REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF MACHAKOS

FOR THE YEAR ENDED 30 JUNE 2017

30 SEP 2017
P.O. Box 1920-90100

[*County Executive*]

MACHAKOS COUNTY GOVERNMENT
(County Executive)

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 County Governor, who is responsible for the general policy and strategic direction of the County.

(b) Key Management

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

- Governor;
- Deputy Governor;
- County Executive Committee Members; and
- Chief Officers

(c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	Ms Jacinta Masila
2.	Accountant General	Mr. Michael Musyoki
3.	Deputy Accountant General	Bernard Muli

(d) Fiduciary Oversight Arrangements

- **Revenue Collection and Management**
  In order to attain high level of efficiency and effectiveness in revenue collection, the County Government established a directorate of revenue collection headed by a director general. The core mandate of this directorate is implementing revenue collection strategies geared towards ensuring all revenue sources are fully utilized and all monies collected are banked accordingly. Further; there is a full time team responsible for reconciling all revenue bank accounts so as to ensure 100% banking of all revenue collected. To strengthen revenue collection and management controls, the County Government has gone cashless in revenue collection process. To attain this; revenue collection has been fully automated right from billing up to paying point whereby clients pay electronically via MPESA into revenue accounts.
  Finally, there is Finance and Revenue Collection Committee established under County Assembly standing orders whose mandate is to oversee revenue collection and management.
- **Expenditure control and Debt Management**
  There is an established office of Controller of Budget whose mandate is to oversee budget implementation so as to ensure the County spends within the budget. Further; the County Assembly plays an oversight role in the County's budget implementation through an established Budget Committee.
- **Internal Audit and Financial Planning**
  There is an Internal Audit department headed by Chief Internal Auditor. The mandate of the department is to test internal control systems of the County so as to ensure they are duly implemented and they are effective.

They also ensure that the County Government is operating within the set regulations and adheres to all statutory requirements.

(e) County Headquarters

P.O. Box 1996 - 90100
Town Hall
Machakos Nairobi Highway
Machakos, KENYA

(f) County Contacts

Telephone: (254) 4420246
E-mail: machakostreasury@machakosgovernment.com
Website: www.machakosgovernment.com

(g) County Bankers

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

2. Kenya Commercial Bank
   Machakos Branch

3. Co-operative Bank Of Kenya
   Machakos Branch

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. FORWARD BY THE CEC

Machakos County Reports and Financial Statements for the year ended 30th June, 2017 are prepared in line with the Public Finance Management Act, 2012 and the IPSAS cash basis of accounting. The Act requires final accounts to be prepared, published and publicized within a period of three months after the end of each financial year. The reports and financial statements show the County's revenue and expenditure for the said period.

The County's approved budget estimates amount to Kshs. 10.87 Billion. Expenditure on compensation to employees amount to Kshs.4.7 Billion, while expenditure on purchase of goods and services was Kshs. 1.0 Billion. In acquisition of assets, the County spent Kshs. 1.7 Billion while in other expenditure and grants to other government entities, the county spent a total of Kshs. 1.6 Billion. The overall actual expenditure for the County was Kshs 9.4 Billion.

Since devolution, Machakos County Government has utilised most of its development funds on infrastructure. This constitutes Construction of major roads, Maintenance of access roads, Upgrading of market roads, Installation of CCTV surveillance cameras and street lighting. Further, the County Government has also embarked on a comprehensive strategy of improving healthcare by completion of community hospitals, renovation of Machakos Level 5 Hospital, renovation of health centres & dispensaries as well as equipping of health facilities. In the Agricultural sector, the expenditure included provision of greenhouses, subsidised seeds and fertilizers to farmers. The County government has also improved the Education Sector by completing ECDE classrooms.

To enhance service delivery, significant expenditure was inevitable. Some of the expenses went towards providing office space through refurbishment of offices, purchase of office equipment, purchase of vehicles for revenue enhancement and training of existing staff. The County Treasury further improved revenue automation through use of MPESA and KCB Mtaani for revenue collection.

The budget allocation was prudently and efficiently used to run the County Government. However there were challenges faced during the implementation of strategic objectives of the County. These include delayed disbursement of funds from the National Treasury, lack of sufficient value addition in the agricultural sector and poor infrastructure.

The County Government has in its Integrated Development Plan outlined measures to tackle the infrastructural challenges and has in the medium term implemented various projects to this effect. We have as well set measures to enhance revenue collection.

Sign..... *Date*...30/9/2017..

County Executive Committee Member- Finance and Revenue Management

Machakos County Government

GOVERNMENT OF MACHAKOS COUNTY
THE COUNTY TREASURY
30 SEP 2017
P. O. Box 1996 - 90100
MACHAKOS

III. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

The County Executive Committee (CEC) member for Finance of the County Government is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the financial year ended on June 30, 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 Government; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Government; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

Approval of the financial statements

The County Government's financial statements were approved and signed by the CEC member for finance on 30/9/ 2017.

County Executive Committee member – Finance

GOVERNMENT OF MACHAKOS COUNTY
THE COUNTY TREASURY
30 SEP 2017
P.O. Box 1996 - 90100
MACHAKOS

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF MACHAKOS FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of County Executive of Machakos set out on pages 7 to 31, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation: recurrent and development and combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Late Submission of Financial Statements

The County Executive submitted its financial statements for the year ended 30 June 2017 to the Auditor-General on 31 October 2017, one month after the statutory deadline of 30 September 2017. The County Executive was, therefore, in breach of Section 47 of the Public Audit Act, 2015 which require the financial statements to be submitted within three months after the end of the fiscal year to which the accounts relate.

2. Non-Submission of a Trial Balance

The County Executive has not provided a trial balance to support figures in the financial statements for the year ended 30 June 2017. In the circumstances, completeness, accuracy and authenticity of the balances reflected in the financial statements cannot be confirmed.

3. Inaccuracies in the Financial Statements

- Note 17 on acquisition of assets cast to Kshs. 1,558,819,132 but is reflected as Kshs. 1,788,819,132 resulting in a casting error of Kshs. 230,000,000.

- The statement of receipts and payments reflects total receipts of Kshs. 9,670,239,639 against reported actual receipts in the combined summary statement of appropriation of Kshs 9,347,031,018 leading to unreconciled difference of Kshs 323,208,621. Further, the statement reflects exchequer releases of Kshs. 7,303,463,454 but the supporting schedule reflects Kshs. 7,682,131,372 resulting in unexplained difference of Kshs. 378,667,918.

- The total payments in the individual summary statements of appropriation - recurrent and development reflect budgeted expenditure figures of Kshs. 7,374,291,557 and Kshs 3,508,842,251. These two figures differ from the figures reflected in the approved budget of Kshs 7,508,045,234 and Kshs 3,373,912,932, respectively.

- The summary statement of appropriation - recurrent reflects total budgeted expenditure of Kshs 7,374,291,557 against a computed figure of Kshs 6,434,090,428 resulting in unexplained difference of Kshs. 940,201,129.

- The summary statement of appropriation (recurrent and development combined) reflects actual total receipts of Kshs. 9,347,031,018 against computed amount of Kshs. 8,813,199,547 resulting in unexplained difference of Kshs. 533,831,471.

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

4. Discrepancies between the Statement of Receipts and Payments and the Integrated Financial Management Information System (IFMIS)

The statement of receipts and payments reflects total payments of Kshs. 9,478,561,251, while IFMIS reflects an amount of Kshs. 10,539,472,828, resulting to unreconciled difference of Kshs. 1,060,911,577. Further, the items of receipts and expenditure are presented in accordance with the elements of the financial statements while the budget items are presented in accordance with the ministries/departments of the county executive, which s renders the two inconsistent and uncomparable.

5. Unexplained Amended Comparative Figures

The following differences have been noted between comparative figures (2015/2016) reflected in the financial statements for the year ended 30 June 2017 and the balances shown in the audited financial statements for 2015/2016:

	2015/2016 Audited Balances Kshs	2015/2016 Comparative Figures Kshs	Variance Kshs
Statement of assets			
-Fund balance brought forward	627,106,024	594,548,646	32,557,378
Statement of cashflow			
-Change in payables	-	5,135,443	(5,135,443)
-Net increase in cash	(198,663,283)	(193,527,839)	5,135,444
-Cash at beginning of year	627,106,024	605,820,763	21,285,261
-Cash at end of year	428,442,741	412,292,924	16,149,817

However, no explanation has been provided for these differences. In addition, the nature of the errors-and respective amounts of the corrections in these comparative figures have similarly not been disclosed in the notes to the financial statements.

6. Prior Year Adjustments

Note 25 to the financial statements reflects prior period adjustments totalling Kshs. 399,888,584 which include an amount of Kshs. 339,677,293 described as balance brought forward from the deposit account (CRF). The nature of this prior -year adjustment is not adequately disclosed. Further, the prior-year error is included in the statement of assets as a negative asset and thus is not corrected retrospectively as required by Paragraph 47 of International Public Sector Accounting Standard (IPSAS) 3. The treatment thus does not comply with the requirement of IPSAS.

7. County Own Generated Revenue

The statement of receipts and payments reflects County generated receipts totalling to Kshs. 1,259,304,944 compared to Kshs. 1,121,680,950 in the previous year representing an increase of Kshs. 137,623,994. However, the revenue budget for the year was not provided for audit verification. Further, the individual ledgers/schedules in support of the components as disclosed at Note 9 to the financial statements were not provided for audit verification. Consequently, the accuracy and completeness of County generated revenue balance of Kshs. 1,259,304,944 for the year ended 30 June 2017 cannot be confirmed.

8. Compensation to Employees

As disclosed at Note 11 to the financial statements, expenditure in respect of compensation of employees amounts to Kshs. 4,759,877,326 which however differs with the amount of Kshs. 4,388,533,531 reflected in the IFMIS records by Kshs. 371,343,795. The difference between the two balances has not been explained.

Compensation of employees also includes an amount of Kshs. 10,455,207 paid to nine members of staff and described as top-up house allowance which however has not been explained or supported by any authority and therefore remains unaccounted for. Consequently, the accuracy and validity of compensation of employees' balance of Kshs. 4,759,877,326 for the year ended 30 June 2017 cannot be confirmed.

9. Failure to Adhere to Statutory Ceilings on Compensation of Employees

The County Executive of Machakos, budgeted a total amount of Kshs. 5,378,906,258 towards salaries and other benefits to employees for the year under review, representing a total of 49% of the total budget. This contravened the Public Finance Management Act which restricts such expenditure to 35 percent of the budget. In addition, the actual expenditure on salaries and other benefits amounted to Kshs. 4,907,086,662 representing 52% of the total actual expenditure as detailed below:

Item	Budget (Kshs)	Actual (Kshs)
Compensation of Employees	5,226,422,612.00	4,759,877,326.00
Social Security Benefits	152,483,646.00	147,209,336.00
Total Employees Cost	**5,378,906,258.00**	**4,907,086,662.00**
Total budget/Expenditure	**10, 757,812,516**	**9,478,561,251**
%	49%	52%

10. Social Security Benefits

As disclosed in Note 16 to the financial statements, social security benefits expenditure for the year is reflected as Kshs.147,209,336 which sum however differs with the amount of Kshs.101,723,010 reflected in IFMIS resulting in un-reconciled difference of Kshs.45,486,326 Consequently, the accuracy of social security benefits expenditure of Kshs.147,209,336 for the year ended 30 June 2017 cannot be confirmed.

11. Acquisition of Assets

Acquisition of assets expenditure of Kshs.1,788,819,132 for the year ended 30 June 2017 includes an amount of Kshs.263,003,068 for which payment vouchers and supporting documents were not provided for audit verification. Further, included in acquisition of assets figure is an expenditure of Kshs.62,874,400 incurred as part payment by the Department of Decentralized Units, County Administration and Water on procurement of 19 assorted motor vehicles for which only two units were verified during the audit. Perusal of correspondences relating to the motor vehicles revealed that at one point one supplier had instructed its auctioneers to repossess 6 of the units for non-payment of Kshs. 23,132,437. In addition, logbooks for the 19 units were not provided for audit verification.

12. Transfers to the County Assembly of Machakos

As disclosed at Note 14 to the financial statements, included in transfer to other Government entities amount of Kshs. 1,691,542,047 is a transfer to County Assembly of Kshs. 948,194,794. However, review of the County Revenue Fund Statement revealed that a total of Kshs. 933,544,794 was transferred to the County Assembly of Machakos. The resulting difference of Kshs. 14,650,000 has not been reconciled or explained. Consequently, the accuracy of transfer to County Assembly figure of Kshs.948,194,794 for the year ended 30 June 2017 cannot be confirmed.

13. Use of Goods and Services

(i). Included in use of goods and services as disclosed at Note 12 to the financial statements is an amount of Kshs. 2,698,200 paid out to two officers attached to the Ministry of Tourism to meet travelling and subsistence expenses for colleagues while on duty outside their duty stations. However, no documents were provided to confirm that the money was received by the officers and as a result ,the amount was not accounted for.

(ii). Further, the County Law office made payments totalling Kshs. 91,255,791 as legal fees to various law firms during the year and charged the amounts to other operating expenses. However, the payment vouchers together with the detailed supporting documents were not provided for audit review. Consequently, the validity and propriety of the expenditure of Kshs. 91,255,791 cannot be confirmed.

14. Unsupported Expenditure - Lands Department

During the year under review the Ministry of Agriculture, Lands, Livestock and Co-operative Development had a total budget of Kshs 482,317,975. The Ministry incurred cumulative expenditure of Kshs 119,067,131 as reflected in IFMIS data in the financial year 2016/17. However, payment vouchers and related documents for expenditure totalling Kshs 95,202,681 were not provided for audit by the Department of Lands. Consequently, the validity and propriety of the expenditure of Kshs. 95,202,681 cannot be confirmed.

15. Transfers to Other Government Entities

Included in Transfers to Other Government entities of Kshs. 1,691,542,047 as disclosed at Note 14 to the financial statements is an amount of Kshs. 363,264,815 in respect to other current transfers, grants and subsidies. This amount includes payments made by the Office of County Executive mostly in the name of the Machakos County Executive totalling Kshs. 56,473,000 for which the payment vouchers and supporting documents were not made available for audit purposes. It was also not explained why the payments were made in the name of the Machakos County Executive. Consequently, the lawfulness, validity and propriety of the payments totalling Kshs. 56,473,000 cannot be confirmed.

16. Cash and Cash Equivalents

(i). The statement of assets reflects cash and cash equivalents balance of Kshs. 269,787,837. However, there were no proper bank reconciliation statements in support of the main bank accounts with respective balances shown as follows:

Bank Account Name	Account Number	Reported Balance (Kshs)	Reconciliation
Kenya Commercial Bank-County Executive	1140764721	1,533,515	Not seen
Co-operative Bank-County Executive	01141277913200	252,618	Not seen
County Revenue Directorate	01141550643300	3,645	Not seen
Machakos Sub County Revenue collection	0114154905200	1,850	Not seen
Machakos County Govt.	01141549094500	5,423	Not seen
Mavoko Sub county	01141549052000	1,035,486	Not seen
CBK- Development	1000170506	10,088,383	Inconsistency between reconciliation and cash book
Total		**12,920,920**	

(ii). Further, the following unsatisfactory matters concerning cash and cash equivalent balances were noted:

- The bank statements for Kenya Commercial Bank and the Cooperative Bank accounts standing imprests were not provided for audit verification.

- The IFMIS cashbook in relation to the Ministry of Centralized Units and County Administration, Water and Irrigation covered transactions between 25 August, 2016 to 13 September, 2017 while the listing of payments and the ledger includes transactions covering all the months between July 2016 and June 2017.

- The incompleteness of the IFMIS records is further demonstrated as follows:

Department	Last Cash Book Date	Last Payment Date	Comments
County Executive	23/5/2017	2/6/2017	Differences not explained
Labour & ICT	30/5/2017	30/6/2017	Differences not explained
Tourism	26/5/2017	30/6/2017	Differences not explained
Agriculture	30/5/2017	30/6/2017	Differences not explained
Health	29/5/2017	29/6/2017	Differences not explained

These discrepancies rendered the cash books and bank reconciliation statements for the central bank accounts operated through the system (IFMIS) unreliable for audit purposes. Consequently, it is not possible to confirm whether the reported balance of cash and cash equivalents of Kshs. 269,787,837 is fairly stated.

17. Incomplete Disclosure and Incomplete Financial Statements

The financial statements do not include a statement of budget execution by programmes and sub-programmes contrary to the disclosure requirement issued by the Public Sector Accounting Standards Board. The financial statements do not also include an annex of the summary of the fixed assets' register. In addition, there was no disclosure on related party transactions despite having paid a firm related to a state officer at the County an amount of Kshs. 32,634,429 under the item of legal expenses. Further, the financial statements do not have an annex on Bank Reconciliation/ FO 30 Report (as annex 6) as required by the template issued the by the Board. The financial statements, therefore, do not comply with the requirements of Public Sector Accounting Standards Board.

18. Failure to Disclose Pending Bills/Accounts Payable

Contrary to the guidelines issued by the Public Sector Accounting Standards Board, no disclosures have been made on outstanding accounts payables/pending bills totaling Kshs. 2,851,588,263 as at 30 June 2017 in the financial statements for the year then ended. The pending bills balance represents an increase of Kshs. 1,038,621,328 from the previous year balance of Kshs. 1,812,966,935. Further, there were no proper records in form of ledgers in respect of each account maintained to show how the bills accumulated. In addition, the pending bills include the following amounts whose records and files were not provided for audit verification:

MINISTRY	AMOUNTS (KSHS)
Ministry of Transport, Roads and Public Works	498,193,480
Ministry of Labour and ICT	37,173,276
County Treasury	Not specified
Office of the Governor	Not specified
Ministry of Agriculture and Livestock Development	Not specified
County Legal Office	Not specified

Consequently, the accuracy and completeness of pending bills for the year ended 30 June 2017 cannot be confirmed. In addition, the financial statements are not fairly stated as a result of failure to disclose the pending bills.

19. Procurement Plan and Annual Work Plan

During the year under review, the Ministry of Water, Irrigation, Decentralized Units and County Administration incurred development expenditure amounting to Kshs.822,169,389.75. The expenditure included among other items supply, delivery, and installation of submersible solar water pumps, procurement of materials for construction of undisclosed number of weirs, purchase of motor vehicles and other transport equipment, maintenance of plant and machinery, purchase of water pipes and fittings. However, the procurement plan made available for audit review was not item specific and therefore could not serve as a control contrary to the requirements of the Public Procurement and Assets Disposal Act, 2015. Further, the work plan for the department for the year, detailing the projects that were to be undertaken was not provided for audit verification which omission made assessement of the projects' performance impossible.

20. Procurement and Installation of Solar Water Pumps

The Ministry of Decentralized Units, County Administration, Water and Irrigation incurred expenditure amounting to Kshs. 88,445,048 on the supply, delivery, installation and commissioning of solar borehole pumps in the county. However, there were no proper bills of quantities to indicate the cost estimates and the specific requirements of these boreholes. Further, in a number of cases, the contract agreements signed did not specify the number of boreholes, delivery dates and specific locations of the boreholes. In addition, the opening and award minutes and the bid documents were in some cases not made available for audit examination. Further, some of the engineer's certificates did not indicate the specifications of the borehole s and pumps delivered.

21. Unaccounted Expenditure on Construction of Weirs and Installation of Signages

Bills of quantities prepared by the County Water Engineer indicated that construction of a weir in the county would require approximately 150 bags of cement and 30 tons of ballast each. For the planned 100 weirs, this translates to 15,000 bags of cement which at approximate price of Kshs. 750 per bag would total to Kshs11,250,000. However, the Ministry of Decentralized Units, County Administration, Water and Irrigation signed an

agreement on 10 October 2016 with a supplier and through undated local purchase order number 2569648 placed an order for unspecified quantity of cement worth Kshs. 14,399,961 which exceeded the requirement for the planned 100 weirs by Kshs3,149,961. The relevant stores records were, however, not made available to confirm quantity delivered and how they were distributed to various sites. The same supplier was paid an amount of Kshs. 2,347,200 for the supply of 1,081 tonnes of ballast for the weirs. However, it was not explained why the weirs consumed far much ballast than provided for in the bills of quantities.

Another supplier was paid an amount of Kshs. 17,913,000 in respect of supply of building materials which were not accounted for in the stores records. The former contractor was also engaged in the supply, delivery and installation of 500 units of signage each at a price of Kshs. 35,675 all totalling Kshs.17,837,500 out of which an amount of Kshs.7,634,450 had been paid for a total of 214 sites. However, it was not clear how the contractor was identified. Further the only inspection report made available was for 81 sites and thus there was no evidence to confirm delivery of the balance valued at Kshs 4,744,775 due for use in 133 sites.

22. Procurement of Medical Supplies

During the year under audit, the County Executive procured pharmaceutical and non-pharmaceutical products from Kenya Medical Supplies Agency (KEMSA) amounting to Kshs. 182,222,920. However, the requisitions for the medical items from various medical facilities in the County were not provided for audit verification. Consequently, it was not possible to establish whether the medical items procured actually met the requirements of the various medical facilities.

23. Failure to Adhere to Procurement Threshold

During the year under review, the Department of Health and Emergency Services procured medical items amounting to Kshs. 32,463,314 through restricted tendering and quotations. However, the thresholds for procurement through quotations for class "A" entities were not met. Further, the conditions set out in the Public Procurement and Assets Disposal Act, 2015 for use of restricted tendering were also not met. Consequently, it was not possible to confirm whether there was value- for -money for the procurement of medical items totalling to Kshs. 32,463,314.

24. Construction of Drifts

During the year under review, the Ministry of Transport, Roads, Public Works and Housing constructed sixteen (16) drifts at various locations at a cost of Kshs. 89,002,684. As at the time of audit, various contractors had lodged valuation certificates worth Kshs. 71,266,634. However, the drifts lacked the prerequisite signposts for identification showing the year of implementation, contractor name and the expected date of completion for those not completed.

25. Tartarn Track at Machakos Stadium

The Ministry of Tourism, Sports and Culture contracted Tandem Solutions Limited to install a tartan track (all-weather synthetic track surfacing made of polyurethane used

for track and field competitions) at contract price of Kshs.37, 946,172. By 30 June 2017, the county had paid a cumulative amount of Kshs.25,000,000 to the contractor. However, site visits revealed that approximately one third of the running track had started wearing out barely less than a year after installation. Consequently, value for money in respect of this project cannot be confirmed.

26. Unaccounted for Materials in the Installation and Maintenance of CCTV Surveillance Systems

During the year, the Ministry of Public Service and ICT incurred expenditure amounting to 18,216,802 on settlement of pending bills in respect of supply and installation of CCTV surveillance systems in the County. The amount includes Kshs. 5,615,802 paid out in respect of procurement of materials for the maintenance of the CCTV systems which, however, were not accounted for in the stores records.

27. Procurement and Installation of Green Houses

The Ministry of Agriculture signed an agreement on 26 March 2014 with a supplier for the supply, delivery, installation and commissioning of 250 units of greenhouses at a total price of Kshs. 42,500,000 at the rate of Kshs. 170,000 each. Records provided indicated that an advance payment of Kshs. 17,000,000 was made on 11 June 2014. Another payment of Kshs. 10,582,677 was made during the year under review bringing the total payments to Kshs. 27,582,677. However, no records were provided during the audit to show the number of the green houses supplied and installed. Further, there were no delivery notes. As a result, the validity and propriety of the expenditure incurred so far cannot be confirmed.

28. Procurement of a Jaw Crusher

The Department of Trade made two payments in respect of supply, delivery and installation of a jaw crusher at Katangi at a cost of Kshs. 32,389,415. Records provided indicate that only two bidders responded to the advertisement in respect to the procurement. The audit revealed the following matters:

- The opening minutes of the tender indicated that the losing bidder had put in a bid price of Kshs. 29,650,000 while the evaluation minutes indicated a bid price of Kshs. 21,650,000 thus casting doubt on the authenticity of these minutes and the whole procurement process.

- A copy of the contract was not made available for audit review.

- Notification of award was made on 25 April 2016 and an advance payment of Kshs. 6,477,884 made in September 2016, yet by the time of audit inspection in January 2018 the crusher had not been delivered.

- A payment of Kshs. 25,911,532 was made to Kenya Commercial Bank in May 2017 for the purposes of acquiring a letter of credit in respect of the same transaction . This was more than one year after the contract was awarded and

accepted. The payment together with the advance paid earlier totaled Kshs. 32,389,416 which was equal to the total contract amount.

- According to the evaluation minutes, the item procured was a stone crusher while a copy of the advertisement refers to a jaw crusher. The difference in the names could have had negative effect on tender response rate as only two bidders responded to the advertisement. Tender documents for the two bidders were not made available for audit verification.

Consequently, public funds remain tied up and no benefits have accrued to the intended beneficiaries more than one year after the expenditure was incurred.

29. Management of Cash Imprest

During the year under review, the County Treasury paid a number of officers' cash amounts above Kshs. 500,000 mainly through temporary imprest facility. In one case, an officer in the Department of Public Service was paid an amount of Kshs. 2,828,900. In another case involving the Departments of Tourism and Health, schedules attached on four surrender vouchers amounting to over than three million shillings were not signed by the payees.

Further, five officers were each paid an amount of Kshs. 800,000 on 23 December 2016 with the sixth officer paid Kshs. 879,000 and another Kshs. 500,000 all totaling Kshs. 5,397,000. In addition, four officers were each paid Kshs. 850,000 while the fifth officer was paid an amount of Kshs. 800,000 on 14 June 2017.Yet in other cases on 30 January 2017 and 8 February 2017, ten officers and eight officers respectively were each paid above Kshs. 800,000.

The Integrated Financial Management Information System (IFMIS) indicated that the Department of Decentralized Units, County Administration, Water and Irrigation made payments in its name amounting to more than kshs.74,508,000 and charged these to travel and subsistence expenses in circumstances that were not explained. The significant amounts involved confirm failure by management to institute cash limits policy as required by Regulation 93 of the Public Finance Management (County Governments) Regulations 2015.

Consequently, it is not possible to confirm whether total payments amounting to Kshs. 149,839,028 were expended for the purposes for which they had been appropriated.

30. Failure to Establish the Audit Committee

As reported in previous years, the county government of Machakos still has not established an audit committee to enable the internal audit department to work effectively and independently from the management in identifying risks, adherence to internal controls and in safeguarding loss of public funds. Further, the reporting line of the internal audit function in the county executive is not clear and this has cast doubt on its independence, functionality and effectiveness.

31. Lack of Storage Facilities and Absence of Physical Controls at Athi-River Health Centre

An inspection of the Athi River Health Centre Facility revealed the following:

(i) The Medical Officer- incharge has an office which doubles up as the store for both pharmaceutical and non-pharmaceutical items.

(ii) The facility lacks necessary equipments such as refrigerators to store drugs under the required conditions.

(iii) The facility had no shelves and drugs are kept on the floor and are thus exposed to contamination.

(iv) The facility lacks key officers including stores person, procurement officer, accountant, records officer and administrate assistant. This state of affairs has rendered it impossible for the facility to achieve efficiency and effectiveness in operations and also compromised its internal control system.

(v) Although the facility is located in a fast-growing town, a perimeter has not been built to secure the facility and the land therein. As a result the land is exposed to the risk of encroachment. In addition, movements in and out of the facility are not controlled and the facility can be accessed from any point. Also the facility lacks a day- time guard so it is not secured.

32. Budget and Budgetary Control

(i). During the year under review, county budgeted receipts amounted to Kshs, 10,855,869,899 against budgeted payments of Kshs. 10,883,133,808 which implies that the budgeted payments exceeded the budgeted receipts by an amount of Kshs. 22,736,091. Further, actual receipts amounted to Kshs. 9,670,239,698 representing 90% of the budgeted amount and thus resulted to a shortfall of Kshs. 1,185,630,201 while total payments amounted to Kshs. 9,478,561,251 which translated to 87% of the budget amount or under-expenditure of Kshs. 1,404,572,557.

(ii). The shortfall in receipts was attributed to shortfall in own local revenue collection which according to records at the Controller of Budget's office was budgeted at an amount of Kshs. 2,860,000,000 out of which only Kshs. 1,259,304,944 was collected resulting in an under-collection of Kshs. 1,600,695,056 or 65% of the budget. During the audit, the approved revenue budget was not provided for audit review and thus the breakdown of the Kshs. 2,860,000,000 could not be verified. Further, management did not explain the under collection of own revenue by Kshs. 1,600,695,056.

(iii). The detailed summary of budget performance was as follows:

Budget Analysis Machakos County Executive 2016/17								
Item	**Budget**	**Comp-onent %**	**Actual**	**Difference**	**% of Budg -et**	**Actual 2015/2016**	**Increase over prior year**	**% Increa se /Decre ase**
Revenue	10,855,569,899	100	9,670,239,698	(1,185,330,201)	79	8,302,648,068	1,367,591,630	12
Compensa tion to Employees	5,226,422,612	48	4,759,877,326	(466,545,286)	91	3,667,736,979	1,092,140,347	30
Use of Goods and Services	1,986,617,292	18	1,083,013,273	(903,604,019)	54	1,320,636,885	(237,623,612)	(18)
Transfers to Other Governem ent Units	940,126,402	9	1,691,542,047	751,415,645	180	1,411,392,999	280,149,048	20
Social Security Benefits	152,483,646	1	147,209,336	(5,274,310)	96	167,250	147,042,086	181
Acquisition of Assets	2,563,384,256	24	1,788,819,13 2	(774,565,124)	70	2,101,377,2 37	(312,558,10 5)	(15)
Other Payments	13,800,000	0	8,100,138	(5,699,862)	59	–		
Other Grants and Transfers	299,600	0		(299,600)		–		
	10,883,133,80 8	100	9,478,561,25 2	(1,404,572,5 56)	75	8,501,311,3 50	977,249,902	11
Surplus/(D eficit)	**(27,563,909)**		**191,678,446**	**219,242,355**				

33. Project Implementation Status

(i). The County Executive initiated several projects mainly in the Department of Transport Roads and Public Works at an aggregate cost of Kshs. 610,292,286. Six flagship projects initiated were worth Kshs 521,289,602. Majority of these projects were ongoing as indicated in

the implementation status below. In addition, projects worth Kshs 89,002,689 under the Kenya Roads Board and Roads Maintenance Levy Fund had been initiated. Out of 16 projects earmarked for implementation by the Fund only one project (Maintenance of drifts Kimutwa-Makaveti-Kyangala road) had a 65% level of completion with the rest having 100% completion as shown in the table below:

Machakos County Government Flagship Projects 2016/2017					
Progress Status Report Of Krb/ Rmlf Funded Projects Machakos County Date: 31/07/2017					
FY : 2016-2017					
S/No.	**Project Name**	**Name Of Contractor**	**Contract Sum (Kshs.)**	**Certified Sum To Date (Kshs.)**	**Status**
1	Construction of Kinanie Drift	Bellworks ltd	5,580,560	4,873,956	Complete
2	Construction of Nyaani-Nunga Drift	Nados Ent. Ltd	2,910,432	2,509,605	Complete
3	Construction of Musoka Drift	Plasmanenzis ltd	2,839,378	2,376,474	Complete
4	Maiuni-Mathingau-Makutano road	Juphy ltd	10,335,600	10,333,456	Complete
5	Construction of Syunguni river Drift	Buspark Garage ent.	2,886,892	2,552,254	Complete
6	Mwitasyano-Ngengi-Kyasioni road drift	Kisau Kakya Ltd	2,932,832	2,932,828	Complete
7	Kwa Kavuu-Kalaani drift	Bishmo merchants Ltd	3,598,971	3,144,949	Complete
8	Kathiani-Kakuyuni-kangundo road drift lot 1	Vicones Ltd	7,696,206	7,111,668	Complete
9	Gravelling of Kivandini-Kasarani road	Welscon Ltd	3,891,197	3,310,376	Complete
10	Kathiani-Kakuyuni-kangundo road drift rock blasting	Nadin Investment		1,900,567	Complete
11	Maintenace of drifts (Kimutwa-	Dannex Enterprises and Engineering Wrks Ltd	20,135,973	7,147,881	65%

	Makaveti-Kyangala road)				
12	Construction of Katani-Utawala drift	Nados Entp. Ltd	3,123,648	2,855,145	Complete
13	Construction of Mivukoni drift	Wisdom Holdings Ltd.	5,025,410	4,391,361	100%
14	Construction of Miu ya Nganga drift	Hery Invmts. ltd	10,014,309	8,782,354	Complete
15	Repair and construction of Nimrod road drift	Davewait Eng. Ltd	3,857,614	3,396,670	Complete
16	Kathiani-Kakuyuni-kangundo road drift lot 3	Damiara Lltd	4,173,663	3,647,090	Complete
	Total		**89,002,684**	**71,266,634**	

	Other Transport and Infrastructure Projects Under Implementation as at 30 June 2017l						
	Project Name	**Contractor Name**	**Budgeted Amount (Kshs)**	**Length (KM)**	**%**	**Culverts & Drainage Works**	**Grading And Gravelling, Subbase And Base**
1	Upgrading Of Kathiani - Kakuyuni - Kangundo Road	MCG-Labour Based Contract/ inhouse contract	208,800,000	14.20	99%	Drainage works have been done , i.e drifts and culvertsaveled, subbase and base done	The whole road has been graded

2	Upgrading Of Kivandini -Masinga Road	MCG-Labour Based Contract/ inhouse contract	221,824,000	18	50%	culverts and drainage works in progress	Grading 18km, Subbase 14km, Base material dumped 3km
3	Upgrading Of Katangi-Matuu Road	MCG-Labour Based Contract/ inhouse contract	40,880,000	43	20%	Culverts and drainage works on going , 80%	18 km grading and gravelling done
4	Upgrading Of Kayole-Kiatineni-Ndithini-Kenol Road	MCG-Labour Based Contract/ inhouse contract	21,149,629	30	15%	Culverts and drainage works ongoing	15 km graded and graveled.
5	Upgrading Of Kimutwa-Makaveti-Kyangala-Iiuni Road	MCG-Labour Based Contract/ inhouse contract	23,635,973	28	10%	Construction of culverts and drainage works on going	5 km spot grading
6	Upgrading Of Seveni - Kionyweni-Kyethivo-Muthetheni-Miu Road	MCG-Labour Based Contract/ inhouse contract	5,000,000	20	5%	construction of drifts and culverts ongoing	10km of grading done
			521,289,602				

(ii). Further, the Ministry of Health and Emergency Services had in previous years initiated several health facility projects valued at Kshs. 418,958,650. As at the time of this audit, the County had paid a cumulative amount of Kshs. 140,129,207 towards these facilities and thus left a balance of Kshs. 278,829,443 unpaid. As detailed in the tables below, the majority of the projects had stalled and hence deprived members of the public much needed health services:

Machakos County Government Health Facilities

Project Name	Contractor Name	Contract Amount(Ksh)	Total Paid	% of payment	Remarks
Masinga Sub County					
Kangonde Health Centre.	Multiple Contractors Co. Ltd	8,514,350	8,514,350	100%	Complete
Kithyoko Health Centre.	Vinza Investment Ltd.	9,208,206	2,949,600	32%	Documents at re-measure works
Ekalakala Health Centre.	Masco constructio n ltd	6,343,250	6,343,250	100%	Complete
Kisiiki Health Centre.	Danfar investment co.ltd	7,024,732	1,800,000	26%	Stalled
Yatta Sub-County	Matrix suppliers				Stalled
Kithimani Health Centre	Wits Contractors	11,495,280	2,400,000	21%	Stalled
Kwa-Mwatu Dispensary	Jascom Company Ltd.	10,815,705	5,248,800	49%	Stalled
Katangi Health Centre	Kenstar Contractors Ltd	3,297,750	1,500,000	45%	Stalled
		9,371,175	3,338,470	36%	
Athi River Sub-County					
Kyumvi Community Hospital	Spion Construction Ltd.	12,312,985	3,575,370	29%	Stalled
Athi River Health Centre	Spion Construction Ltd.	8,892,705	3,520,170	40%	Stalled
Mlolongo health	Kasyala	12,915,685	2,861,940	22%	Stalled

centre					
Kamulu –Dumville Dispensary					
Kathukini health Centre.(0722 378 960)					
Ndithini Health Centre.	Matrix suppliers	10,864,135	2,449,440	23%	Stalled

Machakos Sub- County

Mua Health Centre	Ndovu builders & General Contractors.	11,527,260	9,106,221	79%	3rd certificate paid
Muumandu Health Centre	Vineyard Merchants & General Suppliers	9,767,708	9,767,708	100%	contractor on site
Kalama Health Centre	Kadan building Company .Limited	11,662,574	2,241,938	19%	Stalled
Wondeni Dispensary	Hawi Kenya Limited	12,561,865		0%	not raised any cert
Kusyomuomo New	County Cross Logistics	12,312,985	5,865,562	48%	Stalled

Mwala Sub-County					
Masii Health Centre	Entthert Building & Construction	7,822,608	4,609,745	59%	Stalled
Muthetheni Health Centre	Danfar Investment Company Limited	10,485,788	3,197,739	30%	Stalled
Katulani Dispensary	Ebony Consolidated Limited	11,265,705	6,301,031	56%	Stalled
Mbiuni Hlth Centre	Kajogoo General Contractors	8,041,435	5,952,939	74%	3rd certificate to be raised
Wamunyu Health Centre	Kasyala Investment Ltd	8,000,100	2,065,985	26%	Stalled

Matungulu Sub-County					
Nguluni Health Centre	Easco Africa Limited	11,013,140	4,804,039	44%	stalled
Matungulu Health Centre	Matrix Suppliers	8,546,935	3,338,470	39%	Stalled
Kitambasye Dispensary centre	Samtech Building Contractors	10,525,878		0%	1st certificate awaiting payment
Sengani Dispensary	Samtech Bbuilding Contractors	11,501,315	4,256,877	37%	stalled
Kyeleni Health Centre	Danfar Investment Company.Limited	7,889,922	2,634,330	33%	Stalled
Kawauni Dispensary	Single Lline	10,841,775		0%	material on site not started construction
Ngiini New	Mwangaza General	10,764,550		0%	on process to pay 1st cert
Kivaani Health Centres	Kadan Building & civil Engineering	8,111,927	2,302,203	28%	Stalled
Kathiani Sub-County					
Mutitu Dispensary	Sandhu Builders & Contractors	8,809,201	2,413,211	27%	1st cert.paid
Mitaboni Health Centre	Stepal Builders Co.	9,087,955	6,520,639	72%	complete
Mukunike Dispensary	Ngilas Construction Co.	11,448,250	3,868,066	34%	Stalled
Ithaeni Health Centre	County cross logistics	12,135,395	3,200,389	26%	Stalled
Kaviani health Centre	Wits contractors	11,050,300	2,168,744	20%	Stalled

Upgrading To Level Hospital					
Masinga Health Centre	Crissam	8,730,600		0%	1st certificate being processed.
Mwala District Hospital	Enthert Builders and Contractors	10,012,135	3,019,965	30%	Stalled
Kimiti Health Centre	Brigna Enterprises	6,725,792	2,496,273	37%	Stalled
Matuu level 4	Vinza Investments Ltd	34,258,495		0%	1st cert raised,at department level.
Total		**418,958,650**	**140,129,207**		

34. Stalled Construction of Office Block at Ministry of Transport and Public Works

On 17 April 2014, Machakos County Government entered into a contract with a construction firm for the construction of an office at the Ministry of Transport, Roads, Public Works and Housing at a contract sum of Kshs. 24,537,266. The contractor was given possession of the site on 29 April 2014 and the works commenced soon after. However, a default notice was issued to the contractor on 17 June 2015 as a result of failure by the contractor to complete works within the stipulated contract period, failure to maintain qualified number of personnel on site, failure to proceed regularly and diligently with works as per the conditions of the contract, failure to provide a revised program of works, continuous negligence and refusal to comply with instructions from the technical team and non-authorized stoppage of works for more than 30 days. As at the time of issue of the default notice, the contractor had lodged an interim certificate No. 1 of Kshs 11,225,070. The skeleton building is currently under the devastating effects of weather and the public risks losing money tied in the stalled project.

35. Grounded Motor Vehicles

(i). The audit revealed that seventeen vehicles attached to the Ministry of Decentralized units County Administration Water and Irrigation (Department of Solid Waste Management and the Inspectorate) were either grounded or not operational. It was not clear what measures the county had taken to repair the grounded motor vehicles since some of the ehicles were hardly more than three years' old. It was also found that a fire engine GKA 036X (Mercedes Actros) had stalled at Mavoko Sub-County Offices which greatly hampered the ability of the County to respond to fire and emergency services.

(ii). Further, physical verification of the Athi River Health facility revealed that the facility had been allocated two ambulances. It was found also that the road insurance for an ambulance registration number KBY 281G expired on November 2017 which meant the despite being in good condition, the ambulance could not be used in case of emergency. The other ambulance

registration number KBY 091G was grounded hence not operational. In the absence of the two ambulances allocated to the facility, emergency cases could not be attended to promptly.

36. Machakos County Social Welfare Fund and Machakos County Bursary Fund

During the year under review, the Department of Education, Youth and Social Welfare operated two funds namely Machakos County Social Welfare Fund to which an amount of Kshs 4,100,000 was transferred and Machakos County Bursary Fund to which an amount of Kshs 209,000,000 was transferred. As at the time of audit, the administrators of the funds had not prepared and submitted financial statements relating to the Funds.

37. Unresolved Prior Year Matters

37.1 Assets Inherited from the Defunct Local Authorities in Machakos County

As reported in previous years, the County's financial statements do not include the assets of the defunct local authorities located in Machakos County although the County Government has since taken possession of the assets. In addition, the Transition Authority (now defunct) did not formally handover the assets of the defunct local authorities to the County Government. Further, there are no ownership documents to the assets including title deeds and log books, among others. Consequently, it has not been possible to confirm the carrying values of the assets and their ownership status.

37.2. Purchase of Tractors

As reported in 2015/16 FY, the County Government procured forty (40) units of tractors, 32 of them Massey Ferguson and the rest of different makes and models meant to assist farmers to plough their farms. Ownership documents for fourteen units have not been provided for audit verification to date. In addition, the existence of twenty-five units have so far not been confirmed.

37.3. County Residential Houses

As reported previously, the National Housing Corporation developed a Housing Scheme, Depot Housing Scheme in Machakos Municipality Block 1/197-214 comprising of 25 (twenty-five) units on behalf of the defunct Masaku County Council. Information available from National Housing Corporation indicates that the Scheme was developed through a loan to the defunct Council which was fully paid. However, the entire housing units were later taken over by the National Government under the Ministry of Housing and Urban Development and allocated to civil servants who have in effect been paying rent to the Ministry. However, no evidence has been provided to date to indicate how these houses were taken over by the Ministry and further what action the County Government is contemplating to repossess the houses.

37.4. Immovable Assets

As reported in the 2015/2016, an undetermined number of land parcels and buildings belonging to the County Government valued at Kshs. 961,451,472 did not have title deeds and were prone to grabbing or encroachment by unscrupulous persons who might be privy to this fact. Further, records available show that 18 parcels of land of various sizes recognized by the defunct Municipal Council of Mavoko as public utilities in Syokimau and Numerical area of Mavoko Sub-County had been sub-divided and allocated to individuals and institutions under unexplained circumstances. A physical check revealed that most of the land had been developed by private

developers and others fenced off while a few still remained vacant. However, no evidence has been provided to date to confirm that the County Government has followed up on title deeds to secure ownership of these properties. In addition, no documents in support of the sub-division of the 18 parcels of land allocated to the individuals/private developers have been made available for audit verification.

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 County Executive of Machakos ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern assumption of accounting.

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 Executive's financial reporting process.

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

My responsibility is to conduct an audit of the County Executive of Machakos financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of the County Executive of Machakos 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.

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

Nairobi

16 July 2018

I. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Exchequer releases	1	7,303,463,454	6,972,979,753
Proceeds from Domestic and Foreign Grants	2	378,667,919	-
Transfers from Other Government Entities	3	388,914,795	207,987,365
County Own Generated Receipts	9	1,259,304,944	1,121,680,950
Returned CRF issues	10	339,888,586	-
TOTAL RECEIPTS		**9,670,239,698**	**8,302,648,068**
PAYMENTS			
Compensation of Employees	11	4,759,877,326	3,667,736,979
Use of goods and services	12	1,083,013,273	1,320,636,886
Transfers to Other Government Units	14	1,691,542,047	1,411,393,000
Social Security Benefits	16	147,209,336	167,250
Acquisition of Assets	17	1,788,819,132	2,101,377,237
Other Payments	20	8,100,138	-
TOTAL PAYMENTS		**9,478,561,251**	**8,538,262,287**
SURPLUS/DEFICIT		**191,678,447**	**-235,614,219**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/ 2017 and signed by:

Chief Officer
Jacinta Masila

Head of Treasury
Michael Musyoki

GOVERNMENT OF MACHAKOS COUNTY
THE COUNTY TREASURY
30 SEP 2017
P. O. Box 1996 - 90100
MACHAKOS

II. STATEMENT OF ASSETS

	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	21A	269,787,837	412,292,924
Cash Balances	21B	-	-
		269,787,837	**412,292,924**
Total Cash and cash equivalent		269,787,837	412,292,924
Accounts receivables – Outstanding Imprests	22	36,896,495	16,149,818
TOTAL FINANCIAL ASSETS		**306,684,332**	**428,442,742**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	23	95,960,044	69,508,315
NET FINANCIAL ASSETS		**210,724,289**	**358,934,427**
REPRESENTED BY			
Fund balance b/fwd	24	**358,934,426**	**594,548,646**
Prior year adjustments	25	-339,888,584	-
Surplus/Deficit for the year		191,678,447	-198,663,284
Reconciling/Suspense difference		-	-
NET FINANCIAL POSITION		**210,724,289**	**358,934,427**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/ 2017 and signed by:

Chief Officer
Jacinta Masila

GOVERNMENT OF MACHAKOS COUNTY
THE COUNTY TREASURY
30 SEP 2017
P. O. Box 1996 - 90100
MACHAKOS

Head of Treasury
Michael Musyoki

III. STATEMENT OF CASH FLOWS

		2016-2017 Kshs	2015 – 2016 Kshs
Receipts from operating income			
Exchequer Releases	1	7,303,463,454	6,972,979,753
Proceeds from Domestic and Foreign Grants	2	378,667,919	-
Transfers from Other Government Entities	3	388,914,795	207,987,365
County Own Generated Receipts	9	1,259,304,944	1,121,680,950
Total operating receipts		9,330,351,112	8,302,648,068
Payments for operating expenses			
Compensation of Employees	11	4,759,877,326	3,667,736,979
Use of goods and services	12	1,083,013,273	1,320,636,886
Transfers to Other Government Units	14	1,691,542,047	1,411,393,000
Social Security Benefits	16	147,209,336	167,250
Other Payments	20	8,100,138	-
Total operating payments		7,689,742,119	6,399,934,115
Adjusted for:			
Changes in payables		-20,746,677	5,135,443
Changes in payables		26,451,729	
Total adjustments		**-5,705,052**	**5,135,443**
Net cash flow from operating activities		1,646,314,045	1,907,849,396
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	17	-1,788,819,132	-2,101,377,237
Net cash flows from Investing Activities		-1,788,819,132	-2,101,377,237
Net cash flow from financing activities		-	-
Reconciling/Suspense difference		1	2
NET INCREASE IN CASH AND CASH EQUIVALENT		**-142,505,086**	**-193,527,839**
Cash and cash equivalent at BEGINNING of the year	21A	**412,292,924**	**605,820,763**
Cash and cash equivalent at END of the year	21A	269,787,837	412,292,924

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/ 2017 and signed by:

Chief Officer
Jacinta Masila

GOVERNMENT OF MACHAKOS COUNTY
THE COUNTY TREASURY
30 SEP 2017
P.O. Box 1996 - 90100
MACHAKOS

Head of Treasury
Michael Musyoki

IV. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	7,303,463,454		7,303,463,454	7,303,463,454	-	0%
Proceeds from Domestic and Foreign Grants	13,350,000		13,350,000	13,350,000	-	0%
Transfers from Other Government Entities	736,890,552		736,890,552	767,582,714	30,692,162	4%
Proceeds from Domestic Borrowings			-	388,914,795	388,914,795	100%
Returned CRF issues	339,888,584.00		339,888,584.00	339,888,584.00	-	-100%
Total Revenues/Receipts	**10,876,000,001**	-	**10,876,000,001**	**9,347,031,018**	**1,528,968,983**	-14%
PAYMENTS						
Compensation of Employees	4,583,472,181	642,950,431	5,226,422,612	4,759,877,326	- 466,545,286	-9%
Use of goods and services	2,660,888,190	- 674,270,898	1,986,617,292	1,083,013,273	-903,604,019	-45%
Subsidies	-	-	-	-	-	0%
Transfers to Other Government Units	1,290,044,574	- 49,918,172	940,126,402	1,691,542,047	751,415,645	80%
Other grants and transfers	500,000	- 200,400	299,600	-	- 299,600	-100%
Social Security Benefits	197,883,646	- 45,400,000	152,483,646	147,209,336	- 5,274,310	-3%
Acquisition of Assets	2,119,863,042	443,521,214	2,563,384,256	1,788,819,132	- 774,565,124	-30%
Other Payments	23,348,367	- 9,548,367	13,800,000	8,100,138	- 5,699,862	-41%
TOTAL	**10,876,000,000**	**7,133,808**	**10,883,133,808**	**9,450,417,267**	**1,432,716,541**	**-13%**
SURPLUS/(DEFICIT)	1		-7,133,807	-103,386,	-2,961,685,524	

(Explain *whether the changes between the original and final are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23 The total of actual on comparable basis should tie with the totals under receipts and payments where this is not the case, a reconciliation should between the two statements should be prepared and disclosed.)*

The entity financial statements were approved on 30/9/ 2017 and signed by:

Chief Officer
Jacinta Masila

GOVERNMENT OF MACHAKOS COUNTY
THE COUNTY TREASURY
30 SEP 2017
P.O. Box 1906 - 90100
MACHAKOS

Head of Treasury Accounts
Michael Musyoki

V. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	7,303,463,454		7,303,463,454	7,303,463,454	-	0%
Proceeds from Domestic and Foreign Grants	13,350,000		13,350,000	13,350,000	-	0%
Transfers from Other Government Entities	736,890,552		736,890,552	767,582,714	30,692,162	4%
Proceeds from Domestic Borrowings			-	388,914,795	388,914,795	100%
Returned CRF issues	339,888,584		339,888,584	339,888,584	-	-100%
Total Revenues/Receipts	**10,876,000,001**	-	**10,876,000,001**	**9,347,031,018**	- **1,528,968,983**	-14%
PAYMENTS						
Compensation of Employees	4,317,068,941	589,468,078	4,759,877,326	4,442,077,126	- 464,459,893	-9%
Use of goods and services	2,530,825,607	- 654,270,898	1,083,013,273	942,478,621	- 934,076,088	-50%
Transfers to Other Government Units	473,294,574	- 44,877,991	428,416,583	1,311,459,609	883,043,026	206%
Other grants and transfers	500,000	- 200,400	299,600	-	- 299,600	0%
Social Security Benefits	197,883,646	- 45,400,000	152,483,646	147,209,336	- 5,274,310	0%
Other Payments	20,000,000	- 10,000,000	10,000,000	8,100,138	- 1,899,862	-19%
TOTAL	**7,539,572,768**	- **165,281,211**	**7,374,291,557**	**6,851,324,829**	**522,966,728**	**-7%**
SURPLUS/(DEFICIT)	**3,336,427,233**		**3,501,708,444**	**2,523,850,173**	**977,858,271**	

[Provide below a commentary on significant underutilization (below 50% of utilization) and any overutilization]

(Explain *whether the changes between the original and final are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23. The total figures on the recurrent budget execution statement and development budget execution should add up to the totals of the combined statement.*)

The entity financial statements were approved on 30/9/ 2017 and signed by:

Chief Officer
Jacinta Masila

GOVERNMENT OF MACHAKOS COUNTY
THE COUNTY TREASURY
30 SEP 2017
P.O. Box 1996 - 90100
MACHAKOS

Head of Treasury Accounts
Michael Musyoki

VI. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	7,303,463,454		7,303,463,454	7,303,463,454	-	0%
Proceeds from Domestic and Foreign Grants	13,350,000		13,350,000	13,350,000	-	0%
Transfers from Other Government Entities	736,890,552		736,890,552	767,582,714	30,692,162	4%
Proceeds from Domestic Borrowings			-	388,914,795	388,914,795	100%
Returned CRF issues	339,888,584		339,888,584	339,888,584	-	-100%
Total Revenues/Receipts	**10,876,000,001**	-	**10,876,000,001**	**9,347,031,018**	- **1,528,968,983**	-14%
PAYMENTS						
Compensation of Employees	266,403,240	53,482,353	319,885,593	317,800,200	- 2,085,393	-1%
Use of goods and services	130,062,583	-20,000,000	110,062,583	140,534,652	30,472,069	28%
Transfers to Other Government Units	816,750,000	-305,040,181	511,709,819	380,082,438	- 131,627,381	-26%
Acquisition of Assets	2,119,863,042	443,521,214	2,563,384,256	1,788,819,132	- 774,565,124	-30%
Other Payments	3,348,367	451,633	3,800,000	-	- 3,800,000	-100%
TOTALS	**3,336,427,232**	**72,415,019**	**3,508,842,251**	**2,627,236,422**	**881,605,829**	**-25%**
SURPLUS/(DEFICIT)	**7,539,572,769**		**7,367,157,750**	**6,719,794,596**	**647,363,154**	

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

(*Explain whether the changes between the original and final are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23. The total figures on the recurrent budget execution statement and development budget execution should add up to the totals of the combined statement.*)

The entity financial statements were approved on 30/9/ 2017 and signed by:

Chief Officer
Jacinta Masila

MACHAKOS COUNTY
THE COUNTY TREASURY
30 SEP 2017
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MACHAKOS

Head of Treasury Accounts
Michael Musyoki

VII. 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

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

VIII. 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 receivables and payables are disclosed in the Statement of Assets and Liabilities.

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 Government. The financial statements encompass the reporting entity as specified under section 164 of the PFM Act 2012.

3. **Recognition of receipts and payments**

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

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
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.

External Assistance
External assistance is received through grants and loans from multilateral and bilateral development partners.

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the County Government may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2017, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

County Own Generated Receipts

These include Appropriation-in-Aid and relates to receipts such as trade licences, cess, fees, property income among others generated by the County Government from its citizenry. These are recognised in the financial statements the time associated cash is received.

Returns to CRF Issues

These relate to unspent balances in the development, recurrent and deposit accounts at the end of the year which are returned to the County Revenue Fund (CRF) and appropriated through a supplementary budget to enable the County to spend funds. These funds are recognised once appropriated through a supplementary budget process.

b) Recognition of payments

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

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.

Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

Repayment of borrowing (principal amount)
The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the County consolidated financial statements.

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 *County* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *County* 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. 95,960,044 compared to Kshs. 69,508,315 in prior period as indicated on note 23.
There were no other restrictions on cash during the year

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

7. Accounts Payable

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

8. Non current assets

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

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 County 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 developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *County's* budget was approved as required by Law and as detailed in the County Revenue Allocation Act. The original budget was approved by the County Assembly in June 2016 for the period 1st July 2016 to 30 June 2017 as required by law. There was one supplementary budget passed in the year. A high-level assessment of the *County's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

11. Comparative figures

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

12. Subsequent events

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

IX. NOTES TO THE FINANCIAL STATEMENTS

1 EXCHEQUER RELEASES

	2016 – 2017	2015 - 2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	1,919,021,934	1,202,406,558
Total Exchequer Releases for quarter 2	1,955,539,250	2,270,969,849
Total Exchequer Releases for quarter 3	1,300,039,654	1,199,363,295
Total Exchequer Releases for quarter 4	2,128,862,616	2,300,240,051
Total	**7,303,463,454**	**6,972,979,753**

2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2016 - 2017	2015 – 2016
			Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)			-	-
Grants Received from Multilateral Donors (International Organisations)				
DANIDA			13,350,000	-
Grants Received from other levels of government				
National Government – Level 5 hospital			365,317,919	-
Total			**378,667,919**	**-**

3 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers from Central government entities		
Kenya Roads Board Fuel Levy Fund	112,217,668	85,984,411
Ministry of Health Maternity fees	88,707,500	96,395,000
Ministry of Health User fees Forgone	24,764,876	25,607,954
Doctors, Nurses, Clinical Officers and Other Health Officers Allowances (Ministry of Health)	156,588,000	-
Coffee Cess Allocation (State Department of Infrastructure)	6,636,751	-
TOTAL	**388,914,795**	**207,987,365**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 COUNTY OWN GENERATED RECEIPTS

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Interest Received	76,380	328,644
Rents	39,198,392	2,324,356
Other Property Income	-	652,150
Receipts from Administrative Fees and Charges	-	501,000
Fines Penalties and Forfeitures	6,546,259	13,773,967
Other Receipts Not Classified Elsewhere	36,403,314	3,144,893
Business Permits	170,934,785	198,094,256
Cesses	6,928,412	10,173,681
Plot Rents	172,631,872	17,366,173
Other Local Levies	50,038,032	66,062,377
Administrative Services Fees	2,107,214	-
Various Fees	56,919	49,205,350
Council's Natural Resources Exploitation	319,176,496	227,049,696
Lease / Rental Of Council's Infrastructure Assets	-	176,939,043
Other Miscellaneous Revenues	7,942,994	1,232,999
Market/trade centre fee	44,321,901	47,829,717
Vehicle parking fees	79,151,964	92,343,176
Housing	199,972,525	164,386,870
Social premises use charges	-	3,285,545
Public health facilities operations	91,408,806	30,723,038
Environment & conservancy	13,107,496	8,443,206
Slaughter houses administration	5,530,222	7,125,525
Water supply administration	-	695,288
External services fees	13,770,961	-
Total	**1,259,304,944**	**1,121,680,950**

10 RETURNED CRF ISSUES

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Recurrent account	189,749	-
Development account	21,543	-
Deposit account	339,677,294	-
Total	**339,888,586**	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 COMPENSATION OF EMPLOYEES

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Basic salaries of permanent employees	4,501,486,428	3,377,653,119
Basic wages of temporary employees	370,884,915	234,230,164
Personal allowances paid as part of salary	37,074,737	-
Personal allowances paid as reimbursements	-	28,220,048
Compulsory national social security schemes	38,557,056	27,633,648
Other personnel payments	8,654,993	-
Total	**4,759,877,326**	**3,667,736,979**

12 USE OF GOODS AND SERVICES

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Utilities, supplies and services	115,287,067	116,144,822
Communication, supplies and services	11,728,029	13,979,549
Domestic travel and subsistence	148,348,375	85,767,371
Foreign travel and subsistence	34,380,263	44,278,018
Printing, advertising and information supplies & services	40,570,787	60,402,468
Rentals of produced assets	12,470,735	3,050,315
Training expenses	54,896,889	9,903,990
Hospitality supplies and services	33,381,208	40,095,019
Insurance costs	91,249,713	95,063,121
Specialised materials and services	244,534,741	462,345,415
Office and general supplies and services	21,353,600	22,054,804
Other operating expenses	97,256,750	111,535,432
Routine maintenance – vehicles and other transport equipment	5,786,192	58,942,675
Fuel Oil and Lubricants	161,939,597	184,781,545
Routine maintenance – other assets	9,829,328	12,292,342
Total	**1,083,013,273**	**1,320,636,886**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 ACQUISITION OF ASSETS

Non Financial Assets	2016 – 2017	2015 – 2016
	Kshs	Kshs
Construction of Buildings	307,146,464	265,177,168
Refurbishment of Buildings	43,217,933	41,669,234
Construction of Roads	509,084,979	480,736,742
Construction and Civil Works	346,303,249	924,561,359
Overhaul and Refurbishment of Construction and Civil Works	22,340,850	92,330,838
Purchase of Vehicles and Other Transport Equipment	148,415,077	39,120,382
Overhaul of Vehicles and Other Transport Equipment	500,000	-
Purchase of Household Furniture and Institutional Equipment	571,150	-
Purchase of Office Furniture and General Equipment	39,189,814	18,969,775
Purchase of Specialised Plant, Equipment and Machinery	136,794,371	180,131,292
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Purchase of Certified Seeds, Breeding Stock and Live Animals	11,400,160	31,011,182
Research, Studies, Project Preparation, Design & Supervision	4,380,750	4,713,240
Rehabilitation of Civil Works	6,808,000	-
Acquisition of Strategic Stocks and commodities	4,590,000	-
Acquisition of Land	8,076,335	22,956,025
Total	**1,788,819,132**	**2,101,377,237**

18 FINANCE COSTS, INCLUDING LOAN INTEREST

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Total	-	-

19 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Total	-	-

20 OTHER PAYMENTS

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Budget Reserves	8,100,138	-
Total	**8,100,138**	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency*	Indicate whether recurrent, Development, deposit, receipts e.t.c	Ex. rate (if in foreign currency)	2016 – 2017	2015 – 2016
				Kshs	Kshs
CBK - RECURRENT ACCOUNT	1000170468			42,270	21,542
CBK - DEVELOPMENT ACCOUNT	1000170506			10,088,383	189,749
CBK - DEPOSIT ACCOUNT	1000228229			95,960,044	69,508,315
CBK - HEALTH ACCOUNT	1000271345			64,144,901	-
CBK - FUEL LEVY ACCOUNT	1000274317			8,111,161	-
CBK - REVENUE ACCOUNT	1000170751			51,738,714	-
Central Bank of Kenya	1000170758			-	339,677,293
Kenya commercial bank	1140764721			1,533,515	469,575
Kangundo Sub county public health	1181895219			3,000	-
KCB - Kathiani Sub county Public Health	1181893720			42,500	-
Machakos County Agri Training Centre rev	1182023363			161,800	-
Machakos County Building Approv Revenue	1171824939			1,913,263	-
Machakos County Health Revenue Kangundo Level 4	1180882210			23,352,382	-
Machakos County Health Revenue Matuu level 4	1180852672			6,221,241	-
Machakos County Revenue MPESA	1176017276			4,233,919	-
Machakos Sub County Public Health Acc	1181893151			35,400	-
Masinga Sub County Public Health Acc	1181897106			44,300	-
KCB - Matungulu Sub County Public Health Acc	1181894352			33,400	-
Directorate of County Image	01141550540700			222	-
County Dept of Health Operations	01141550613500			824,755	-

Machakos County Revenue Directorate	01141550643300			3,645	-
Machakos Sub County Revenue Collection	0114154905200			1,850	-
Machakos County Kangundo A/C	01141342725100			3,171	-
Machakos County Gvt	01141277913200			252,618	43,423
Machakos County Govt A/C	01141549094500			5,423	5,423
Machakos County Executive A/C	01141549510400			476	41,398
Mavoko Sub County	01141549052000			1,035,486	1,253,162
Cooperative Bank of Kenya	01141549595400			-	2,056
Cooperative Bank of Kenya	001141549690500			-	8,613
Cooperative Bank of Kenya	01141549690600			-	186
Cooperative Bank of Kenya	01141549690700			-	7,375
Cooperative Bank of Kenya	01141550377700			-	550
Cooperative Bank of Kenya	01141550431700			-	467
Cooperative Bank of Kenya	01141550432400			-	5,410
Cooperative Bank of Kenya	01141550432500				579
Cooperative Bank of Kenya	01141550440400				1,003
Cooperative Bank of Kenya	01141550446600				211,698
Cooperative Bank of Kenya	01141550512800				1,636
Cooperative Bank of Kenya	01141550522000				7,775
Cooperative Bank of Kenya	01141550522100				155
Cooperative Bank of Kenya	01141550540700				4,462
Cooperative Bank of Kenya	01141550613500				824,755
Cooperative Bank of Kenya	01141549514000				-
Cooperative Bank of Kenya	01141550643300				1,295
Cooperative Bank of Kenya	01141549052001				1,850
Cooperative Bank of Kenya	01141342725100				3,179
Total				**269,787,837**	**412,292,924**

21B: CASH IN HAND

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Total	-	-

Cash in hand should also be analysed as follows:

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Total	-	-

22: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	2016 – 2017	2015 – 2016
	Kshs	Kshs
Government Imprests	36,896,495	16,149,818
Total	**36,896,495**	**16,149,818**

23. ACCOUNTS PAYABLE

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Deposits (Retention)	95,960,044	69,508,315
Total	**95,960,044**	**69,508,315**

24. FUND BALANCE BROUGHT FORWARD

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Bank accounts	412,292,923	605,820,763
Receivables - Outstanding Imprests	16,149,818	21,285,261
Payables – Deposits	- 69,508,315	- 32,557,378
Total	**358,934,426**	**594,548,646**

25: PRIOR YEAR ADJUSTMENTS

Description of the error	2016 – 2017	2015 – 2016
	Kshs	Kshs
Unspent funds from recurrent account	- 189,749	-
Unspent funds from development account	- 21,542	-
Balance brought forward from deposit account (CRF)	- 339,677,293	-
Total	**- 339,888,584**	**-**

OTHER IMPORTANT DISCLOSURES

X. 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)*

Awaiting audit certificate for FY 2015/16 from KENAO

CEC, County Treasury

Sign.....

Date.....30/9/2017.....

GOVERNMENT OF MACHAKOS COUNTY
THE COUNTY TREASURY
30 SEP 2017
P. O. Box 1996 - 90100
MACHAKOS