.83
Cash in hand	800.00	26,417
Accounts Receivables		
Accounts Payables		
Total	**15,385,229.91**	**8,795,549.83**

17 PRIOR YEAR ADJUSTMENT

Description of the adjustment	2016/17	2015/16
	Kshs	Kshs
Adjustments on bank account balances	-	-
Adjustments on cash in hand	-	4,166,226
Adjustments on payables	622,087	2,716,167
Adjustments on receivables	-	-
Others (*specify*)	**622,087**	**6,882,393**
Total		

(Explain whether the prior year relates to errors noted in prior year, changes in estimates or accounting policy.)

DISCLOSURE NOTES

18.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016/17	2015/16
	Kshs	**Kshs**
Construction of buildings		129,115,550
Construction of civil works		-
Supply of goods		6,152,224.00
Supply of services		46,300,853.25
Statutory/ Salary deductions	30,100,678.93	34,994,728.08
MCAS and Staff allowances	2,398,808.00	4,943,921.00
Supply of goods and Services		-
Total	44,711,790.76	
	77,211,277.69	221,507,276.33

18.2: PENDING STAFF PAYABLES (See Annex 2)

Name of Staff	2016/17	2015/16
Xxx	**Kshs**	**Kshs**
Xxx	Xxx	xxx
Total	Xxx	xxx
	Xxx	**xxx**

18.3: OTHER PENDING PAYABLES (See Annex 3)

	2016/17	2015/16
	Kshs	**Kshs**
Amounts due to National Government entities	Xxx	xxx
Amounts due to County Government entities	Xxx	xxx
Amounts due to third parties	Xxx	xxx
Total	**Xxx**	**xxx**

19 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		xxx		xxx
Key Management compensation		xxx		xxx
		======		======
Transfers from the County Treasury		xxx		xxx
Transfers to/ from other County Government entities		xxx		xxx
Transfers to/ from County Ministries and Departments		xxx		xxx
Payments made in favour of other related parties	xxx		xxx	
Payments made by related parties on behalf of Assembly	xxx		xxx	
	======		======	

20. Budget usage

The total budget for FY 2016/2017 was Ksh. 1,095,699,438 and the usage during the year was Ksh. 936,140,270. This translates to 85%.

The underutilization on transfers to other government units of 49% was due to underfunding.

Also, there was an underutilization on the vote of acquisition of assets of 23%. This was due to underfunding and also, the Assembly experienced technical issues with the IFMIS system and hence were not able to make payments despite having the funds.

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Guidance Notes:

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

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

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

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

Clerk of the County Assembly

Sign.....

Date.....

XII. ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
	A	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

XIII. ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
Sub-Total							
Grand Total							

XIV. ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016/2017	Comments
		a	b	c	d=a-c	
Amounts due to National Govt Entities						
1.						
2.						
3.						
Sub-Total						
Amounts due to County Govt Entities						
4.						
5.						
6.						
Sub-Total						
Amounts due to Third Parties						
7. Kilukumi & Co. Advocate	Legal services	16,470,000.00	Various		16,470,000.00	
8. KCA	Cost of training	3,123,500.00	Various		3,123,500.00	
9. Kamende & Co. Advocate	Legal services	8,450,000.00	Various		8,450,000.00	
10. Simply travel	Air tickets	2,605,834.78	Various		2,605,834.78	
11. 67 airport hotel	Conference facility	464,800.00	19.06.2017		464,800.00	
12. Irengo investments	Printing of Christmas cards	31,500.00	15.12.2016		31,500.00	
13. CPST	Training fee	70,000.00	13.04.2016		70,000.00	
14. Anyx enterprise ltd	Supply of uniforms	45,665.00	23/03/2015		45,665.00	
15. Bus park Auto Garage	Garage services	47,300.00	22.06.2016		47,300.00	
16. Rentoline ltd	Sanitary bins	4,800.00	01.06.2017		4,800.00	

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016/2017	Comments
17. Kenya institute of human resource management	Training fee	158,000.00	03.05.2017		158,000.00	
18. Compusys office supplies	Installing and commissioning of mini data centre	4,745,900.00	23.06.2017		4,745,900.00	
19. Eden Beach Apartments ltd	Hotel services	44,996.00			44,996.00	
20. The Star	Advertisement cost	451,213.60	16.06.2017		451,213.60	
21. The Standard Group Ltd	Advertisement cost	313,200.00	05.05.2017		313,200.00	
22. Nation Media	Advertisement cost	320,902.00	22.06.2017		320,902.00	
23. Nakesh Interiors	Supply and delivery of security equipment	1,165,020.00	12.06.2017		1,165,020.00	
24. KISM	Training fee	120,640.00	05.12.2016		120,640.00	
25. Vekaria auto garage	Garage services	31,700.00	07.06.2017		31,700.00	
26. Government printers	Cost of printing hansard in two volumes	348,000.00	01.12.2015		348,000.00	
27. Postal corporation of Kenya	Telephone bill	6,960.00	08.06.2016		6,960.00	
28. Patka general agencies	Supply of office stationaries	413,161.00	23.09.2016		413,161.00	
29. Fairview technologies	Supply and delivery of sony smart Tvs	360,000.00	06.04.2017		360,000.00	
30. MFI Document Solutions ltd	Cost of printer	909,300.00	09.05.2017		909,300.00	
31. Golden Brisk General Supplies	Supply of	119,000.00	07.06.2017		119,000.00	

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016/2017	Comments
	cleaning materials					
32. Swift Foot Ltd	Supply and delivery of bottled drinking water	94,250.00	09.06.2017		94,250.00	
33. Koe & sons Enterprises	Supply of Achilles tyres	66,000.00	20.05.2016		66,000.00	
34. Zedmart co ltd	Refurbishment of leaders office and sewerage laying next to leaders office	232,860.00	19.06.2017		232,860.00	
35. Rida holdings ltd	Refurbishment of Machakos county assembly	7,307,950	29.06.2013	6,863,222.75	444,727.00	
36. Rovans management consultants ltd	Training fees	945,440.00			945,440.00	
37. Osdamaja general supplies	Supply of drinking water	191,500.00	09.06.2017		191,500.00	
38. Telkom Kenya	Internet bill-June 2017	116,232.00	30.06.2017		116,232.00	
39. ICPAK	Training fee	419,700.00	23.05.2017		419,700	
40. .Mwovas contractors co. ltd	Office partitioning and erection of parking sheds	99,850.00	30.06.2016		99,850.00	
41..Top force security	Security services	39,000.00	30.06.2017		39,000.00	
42..Bobby Guards ltd	Security services	69,600.00	30.06.2017		69,600.00	
Sub-Total		**44,027,841.38**			**44,027,841.38**	

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016/2017	Comments
OTHER OPERATIONAL EXPENSE						
Commissioner of income tax	VAT/WHT/ PAYE on allowances	6,834,317.71			6,834,317.71	
Staff allowances	Allowances	2,398,808.00			2,398,808.00	
MCAs allowances	Allowances	-				
Security personnel allowances	Admin police/ office expenses	149,500.00	30.06.2017		149,500.00	
Ward rent/ operating expenses	Rent and operating expenses	216,000.00	30.06.2017		216,000.00	
MCAs extra mileage	Extra Milleage	318,449.38	30.06.2017		318,449.98	
		9,917,075.09			**9,917,075.09**	
Sub-Total						
OTHER DEDUCTIONS						
KLGWU	Deductions; 2015(Feb, May, June ,July)	35,500.00			35,500.00	
WCPS Sacco	Deductions; 2015(April, May, June, July, Oct, Nov, Dec)2016(Jan –Dec)2017;Jan	34,337.10			34,337.10	
Social welfare Association-Admin police	Deductions; 2015(June,July ,Sept,Oct, Nov, Dec);	3,200.00			3,200.00	

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016/2017	Comments
	2016(Jan-June, Aug-Nov)					
Sauti sacco	Deductions: 2015(June, July, Sept, Nov, Dec) 2016(Jan-April)	900.00			900.00	
Social welfare Association KNUT	Deductions; Sept	1,300.00			1,300.00	
GOK house rent	Deductions; 2015(Oct,Nov, Dec),2016(Jan-June, Aug-Dec)2017 Jan-April	30,400.00			30,400.00	
Machakos County Assembly Welfare	July & September 2016 Deductions	49,000.00			49,000.00	
Nacico sacco	Deductions; Dec 2015,Mar 2016, Feb & April 2017	172,252.00			172,252.00	
NSSF	Arrears	3,600.00			3,600.00	
Sub total		**330,489.10**			**330,489.10**	
PAYE	Arrears	410,878.00			410,878.00	
PAYE	February, 2017 deductions	5,805,653.75			5,805,653.75	
PAYE	March 2015 Deductions	61,132.00			61,132.00	

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016/2017	Comments
Fringe tax benefit	MCAs	6,407,056.00			6,407,056.00	
TOTALS		**12,684,719.75**			**12,684,719.75**	
LOAN CHECK-OFFS						
CHASE BANK	June loan deductions	2,408,357.00	30.06.2017		2,408,357.00	
CO OPERATIVE BANK	June loan deductions	1,092,375.90	30.06.2017		1,092,375.90	
EQUITY BANK	June loan deductions	96,247.00	30.06.2017		96,247.00	
KCB	June loan deductions	141,169.00	30.06.2017		141,169.00	
FAMILY BANK	June loan deductions	779,543.25	30.06.2017		779,543.25	
SUB TOTAL		**4,517,692.15**			**4,517,692.15**	
JUNE 2017 salary Deductions						
Lapfund	June deductions	1,125,629.70	30.06.2017		1,125,629.70	
Laptrust	June deductions	331,487.00	30.06.2017		331,487.00	
Kazi bidii	June deductions	322,251.05	30.06.2017		322,251.05	
Harambee sacco	June deductions	9,533.75	30.06.2017		9,533.75	
Ardhi sacco	June deductions	32,782.00	30.06.2017		32,782.00	
Britam	June deductions	37,831.15	30.06.2017		37,831.15	
Madison Insurance	June deductions	24,250.00	30.06.2017		24,250.00	

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016/2017	Comments
EMU-INYA Enterprises Ltd	June deductions	5,609.00	30.06.2017		5,609.00	
Pan African Insurance	June deductions	7,792.05	30.06.2017		7,792.05	
UAP Life Insurance	June deductions	8,730.00	30.06.2017		8,730.00	
Nacico sacco	June deductions	23,288.00	30.06.2017		23,288.00	
Liberty Life Assurance Kenya	June deductions	2,596.70	30.06.2017		2,596.70	
Old Mutual Life assurance	June deductions	2,425.00	30.06.2017		2,425.00	
GOK house rent	June deductions	1,900.00	30.06.2017		1,900.00	
CAFETERIA	June deductions	103,940.00	30.06.2017		103,940.00	
HELB	June deductions	28,219.10	30.06.2017		28,219.10	
Mwalimu National Sacco	June deductions	7,418.50	30.06.2017		7,418.50	
Platinum credit	June loan deductions	32,388.00	30.06.2017		32,388.00	
Micro Africa Group	June loan deductions	7,656.00	30.06.2017		7,656.00	
Select management services ltd	June loan deductions	78,861.70	30.06.2017		78,861.70	
SUB TOTAL		2,194,588.70			2,194,588.70	
Gratuity	Service Gratuity for staff- June 2017	161,631.352	30.06.2017		161,631.52	

XV. ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (FY 2016/2017) (Kshs)	Disposals during the year (FY 2016/2017) (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Land	60,000,000.00	NIL	NIL	60,000,000.00
Buildings and structures	114,979,971.00	115,508,341.00	NIL	230,488,312.00
Transport equipment	58,897,839.20	11,037,931.00	4,480,500.00	65,455,270.20
Office equipment, furniture and fittings	14,833,376.00	382,480.00	NIL	15,215,856.00
ICT Equipment, Software and Other ICT Assets	25,250,845.00	12,190,859.00	NIL	37,441,704.00
Other Machinery and Equipment	8,886,004.00	576,690.00	NIL	9,462,694.00
Heritage and cultural assets	-	-	-	
Intangible assets	-	-	-	
Total	282,848,035.20	139,696,301.00	4,480,500.00	418,063,836.20

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the County Assembly since its inception. Additions during the year should tie to note 10 on acquisition of assets during the year and subsequently the statement of receipts and payments

XVI. ANNEX 5 – ANALYSIS OF OUTSTANDING IMPREST

Government Imprest Holders

Name of Officer or Institution	*Date Imprest Taken*	*Amount Taken*	*Amount Surrendered*	*Balance*
		Kshs	*Kshs*	*Kshs*
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Total				**Xxx**