REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF MAKUENI

FOR THE YEAR ENDED 30 JUNE 2017

COUNTY GOVERNMENT OF MAKUENI

MAKUENI COUNTY ASSEMBLY

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 47 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 *entity's* day-to-day management is under the following key organs:

- County Assembly Legislative, Procedural and Committee services
- County Assembly Administrative services and
- County Assembly Budget, Finance and Accounting services.
-

(c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	**-Mr. Edward Libendi**
2.	Deputy Clerk	**-Mr. Robert Musyoka**
3.	Finance Officer	**-Mr. Isaac Kiprono**
4.	Procurement Officer	**-Mr. Abraham Anyegah**
5.	Internal Auditor	**-Mr. Nathan Kilonzo**

(d) Fiduciary Oversight Arrangements

The main institution responsible for fiduciary oversight is the County Assembly through its respective house committees. These are the Finance and Planning Committee, the Budget and Appropriations Committee, the Public Investments and public Accounts Committee.
The County Assembly Service Board also plays a role in ensuring that internal controls are applied at all levels and stages of transactions. This entails budgetary oversight, implementation and monitoring role.

(e) Entity Headquarters

Former Defunct County Council offices,
Opposite Makueni County Building Headquarter,
Off Wote – Makindu Highway,
P.O. Box 572 – 90300,
MAKUENI,KENYA.

(f) Entity Contacts

Telephone: 0710761116/ 0731663505/ 020 2393005
E-mail: info@makuenicountyassembly.go.ke
Website: www.makueniassembly.go.ke

(g) Entity Bankers

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

2. Co-operative Bank
   P.O. Box 537
   Wote 90300
   Makueni, Kenya

(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

Section 164 of the Public Finance Management Act 2012 requires that at the end of each financial year, the Accounting officers for a County Government Entity shall prepare financial statements in respect to the entity in formats prescribed by the Public Sector Accounting Standards board and submit the entity's financial statements within three months after the end of each financial year to the Auditor General with copies delivered to the County Treasury, Controller of Budget and Commission on Revenue Allocation.

Budget Performance of the County Assembly

During this period, the Makueni County Assembly received kes 688 Million from the County Revenue Fund. Out the receipt, 628 Million was for recurrent and 59 Million was for development. The County Assembly also received 44 million development monies from its Insurer as a compensation claim settlement for a fire tragedy that occurred in the County Assembly.

The County Assembly was able to absorb 97% of its recurrent budget, 81% of its development budget and 41% of its compensation claim settlement.

The County Assembly has only two programmes, i.e Legislation, Oversight and Representation as a program 1, with Administrative services as program 2.
In terms of program 1, the budget absorption was at 99% which had a total funding of 334 million and an expenditure of 330 million.
In terms of program 2, the budget absorption was at 94% which had a total funding of 369 million and an expenditure of 346 million.

The Budget estimates for the Makueni County Government were approved in Conformity with the requirements of the PFM act. The budget estimates for the fy 2016-2017 were approved by the County Assembly on the 29th June 2016 and later assented to by the Governor and published in the Government printer.
During the course of the financial year, a supplementary budget estimate for the County Government of Makueni was approved by the County Assembly.

Performance of key development projects

The County Assembly development projects were to a great extent affected by the fire outbreak that gutted the County Assembly chambers and upper office block. Re adjustments had to be made to the office block under construction so as to accommodate a makeshift temporary chamber for the County Assembly. The County Assembly received 44 million as Insurance compensation as a result of the fire incident. The amount is to be used in reconstruction of chambers and equipping, purchase of equipment's and office furniture.

The development expenditure was delineated according to the source of funding, i.e from the County exchequer and from the County Assembly Insurer. The funding from the County exchequer was budgeted for and released to the County Assembly via approved requisitions. The funding from the

County Assembly Insurer was not budgeted for since the investigations to the fire incident were still on-going at the time of preparing the budget estimates.

In terms of expenditure of funds from the County exchequer, the County Assembly was able to absorb 83% of the total budgeted estimated. The notable projects undertaken were acquisition of land for the speaker's house and construction of the speaker's house is on-going and should be ready for occupation at start of 2018. The County Assembly utilised the funds in modifying the Office block building to house a temporary chamber to enable debates of the house to be conducted. The temporary chamber was finalised and the Hon.Members were better placed to perform their representation role via the Chamber debates and sessions. The funds also went into completion of committee rooms and partition of a whole floor of the office block to create offices for the Hon. Members of the County Assembly. The staff of the County Assembly also benefited in setting up an ablution block to the prefabricated building of the County Assembly.

In terms of expenditure of funds from the County Assembly Insurer, the absorption rate was at 39%. The low absorption is due to various reasons. There was a delay in release of the compensation claim by the Insurer. On release the procurement process were initiated and tender awarded. The construction of the County Assembly chamber was delayed by a lack of a structural engineer at the County level to oversee the project. The utilisation of the balance of funds was pegged on completion of the Chambers and as such they remained unutilised.

Value for money achievements

The construction of the temporary chamber enabled the County Assembly resume its debates in an environment conducive for the Hon Members of the County Assembly better represent the people of makueni..

The completion of the committee rooms also enable committees of the County Assembly undertake their meetings and deliberation in a conducive environment. The committees are mandated to undertake oversight role for the people of Makueni County.

The effectiveness of staff serving the representatives of the people of Makueni County was better enhanced by way of setting up LAN and Telephone connectivity in the offices and construction of facilities like the ablution block. The staff output in serving the people of makueni was enhanced from the development projects undertaken.

Challenges and recommendations

The biggest challenge the County Assembly faced was lack of infrastructure in terms of office space, lack of a proper assembly gallery, lack of equipment's arising due to the fire tragedy that affected the County Assembly in the year 2016. This meant that some of the targets as envisioned in the budget estimates had to be re adjusted so as to accommodate infrastructure re development. The projection is that by start of the year 2018, the new County Assembly gallery will be in place for the 2nd Assembly to utilise.

There was a delay in releasing compensation claim by the Insurer and when it was released the rebuilding of the County Assembly chambers was hampered by lack of a structural engineer in Makueni County to oversee the project. This has caused significant delays in the completion of the project. The completion dates of the projects have been revised to accommodate availability of the structural engineer who is based in Nairobi to properly monitor implementation of the project.

In addition the fy preceded an election conducted on August 2017, as such majority of MCA's did not give their full attention to the County Assembly business. This affected the output of various Assembly House committees and debate in the County Assembly chambers.

The County Assembly will pick up on its mandate and operations once the second county Assembly is fully constituted and all committees are in place. It will require a lot of training of the committees to further enhance the Hon. Member's individual capacity and cumulative capacities to perform their representation, oversight and legislative mandates

Sign

Clerk of the County Assembly

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

The Clerk accepts responsibility for the County Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended June 30th 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 quarter 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 _____ 2018.

Clerk of the County Assembly

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF MAKUENI 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 Makueni set out on pages 2 to 36, 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 statements of comparison of budget and actual amounts : recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of County Assembly of Makueni 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, based on the procedures performed, I confirm that public money has not been applied lawfully and in an effective way.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

(i) The statement of receipts and payments reflects expenditure of Kshs.256,875,047.55 on use of goods and services while the statement of comparison of budget and actual amounts reflects expenditure of Kshs. 256,884,037.55 for the same item.

(ii) The statement of receipts and payments reflects a surplus of Kshs.38,329,329.22 for the year ended 30 June 2017 while the statement of comparison of budget and actual amounts reflects a surplus of Kshs.38,333,340 for the same period.

(iii) The payments relating to separate expenditure heads reflected in the statement of receipts and payments casts to Kshs.695,392,449 and not the total payments of Kshs.695,329,249 shown.

The above anomalies have not been explained. Under the circumstances, the accuracy of the financial statements for the year ended 30 June 2017 cannot be confirmed.

2. Other Receipts

Other receipts totalling Kshs.45,382,718 as disclosed at Note 3 to the financial statements includes an amount of Kshs. 44,274,712 in respect of insurance claims and compensation for assets destroyed in a fire incident on 7 March 2016. However, the money was deposited in an expenditure account at the Co-operative Bank instead of the revenue account at Central Bank of Kenya in contravention of Section 119 (2) of the Public Finance Management Act, 2012. The receipt was, therefore, not properly accounted for under the circumstances.

3. Compensation of Employees

(i) The County Assembly made payments towards compensation of employees amounting to Kshs.356,959,230.73 during the year ended 30 June 2017 as disclosed at Note 4 to the financial statements. However, the IPPD and Excel payroll records reflects a total amount of Kshs.269,291,646 resulting in unreconciled difference of Kshs.87,667,584.73. Further, the total amount captured in the payment vouchers in respect to compensation of employees amounted to Kshs. 338,636,393 resulting again to unreconciled difference of Kshs.18,322,837.73.

(ii) In addition, the County Assembly made gratuity payments to the outgoing Members of County Assembly amounting to Kshs.44,576,794 in 2016/2017 financial year. However, data verified show that the amount payable was Kshs.49,243,263 resulting to unexplained difference of Kshs.4,666,469. Further, payment vouchers in respect to compensation of employees amounted to Kshs.338,636,393 resulting to unreconciled difference of Kshs.18,322,838.

Under the circumstances, the accuracy of compensation of employees' expenditure of Kshs. 356,959,230.73 for the year ended 30 June 2017 cannot be confirmed.

4. Use of Goods and Services

Included in the use of goods and services total expenditure of Kshs. 256,875,047.55 for the year ended 30 June 2017 is an amount of Kshs. 976,600 paid for media outreach. Out of this amount, journalists from various media houses were paid Kshs. 336,000. However, the payments to journalists were not supported by policy documents. Under the circumstances, the validity and propriety of the expenditure of Kshs. 336,000 can not be confirmed.

5. Acquisition of Assets

The County Assembly advertised for supply and installation of Hansard equipment on 5 November 2016 and listed the criteria to be followed during evaluation of bids. However, the evaluation committee meeting held on 23 November 2016 included bank statements which were not in the advertisement as part of the criteria. M/s Smoothel Data Solutions Limited was the lowest bidder at Kshs.3,043,431 and had met all the criteria stated in the advertisement and the tender document. The evaluation committee, however, resolved

that the firm was not responsive for failure to attach current bank statements and recommended the contract to be awarded to M/s Starvicom Technologies Limited at a cost of Kshs.4,947, 800.

The County Assembly, therefore, spent an extra Kshs.1,904,369 on the supply and installation of the equipment due to the above irregularities. Further, the firm that was awarded the contract had attached financial statements for only one year instead of two years. Under the circumstances, the validity and propriety of the expenditure of Kshs. 4,947,800 out of the total expenditure of Kshs.80,436,964.50 incurred on acquisition of assets in 2016/2017 financial year cannot be confirmed.

6. Cash and Bank Balances

The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.42,108,031.77 as at 30 June 2017. The balance included Kshs.30,220,089 in a recurrent account at Co-operative Bank of Kenya. The bank reconciliation statement for this account as at 30 June 2017 reflects cheques in the cashbook not yet recorded in the bank statements dating between June 2015 and April 2016 totalling Kshs.280,533 which were stale but had not been reversed in the cash book as at the time of the audit. No evidence has been presented to indicate that the cheques were subsequently reversed. Under the circumstances, the cash and cash equivalents balance of Kshs.42,108,031.77 as at 30 June 2017 is not fairly stated.

7. Pending Accounts Payables

7.1 The County Assembly had accumulated pending bills amounting to Kshs.27,181,097.01 as at 30 June 2017 and as listed in Annex 1 and 2 to the financial statements. Had the bills been settled during the year under review, the statement of receipts and payments would have reflected a reduced surplus of Kshs.11,148,232.21 instead of the surplus of Kshs.38,329,329.22 now shown.

7.2 The following anomalies have been noted also with respect to the pending bills:

(i) The County Assembly did not maintain a pending bills/creditors register and therefore the completeness and accuracy of the pending bills payable balance of Kshs.27,181,097.01 cannot be confirmed.

(ii) The pending bills schedule provided for audit verification was not analysed according to the age of the respective debts thereby making it difficult to establish how long the bills had remained outstanding.

(iii) The pending bills included an amount of Kshs.7,557,707 in respect of the cost of extending insurance covers for two months. The Assembly did not satisfactorily explain the rationale for extending the cover instead of procuring annual insurance services as expected.

8. Fixed Assets

The County Assembly's fixed assets register as at 30 June 2017 reflects assets with historical cost totalling Kshs.346,751,151.86 made up of opening balance of Kshs.266,278,787.36 and additions during the year of Kshs.80,472,364.50. However, the opening balance of Kshs. 266,278,787.36 includes assets of undetermined value that were destroyed in a fire accident on 7 March 2016.
Further, as reported in the previous year, included in the acquisition of assets figure of Kshs.78,490,330.90 for 2015/2016 financial year was an amount of Kshs.5,838,272 reportedly incurred on acquisition of household furniture and specialized plant, equipment and machinery, respectively. However, the amount was not supported with schedules indicating the specific assets purchased, serial/registration number, date of purchase, delivery note/invoice number, supplier, procuring department and cost of purchase. The existence and security of the assets stated can still not be confirmed.
Consequently, the existence, completeness and accuracy of the County Assembly's fixed assets balance of Kshs.346,751,151.86 as at 30 June 2017 cannot be fully confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Makueni in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

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

Other Matter

1. Budget and Budgetary Control

The County Assembly's approved expenditure budget for the year ended 30 June 2017 was Kshs.749,375,340 comprising of a recurrent budget of Kshs.645,160,291 and a development budget of Kshs.104,215,049 as reflected in the statements comparison of budget and actual amounts. The following variances have been noted between the budgeted amounts and the actual expenditure:

1.1 Recurrent Budget

Out of the recurrent budget of Kshs. 645,160,291 for the year under review, the County Assembly spent Kshs. 628,450,896 resulting to an under-expenditure of Kshs.16,709,395 or about 2.59% as analysed below:

Expenditure Item	Approved Budget - Kshs	Actual Expenditure - Kshs	Variance - Kshs	Variance (%)
Compensation of Employees	357,341,353	356,959,231	382,122	0.11
Use of goods and services	270,977,932	256,788,638	14,189,294	5.24
Acquisition of Assets	15,733,000	13,595,021	2,137,979	13.59
Other payments	1,108,006	1,108,006	0	0
Total	**645,160,291**	**628,450,896**	**16,709,395**	**2.59**

No justification has been provided for the under expenditure of Kshs. 16,709,395 during the year under review.

1.2 Development Budget

(i) Out of the development budget of Kshs.104,215,049 for the year under review, the County Assembly spent Kshs.65,930,354 according to the projects analysis schedule while the statement of comparison of budget and actual amounts for development reflects actual expenditure of Kshs.66,937,344. The resulting difference in actual expenditure of Kshs.1,006,990 between the two sets of records has not been explained.

(ii) The details in the project analysis schedule are as shown below:

Project	Approved Budget - Kshs	Actual Expenditure - Kshs	Variance - Kshs	Variance (%)
Construction of speakers house	20,000,000	10,511,165	(9,488,835)	-47.4
Completion of office block 2nd floor	1,146,780	1,146,780	-	0.0
Construction and of furnishing Cafeteria.	1,296,370	1,296,370	-	0.0
Construction of office toilets-Prefabs	1,500,000	729,900	(770,100)	-51.3
Construction of Perimeter wall	4,450,000	4,449,650	(350)	0.0
Air Conditioning	4,990,000	4,987,508	(2,492)	0.0
ICT: LAN /Telephone set up	4,961,230	4,961,230	-	0.0
set up of Hansard equipment	4,947,800	4,947,800	-	
Supply of portable firefighting equipment	1,000,000	226,616	(773,384)	-77.3
Civil works-Partitioning and office block fitting.	12,919,270	12,800,858	(118,412)	
Parking and landscaping	226,616	-	(226,616)	-100.0
Refurbishment of existing offices	502,271	502,271	-	0.0
acquisition of land - speakers house	2,000,000	2,000,000	-	0.0

Proposed Chamber and Public Gallery	-	17,370,206	17,370,206	0
Total	**59,940,337**	**65,930,354**	**5,990,017**	**10.0**

Evidence of approval of the over-expenditure of Kshs.5,990,017 has not provided for audit verification.

2. Internal Audit Function

Although the County Assembly has put in place an internal audit unit, the following weaknesses have identified with regard to the functioning of the unit:

i. Internal audit reports for the year under audit were not provided for review. Consequently, it is not possible to confirm whether internal audit assignments were undertaken and responses by the management if any, during the year under review.

ii. The scope of internal audit function did not include evaluating and reporting on internal controls applicable to high risk areas which may be identified by the management.

iii. The internal audit unit has only one staff and hence understaffed. Though the officer has the necessary competencies, he may not be able to solely execute the mandate of the unit as expected.

iv. The internal audit unit though functionally working under the audit committee has been placed administratively under finance department which may weaken its independence.

v. The unit does not have an internal audit charter.

Under the circumstances, the independence and effectiveness of the internal audit unit have been compromised.

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 sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends 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 conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the 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 sustain 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 sustaining 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 of the entities or business activities to express an opinion on the financial statements.

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

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

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

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

Nairobi

16 July 2018

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016/17 Kshs	2015/16 Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	**688,338,860.00**	**704,232,782.00**
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	**45,382,718.00**	**75,514,439.00**
TOTAL RECEIPTS		**733,721,578.00**	**779,747,221.00**
PAYMENTS			
Compensation of Employees	4	356,959,230.73	317,573,662.08
Use of goods and services	5	256,875,047.55	271,867,701.67
Subsidies	6	-	-
Transfers to Other Government Entities	7	13,200.00	64,662,000.00
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Acquisition of Assets	10	80,436,964.50	78,490,330.90
Finance Costs	11	-	6,297,439.00
Other Payments	12	1,108,006.00	7,448,391.00
TOTAL PAYMENTS		**695,392,248.78**	**746,339,524.65**
SURPLUS/DEFICIT		**38,329,329.22**	**33,407,696.35**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2018 and signed by:

Clerk of the Assembly
Name: Edward Anguche Libendi

Finance Officer – County Assembly
Name: Isaac Kiprono Kipruto
ICPAK Member Number:11924

V. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

	Note	2016/2017 Kshs	2015/16 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	13A	41,439,144.42	40,114,842.95
Cash Balances	13B	668,887.35	-
Total Cash and cash equivalents		**42,108,031.77**	**40,114,842.95**
Accounts receivables – Outstanding Imprests	14	86,603.35	13,200.00
TOTAL FINANCIAL ASSETS		**42,194,635.12**	**40,128,042.95**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	3,852,105.90	6,720,750.00
NET FINANCIAL ASSETS		**38,342,529.22**	**33,407,292.95**
REPRESENTED BY			
Fund balance b/fwd	16	33,407,293.00	39,024,541.00
Surplus/Deficit for the year		38,329,329.22	33,407,696.35
Prior year adjustment	17	- **33,394,093.00**	- **39,024,944.00**
NET FINANCIAL POSITION		**38,342,529.22**	**33,407,293.35**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2018 and signed by:

Clerk of the Assembly
Name: Edward Anguche Libendi

Finance Officer – County Assembly
Name: Isaac Kiprono Kipruto
ICPAK Member Number:11924

VI. STATEMENT OF CASH FLOWS

	Note	2015/16 Kshs	2014/15 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	688,338,860.00	704,232,782.00
Other Receipts	3	45,382,718.00	75,514,439.00
Payments for operating expenses			
Compensation of Employees	4	- 356,959,230.73	- 317,573,662.08
Use of goods and services	5	- 256,875,047.55	- 271,867,701.67
Subsidies	6	-	-
Transfers to Other Government Entities	7	- 13,000.00	- 64,662,000.00
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Finance Costs	11	-	- 6,297,439.00
Other Payments	12	- 1,108,006.00	- 7,448,391.00
Adjusted for:			
Changes in receivables		-73,403.35	-13,200.00
Changes in payables		-2,868,644.10	1,056,714.00
Adjustments during the year	17	-33,394,093.00	-39,024,944.00
		- 36,336,140.45	**- 37,981,430.00**
Net cash flows from operating activities		**82,430,153.27**	**73,916,597.25**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	- 80,436,964.50	- 78,490,330.90
Net cash flows from investing activities		**- 80,436,964.50**	**- 78,490,330.90**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,993,188.77**	**- 4,573,733.65**
Cash and cash equivalent at BEGINNING of the year	13	**40,114,842.95**	**44,688,577.00**
Cash and cash equivalent at END of the year		**42,108,031.77**	**40,114,842.95**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2018 and signed by:

Clerk of the Assembly
Name: Edward Anguche Libendi

Finance Officer – County Assembly
Name: Isaac Kiprono Kipruto
ICPAK Member Number: 11924

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilisation difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	670,598,524.00	33,394,097.55	703,992,621.55	688,338,860.88	98%
Proceeds from Sale of Assets					
Other Receipts	-	45,382,718.00	45,382,718.00	45,382,718.00	100%
TOTAL	**670,598,524.00**	**78,776,815.55**	**749,375,339.55**	**733,721,578.88**	98%
PAYMENTS					
Compensation of Employees	359,194,530.00	(1,853,176.80)	357,341,353.20	356,959,230.73	100%
Use of goods and services	243,403,994.00	22,573,937.47	270,977,931.47	256,884,037.55	95%
Subsidies	-	-	-	-	
Transfers to Other Government Entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Social Security Benefits	-	-	-	-	
Acquisition of Assets	63,000,000.00	59,948,048.88	119,948,048.88	80,436,964.50	67%
Finance Costs	-	-	-	-	
Other Payments	-	1,108,006.00	1,108,006.00	1,108,006.00	100%
TOTAL	**670,598,524.00**	**78,776,815.55**	**749,375,339.55**	**695,388,238.78**	**93%**
SURPLUS/ DEFICIT	-	-	-	**38,333,340.00**	

(a) ***Other payments underutilization***, *low absorption of 67% is due to release of Insurance Compensation midstream. Part of the compensation was to be utilized in reconstructing the Assembly chambers with the other costs dependent on the completion of the chambers. The reconstruction of the Assembly chambers was delayed due to lack of a County Structural engineer at the County level to oversee the project at its various stages of construction and give technical advice on the same. As such monies set aside towards reconstruction of the chambers but dependent on the completion of the structure were unutilized.*

(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.*

- ***Under transfers from the County Exchequer*** *the difference between the original budget and final budget is due to;*
  a supplementary budget that combined the balances brought forward from the previous financial year 2015-2016 of kes 15,653,760.67 for recurrent and kes 17,740,336.88 for development.
- ***Under other receipts*** *the difference between the original budget and final budget is due to;*
  Work Injury benefits payable to Mr. Brian Mutua arising from a gunshot accident at the County Assembly of kes 1,108,006/- under recurrent and insurance claim settlement arising from a fire incident at the County Assembly of kes 44,274,712/- under development

The entity financial statements were approved on _____ 2018 and signed by:

Clerk of the Assembly
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Name: Isaac Kiprono Kipruto
ICPAK Member Number:11924

VIII. 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	628,398,524.00	15,653,760.67	644,052,284.67	628,398,524.00	98%
Proceeds from Sale of Assets			-		
Other Receipts	-	1,108,006.00	1,108,006.00	1,108,006.00	100%
TOTAL	**628,398,524.00**	**16,761,766.67**	**645,160,290.67**	**629,506,530.00**	**98%**
PAYMENTS					
Compensation of Employees	359,194,530.00	- (1,853,176.80)	357,341,353.20	356,959,230.73	100%
Use of goods and services	248,403,994.00	22,573,937.47	270,977,931.47	256,884,038.55	95%
Subsidies					
Transfers to Other Government Entities	-	-	-		
Other grants and transfers	-	-	-		
Social Security Benefits	-	-	-	-	
Acquisition of Assets	20,800,000.00	- (5,067,000.00)	15,733,000.00	13,499,621.00	86%
Finance Costs	-	-	-		
Other Payments	-	1,108,006.00	1,108,006.00	1,108,006.00	100%
TOTAL	**628,398,524.00**	**16,761,766.67**	**645,160,290.67**	**628,450,895.28**	**97%**
Surplus/ Deficit					

- ***Under transfers from the County Exchequer*** *the difference between the original budget and final budget is due to a supplementary budget that combined the balances brought forward from the previous financial year 2015-2016 of kes 15,653,760.67.*

- ***Under other receipts*** *the difference between the original budget and final budget is due to Work Injury benefits payable to Mr. Brian Mutua arising from a gunshot accident at the County Assembly of kes 1,108,006/- . The officer is a Commissionaire of the County Assembly under*

the Sergeant at Arms department and sustained a gunshot wound. The monies were received by the County Assembly from its Insurance provider and duly wired to the officer.

The entity financial statements were approved on _____ 2018 and signed by:

Clerk of the Assembly
Name: Edward Anguche Libendi

Finance Officer – County Assembly
Name: Isaac Kiprono Kipruto
ICPAK Member Number: 11924

IX. 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	42,200,000.00	17,740,336.88	59,940,336.88	59,940,336.88	100%
Proceeds from Sale of Assets					
Other Receipts	-	44,274,712	44,274,712	44,274,712	100%
TOTAL	**42,200,000**	**62,015,049**	**104,215,049**	**104,215,049**	**100%**
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	42,200,000	62,015,048.88	104,215,048.88	66,937,343.50	64%
Finance Costs					
Other Payments	-				
TOTAL	**42,200,000**	**62,015,049**	**104,215,049**	**66,937,343.50**	**64%**
SURPLUS/ DEFICIT					

- ***Under transfers from the County Exchequer*** *the difference between the original budget and final budget is due to; a supplementary budget that combined the balances brought forward from the previous financial year 2015-2016 of kes 17,740,336.88 .*

- ***Under other receipts*** *the difference between the original budget and final budget is due to insurance claim settlement arising from a fire incident at the County Assembly of kes 44,274,712/-. The amount was not budgeted as the County Assembly could not ascertain or estimate the compensation due from its Insurer due to the Sum Assured being lower than the assessed damage estimate.*

- ***The under absorption*** *in the development budget is due to the following:*
  Late receipt of the Insurance Monies whilst the financial year was already underway, as such the process of procuring took time and was completed well into the 2nd half of the financial year
  There was also a delay in acquisition of a suitable piece of land where the Speakers residence would be constructed. The process of procuring the contractor to build the speakers house commenced after the purchase of the land and as such the project delayed. All other development projects were completed during the year.

The entity financial statements were approved on _____ 2018 and signed by:

Clerk of the Assembly
Name: Edward Anguche Libendi

Finance Officer – County Assembly
Name: Isaac Kiprono Kipruto
ICPAK Member Number:11924

X. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	30TH June 2017		11th April 2017	30th June, 2017	
	Kshs	Kshs	Kshs	Kshs	Kshs
Programme 1 –					
Legislation, Oversight and Representation	299,143,244.43	35,083,780.54	334,227,024.97	330,403,828.49	3,823,196.48
Programme 2					
General administration, planning and support services	371,455,285.57	(1,689,688.99)	369,765,596.58	346,497,208.99	23,268,387.59
TOTAL	670,598,530.00	33,394,091.55	703,992,621.55	676,901,037.48	27,091,584.07

The analysis above only captures funding as per the programme based budget as passed by the County Assembly and excludes funding from County Assembly Insurers.

XI. 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 fy 2016 -2017 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 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 2016, this amounted to Kshs 3,878,505.90 compared to Kshs 6,720,750 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 .The original budget was approved by the County Assembly on 29th June 2016 for the period 1st July 2016 to 30 June 2017 as required by law. There was only one supplementary budgets passed in the year on 11th April 2017. 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.

XII. 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	270,700,761.00	263,417,073.00
Transfers from the County Treasury for Q2	120,034,875.00	115,384,755.00
Transfers from the County Treasury for Q3	219,365,307.00	200,979,611.00
Transfers from the County Treasury for Q4	78,237,917.00	124,451,343.00
Cumulative Amount	**688,338,860.00**	**704,232,782.00**

2 PROCEEDS FROM SALE OF ASSETS

	2016/17	2015/16
	Kshs	Kshs
Receipts from the Sale of Buildings	Xxx	Xxx
Receipts from the Sale of Vehicles and Transport Equipment	Xxx	Xxx
Receipts from the Sale of Strategic Reserves Stocks	Xxx	Xxx
Total	**Xxx**	**Xxx**

3 OTHER RECEIPTS

	2016/17	2015/16
	Kshs	Kshs
Makueni County Government - mortgage transfer		70,897,439.00
Receipts from Administrative Fees and Charges - Collected as AIA		62,000.00
Insurance claims	44,274,712.00	4,555,000.00
Other Receipts - injury benefits	1,108,006.00	
Total	**45,382,718.00**	**75,514,439.00**

- ***Under other receipts*** *the receipts are due to;*

Work Injury benefits payable to Mr. Brian Mutua arising from a gunshot accident at the County Assembly of kes 1,108,006/- under recurrent and insurance claim settlement arising from a fire incident at the County Assembly of kes 44,274,712/- under development. The amounts were not budgeted for since the amount of claim was unknown prior to coming up with the budget estimates for the County Assembly

4 COMPENSATION OF EMPLOYEES

	2016/17	2015/16
	Kshs	Kshs
Basic salaries of permanent employees	145,298,332.51	136,736,681.07
Basic wages of temporary employees	31,837,000.00	31,437,500.00
Personal allowances paid as part of salary	128,792,332.67	125,891,935.08
Personal allowances paid as reimbursements		
Personal allowances provided in kind		
Pension and other social security contributions	6,198,481.79	6,311,405.62
Compulsory national social security schemes	256,290.00	645,260.00
Compulsory national health insurance schemes		
Social benefit schemes outside government		
Other personnel payments	44,576,793.76	16,550,880.31
Total	**356,959,230.73**	**317,573,662.08**

- The County Assembly has recruited 103 employees on Permanent and pensionable basis except for the Clerk of the County Assembly who is on a five year contract, 3 aides to Hon. Members with disability , a sign language interpreter and 2 staff for the Speakers residence.
- During the financial year there was one employee who proceeded on early retirement from the procurement department, the vacancy is yet to be filled.
- During the same financial year, 5 new staff were recruited, a senior accountant II, senior internal auditor II, a second clerk assistant, a secretary and a driver. One staff recruited to the Hansard department did not take up the opportunity; the vacancy is yet to be filled.
- Other personnel costs relate to Gratuity payments for the Honourable Members as per Salaries and Remuneration Commission guidelines

5 USE OF GOODS AND SERVICES

	2016/17	2015/16
	Kshs	Kshs
Utilities, supplies and services	984,440.00	1,176,110.00
Communication, supplies and services	3,599,348.23	1,823,535.60
Domestic travel and subsistence	89,126,832.00	82,385,636.38
Foreign travel and subsistence	11,408,740.90	15,155,416.79
Printing, advertising and information supplies & services	4,018,780.29	2,937,299.98
Rentals of produced assets	3,812,500.00	3,900,000.00
Training expenses	6,846,642.56	6,335,126.80
Hospitality supplies and services	17,043,596.48	20,247,357.00
Insurance costs	23,841,892.05	28,792,247.79
Specialized materials and services	23,745.00	607,856.00

Office and general supplies and services	4,834,801.60	6,459,946.56
Other operating expenses	81,716,269.18	90,489,446.13
Fuel oil and lubricants	4,670,895.50	6,330,445.00
Routine maintenance – vehicles and other transport equipment	3,965,733.16	3,715,874.64
Routine maintenance – other assets	980,830.60	1,511,403.00
Total	**256,875,047.55**	**271,867,701.67**

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**

7 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	**2016/17**	**2015/16**
	Kshs	**Kshs**
Transfers to National Government entities		
See attached list	xxx	xxx
Transfers to Counties		
Makueni County Revenue Collection A/c - AIA surrender		62,000.00
Makueni County Revenue Fund - Imprest recovery surrender	13,000.00	
County Assembly Car Loan Fund Account		64,600,000.00
TOTAL	**13,000.00**	**64,662,000.00**

The transfer of kes 13,200/- relates to outstanding imprests in the previous fy 2015/2016 which were recovered from the Imprest holders and surrendered to the Makueni County Revenue account.

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**

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**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 ACQUISITION OF ASSETS

Non Financial Assets	**2016/17**	**2015/16**
	Kshs	**Kshs**
Purchase of Buildings	xxx	xxx
Construction of Buildings	27,078,584.50	xxx
Refurbishment of Buildings	xxx	xxx
Construction of Roads	xxx	xxx
Construction and Civil Works	28,426,283.00	xxx
Overhaul and Refurbishment of Construction and Civil Works	xxx	xxx
Purchase of Vehicles and Other Transport Equipment	4,860,000.00	4,652,000.00
Overhaul of Vehicles and Other Transport Equipment	xxx	xxx
Purchase of Household Furniture and Institutional Equipment	44,600.00	263,261.00
Purchase of Office Furniture and General Equipment	4,588,822.00	Xxx
Purchase of ICT Equipment, Software and Other ICT Assets	3,816,199.00	1,288,997.00
Purchase of Specialised Plant, Equipment and Machinery	9,622,476.00	5,575,011.10
Rehabilitation and Renovation of Plant, Machinery and Equip.	Xxx	59,616,231.80
Purchase of Certified Seeds, Breeding Stock and Live Animals	Xxx	XXX
Research, Studies, Project Preparation, Design & Supervision	Xxx	xxx
Rehabilitation of Civil Works	Xxx	7,094,830.00
Acquisition of Strategic Stocks and commodities	Xxx	xxx
Acquisition of Land	2,000,000.00	xxx
Acquisition of Intangible Assets	xxx	xxx
Financial Assets	xxx	xxx
Domestic Public Non-Financial Enterprises	xxx	xxx
Domestic Public Financial Institutions	xxx	xxx
Foreign financial Institutions operating Abroad	xxx	xxx
Other Foreign Enterprises	xxx	xxx
Foreign Payables - From Previous Years	xxx	xxx
Total	**80,436,964.50**	**78,490,330.90**

11 FINANCE COSTS

	2016/17	2015/16
	Kshs	Kshs
Bank Charges	Xxx	Xxx
Exchange Rate Losses	Xxx	Xxx
Other Finance Costs - Diffrential Intrest payments on Loans to MCA's	-	6,297,439.00
Total	**-**	**6,297,439.00**

12 OTHER PAYMENTS

	2016/17	2015/16
	Kshs	Kshs
Budget Reserves	Xxx	Xxx
Civil Contingency Reserves	Xxx	Xxx
Capital Transfers to Non-Financial Public Enterprises	Xxx	Xxx
Capital Transfer to Public Financial Institutions and Enterprises	Xxx	Xxx
Capital Transfer to Private Non-Financial Enterprises	Xxx	Xxx
Other expenses - fire insurance payments		2,898,391.00
Domestic Accounts - insurance claims payments to beneficiary	1,108,006.00	4,550,000.00
Total	**1,108,006.00**	**7,448,391.00**

The other payments relate to Insurance compensation received by the County Assembly.
A payment of kes 1,108,006/ - was paid to Mr. Brian Mutua for compensation claim under the Work Injury Benefits Claim who was shot during a Gunshot incident at the County Assembly precincts.

13 A BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2016/17	2015/16
		Kshs	Kshs
Name of Bank, Acc. No. & currency	CRF Acc	Xxx	xxx
Central Bank of Kenya – A/c No. 10000199199, ksh	Development Acc	10,382,493.40	7,720,051.40
Central Bank of Kenya – A/c No. 10000199188, ksh	Recurrent Acc	**836,561.75**	12,520,661.45
Name of Bank, Acc. No. & currency	Deposits Acc	Xxx	xxx
Co-operative bank of Kenya, A/c No. 1141539155500, ksh	Commercial Bank Accs.	30,220,089.27	7,720,051.40
Total		**41,439,144.42**	**40,114,842.95**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 B CASH IN HAND

	2016/17	2015/16
	Kshs	Kshs
Cash in Hand – Held in domestic currency	668,887.35	Xxx
Cash in Hand – Held in foreign currency	xxx	Xxx
Total	668,887.35	**Xxx**

13 C Cash in hand should be analysed as follows:

	2016/17	2015/16
	Kshs	Kshs
Location 1 - Cash Office	668,887.35	Xxx
Location 2	xxx	Xxx
Location 3	xxx	Xxx
Total	**xxx**	**Xxx**

14 ACCOUNTS RECEIVABLE

	2016/17	2016/17
	Kshs	Kshs
Government Imprests	86,603.35	- 13,200.00
Clearance Accounts		
Staff Advances		
Other Advances		
Total	**86,603.35**	**- 13,200.00**

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

15 ACCOUNTS PAYABLE

	2016/17	2015/16
	Kshs	Kshs
Deposits and Retentions	3,852,105.90	6,720,750.00
Total	**3,852,105.90**	**6,720,750.00**

(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

	2016/17	2015/16
	Kshs	**Kshs**
Bank accounts	40,114,843.00	44,688,577.00
Cash in hand	-	
Accounts Receivables	13,200.00	
Accounts Payables	- 6,720,750.00	- 5,664,036.00
Total	**33,407,293.00**	**39,024,541.00**

17 PRIOR YEAR ADJUSTMENT

Description of the adjustment	**2016/17**	**2015/16**
	Kshs	**Kshs**
Adjustments on cash in hand	Xxx	Xxx
Adjustments on payables	Xxx	Xxx
Adjustments on receivables	Xxx	xxx
Adjustments on bank account balances – surrender of unspent balances	33,394,093.00	39,024,541.00
Total	**33,394,093.00**	**39,024,541.00**

The adjustments on bank account balances relates to surrender of unspent bank balances for the fy 2015 -2016 that were surrendered at the start of the fy 2016-2017 hence reducing the bank balances.

DISCLOSURE NOTES

18.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016/17	2015/16
	Kshs	Kshs
Construction of buildings	**2,299,210.00**	2,446,370.00
Construction of civil works	Xxx	5,492,271.00
Supply of goods	**3,317,774.00**	1,840,000.00
Supply of services	**11,278,825.59**	28,925,887.48
Total	**16,895,809.59**	**38,704,531.48**

18.2: PENDING STAFF PAYABLES (See Annex 2)

	2016/17	2015/16
Name of Staff	Kshs	Kshs
Senior Cadre	8,878,174.42	9,695,754.99
Junior Cadre	1,407,113.00	1,119,359.00
Total	**10,285,287.42**	**10,815,113.99**

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**

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XIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.0	Unsatisfactory utilization of budget	The County Assembly resolved the matter via supplementary budgets and approved reallocations	Isaac Kiprono-Finance Officer	Resolved	
2.0	Avoidable legal fees	The cases were brought in court with the County Assembly named as a defendant and as such had to seek representation.	Edward Libendi – Clerk of the County Assembly	Not Resolved	Undefined since some of the cases are still on-going in Court.
3.0	Construction of an Office Block	All the issues raised as per the report were responded to and relevant documentation attached	Abraham Anyegah – Procurement Officer	Resolved	
4.0	Use of Cash Imprest to Procure goods and services	A standing imprest was introduced for purchase of small items via the petty cash advance. As for public participation events, the challenge remains on how to centrally procure for all the 30 wards during the public participation events	Abraham Anyegah – Procurement Officer	Not Resolved	To be implemented in phases in the 2nd Assembly. From September to December.
5.0	Cash and Cash equivalents	The cash books for the CBK recurrent and CBK development are currently maintained by the County Assembly	Isaac Kiprono– Finance Officer	Resolved	
6.0	Pending Bills	The matter has been contained by ensuring			

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)*
		expenses charged against the available budget. The bills arose due to CRA ceilings which were introduced midstream as the budget utilisation was on-going. All relevant documentation was availed	Abraham Anyegah - Procurement Officer.	Resolved	
7.0	Internal Audit Department and Internal Audit Committee	The internal Auditor was recruited and an Internal Audit committee is in place	Edward Libendi – Clerk of the County Assembly	Resolved	

NB: the basis of the County Assembly response is the latest audited report of the Auditor General which in this case is for the financial year 2014-2015.

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.....

XIV. 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						
HAS CONSTRUCTION LIMITED					2,299,210.00	SPEAKERS RESIDENCE
Sub-Total					**2,299,210.00**	
Construction of civil works						
1.						
Sub-Total						
Supply of goods						
HAS CONSTRUCTION					455,996.00	SUPPLY OF FURNITURES
EUMOSTIN INVESTMENTS					217,500.00	SUPPLY OF TONERS
JOYRIC TECHNOLOGIES					500,000.00	SUPPLY OF HANDSET TELEPHONES
MFI SOLUTIONS					343,128.00	PHTOCOPIER TONERS
HAS TRANSPORTERS					1,697,000.00	SUPPLY OF FURNITURES
EQUATOR STUDIO					96,350.00	CLEANING DETERGENTS
EQUATOR STUDIO					7,800.00	CLEANING DETERGENTS
Sub-Total					**3,317,774.00**	
Supply of services						
RENTOLKIL INITIAL					264,480.00	SANITARY
WAVECREST GARAGE – MAKUENI TOYOTA					149,631.00	SERVICE VEHICLE
SIMBA COLT LTD					139,550.00	SERVICE VEHICLE
MOMBASA BEACH HOTEL					153,480.00	CONFERENCE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
MARAWAYS TOURS					68,000.00	TRAVEL COSTS
STANDARD GROUP LTD					88,160.00	ADVERTISEMENT
KUSYONGUMBUO HOTEL					69,600.00	CONFERENCE
MOMBASA BEACH					636,000.00	CONFERENCE
HUNTERS LODGE					12,000.00	HIRE OF TRAINING EQUIPMENT
AFRICAN HARTBEEST SAFARIS					43,087.00	AIR TICKET SERVICES
AFRICAN HARTBEEST SAFARIS					33,835.00	AIR TICKET SERVICES
SIMBA COLT					346,914.00	SERVICE VEHICLE
SIMBA COLT					28,381.00	SERVICE VEHICLE
TELKOM KENYA					157,142.00	INTERNET SERVICE
TELKOM KENYA					157,412.00	INTERNET SERVICE
TELKOM KENYA					157,412.00	INTERNET SERVICE
TELKOM KENYA					116,000.00	INTERNET SERVICE
AIG INSURANCE					490,939.00	GENERAL INSURANCE COVER
THE STAR					73,447.59	ADVERTISEMENT
APA INSURANCE-STAFF MEDICAL(EXTENSION					3,942,088.00	STAFF MEDICAL INSURANCE
APA INSURANCE – MCA MEDICAL(EXTENSION					3,615,619.00	MCAS MEDICAL INSURANCE
SIMBA COLT					162,640.00	SERVICE VEHICLE
SIMBA COLT					82,300.00	SERVICE VEHICLE
SIMBA COLT					144,988.00	SERVICE VEHICLE
TOYOTA KENYA					145,720.00	SERVICE VEHICLE
Sub-Total					**11,278,825.59**	
Grand Total					**16,895,809.59**	

XV. 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
	SENIOR MANAGEMENT		a	b	c	d=a-c		
1.	HON. JOHN MWENZE		120,000.00					
2.	HON. DICKSON MUTAITI		72,537.60					
3.	VIOLA KIONDO		29,200.00					
4.	HON. BENARD MUSAU		64,000.00					
5.	HON. MUTINDA MWANGANGI		24,000.00					
6.	VARIOUS		842,100.00					
7.	ELIZABETH MASILA		60,000.00					
8.	VARIOUS		121,800.00					
9.	VARIOUS		58,800.00					
10.	VARIOUS		392,000.00					
11.	VARIOUS		117,600.00					
12.	EUNICE M'MBONE		17,600.00					
13.	VARIOUS		93,800.00					
14.	MARCELLAH EUCABETH		18,786.82					
15.	MARCELLAH EUCABETH		30,000.00					
16.	VARIOUS		81,200.00					
17.	HON. STEPHEN NGELU		28,900.00					
18.	ELIZABETH MASILA		50,000.00					
19.	ABRAHAM ANYEGAH		34,800.00					
20.	VARIOUS		464,000.00					
21.	VARIOUS		5,985,200.00					
22.	HON. LIZER ZACHARIAH		151,850.00					
23.	HON. STACY MBITHI		20,000.00					
24.	HON STEPHEN NGELU		28,900.00					

	Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
	Sub-Total		**8,878,174.42**					
	MIDDLE MANAGEMENT							
25.	AMBROSE MUSYOKA		23,600.00					
26.	SERAPHINE MUASYA		31,000.00					
27.	PAUL MUTAVA		6,300.00					
28.	ABIGAEL DAVID		14,325.00					
29.	ABIGAEL DAVID		11,265.00					
30.	JUSTUS NYAMAI		5,000.00					
31.	CHRISTINE MUENDO		34,800.00					
32.	JOHN KIILU		1,200.00					
33.	ANN MAKAU		20,298.00					
34.	MARY MADONNA		2,200.00					
35.	PAUL MUTAVA		4,900.00					
36.	PAUL MUTAVA		4,900.00					
37.	PAUL MUTAVA		1,000.00					
38.	NICHOLAS LAITI		9,675.00					
39.	DERRICK MULUNGYE		23,600.00					
40.	NICHOLAS LAITI		6,000.00					
41.	PAUL MUTAVA		3,950.00					
42.	PAUL MUTAVA		4,000.00					
43.	PAUL MUTAVA		4,700.00					
44.	PAUL MUTAVA		4,500.00					
45.	JAPHETH LANDU		13,000.00					
46.	JAPHETH LANDU		11,050.00					
47.	JAPHETH LANDU		10,200.00					
48.	NICHOLAS LAITI		6,300.00					
49.	DERRICK MULUNGYE		12,400.00					
50.	COLLETA MBEKE		15,250.00					
51.	VARIOUS		195,000.00					

	Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
52.	VARIOUS		275,000.00					
53.	VARIOUS		18,700.00					
54.	VARIOUS		94,000.00					
55.	VARIOUS		65,000.00					
56.	VARIOUS		85,000.00					
57.	VARIOUS		97,000.00					
58.	VARIOUS		168,000.00					
59.	VARIOUS		28,000.00					
	Sub Total		1,407.113.00					
	Grand Total		**10,285,287.42**					

XVI. ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Land		2,000,000.00		2,000,000.00
Buildings and structures	92,471,509.00	55,504,867.50		147,976,376.50
Transport equipment	42,017,154.56	4,860,000.00		46,877,154.56
Office equipment, furniture and fittings	42,031,255.90	4,668,822.00		46,700,077.90
ICT Equipment, Software and Other ICT Assets	23,047,806.10	3,816,199.00		26,864,005.10
Other Machinery and Equipment	66,711,061.80	9,622,476.00		76,333,537.80
Heritage and cultural assets				
Intangible assets				
Total	266,278,787.36	80,472,364.50		346,751,151.86

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.

Notes.

The valuation of the land in which the County Assembly precincts sits on has not been carried out hence the value is unknown. The historical cost of the same is also unknown as it was previously under the possession of the Makueni County Council offices which the County Assembly took over.

The Valuation of a wing in which the County Assembly offices are located has not been done hence the value is unknown. The historical cost of the same is also unknown as it was previously the Makueni County Council offices which the County Assembly took over.

The Valuation of two Assembly motor vehicles in the custody of the County Assembly has not been done hence the value is unknown. The historical cost of the same is also unknown as it was previously in the Custody of the Makueni County Council and handed over to the County Assembly.

There were disposals that occurred during the fy 2015/16 as a result of the fire tragedy that occurred in February 2016 for which the valuation of the items destroyed was released during the fy 2016/17 by the Insurer loss assessors. They valuation is yet to be included in the disposals since it includes items as highlighted above for which no valuation was carried out and thus the historical cost is unknown. If deducted wholesomely, it will distort the value of assets carried forward since the historical cost b/f does not include items taken over from the defunct local authority.
The value of lost items during the fire tragedy was valued as follows:

1. Building 40,882,788/- (Valuation of the former burnt down building had not been done though since inception of the County Assembly some renovations to that building were done and have been captured in the historical cost b/f)
2. Furniture and Fittings 11,047,890/- (Valuation of the furniture in the offices that were taken over from the defunct local authority had not been done though since inception of the County Assembly has bought some additional furniture and their value has been captured in the historical cost b/f)
3.Electronics and Equipment 33,125,969/- (Valuation of the electronic equipment's in the offices that were taken over from the defunct local authority had not been done though since inception of the County Assembly has bought some additional electronic equipment's and their value has been captured in the historical cost b/f)
Total valuation of the destroyed items is kes 85,056,647/-

XVII. ANNEX 4 – ANALYSIS OF OUTSTANDING IMPREST

Government Imprest Holders

Name of Officer or Institution	*Date Imprest Taken*	*Amount Taken*	*Amount Surrendered*	*Balance*
		Kshs	*Kshs*	*Kshs*
Stephen Musyoki	29/9/2016	703,600.00	637,886.65	65,713.35
Madonna Mary Musee	16/3/2017	39,600.00	18,710.00	20,890.00
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		743,200.00	638,657.00	86,603.35

XVIII. ANNEX 5 – BANK RECONCILIATION/FO 30 REPORT

(Attach FO 30 Report from IFMIS)