REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF MAKUENI

FOR THE YEAR ENDED 30 JUNE 2017

COUNTY GOVERNMENT OF MAKUENI

AMENDED

REPORTS AND FINANCIAL STATEMENTS

(COUNTY EXECUTIVE)

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)

Table of Contents

Page

I. KEY ENTITY INFORMATION AND MANAGEMENT 2
II. FORWARD BY THE CEC 4
III. STATEMENT OF MANAGEMENT RESPONSIBILITIES 5
IV. REPORT OF THE INDEPENDENT AUDITORS ON THE COUNTY 6
I. STATEMENT OF RECEIPTS AND PAYMENTS 7
II. STATEMENT OF ASSETS 8
III. STATEMENT OF CASH FLOWS 9
IV. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED 10
V. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT 12
VI. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT 14
VII. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES 16
VIII. SIGNIFICANT ACCOUNTING POLICIES 21
IX. NOTES TO THE FINANCIAL STATEMENTS 25
X. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS 40

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County 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:

Office of the Governor and Deputy Governor;
The County Assembly, and
The County Executive Committee

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name	CPA Reg. No.
1.	CEC- Finance	Mary Kimanzi	7333
2.	Chief Officer Finance	Justus Suka	16463
3.	Ag.Director- Financial Accounting Services	Kennedy Muthama	19022
4.	Principal Financial Reporting Officer	Bridgid Kibone	9733

(d) Fiduciary Oversight Arrangements

The main Institution's responsible for fiduciary oversight is the County Assembly and the Controller of Budget. There is also Internal Audit Department headed by Director Internal Audit Services which also is responsible for ensuring that Internal Controls are applied at all levels and stages of transactions

(e) Entity Headquarters

County Headquaters Building
Off Wote-Makindu Highway
P.O. Box 78-90300
Makueni. Kenya

(f) Entity Contacts

Telephone: (254) 20 203 4944/2068236
E-mail: contacr@makueni.go.ke
Website: www.makueni.go.ke

(g) Entity Bankers

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

Kenya Commercial Bank
Wote Branch

Co-operative Bank
Wote 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

Pursuant to Section 163 of the Public Finance Management Act, the Accounting Officer for a County Government entity shall prepare Financial Statements in respect of the entity in formats prescribed by the Accounting Standards Board. The law requires that these statements are submitted to the Auditor General, the National Treasury, the Controller of Budget and Commission for Revenue Allocation within three months after the end of each Financial Year. The attached Financial Statements which have been prepared in line with the requirements of the (PFMA),2012, present a true and fair view of the state of affairs of the County Government of Makueni for the twelve months period ending June 30, 2017.

During this period, the County Government of Makueni received Kshs. 6.4 billion from the exchequer, Kshs. 85.8 million being transfers from National Government, Kshs 219.0 million from local sources, Kshs. 12.5 million from donors, and Kshs. 222.0 million for Conditional allocations. The total revenue received was Kshs.6.98. The statement of receipts and payments indicates a difference of Kshs.2.1 billion which is financed by the reallocation budget of Kshs. 3.4 billion leaving a surplus of Kshs. 1.3 billion.

In order to ensure improved transparency, accountability and fiscal responsibility in the public sector, the County Government of Makueni is committed to prudent management of finances guided by sound financial policies and guidelines that ensure efficient utilization of resources. The County Budget and Economic forum has played a key role in supporting a sound budget process. We have also continuously updated Makueni citizens on matters of public finance through various media. The County Government is also dedicated to deliver on the promises made in her budget. This will help bolster the key objective of devolution which is to promote sustainable and equitable social, political and economic development in the County.

The main challenge faced during the period was slowed procurement due to introduction of e-procurement owing to capacity and network challenge in the County. We however, did our best to ensure that all procurements were timely auto created.

As I conclude, I would like to thank the National Treasury for the support they gave during the financial year.

The County's financial statements were forwarded and signed by CEC member on 26/2 2018

Mary K. Kimanzi
County Executive Committee member- Finance and Socio-Economic Planning
Government of Makueni County.

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 revenue 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 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 26/2 2018.

County Executive Committee member – Finance and Socio-Economic Planning

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Makueni set out on pages 7 to 53, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, summary statement of appropriations (recurrent and development combined), statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Executive 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 comply with the County Government Act, 2012 and 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, except for the matter described in the Other Matter section of my report, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

As disclosed at Note 21A and 21B to the financial statements, cash and cash equivalents balance of Kshs.1,401,820,598 as at 30 June 2017 comprises balances held in three banks under various accounts totalling Kshs.1,401,817,098 and cash balance of Kshs.3,500. Included in the bank balances is an amount of Kshs.141,969,876 under account number 1000238119 at the Central Bank of Kenya for which the bank reconciliation statement as at 30 June 2017 reflects long outstanding receipts in the cashbook not yet recorded in the bank dating as far back as July 2016 totalling Kshs.14,919,465. Further, the reconciliation statement reflects receipts in the bank statement not in the cashbook dating from December 2016 amounting to

Kshs.11,696,133. No explanation has been provided for failure to investigate and clear the long outstanding items from the financial records.

Consequently, the accuracy of cash and cash equivalents balance of Kshs.1,401,820,598 as at 30 June 2017 cannot be confirmed.

2. Acquisition of Assets

2.1 Acquisition of Land

During the year under review, the County Government Departments spent Kshs.38,872,922 on purchase of fifteen (15) parcels of land as follows: Kshs.31,272,922 - Department of Lands, Physical Planning and Mining; Kshs.3,600,000 - Department of Water, Irrigation and Environment; and Kshs.3,000,000 - Department of Gender, Youth and Social Services. However, out of the fifteen parcels of land bought, only two parcels had title deeds while the remaining thirteen parcels did not have titles.

Following a request made by the Director General of Africa Medical Research Foundation (AMREF) to the County Government to donate at least 50 acres for construction of its university campus in Makueni County, the County Government opted to purchase a parcel of land for the foundation at a cost of Kshs.12,500,000 on 31 May 2016. A title deed number Makindu/Kisingo/2436 for the land was subsequently processed in the name of AMREF International University of P.O Box 78-90300 Makueni as the beneficiary of that acquisition and legal owner. To date, the land lies idle as no activity has been undertaken. The circumstances under which the County Government used public funds to procure the land for a private institution have not been explained satisfactorily.

2.2 Acquisition of Motor Vehicles

As disclosed in Note 17 to the financial statements, a total Kshs.2,993,877,085 was spent on acquisition of assets in the year under review. Included in this expenditure is an amount of Kshs.87,800,512 in respect of purchase of vehicles and other transport equipment. However, a review of the logbooks and other supporting documents revealed that logbooks for seven motor vehicles acquired at a total cost Kshs.38,824,954 had not been obtained.

Consequently, the ownership of the seven vehicles valued at Kshs.38,824,954 cannot be confirmed.

2.3 Support to Small Business Traders (Hawkers)

The County Executive through the Department of Trade, Industry, Tourism and Co-operatives bought two Lorries at a total cost of Kshs.9,900,000 to support small business traders (hawkers) within the county. The Lorries are used by hawkers to transport their wares from one market to another. Available information indicate that the hawkers are in charge of the daily operations of the Lorries, including fueling, maintenance and hiring of drivers. The Department has, however, not developed and communicated clear policy on the use of the county assets by the small traders to eliminate abuse of public assets and

to ensure that the law governing use of public assets are not compromised. This is contrary to Section 149, Sub-section 2 (m) of the Public Finance Management Act, 2012 that require the Accounting Officer to ensure that assets of the entity are managed to ensure that the entity receives value for money when acquiring, using or disposing of its assets; and Sub-section 2(o) which require the Accounting Officer to ensure that the respective county government entity has adequate systems and processes in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the relevant County Treasury or the Auditor-General.

2.4 Construction of Multi-Purpose Hall at Wote

A local contractor, Kanini Kaseo Wholesalers, was awarded a tender for construction of a multi-purpose hall at Wote at a cost of Kshs.9,322,721 during the year under review. The cost elements included Kshs.757,650 for construction of concrete sitting terraces. However, physical verification of the project revealed that terraces were not done as indicated in the contract documents. Information available indicate that instead of the sitting terraces, the contract was varied and the contractor allowed to substitute the terraces with 200 banquet seats at Kshs.2,800 per unit bringing the total cost of the seats to Kshs.560,000. It is not clear why the contract was varied to substitute terraces with seats which had not been included in the original tender. It is also not clear how the balance of Kshs.197,650 being the difference between the cost of terraces and the cost of the seats was accounted for as the contractor was paid the entire contract sum of Kshs.9,322,721.

2.5 Construction of Workshops at PWD Rehabilitation Centre

The County Government through the Department of Gender, Youth and Social Services awarded construction of ICT, dressmaking and cosmetology, welding and carpentry workshops at PWD rehabilitation center to a contractor, M/S Trans Hydro Corporation Kenya Ltd at a cost of Kshs.11,814,124. The contract commenced on 3 March 2017 and the completion period as per the contract documents was eight weeks. However, the project was not completed as expected and remained incomplete as of November 2017. No documentary evidence has been provided for audit review to support any action taken on the contractor for breach of the contract terms.

3. Use of Goods and Services

3.1 Goods Not Delivered

The Department of Education and ICT awarded a contract for supply and delivery of children's swings, slides, sea-saw balances and climbing frames through a local purchase order number 2514624 dated 23 June 2016 to M/S Musyitech at a cost of Kshs.13,620,000. Playing equipment valued at Kshs.9,080,000 were delivered and invoiced on 8 November 2016, over four months after the local purchase order was issued contrary to Section 52. (1) of the Public Finance Management Regulations (County Government), 2015 which provides that a local purchase order or local service order shall

be valid for a period of thirty days from the date of issue.. The remaining equipment worth Kshs.4,540,000 had not been delivered as of February 2018.

4. Transfer of Funds to Other Entities

During the year, the County Government transferred Kshs.60,000,000 to the Makueni County Sand Authority against an approved budget of Kshs.52,351,505 resulting to unapproved expenditure of Kshs.7,648,495. No supplementary budget was submitted in support of the additional expenditure. Consequently, the propriety of the expenditure of Kshs.7,648,495 as at 30 June 2017 cannot be confirmed.

5. Accounts Receivable-Uncollected Revenue from Defunct Local Authorities

As disclosed in Note 26.4 to the financial statements, a balance of Kshs.161,734,820 being the sum of Kshs.147,410,623 and Kshs.14,324,197 for land rates and rent arrears, respectively has been outstanding from the defunct local authorities in the county. In addition, source documents for the inherited debtors were not provided for audit verification. Consequently, the accuracy and full recoverability of inherited debts totalling Kshs.161,734,820 as at 30 June 2017 cannot be confirmed.

6. Pending Payables/Bills

Notes 26.1 and 26.2 to the financial statements reflect pending accounts payables of Kshs.135,304,342 relating to construction, supply of goods and services and pending staff payables of Kshs.10,662,696 all totalling Kshs.145,967,038. However, pending payables ledger showing movement in individual balances and reference to the originating documents, such as invoices, contracts and payment vouchers have not been provided for audit verification. Consequently, the validity, completeness and accuracy of the total pending payables/bills of Kshs.145,967,038 cannot be ascertained.

Had the pending payables/bills of Kshs.145,967,038 been paid during the year, the County Executive would have reported a deficit of Kshs.2,240,519,462 instead of the deficit of Kshs.2,094,552,424 reported during the year. In addition, no satisfactory explanation has been provided for failure to settle the pending bills during the year given that the county executive had a closing cash and cash equivalents balance of Kshs.1,401,820,598 as at 30 June 2017.

7. Fixed Assets Register

As reported in the previous year, the fixed assets register as at 30 June 2017 does not reflect the assets inherited from the defunct local authorities in the County. In the circumstances, the completeness and accuracy of the fixed assets register non -current assets balance of Kshs.2,373,733,235 as at 30 June 2017 disclosed at Annex 4 of the financial statements cannot be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive 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 qualified opinion.

Key Audit Matter

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 Qualified Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matters

1. Budgetary Analysis

1.1 Un-Utilized Budget

The summary statement of appropriations (recurrent and development combined) shows that the County Executive had an approved budget of Kshs.10,652,442,846 for the financial year 2016/2017. However, actual total expenditure was Kshs.9,075,012,556 thus leading to an under-expenditure of Kshs.1,577,430,290. Further, the IFMIS generated vote books revealed that only Kshs.9,007,497,752 was spent out of the total budget of Kshs.10,652,442,846 thus resulting in a budget absorption rate of 84.5%. The actual expenditure of Kshs.9,007,497,752 reflected in IFMIS vote books differed with the total payments of Kshs.9,075,012,556 reflected in the statement of receipts and payments for the year ended 30 June 2017 by Kshs.67,514,804. The variance has not been explained.

1.2 Recurrent Budget

The summary statement of appropriation – recurrent shows that the County Executive had a budget of Kshs.5,154,661,344 for recurrent expenditure during the year under review but actually spent Kshs.4,926,286,966 thus resulting to under-expenditure of Kshs.228,374,378. However, the IFMIS vote book for recurrent expenditure reflects a budget of Kshs.5,214,601,682 and actual total expenditure of Kshs.4,771,513,990 and overall under-expenditure of Kshs.443,087,692 or approximately 8.5% of the budget as detailed below:

Department	Revised Recurrent Budget 2016/17 (Kshs)	Actual Expenditure (Kshs)	Variance (Kshs)	Variance (%)
County Attorney's Office	38,193,981		(38,193,981)	-100.0
County Public Service Board	75,637,066	69,605,848	(6,031,218)	-8.0
Department of lands, Physical Planning & Mining	40,437,531	38,777,429	(1,660,102)	-4.1
Office of Governor	245,163,330	263,766,437	18,603,107	7.6

Department of Trade, Tourism & Cooperatives	58,396,124	53,948,385	(4,447,739)	-7.6
Department of Youth, Gender, Sports & Social services	57,961,562	55,762,787	(2,198,775)	-3.8
County Secretary	343,443,782	313,755,254	(29,688,528)	-8.6
Department of finance & Socio Economic Planning	671,516,934	510,984,004	(160,532,930)	-23.9
Department of Education & ICT	263,778,653	254,434,688	(9,343,965)	-3.5
Department of Transport & Infrastructure	141,733,078	135,742,787	(5,990,291)	-4.2
Department of Agriculture, Livestock & Fisheries development	205,471,505	196,431,366	(9,040,139)	-4.4
Department of water, Irrigation & Environment	151,272,707	184,858,972	33,586,266	22.2
Department of health	1,818,872,673	1,794,883,308	(23,989,365)	-1.3
Department of Devolution & Public Service	351,578,631	267,085,026	(84,493,605)	-24.0
Sand Authority	47,151,505		(47,151,505)	-100.0
County Assembly	703,992,622	631,477,699	(72,514,923)	-10.3
Sub Totals	**5,214,601,682**	**4,771,513,990**	**(443,087,692)**	-8.5

The actual expenditure of Kshs.4,926,286,966 reflected in the statement of appropriation-recurrent therefore differs with the IFMIS generated recurrent vote book actual expenditure of Kshs.4,771,513,990. The resulting variance of Kshs.154,772,976 has not been explained. In addition, the recurrent budget in the IFMIS vote book was recorded as Kshs.5,214,601,682 and not as Kshs.5,154,661,344 reflected in the final approved budget thus resulting in an unexplained variance of Kshs.59,940,338.

1.3 Development Budget

The statement of appropriation- development reflects a budget for the year under review of Kshs.5,497,781,502 against actual total expenditure of Kshs.4,148,725,591 thus resulting to an under-expenditure of Kshs.1,349,055,911or 2458% of the budget. However, the IFMIS development vote book reflects actual total expenditure of Kshs.4,235,965,762 resulting in an under- expenditure of Kshs.1,261,815,740 or 23% of the budget as shown below:

Department	Revised Development Budget FY 2016/17	Actual Expenditure (Kshs)	Variance (Kshs)	Variance (%)
Department of lands, Physical Planning & Mining	149,486,156.47	115,390,964.00	(34,095,192.47)	-22.8
Department of Trade, Tourism & Cooperatives	315,528,565.60	222,068,440.00	(93,460,125.60)	-29.6
Department of Youth, Gender, Sports & Social services	455,683,023.82	402,112,666.00	(53,570,357.82)	-11.8
Department of finance & Socio Economic Planning	55,737,490.00	49,240,895.00	(6,496,595.00)	-11.7
Department of Education & ICT	462,375,857.34	360,764,441.00	(101,611,416.34)	-22.0

Department of Transport & Infrastructure	853,288,449.63	621,598,166.00	(231,690,283.63)	-27.2
Department of Agriculture, Livestock & Fisheries development	701,230,570.74	615,289,485.00	(85,941,085.74)	-12.3
Department of water, Irrigation & Environment	1,234,022,534.15	807,774,084.00	(426,248,450.15)	-34.5
Department of health	1,177,288,518.51	918,272,497.00	(259,016,021.51)	-22.0
Department of Devolution & Public Service	28,000,000.00	78,218,091.00	50,218,091.00	179.4
Sand Authority	5,200,000.00	60,000,000.00	(7)	-100.0
County Assembly	59,940,336.88	45,236,033.00	(14,704,303.88)	-24.5
Sub Totals	**5,497,781,503**	**4,235,965,762**	(1,261,815,741)	-23.0

Further, the IFMIS development vote book actual total expenditure of Kshs.4,235,965,762, differs with the actual expenditure balance of Kshs.4,078,650,982 stated in the statement of appropriation- development by Kshs.157,314,780, which variance has not been explained satisfactorily.

2. Development Projects Implementation and Management

The County Executive budgeted to spend Kshs.5,497,781,502 on development projects during the year under review. However, projects implementation status report as at 30 June 2017 indicates that 1,287 projects estimated to cost Kshs.5,187,328,384 had been earmarked for implementation as follows:

Department	No. Budgeted	Amount Budgeted (Kshs)	Total Expenditure (Kshs)	Variance (Kshs)	Completed Projects	Ongoing Projects	Stalled Projects	Projects not Started
Department of lands, Physical Planning & Mining	20	41,966,250	34,926,250	(7,040,000)	14	6	-	-
Department of Trade, Tourism & Cooperatives	80	315,528,566	222,068,440	(93,460,125)	51	23	-	6
Department of Youth, Gender, Sports & Social services	48	455,683,024	404,690,925	(50,992,099)	24	16	1	7
Department of Education & ICT	168	481,720,694	374,401,403	(107,319,291)	139	18	3	18

Department of Transport & Infrastructure	419	804,168,126	573,027,554	(231,140,572)	398	16		5
Department of Agriculture, Livestock & Fisheries development	51	701,230,571	551,264,401	(149,966,169)	32	19	-	-
Department of water, Irrigation & Environment	332	1,209,742,636	716,613,786	(493,128,849)	247	62	4	18
Department of health	169	1,177,288,519	917,053,874	(260,234,645)	132	12		25
Sub Totals	**1,287**	**5,187,328,384**	**3,794,046,634**	**(1,393,281,751)**	**1,037**	**172**	**8**	**79**

The variance of Kshs.310,453,118 between the projects approved in the budget of Kshs.5,497,781,502 and the amount of Kshs.5,187,328,384 reflected in the project implementation status has not been explained.

Further, the project implementation status report indicates that eight projects had stalled while a total of seventy-nine projects had not started. As a result, the county residents did not obtain value-for-money from the eight stalled projects and the yet to start seventy-nine projects. No explanation has been provided for the delays in commencing and completing the projects.

3. Human Resource

A review of the payrolls revealed that the County Executive staff numbered 3,226 as at 30 June 2017. Out of this number, 1,889 were in the Integrated Personnel Payroll Database (IPPD) and 1,337 in a different payroll for employees on contract terms and which was maintained in excel software. Further, review of the internal controls in the management of human resource and the IPPD staff list as at June 2017 revealed the following anomalies:

3.1 Lack of Staff Establishment

A review of the human resource processes and documentation showed that the County Executive did not have an approved human resource establishment to guide in the management and utilization of the human resource.

3.2 Staff Regional Balance

As stated earlier, in the absence of the biodata in the manual payroll, it is not possible to determine the constitutional thresholds on representation. However, of the 291

employees recruited during the year, the highest number were from the dominant community at 90.38% as detailed below.

Ethnic Group	Number	Proportion
KAMBA	263	90.38
KIKUYU	8	2.75
LUHYA	5	1.72
LUO	5	1.72
KISII	4	1.37
KALENJIN	3	1.03
MERU	1	0.34
EMBU	1	0.34
GIRIAMA	1	0.34
	291	**100**

The County Executive was therefore in breach of Section 65(i) (e) of the County Government Act, 2012 which provides that at least 30% of County Government workers should be from communities other than the one dominant in the County.

4. Internal Audit Function

The County Executive has an internal audit function in place. However, the scope of internal audit function did not include evaluating and reporting on internal controls. In addition, the unit did not have an annual audit plan and the internal audit charter was also not provided for audit verification. Further, the few audits planned for the financial year were not completed. In addition, for those audits performed during the year, management responses on the issues raised were not provided for audit verification. Further, no documentary evidence was made available to confirm that the Accounting Officer had authorized internal audit unit staff to have unrestricted access to all records and assets of the County. It was also noted that though the unit functionally works under the audit committee, it has been placed administratively under finance department which may weaken its independence.

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's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the County Executive or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the County Executive'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 Executive's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to continue to sustain its services.

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive 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

I. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Exchequer releases	1	6,441,351,588	5,969,671,381
Proceeds from Domestic and Foreign Grants	2	12,065,000	12,065,000
Transfers from National Government	3	85,890,000	90,900,000
Proceeds from Domestic Borrowings	4	-	-
Proceeds from Foreign Borrowings	5	-	-
Proceeds from Sale of Assets	6	-	-
Conditional Additional Allocations to County Governments	7	222,080,126	96,452,971
Returns of Equity Holdings	8	-	-
County Own Generated Receipts	9	219,073,418	220,171,649
Returned CRF issues	10	-	-
TOTAL RECEIPTS		**6,980,460,132**	**6,389,261,001**
PAYMENTS			
Compensation of Employees	11	2,424,883,082	1,884,914,836
Use of goods and services	12	1,647,938,491	1,472,382,287
Subsidies	13	-	-
Transfers to Other Government Units	14	748,338,860	724,851,073
Other grants and transfers	15	238,266,868	79,433,992
Social Security Benefits	16	-	-
Acquisition of Assets	17	2,993,604,256	1,253,457,213
Finance Costs, including Loan Interest	18	-	-
Repayment of principal on Domestic and Foreign borrowing	19	-	-
Other Payments	20	1,021,980,999	-
TOTAL PAYMENTS		**9,075,012,556**	**5,415,039,401**
SURPLUS/DEFICIT		**-2,094,552,424**	**974,221,600**

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 26/2 2018 and signed by:

Chief Officer
Name: Justus Suka
ICPAK Member Number: 16463

Ag.Head of Treasury
Name: Kennedy Muthama
ICPAK Member Number: 19022

II. STATEMENT OF ASSETS

	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	21A	1,401,817,098	3,410,704,070
Cash Balances	21B	3,500	248
Total Cash and cash equivalent		**1,401,820,598**	**3,410,704,318**
Accounts receivables – Outstanding Imprests	22	31,709,242	7,073,927
TOTAL FINANCIAL ASSETS		**1,433,529,840**	**3,417,778,245**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	23	141,969,876	31,665,857
NET FINANCIAL ASSETS		**1,291,559,964**	**3,386,112,388**
REPRESENTED BY			
Fund balance b/fwd	24	3,386,112,388	2,411,890,788
Prior year adjustments	25	-	-
Surplus/Deficit for the year		-2,094,552,425	974,221,600
NET FINANCIAL POSITION		**1,291,559,964**	**3,386,112,388**

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 26/3 2018 and signed by:

Chief Officer
Name: Justus Suka
ICPAK Member Number: 16463

Ag.Head of Treasury
Name: Kennedy Muthama
ICPAK Member Number: 19022

III. STATEMENT OF CASH FLOWS

		2016-2017 Kshs	2015 - 2016 Kshs
Receipts from operating income			
Exchequer Releases	1	6,441,351,588	5,969,671,381
Proceeds from Domestic and Foreign Grants	2	12,065,000	12,065,000
Transfers from National Government	3	85,890,000	-
Conditional Additional Allocations to County Governments	7	222,080,126	187,352,971
Returns of Equity Holdings	8	-	-
County Own Generated Receipts	9	219,073,418	220,171,649
Returned CRF issues	10	-	-
Payments for operating expenses			
Compensation of Employees	11	-2,424,883,082	-1,884,914,836
Use of goods and services	12	-1,647,938,491	-1,472,382,287
Subsidies	13	-	-
Transfers to Other Government Units	14	-748,338,860	-724,851,073
Other grants and transfers	15	-238,266,868	-79,433,992
Social Security Benefits	16	-	-
Finance Costs, including Loan Interest	18	-	-
Other Payments	20	-1,021,980,999	-
Adjusted for:			
Adjustments during the year-Increase in Receivables		-24,635,315	12,514,793
-Increase in Payables		110,260,862	
Net cash flow from operating activities		**984,720,536**	**2,240,193,607**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	6	-	-
Acquisition of Assets	17	-2,993,604,256	-1,253,457,213
Net cash flows from Investing Activities		**-2,993, 604,256**	**-1,253,457,213**
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	4	-	-
Proceeds from Foreign Borrowings	5	-	-
Repayment of principal on Domestic and Foreign borrowing	19	-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		**-2,008,883,721**	**986,736,394**
Cash and cash equivalent at BEGINNING of the year	21	**3,410,704,318**	**2,423,967,925**
Cash and cash equivalent at END of the year	24	**1,401,820,598**	**3,410,704,318**

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 26/2 2018 and signed by:

Chief Officer
Name: Justus Suka
ICPAK Member Number 16463

Ag.Head of Treasury
Name: Kennedy Muthama
ICPAK Member Number: 19022

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	6,441,351,588		6,441,351,588	6,441,351,588		100%
Proceeds from Domestic and Foreign Grants						
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Conditional Additional Allocations to County Governments	354,996,402		354,996,402	204,311,126	150,685,276	58%
Fuel Levy Allocation	98,971,324		98,971,324	98,971,324		100%
County Own Generated Funds	330,000,000		330,000,000	219,073,418	110,926,582	66%
Return issues to CRF	3,427,123,535		3,427,123,535	3,427,123,535		100%
TOTAL	**10,652,442,849**		**10,652,442,849**	**10,390,830,991**	**261,611,858**	**98%**
PAYMENTS						
Compensation of Employees	2,232,262,128		2,232,262,128	2,424,883,082	-192,620,954	109%
Use of goods and services	2,053,477,493		2,053,477,493	1,647,938,491	405,539,001	80%
Subsidies						
Transfers to Other Government Units	756,344,126		756,344,126	748,338,860	8,005,266	99%
Other grants and transfers	245,717,933		245,717,933	238,266,868	7,451,065	97%
Social Security Benefits						
Acquisition of Assets	4,126,641,349		4,126,641,349	2,993,604,256	1,133,037,093	73%
Finance Costs, including Loan Interest						
Repayment of principal on Domestic and Foreign borrowing						

Other Payments	1,237,999,817		1,237,999,817	1,021,980,999	216,018,818	83%
TOTAL	**10,652,442,846**		**10,652,442,846**	**9,075,012,556**	**1,577,430,289**	**85%**

Other grants include Bursaries of Kshs. 55,799,983 and Emergency of Kshs. 114,466,886

The entity financial statements were approved on 26/2 2018 and signed by:

Chief Officer
Name: Justus Suka
ICPAK Member Number 16463

Ag.Head of Treasury
Name: Kennedy Muthama
ICPAK Member Number: 19022

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	4,488,770,907		4,488,770,907	4,488,770,907		100%
Proceeds from Domestic and Foreign Grants						
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Conditional Additional Allocations to County Governments						
Fuel Levy Allocation						
County Own Generated Funds	330,000,000		330,000,000	219,073,418	110,926,582	66%
Return issues to CRF	335,890,439		335,890,439	335,890,439		100%
TOTAL	**5,154,661,346**		**5,154,661,346**	**5,043,734,764**	**110,926,582**	98%
PAYMENTS						
Compensation of Employees	2,232,262,128		2,232,262,128	2,424,883,082	-192,620,954	109%
Use of goods and services	2,053,477,493		2,053,477,493	1,647,938,491	405,539,001	80%
Subsidies						
Transfers to Other Government Units	691,203,790		691,203,790	683,198,524	8,005,266	99%
Other grants and transfers	177,717,933		177,717,933	170,266,868	7,451,065	96%
Social Security Benefits						
Acquisition of Assets						
Finance Costs, including Loan Interest						
Repayment of principal on Domestic and Foreign borrowing						
Other Payments						

TOTAL	**5,154,661,344**		**5,154,661,344**	**4,926,286,966**	**228,374,378**	96%

Other grants include Bursaries of Kshs. 55,799,983 and Emergency of Kshs. 114,466,886

The entity financial statements were approved on 26/2 2018 and signed by:

Chief Officer
Name: Justus Suka
ICPAK Member Number 16463

Ag.Head of Treasury
Name: Kennedy Muthama
ICPAK Member Number: 19022

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	1,952,580,681		1,952,580,681	1,952,580,681		100%
Proceeds from Domestic and Foreign Grants						
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Conditional Additional Allocations to County Governments	354,996,402		354,996,402	204,311,126	150,685,276	58%
Fuel Levy Allocation	98,971,324		98,971,324	98,971,324		100%
County Own Generated Funds						
Return issues to CRF	3,091,233,096		3,091,233,096	3,091,233,096		100%
TOTAL	**5,497,781,503**		**5,497,781,503**	**5,347,096,227**	**150,685,276**	97%
PAYMENTS						
Compensation of Employees						
Use of goods and services						
Subsidies						
Transfers to Other Government Units	65,140,336		65,140,336	65,140,336		100%
Other grants and transfers	68,000,000		68,000,000	68,000,000		100%
Social Security Benefits						
Acquisition of Assets	4,126,641,349		4,126,641,349	2,993,604,256	1,133,037,093	73%
Finance Costs, including Loan Interest						
Repayment of principal on Domestic and Foreign borrowing						

Other Payments	1,237,999,817		1,237,999,817	1,021,980,999	216,018,818	83%
TOTAL	**5,497,781,502**		**5,497,781,502**	**4,148,725,591**	**1,349,055,911**	75%

(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 26/2 2018 and signed by:

Chief Officer
Name: Justus Suka
ICPAK Member Number 16463

Ag.Head of Treasury
Name: Kennedy Muthama
ICPAK Member Number: 19022

VII. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

		Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
Department	**Programme/ Sub Programme**	-				
Health services	Programme : Curative health care services	1,152,284,850.94	20,609,811.76	1,172,894,662.70	1,170,935,660.77	1,959,001.93
	Programme ; Preventive and promotive health care services	313,498,663.04	5,607,249.31	319,105,912.34	318,572,932.60	532,979.75
	Programme 3: General Administration	1,449,088,329.15	55,072,286.85	1,504,160,616.01	1,243,602,020.62	260,558,595.39
	Total	**2,914,871,843.13**	**81,289,347.92**	**2,996,161,191.05**	**2,733,110,613.98**	**263,050,577.07**
Finance & Planning	Programme 1: General administration & planning	542,655,523.02	70,000,000.00	612,655,523.02	658,687,975.65	- 46,032,452.63
	Programme 2: Public financial management	98,954,391.80	15,644,509.13	114,598,900.93	112,066,242.93	2,532,658.00
Total		**641,609,914.82**	**85,644,509.13**	**727,254,423.95**	**770,754,218.58**	**- 43,499,794.63**
County Public Service Board	Programme 1: Human resource management & Development	75,637,066.30	-	75,637,066.30	69,078,568.65	6,558,497.65
Total	**Total**	**75,637,066.30**	**-**	**75,637,066.30**	**69,078,568.65**	6,558,497.65
Agriculture, Livestock & Fisheries	Programme 1: General administration & planning	401,241,882.19	(17,432,165.10)	383,809,717.09	312,844,328.01	70,965,389.08
	Programme 2: Land, Crop development & productivity	418,175,036.03	(18,167,834.90)	400,007,201.13	329,250,242.67	70,756,958.46
	Programme3; Agribusiness and information management	27,760,121.28	-	27,760,121.28	26,476,374.51	1,283,746.77

	Programme 2: Livestock Production, Management and Development	104,525,036.03	(9,400,000.00)	95,125,036.03	89,962,395.66	5,162,640.37
	Total	**951,702,075.54**	**(45,000,000.00)**	**906,702,075.54**	**758,533,340.85**	**148,168,734.69**
Trade, Tourism & Cooperatives	Programme 1: General administration & planning	314,843,620.01	3,000,000.00	317,843,620.01	232,963,561.61	84,880,058.41
	Programme 2: Trade development & promotion	33,383,085.34	-	33,383,085.34	24,996,190.25	8,386,895.09
	Programme3; Industrial development and promotion	2,685,103.46	-	2,685,103.46	2,685,103.46	-
	Programme 4: Tourism development & promotion	5,006,440.16	-	5,006,440.16	2,502,532.00	2,503,908.16
	Programme 5: Cooperative development and management	15,006,440.16	-	15,006,440.16	10,670,693.84	4,335,746.32
	Total	**370,924,689.13**	**3,000,000.00**	**373,924,689.13**	**273,818,081.15**	**100,106,607.98**
Sand Authority	Programme 1: Sand conservation and environment protection	60,000,000.00	(7,648,494.60)	52,351,505.40	60,000,000.00	- 7,648,494.60
	Total	**60,000,000.00**	**(7,648,494.60)**	**52,351,505.40**	**60,000,000.00**	**- 7,648,494.60**
Lands, Mining & Urban Planning	Programme 1: General administration & planning	133,627,603.29	(10,016,069.80)	123,611,533.49	102,551,968.97	21,059,564.52
	Programme 2: : Land Survey & Mapping	48,538,308.49	(5,000,000.00)	43,538,308.49	35,173,999.29	8,364,309.20
	P3; Urban planning	22,773,845.29	-	22,773,845.29	19,783,491.45	2,990,353.84
	Programme 2: Mining mapping & development	-	-	-	-	-
	Total	**204,939,757.07**	**(15,016,069.80)**	**189,923,687.27**	**157,509,459.72**	**32,414,227.55**
Office of the Governor	Programme 1: General administration & planning	232,786,460.85	12,376,868.95	245,163,329.80	231,194,071.25	13,969,258.55
	Total	**232,786,460.85**	**12,376,868.95**	**245,163,329.80**	**231,194,071.25**	**13,969,258.55**

Devolution & Public Service	Programme 1: General administration & planning	221,163,859.63	(10,115,310.15)	211,048,549.48	197,057,643.78	13,990,905.70
	Programme 2: :Public Participation & Civic Education	47,293,443.59	3,139,897.94	50,433,341.53	46,632,000.87	3,801,340.66
	Programme 3; Information and communication	37,837,230.01	3,312,135.02	41,149,365.03	37,010,638.02	4,138,727.00
	Programme 4: Enforcement and compliance	50,766,101.28	3,443,881.91	54,209,983.19	50,123,983.59	4,085,999.60
	Programme 5: Volunteerism & mentorship	20,907,246.21	1,830,145.13	22,737,391.34	21,023,593.14	1,713,798.21
	Total	**377,967,880.72**	**1,610,749.85**	**379,578,630.57**	**351,847,859.40**	**27,730,771.17**
County Secretary	Programme 1: Leadership and coordination of departments.	345,449,374.45	(2,005,592.57)	343,443,781.88	317,786,219.15	25,657,562.73
	Total	**345,449,374.45**	**(2,005,592.57)**	**343,443,781.88**	**317,786,219.15**	**25,657,562.73**
County Attorney	Programme 1: Legal & advisory services	43,753,980.68	(5,560,000.00)	38,193,980.68	35,173,629.90	3,020,350.78
	Total	**43,753,980.68**	**(5,560,000.00)**	**38,193,980.68**	**35,173,629.90**	**3,020,350.78**
Transport, Roads & Infrastructure	Programme 1: General administration & planning	606,298,832.87	43,777,673.68	650,076,506.55	495,474,608.00	154,601,898.55
	Programme 2: Road transport	303,105,338.82	-	303,105,338.82	219,032,552.07	84,072,786.76
	P3; Infrastructure development	34,476,943.47	-	34,476,943.47	27,302,165.61	7,174,777.85
	Programme 2: Energy Infrastructure & development	7,362,739.10	-	7,362,739.10	5,861,955.22	1,500,783.88
	Total	**951,243,854.26**	**43,777,673.68**	**995,021,527.94**	**747,671,280.90**	**247,350,247.04**
Education & ICT	Programme 1: General administration & planning	342,542,802.26	(18,360,628.24)	324,182,174.02	281,957,272.63	42,224,901.38
	Programme 2: Early childhood education	171,364,743.20	(9,185,317.35)	162,179,425.85	145,672,890.52	16,506,535.34
	Programme 3: Technical training & non formal education	90,113,886.35	(4,830,192.19)	85,283,694.16	75,767,706.72	9,515,987.44

	Programme 4: Support to education	129,014,185.44	(6,915,286.15)	122,098,899.29	106,862,455.79	15,236,443.50
	Programme 5; ICT Infrastructure & Systems Development	32,410,316.55	-	32,410,316.55	29,867,370.88	2,542,945.67
	Total	**765,445,933.80**	**(39,291,423.93)**	**726,154,509.88**	**640,127,696.54**	**86,026,813.34**
Youth, Sports, Gender & Social services	Programme 1: General administration & planning	361,034,582.05	-	361,034,582.05	321,359,264.05	39,675,318.01
	Programme 2: Gender & Social Development	53,567,851.48	-	53,567,851.48	47,002,529.05	6,565,322.43
	Programme3; Youth Development support & Empowerment	69,262,742.73	2,472,058.47	71,734,801.20	64,204,349.17	7,530,452.03
	Programme 4: Sports Development	27,307,351.48	-	27,307,351.48	25,309,311.25	1,998,040.23
	Total	**511,172,527.74**	**2,472,058.47**	**513,644,586.21**	**457,875,453.51**	**55,769,132.70**
Water	Programme 1: General administration & planning	937,896,051.70	9,492,819.80	947,388,871.50	641,580,075.76	305,808,795.74
	Programme 2: Water infrastructure Development	385,125,188.70	3,898,005.55	389,023,194.25	256,842,326.36	132,180,867.89
	SP 2.1 Water harvesting and storage		-	-	-	-
	SP 2.2.Piped water supply infrastructure		-	-	-	-
	SP2.3 Ground water development		-	-	-	-
	Programme3; Irrigation infrastructure development	7,993,269.96	-	7,993,269.96	6,221,969.23	1,771,300.73
	Programme 4: Environment management and protection	40,889,904.94	-	40,889,904.94	28,804,682.80	12,085,222.14
	Total	**1,371,904,415.30**	**13,390,825.35**	**1,385,295,240.65**	**933,449,054.15**	**451,846,186.50**
County Assembly	Programme 1;	703,992,621.55	-	703,992,621.55	-	703,992,621.55
	Total	**703,992,621.55**	-	703,992,621.55	-	703,992,621.55

	Grand Total	10,523,402,395.34	129,040,452.46	10,652,442,847.80	9,104,229,080	1,548,213,766

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 County 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 County

The financial statements are for the Government of Makueni County. The financial statements encompass the reporting County 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 County.

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 County 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 County 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 County 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 County 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 141,926,710 compared to Kshs 31,665,857 in prior period as indicated on Note 25.

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 are reflected in the County 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 on 30th June, 2016 for the period 1st July 2016 to 30 June 2017 as required by law. There was one number of supplementary budgets 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 EXCHQUER RELEASES

		2016 - 2017	2015 - 2016
		Kshs	Kshs
	Total Exchequer Releases for quarter 1	1,095,029,770	477,573,710
	Total Exchequer Releases for quarter 2	1,062,823,012	1,522,266,201
	Total Exchequer Releases for quarter 3	1,610,337,897	1,492,417,844
	Total Exchequer Releases for quarter 4	2,673,160,909	2,477,413,626
	Total	**6,441,351,588**	**5,969,671,381**

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)				
(Insert name of donor)	-	-	-	-
(Insert name of donor)	-	-	-	-
Grants Received from Multilateral Donors (International Organisations)				
DANIDA		Kshs.	12,065,000	12,065,000
(Insert name of donor)	-	-	-	-
Grants Received from other levels of government				
(Insert name of donor)	-	-	-	-
(Insert name of donor)	-	-	-	-
Total			**12,065,000**	**12,065,000**

3 TRANSFERS FROM NATIONAL GOVERNMENT

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers from Central government entities		
Free maternity healthcare	85,890,000	90,900,000
(insert name of budget agency)	-	-
Transfers from Counties		
(insert name of budget agency)	-	-
(insert name of budget agency)	-	-
TOTAL	**85,890,000**	**90,900,000**

4 PROCEEDS FROM DOMESTIC BORROWINGS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Borrowing within General Government	-	-
Borrowing from Monetary Authorities (Central Bank)	-	-
Other Domestic Depository Corporations (Commercial Banks)	-	-
Borrowing from Other Domestic Financial Institutions	-	-
Borrowing from Other Domestic Creditors	-	-
Domestic Currency and Domestic Deposits	-	-
Total	-	-

5 PROCEEDS FROM FOREIGN BORROWINGS

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Foreign Borrowing – Draw-downs Through Exchequer	-	-
Foreign Borrowing - Direct Payments	-	-
Foreign Currency and Foreign Deposits	-	-
Total	-	-

6 PROCEEDS FROM SALE OF ASSETS

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Receipts from the Sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Receipts from Sale of Certified Seeds and Breeding Stock	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Receipts from the Sale of Inventories, Stocks and Commodities	-	-
Disposal and Sales of Non-Produced Assets	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Total	-	-

7. CONDITIONAL ADDITIONAL ALLOCATION TO COUNTY GOVERNMENTS

	2016 - 2017	2015 – 2016
Loans and Grants Supplementary	Kshs	Kshs
Conditional Allocations for Free Maternal Healthcare Allocation	-	-
Conditional Allocations for Compensation for User Fees Foregone	19,449,802	20,618,293
Conditional Allocation from Road Maintenance Fuel Levy Fund	98,971,324	75,834,678
Conditional Allocation For Health Workers Allowances	103,659,000	-
Total	**222,080,126**	**96,452,971**

8 RETURNS OF EQUITY HOLDINGS

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Returns of Equity Holdings in Domestic Organisations	-	-
Returns of Equity Holdings in International Organisations	-	-
	-	-
Total	-	-

9 COUNTY OWN GENERATED REVENUES

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Transfers from National Government	-	8,410,305
Parking Fees	25,841,269	4,552,617
Plot Rates/Rent	6,668,541	11,683,488
Single Business Permits	65,462,900	4,080,786
Plans Inspection	6,077,004	13,376,466
Public Health services	4,178,635	1,705,705
Advertising (Billboards)	3,291,260	3,526,082
Market Fees	33,547,625	28,684,270
Rent (County Houses, Market stalls, County commercial buildings)	-	5,894,260
Agricultural Produce Cess	14,997,040	1,682,247
Fines Penalties and Forfeitures	1,975,864	65,078,465
Water Lease Fees	-	13,020,759
Hospital Fees	-	2,845,789
Sundry debtors (Premium for property allocation and ground rent)	-	-
Licenses	-	25,583,865
Other Revenues	57,033,280	25,809,465
Environment& Conservancy Administration	-	4,237,080
	219,073,418	**220,171,649**

10 RETURNED CRF ISSUES

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Recurrent account	-	-
Development account	-	-
Deposit account	-	-
Total	-	-

11 COMPENSATION OF EMPLOYEES

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Basic salaries of permanent employees	2,424,883,082	1,758,672,670
Basic wages of temporary employees	-	838,877
Personal allowances paid as part of salary	-	-
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	92,775,654
Compulsory national social security schemes	-	7,884,000
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	-
Other personnel payments	-	24,743,635
Total	**2,424,883,082**	**1,884,914,836**

12 USE OF GOODS AND SERVICES

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Utilities, supplies and services	21,354,842	17,721,994
Communication, supplies and services	9,332,105	18,490,228
Domestic travel and subsistence	152,092,602	147,224,047
Foreign travel and subsistence	21,156,860	12,570,880
Printing, advertising and information supplies & services	28,341,608	26,812,211
Rentals of produced assets	2,121,100	3,187,850
Training expenses	33,140,547	39,373,823
Hospitality supplies and services	44,090,416	38,846,073
Insurance costs	143,591,412	143,119,432
Specialized materials and services	348,494,148	314,157,411
Office and general supplies and services	19,684,746	25,926,258
Other operating expenses	702,057,679	574,532,918
Refined Fuel	22,944,755	55,634,909
Routine maintenance – vehicles and other transport equipment	54,553,382	33,195,073
Routine maintenance – other assets	44,982,289	21,589,179
Total	**1,647,938,491**	**1,472,382,287**

13 SUBSIDIES

Description	2016 - 2017	2015 – 2016
	Kshs	Kshs
Subsidies to Public Corporations		
See list attached	-	-
(Nyumbani Sugar Company)	-	-
Subsidies to Private Enterprises		
See list attached	-	-
(Vijana Fisheries Ltd)	-	-
TOTAL	-	-

14 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 – 2016
	Kshs	Kshs
Transfers to Central government entities		
See attached list	-	-
Transfers to Other Counties		
(County Assembly)	688,338,860	704,232,780
(Transfer to Sand Authority)	60,000,000	20,618,293
TOTAL	**748,338,860**	**724,851,073**

15 OTHER GRANTS AND OTHER PAYMENTS

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Scholarships and other educational benefits	55,799,982	50,501,476
Emergency relief and refugee assistance	114,466,886	28,932,516
Subsidies to small businesses, cooperatives, and self employed	68,000,000	-
Total	**238,266,868**	**79,433,992**

16 SOCIAL SECURITY BENEFITS

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Government pension and retirement benefits	-	-
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	-	-
Total	-	-

17 ACQUISITION OF ASSETS

7Financial Assets	2016 – 2017	2015 – 2016
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	1,270,035,395	336,592,596
Refurbishment of Buildings	11,702,763	-
Construction of Roads	315,307,181	45,753,797
Construction and Civil Works	235,666,290	165,416,899
Overhaul and Refurbishment of Construction and Civil Works	673,015,410	-
Purchase of Vehicles and Other Transport Equipment	87,800,512	147,688,863
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	14,411,100	-
Purchase of Office Furniture and General Equipment	114,461,857	111,345,235
Purchase of ICT Equipment	24,916,031	9,631,735
Purchase of Specialized Plant, Equipment and Machinery	158,823,040	46,500,000
Rehabilitation and Renovation of Plant, Machinery and Equip.	339,340	-
Purchase of Certified Seeds, Breeding Stock and Live Animals	8,513,500	5,140,448
Research, Studies, Project Preparation, Design & Supervision	10,455,915	385,387,640
Rehabilitation of Civil Works	-	-
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Land	37,872,922	-

Acquisition of Intangible Assets	-	-
Financial Assets		
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	30,283,000	-
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
Foreign Payables - From Previous Years	-	-
Total	**2,993,604,256**	**1,253,457,213**

18 FINANCE COSTS, INCLUDING LOAN INTEREST

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Exchange Rate Losses	-	-
Interest Payments on Foreign Borrowings	-	-
Interest Payments on Guaranteed Debt Taken over by Govt	-	-
Interest on Domestic Borrowings (Non-Govt)	-	-
Interest on Borrowings from Other Government Units	-	-
Total	-	-

19 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Repayments on Borrowings from Domestic	-	-
Principal Repayments on Guaranteed Debt Taken over by Government	-	-
Repayments on Borrowings from Other Domestic Creditors	-	-
Repayment of Principal from Foreign Lending & On – Lending	-	-
Total	-	-

20 OTHER EXPENSES

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Budget Reserves	-	-
Civil Contingency Reserves	-	-
Other expenses	1,021,980,999	-
	1,021,980,999	**-**

21A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit, revenue e.t.c	2016 - 2017	2015- 2016
			Kshs	Kshs
Central Bank of Kenya-1000170937	Kshs	Revenue Ac	1,007,360,933	3,180,593,140
Central Bank of Kenya-1000170557	Kshs	Recurrent Ac	519	47,504,285
Central Bank of Kenya-1000170573	Kshs	Development Ac	136,497,853	87,500
Central Bank of Kenya-1000268255	Kshs	Emergency Ac	41,234,121	22,940,350
Central Bank of Kenya-1000251697	Kshs	Makueni County Road Maint. Ac	36,303,838	57,255,181
Kenya Commercial Bank-1140751719	Kshs	Revenue Ac	1,060,316	3,076,283
Kenya Commercial Bank-1140751042	Kshs	Operations Ac	2,441,805	5,684,100
Kenya Commercial Bank-1147187010	Kshs	Development Ac	-	5,028,614
Kenya Commercial Bank-1143804953	Kshs	Liquor Ac	1,291,401	447,945
Kenya Commercial Bank Ltd 1169183565	Kshs	Revenue Ac	-	-121,294
Kenya Commercial Bank Ltd 1169182968	Kshs	Recurrent Ac	-	1,352,983
Kenya Commercial Bank Ltd 1183068646	Kshs	Empowerment Fund Ac	27,674,877	438,234
Kenya Commercial Bank Ltd 1167286944	Kshs	Development Ac	-	48,000,000
Kenya Commercial Bank Ltd 1159711895	Kshs	Development Ac	-	1,504,550
Co-operative Bank of Kenya Ltd-01141539338600	Kshs	MOA Ac	3,417,423	2,650
Co-operative Bank of Kenya Ltd-01141539156001	Kshs	Donor Ac	1,407,672	3,032,555
Deposit Ac	Kshs	CBK Retention Ac	141,969,876	31,665,857
Kenya Commercial Bank-1168389127	Kshs	Directorate of Co-operatives	805,368	2,211,138
Kenya Commercial Bank-1169183565	Kshs	Demonstration Revenue Ac	128,700	-
Kenya Commercial Bank-1169182968	Kshs	Demonstration Operation Ac	222,396	-
Total			**1,401,817,098**	**3,410,704,070**

21B: CASH IN HAND

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Cash in Hand – Held in domestic currency	3,500	248
Cash in Hand – Held in foreign currency	-	-
Total	**3,500**	**248**

Cash in hand should also be analysed as follows:

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Cash Office	3,500	248
Location 2	-	-
Location 3	-	-
Other Locations (*specify*)	-	-
Total	**3,500**	**248**

22: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	**2016 – 2017**	**2015 – 2016**
	Kshs	Kshs
Government Imprests	31,709,242	7,073,927
Clearance accounts	-	-
Total	**31,709,242**	**7,073,927**

Name of Officer or Institution	***Date Imprest Taken***	***Amount Taken***	***Amount Surrendered***	***Balance***
		Kshs	*Kshs*	*Kshs*
Jennifer Nzilani	29-Jun-17	600,000	-	600,000
Victor Aluteyo	29-Jun-17	1,299,550	-	1,299,550
Charity M. Nzuve	24-May-17	1,489,305		1,489,305
Joseph Mutie	23-Jun-17	2,850,000		2,850,000
Jacinta Vaati		5,500,000		5,500,000.00
Cecilia Mutua	17-Mar-17	830,330		830,330
Maingi Mailu	20-Jun-17	1,000,000		1,000,000
Gerald Mumo Ngumbau	29-Jun-17	383,791		383,791
Jonathan Mwaniki Mwau	30-Jun-17	762,760		762,760
Peter Ndonye	30-Jun-17	3,355,000		3,355,000
Evans Kisilu	22-Jun-17	5,724,300	-	5,724,300

Kennedy Ndavi		1,602,206		1,602,206
Mathew Muasya	05-May-17	1,825,500		1,825,500
Jeniffer Mbithi		50,000	-	50,000
Betty Kadzo Chivatsi	10-Mar-17	50,000		50,000
Winfred Mwende Jacob	03-Apr-17	1,898,800		1,898,800
Annastacia Muendo	09-Jun-17	2,487,700		2,487,700
Total				**31,709,242**

23. ACCOUNTS PAYABLE

	2016 – 2017	**2015 – 2016**
	Kshs	**Kshs**
Deposits	141,969,876	31,665,857
Total	**141,969,876**	**31,665,857**

24. FUND BALANCE BROUGHT FORWARD

	2016 – 2017	**2015 – 2016**
	Kshs	**Kshs**
Bank accounts	3,410,704,070	2,423,023,480
Cash in hand	248	944,445
Accounts Receivables	7,073,927	4,526,300
Accounts Payables	(31,665,857)	(16,603,437)
Total	**3,386,112,388**	**2,411,890,788**

25: PRIOR YEAR ADJUSTMENTS

Description of the error	2016 – 2017	2015 – 2016
	Kshs	Kshs
Adjustments on bank account balances	-	-
Adjustments on cash in hand	-	-
Adjustments on payables	-	-
Adjustments on receivables		
Others (*specify*)	-	-
	-	-

OTHER IMPORTANT DISCLOSURES

26.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Construction of buildings	823,737	29,288,528
Construction of civil works	29,084,069	161,718,793
Supply of goods	25,377,231	31,418,839
Supply of services	80,019,305	38,576,478
	135,304,342	**261,002,638**

26.2: PENDING STAFF PAYABLES (See Annex 2)

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others (*specify*)	10,662,696	15,502,348
	10,662,696	**15,502,348**

26.3: OTHER PENDING PAYABLES (See Annex 3)

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Amounts due to National Government entities	-	-
Amounts due to County Government entities	-	-
Amounts due to third parties	-	-
Others (*specify*)	-	-
	-	-

26.4: OTHER RECEIVABLES

	Kshs
Rent Receivables	147,410,623
Rates Receivables	14,324,197
Totals	**161,734,820**

27 RELATED PARTY DISCLOSURES

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

The following comprise of related parties to the County Government:

- Key management personnel that include the Governor, the Deputy Governor Members of the County Assembly, CECs and Chief Officers for various County Ministries and Departments;
- County Ministries and Departments;
- The National Government;
- Other County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2016/2017	2015/2016
	Kshs	Kshs
Key Management compensation	-	-
	======	======
Transfers to the County Assembly	-	-
Transfers to other County Government entities	-	-
Transfers to County Ministries and Departments	-	-
Transfers from other County Government Entities	-	-
	======	======

28 ESTABLISHMENT OF OTHER COUNTY GOVERNMENT ENTITIES

The PFM Act, 2012 section 182 enables the County Government to establish and resolve County Corporations/ entities. For purposes of follow up on financial reporting, audit and disclosure, outlined below is a list of entities established by the County Government since inception.

County	Date Established	Location	Accounting Officer responsible
Sand Authority	August 2015	Wote Town	Halinishi Yusuf
Tetheka Fund	xxx	County HQ	Winfred Wambua
Emergency Fund	xxx	County HQ	Joseph Ndiku
Fuel Levy Fund	xxx	County HQ	Sammy Ngumbi

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)*
1.0	**Cash and Cash equivalents** **1.1 Bank Accounts** Eleven accounts transact in non-imprest cash contrary to Section 82 (1) (b) of the Public Financial Management (County Government) Regulations. Operation of numerous bank accounts led to a nugatory expenditures	The analysis of bank accounts done. The nugatory expense belongs to the Makueni County assembly and not the Executive	Accounting Officer-Financial Services	Waiting for feedback	-
2.0	**Irregular Placement of Funds on Fixed Deposit** The propriety of the fixed deposit of Kshs.20, 000,000 and any accruing interest thereof as at 30 June 2016 cannot be confirmed.	Explanation given	Accounting Officer-Department of Trade	Waiting for feedback	
3.0	**Revenue**				
3.1	**Unbanked Revenue** The under banking of Kshs 309,050	The officer was found culpable and disciplinary measures taken	Accounting Officer-Financial Services	Waiting for feedback	-
3.2	**Uncollected Revenue (Other Debtors)** Recoverability of the debts totalling Kshs.142, 164,300 and the accuracy and completeness of the aggregate debtors balance could be confirmed.	Reconciliation done.	Accounting Officer-Financial Services	Waiting for feedback	-

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)*
3.3	**Uncollected Revenue from Defunct Local Authorities** The accuracy of the receivables balance of Kshs.7,073,927 as at 30 June, 2016 could be ascertained.	Disclosure already done in the Financial Statements	Accounting Officer-Financial Services	Waiting for feedback	-
4.0	**Pending Payables** Tthe accuracy and existence of the payables totalling Kshs. 292,007,336 as at 30 June 2016 couldt be confirmed	Explanation given	Accounting Officer-Financial Services	Waiting for feedback	-
5.0	**Fixed Assets**				
5.1	**Fixed Assets Register** The accuracy, and completeness of the fixed assets register and assets balance of Kshs.656, 898,877 as at 30 June 2016 could be confirmed.	The breakdown given	Accounting Officer-Financial Services	Waiting for feedback	
5.2	**Acquisition of Assets**				
5.2.1	**Purchase of Motor Cycles** The propriety and value-for-money for the expenditure of Kshs.6,560,000 reportedly incurred on purchase of motor cycles could be ascertained.	Detailed explanation to the observation given	Accounting Officer-Department of Youth	Waiting for feedback	
5.2.2	**Purchase of Four (4 Nos.) Eicher Terra Vehicles** Different observations on the purchase of 4 N0. Eicher Terra Vehicles and the missing Gold bar	Detailed explanation to the observation given.	Accounting Officer-Department of Transport	Waiting for feedback	

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)*
5.2.3	**Purchase of Five (5 No.) Eicher Tipper Vehicles** Different observations on the purchase of 5 no Eicher Tipper Vehicles	Detailed explanation to the observation given	Accounting Officer-Department of Transport	Waiting for feedback	
5.2.4	**Purchase of an Isuzu Dmax — Pick-Up** The Government framework used for the procurement was not attached or availed and there was no proof of negotiation	Detailed explanation to the observation given	Accounting Officer-Department of Transport	Waiting for feedback	
5.2.5	**Purchase of a Tractor** Specifications of the tractor were not indicated in the tender documents and the recommendations from the county mechanical engineer were not made available for audit review	Detailed explanation to the observation given	Accounting Officer-Department of Agriculture	Waiting for feedback	
5.2.6	**Purchase of Lorry FRR for Project not Clearly Stated** Several unsatisfactory issues were noted; The pre-delivery inspection and engineer's specifications and recommendations were not availed. No procurement documents were availed.	Detailed explanation to the observation given.	Accounting Officer-Department of Trade	Waiting for feedback	
5.3	**Purchase of Land** The propriety of the expenditure of Kshs.12,500,000 as at 30 June 2016 could not be ascertained	Detailed explanation to the observation given.	Accounting Officer-Department of Lands	Waiting for feedback	
5.4	**Construction Projects**				

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)*
5.4.1	**Construction of Dining Hall, Kitchen and a Dormitory at Molemuni Special Unit** Review of the procurement records revealed several anomalies:	Detailed explanation to the observation given.	Accounting Officer-Department of Education	Waiting for feedback	
5.4.2	**Construction of Two-storey Building at Nduluku CTTI:** Review of the procurement records revealed several anomalies:	Detailed explanation to the observation given.	Accounting Officer-Department of Education	Waiting for feedback	
5.4.3	**Phase II 2013/2014 Projects** Delay in the completion denied Makueni County residents the benefits they had expected to receive from these projects.	Detailed explanation to the observation given.	Accounting Officer-Department of Water	Waiting for feedback	
5.4.3.1	**Irregular Procurement Process in Kyandumbi, Tulimani and Kyaluma Boreholes** Propriety of the expenditure of Kshs. 8,775,232 incurred on the projects as at 30 June 2016	Detailed explanation to the observation given	Accounting Officer-Department of Water	Waiting for feedback	
5.4.4	**Construction and Rehabilitation of Earth Dams** Propriety and value-for-money of the expenditure totalling Kshs.123,273,598 incurred on the dam works as at 30 June 2016 could not be confirmed.	Detailed explanation to the observation given	Accounting Officer-Department of Water	Waiting for feedback	

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)*
5.4.5	**Construction of an Animal/Fish Feed Centre at ATC** Propriety of the expenditure totalling Kshs.2,166,230 incurred on construction of the animal feed centre could not be confirmed.	Detailed explanation to the observation given	Accounting Officer-Department of Agriculture	Waiting for feedback	
5.5	**Stalled Projects**				
5.5.1	**Stalled Handcraft Stalls Projects**				
5.5.2	**Handcraft Stalls at Kiboko Market** County residents were yet to obtain value for the money totalling Kshs.1, 850,000 incurred on building the stalls.	Explanation for why the delay given	Accounting Officer-Department of Trade	Waiting for feedback	
5.5.3	**Construction of Kiundwani Market Sheds** Propriety of the expenditure of Kshs.1,918,000 incurred in building the new stalls could not be confirmed.	Detailed explanation to the observation given	Accounting Officer-Department of Trade	Waiting for feedback	
5.5.4	**Construction of Makindu Market Sheds** Propriety and value-for-money of the expenditure totaling Kshs.3,787,790 incurred on construction of the market could not be confirmed.	Detailed explanation to the observation given	Accounting Officer-Department of Trade	Waiting for feedback	
6.0	**Use of Goods and Services**				

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)*
6.1	**Maintenance of Motor Vehicles** Propriety of the expenditure of Kshs.33,195,073 as at 30 June 2016 could not be ascertained	Detailed explanation to the observation given	Accounting Officer-Department of Health	Waiting for feedback	
7.0	**Procurement of the Staff Medical Insurance Cover** Propriety of expenditure totalling Kshs.117,079,980 incurred on procurement of staff medical cover cannot be confirmed	Detailed explanation to the observation given	Accounting Officer-Office of the County Secretary	Waiting for feedback	
8.0	**Irregular Payment of Domestic Travel and Subsistence Allowance** Propriety of the expenditure of Kshs. 4,838,671 as at 30 June 2016 could not be confirmed	Documents availed for review	Accounting Officer-Financial Services	Waiting for feedback	
9.0	**Refined Fuel, Oil and Lubricants** Propriety of the expenditure of Kshs. 55,634,909 reportedly incurred on purchase of oil and lubricants cannot not be confirmed.	Explanation given	Accounting Officer-Financial Services	Waiting for feedback	
10.0	**Non-implemented Car and Mortgage Loans Programme** The benefits expected to be derived from the programme worth Kshs.130,897,439 are yet to be realized	The programme has since been rolled out	Accounting Officer-Financial Services	Waiting for feedback	
	Other Matter				
1.0	**Budgetary Analysis**				

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)*
1.1	**Un-Utilized Budget** County residents did not enjoy planned services budgeted at Kshs. 3,410,704.070.	Explanation given	Accounting Officer-Financial Services	Waiting for feedback	
1.2	**Recurrent Budget** The statement of appropriation- recurrent varies with IFMIS	Explanation and analysis of the variance given.	Accounting Officer-Financial Services	Waiting for feedback	
1.3	**Development Budget** The statement of appropriation-development varies with IFMIS.	Explanation and analysis of the variance given.	Accounting Officer-Financial Services	Waiting for feedback	
1.4	**Development Projects Implementation and Management** No plausible explanation has been provided for the delays in commencing and completing the projects	Explanation given.	Accounting Officer-Financial Services	Waiting for feedback	
1.4.1	**Delayed Implementation of Projects** It was not possible to confirm that the residents of Makueni County obtained value-for-money for projects worth Kshs. 305,497,838 budgeted during the year.	Detailed project status provided	Accounting Officer-Department of Trade	Waiting for feedback	
1.5	**Variance Between Budgeted Revenue and Actual Revenue** Delivery of services planned for the County residents was adversely affected by the shortfall	Explanation given.	Accounting Officer-Financial Services	Waiting for feedback	
2.0	**Human Resource**				

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)*
2.1	**Performance Appraisal System** There was no staff appraisal system established for County Executive Staff	Performance management contracting as a tool for managing performance has been adopted	Accounting Officer-Office of the County Secretary	Waiting for feedback	
2.2	**Non Reconciling Employee Records** Payments to additional staff in the IPPD payroll have not been accounted for.	Explanation given.	Accounting Officer-Office of the County Secretary	Waiting for feedback	
2.3	**Incomplete Records** The June 2016 manual payroll lacked biodata information	Explanation given.	Accounting Officer-Office of the County Secretary	Waiting for feedback	
2.4	**New Entries into the IPPD Payroll** It was not clear why the County Public Service Board (CPSB) would show the employees as newly recruited in the 2015/2016 financial year and the same names shown in the June 2015 IPPD payroll.	Explanation given.	County Public Service Board	Waiting for feedback	
2.5	**Un -supported Recruitment** Minutes approving the recruitment were not availed for audit	Requisition of staff by departments letters availed	County Public Service Board	Waiting for feedback	
2.6	**Recruitment Data** Records on the newly recruited ECDE teachers were not presented for audit to ascertain their total number	Records were availed	County Public Service Board	Waiting for feedback	

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)*
2.7	**Irregularities on Recruitment of Staff** No plausible reason was provided for the discrepancies between CPSB and the advertisements	Explanation given	County Public Service Board	Waiting for feedback	
2.8	**Staff Regional Balance** The County Executive breached Section 65(i)(e) of the County Government Act, 2012.which provides that at least 30% of County Government workers should be from communities other than the one dominant in the County.	Adequate explanation given	County Public Service Board	Waiting for feedback	

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 County 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.

COUNTY GOVERNMENT OF MAKUENI
Reports and Financial Statements (County Executive)
For the year ended June 30, 2017

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2017	Comments
	A	B	c	d=a-c		
Construction of buildings	823,736.70				823,736.70	
1.						
2.						
3.						
Sub-Total	**823,736.70**				**823,736.70**	
Construction of civil works	29,084,069.18				29,084,069.18	
4.						
5.						
6.						
Sub-Total	**29,084,069.18**				**29,084,069.18**	
Supply of goods	25,377,231.20				25,377,231.20	
7.						
8.						
9.						
Sub-Total	**25,377,231.20**				**25,377,231.20**	
Supply of services	80,019,305.01				80,019,305.01	
10.						
11.						
12.						
Sub-Total	**80,019,305.01**					
Grand Total	**135,304,342.09**				**80,019,305.01**	

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2017	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (*specify*)		10,662,696.00				10,662,696.00	
10.							
11.							
12.							
Sub-Total		**10,662,696.00**				**10,662,696.00**	
Grand Total		**10,662,696.00**				**10,662,696.00**	

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (*specify*)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 4 – 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	-	37,872,922	-	37,872,922
Buildings and structures	336,592,596	1,270,035,395	-	1,606,627,991
Transport equipment	94,638,815	87,800,512	-	182,439,327
Purchase of Household Furniture and Institutional Equipment	-	14,411,100		14,411,100
Office equipment, furniture and fittings	164,395,283	114,461,857	-	278,857,140
ICT Equipment, Software and Other ICT Assets	9,631,735	24,916,031	-	34,547,766
Other Machinery and Equipment	46,500,000	158,823,041.30	-	205,323,041
Heritage and cultural assets	-		-	
Intangible assets	5,140,448	8,513,500	-	13,653,948
Total	**656,898,877**	**1,716,834,358**	-	**2,373,733,235**

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the County Government. Additions during the year should tie to note 18 on acquisition of assets during the year.