REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF TANA RIVER

FOR THE YEAR ENDED 30 JUNE 2017

Revised template of 30/06/2017

OFFICE OF THE AUDITOR GENERAL
12 JAN 2018
RECEIVED
COAST HUB

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 – 00100 NAIROBI
24 JAN 2018
RECEIVED

TANA RIVER COUNTY ASSEMBLY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017

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

Table of Contents

Page

I. KEY ENTITY INFORMATION AND MANAGEMENT iii
II. FORWARD BY THE CLERK OF THE ASSEMBLY v
III. STATEMENT OF MANAGEMENT RESPONSIBILITIES vi
IV. STATEMENT OF RECEIPTS AND PAYMENTS 1
V. STATEMENT OF FINANCIAL ASSETS. 2
VI. STATEMENT OF CASH FLOWS 3
VII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED 4
VIII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT 5
IX. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT 6
X. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES 7
XI. SIGNIFICANT ACCOUNTING POLICIES 8
XII. NOTES TO THE FINANCIAL STATEMENTS 12
XIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS 20
XIV. ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE 21
XV. ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES 22
XVI. ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER 23
XVII. ANNEX 4 – ANALYSIS OF OUTSTANDING IMPREST 24
XV111.ANNEX 5-ANALYSIS OF SALARY ADVANCE 26

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County is constituted as per the constitution of Kenya is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes 26 Members of County Assembly (MCAs) elected to represent members of the public from their respective wards. The MCAs are responsible for making any laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Executive.

(b) Key Management

The County Assembly's day-to-day management is under the following key organs:
-County Assembly Service Board
-Senior Management

(c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	-Musa Mohamed Bagaja
2.	Principal Accounts Controller	-Alex Kibwage Ontumi
3.	Accountant	-Wehliye Ahmed Dakat
4.	Finance Officer	-Mercy Maodo

(d) Fiduciary Oversight Arrangements

The County Assembly has 9 sectorial committee each with specific mandates towards the County's sectors.
The committees are required by the assembly's standing orders to oversight and hold to account respective CECs for service delivery in their departments. The Assembly has managed this through committee work, and chamber business

(e) Entity Headquarters

County Assembly of Tana River
P.O. Box 113 - 70101
HOLA, KENYA

(f) Entity Contacts

Telephone: (254) 0713715814
E-mail: info@tanariverassembly.go.ke
Website: www.tanariverassembly.go.ke

(g) Entity Bankers

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

2. Kenya Commercial Bank
   P.O Box 100-70101,
   HOLA

(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

↕↓EaPR/:<'56a.<=@NO↔+a,(23267╗a╗╗ √√√@±±±F√√√▼=²πJJ≈ JJ ≈·ß^{n} ■ ■ úaó¿!"'╬

II. FORWARD BY THE CLERK OF THE ASSEMBLY

During the FY 2016/2017 the County Assembly had a budget of Kshs. 689,258,883 out of which Kshs 226,816,009 was allocated towards development and Kshs. 462,442,874 allocated towards recurrent activities. (Including the balances brought forward as a result of supplementary budget)
The County Assembly during the financial year under consideration received Kshs 513,383,788 for both recurrent and development allocations from the County treasury. The total actual expenditure comprising of Kshs. 421,005,314 for recurrent and Kshs. 65,905,867 for development activities, representing an absorption rate of 91 percent and 29 percent respectively.
During the reporting period the County Assembly was able to accomplish the following projects among others; (i) Renovation of the chambers and the public gallery, (ii) Electrical works for county assembly compound – guard house and waiting bay (iii) Renovation of Speaker's office (v) Purchase, supply, and delivery of office furniture (vi) Landscaping and beatification of the County Assembly compound. (vii)Drainage works, septic tank soak pit and ablution block. (viii) Purchase of Hansard and electrical equipment. (ix) Purchase of catering equipment for the Assembly's cafeteria. (x) Purchase installation and commissioning of exchange and other communication for the County Assembly.
Implementation of the above mentioned projects had the following impacts; (i) Installation and commissioning of exchange and other communication has improved communication within the Assembly and with other organizations (ii) Renovation of chambers and public gallery has enabled the public to easily follow live proceedings of the assembly (iii) Recordings by the Hansard department has improved significantly following the additional purchases (iv) While the beautification has greatly improved the compound. (v) The Assembly's drainage system has improved significantly following the drainage works that were undertaken.
Notwithstanding the above milestones, the County Assembly has faced a number of challenges that include among others; (i) Inability to access the development fund directly from the National treasury (ii) Delayed disbursement of funds that hampered the legislative process (iii) Vastness of the County posed great challenge to members while undertaking public participation (iv) Inadequate office space for the staff.

..... 7/1/18 .....

Sign **Date**
Clerk of the County Assembly

◂a↕§§§hhh≤a≤≤²²²⌡⌡⌡áΩΩΩ■■■ ΘèìÆ,17$)a/ '-%,2→a!'>EKCLQa2;@0;?└'a+$25▲,/0a?B¶#&

III. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

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

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

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

Approval of the financial statements

The County Government's financial statements were approved and signed by the Clerk of the County Assembly on 7/1 2018.

Clerk of the County Assembly

REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tana River County Assembly set out on pages 1 to 26, which comprise the statement of financial assets as at 30 June 2017, the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect 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 Tana River County Assembly 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 Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I confirm that 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

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

1. Transfers From the County Treasury/Exchequer

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers from the county Treasury/Exchequer of Kshs.513,383,788. However,

records maintained by the County Executive indicate a figure of Kshs.505,173,644, resulting in a variance of Kshs.8,210,144. Further, the transfers from the County Treasury/Exchequer figure of Kshs.513,383,788 varies from Kshs.549,270,000 contained in the Report of the Controller of Budget by Kshs.35,886,212. These variances have not been explained.

As a result, the accuracy and completeness of the transfers from the county Treasury/Exchequer totaling Kshs.513,383,788 for the year ended 30 June 2017 could not be confirmed.

2. Use of Goods and Services

The statement of receipts and payments for the year ended 30 June 2017 reflects use of goods and services expenditure totaling Kshs.214,529,077 as detailed in Note 5 to the financial statements. The following observations were made in relation to the expenditure:

2.1 Domestic Travel and Subsistence

Included in the use of goods and services' balance of Kshs.214,571,909 and as further disclosed in Note 5 to the financial statements is domestic travel and subsistence expenditure of Kshs.123,280,522. However, the respective payees and imprest surrender documents such as invitation letters, motor vehicle work tickets, bus tickets, boarding passes, attendance registers, and reports on the meetings or seminars relating to expenditure of Kshs.33,421,300 out of the balance of Kshs.123,280, 522 were not availed for audit review.

In the circumstance, the regularity and validity of domestic travel and subsistence expenditure of Kshs.33,421,300 could not be confirmed.

2.2 Hospitality, Supplies and Services

Included in the use of goods and services and as further disclosed in Note 5 to the financial statements is hospitality, supplies and services' expenditure totaling Kshs.14,950,794. The expenditure was incurred on subsistence and lunch allowances, hire of conference facilities and purchase of tea and snacks. However invitation letters, records on journeys made or seminars attended, purchase requisitions for goods purchased, minutes of meetings held and signed payment schedules for allowances received were not availed for audit verification.

Consequently, the propriety and completeness of the expenditure of Kshs.14,950,794 reported to have been incurred on hospitality supplies and services for the year under review could not be confirmed.

2.3 Routine Maintenance – Motor Vehicles and Other Transport Equipment

Note 5 to the financial statements reflects routine maintenance – motor vehicle and other transport equipment expenditure of Kshs.14,238,133, out of which Kshs.7,181,633 is in respect to motor vehicle repair expenses. However, the repairs

were not recorded in the motor vehicle log books and work tickets and further, engineers' pre and post mechanical inspection reports and the report prepared by the inspection and acceptance committee were not availed for audit verification.

In the circumstance, the regularity and validity of routine maintenance – motor vehicles and other transport equipment expenditure of Kshs.7,181,633 for the year under review could not be confirmed.

2.4 Other Operating Expenses

Note 5 to the financial statements reflects other operating expenses of Kshs.8,828,430, out of which Kshs.4,470,640 is in respect of legal fees paid to a law firm which represented the County Assembly after it was sued for not allowing sufficient notice for public participation before enacting bills. Failure to give ample notice to the public is against the provisions of Section 87 of the County Governments Act, 2012 which provides that citizen participation in county governments shall be based upon a timely access to information, data, documents, and other information relevant or related to policy formulation and implementation.

In the circumstance, the the legal fees expenditure of Kshs.4,470,640 incurred in the year under review was nuggatory expenditure and would not have been incurred had the County Assembly management followed the Law on public participation in County Government matters.

3. Acquisition of Assets

3.1 Construction and Civil Works

Note 10 to the financial statements reflects construction and civil works' balance of Kshs.35,872,362. Out of this amounts Kshs.7,244,260.90 represents a payment made to a construction company for construction of drainage works, a septic tank, a soak pit and an ablution block at a contract sum of Kshs.6,808,306.80. However, the project's certificates of completion, approvals for cost variations, and the inspection and acceptance committee certificate were not availed for audit review.

3.2 Catering Equipment

Note 10 to the financial statements reflects construction and civil works balance of Kshs.35,872,361, out of which Kshs.8,667,843.10 was paid for supply of catering equipment at a contract sum of Kshs.9,904,080. However, records availed for audit review indicated that although the equipment were delivered on 19 September, 2016, at the time of audit verification on 14 November, 2017 -over one year after delivery, the equipment had not been put to use. The management attributed this situation to its failure to hire staff to work in the cafeteria.

Failure to put the equipment to use contradicts Section 160 (1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a

procuring entity to manage its inventory, assets and stores for the purpose of preventing wastage and loss.

3.3 Purchase, Installation and Commissioning of Exchange and Other Communication Equipment

Note 10 to the financial statements reflects construction and civil works balance of Kshs.35,872,361. Included in this amount is Kshs.6,278,980.25 paid to a construction company for the purchase, installation and commissioning of exchange and other communication equipment at a contract sum of Kshs.7,888,000.

However, the signed contract agreement indicating scope of works and duration of the contract was not availed for audit review. Further, on verification of the equipment on 14 November 2017, the supposedly new PABX/ voice connection handsets were found not to be working. The Windows Server 2012 was installed but the printer and mail-server were not configured and the cables were not connected at the server cabinets.

3.4 Installation of CCTV Surveillance System in the New Administration Block

The construction and civil works balance of Kshs.35,872,361 disclosed in Note 10 to the financial statements includes Kshs.918,275.85 in respect of installation of a CCTV surveillance system in the new administration block .However, the respective purchase requisition, quotations and bills of quantities were not availed for audit review.

Consequently, the propriety and value for-money on expenditure amounting to Kshs.23,109,360 expended on construction and civil works for the year ended 30 could not be confirmed.

4. Accounts Receivable – Outstanding Imprests

The statement of financial assets as at 30 June 2017 reflects accounts receivables – outstanding imprests balance of Kshs.2,908,974. However, out of this balance, imprests totaling Kshs.1,623,175 were not supported with imprest warrants and further , surrender vouchers were not recorded in the imprests register. This is contrary to Sections 91 (2) and 93 (4) of the Public Finance Management (County Government) Regulations 2015 which require any officer authorized to hold and operate an imprest to make formal application through an imprest warrant and, the Accounting Officer to ensure that the imprest is recorded in the imprest register before it is issued. In addition, out of the aggregate balance of Kshs.2,908,974, imprests totaling Kshs.512,625 were overdue for surrender by more than six(6) months.

Further, of the outstanding imprests' balance of Kshs.2,908,974, Kshs.883,000 was in respect of multiple imprests issued to nine(9) employees of the County Assembly, contrary to Section 93(4)(b) of the Public Finance Management (County Governments) Regulations 2015 which states that the applicant should not have outstanding imprests.

Consequently, the regularity and recoverability of the outstanding imprests of Kshs.2,908,974 as at 30 June 2017 could not be confirmed.

5. Bank Balance

The statement of financial assets as at 30 June 2017 reflects a bank balance of Kshs.165,122,935 against which the following observations were made:

5.1 Mortgage and Car Loan Fund

Note 13A to the financial statements reflects Mortgage and Car Loans Fund balance of Kshs.109,997,665 at Kenya Commercial Bank (K) Limited which has remained unutilized for two(2) years since the Fund's establishment in the year 2014. Failure to utilize the funds is contrary to Section 116 (2) and (4) of the Public Finance Management Act, 2012 which stipulates that the administrator of a county public fund shall ensure that monies held in the fund, including any earnings or accruals referred is spent only for the purposes for which the fund is established.

Further, the financial statements of the fund have not been submitted for audit review, contrary to Section 47(1) of the Public Audit Act, 2015 which provides that the financial statements of every public entity shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

Consequently, the management is in breach of the Law and as noted, the fund has not benefitted its intended beneficiaries.

5.2 Bank Reconciliation Statements

Excluded from the bank balance of Kshs165,122,935 as at 30 June 2017 is a sum of Kshs.24,973,924, being payments in bank statement not recorded in the cash book. The management has failed to explain the origin and purpose of these payments. In addition, bank statements showing dates of subsequent clearance of un-presented cheques totalling Kshs.24,850,167.70 by the bank were not availed for audit review.

Consequently, the accuracy, validity and completeness of the bank balance of Kshs165,122,935 could not be confirmed.

5.3 Gratuity Account

Note 13A to the financial statements reflects gratuity account balance of Kshs.33,147,389 held in Kenya Commercial Bank Limited. Further, the Fund's bank reconciliation statement as at 30 June 2017 reflects bank charges of Kshs.2,200 which were however entered in cashbook and expensed during the year under review.

Consequently, the accuracy, completeness and validity of the bank balance of Kshs.165,080,102 as at 30 June 2017 could not be confirmed.

6. Pending Accounts Payable

Annex 1 to the financial statements reflects pending accounts payable balance of Kshs.16,353,798.60 as at 30 June 2017 owed to contractors and suppliers of stationery, fuel, motor vehicle repairs, salary recoveries, hire of vehicles, retention money and insurance. However, the management has not justified the failure to settle these debts given that the County Assembly realized a surplus of Kshs.26,472,607 during the year under review.

Consequently, the propriety of the pending accounts payable balance of Kshs.16,353,798.60 could not be confirmed.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

1.1 Budget Absorption

The County Assembly of Tana-River had a total budget of Kshs.689,258,883 voted for the financial year 2016/2017, comprising of Kshs.226,816,009 for development and Kshs.462,442,874 for recurrent expenditure. Actual expenditure amounted to Kshs.486,911,182, resulting in an under-absorption of Kshs.202,347,741 or 29% of the budget as summarized below:

Item	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption in (Kshs.)	Under Absorption (%)
Development Vote	226,816,009	65,905,868	160,910,141	71
Recurrent Vote	462,442,874	421,005,314	41,437,560	9
Total	**689,258,883**	**486,911,182**	**202,347,701**	**29**

The under-absorption of Kshs.202,347,701 impacted service delivery by the County Assembly negatively during the year under review.

1.2 Development Budget

During the year, under review, the County Assembly of Tana River allocated Kshs.226,816,009 for development projects and spent Kshs.65,905,828, resulting in a net under-expenditure of Kshs.160,910,141 or 71 % as follows:

Item	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Under Absor-ption (Kshs.)	Over-Absorp-tion (Kshs.)	Under Absorp-tion (%)	Over Absorp-tion (%)
Construction and Civil works	35,250,000	35,872,362	-	622,362		2
Construction of Buildings	110,508,921	1,640,770	108,868,151	-	99	-
Refurbishment of non-residential Houses	45,444,690	22,980,578	22,464,112	-	49	-
Purchase of Desktop Computers and other ICT Equipments	7,412,158	5,412,158	2,000,000	-	27	-
Residential Building - Speakers Residence	28,200,240	-	28,200,240	-	100	-
TOTALS	**226,816,009**	**65,905,868**	**161,532,503**	**622,362**	71	-

As the table shows, the County Assembly did not utilize Kshs.160,910,141 or 71 % of its budget. This state of affairs impacted negatively on the County Assembly's operations and thus service delivery to the public.

1.3 Recurrent Budget

During the year under review, the County Assembly of Tana-River allocated Kshs.462,442,874 for recurrent expenditure but spent a total of Kshs.421,005,314, resulting in an overall under-expenditure of Kshs.41,437,560 or 9% of the budget as summarized below:

Expenditure Item	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Over Absorption (Kshs.)	Under Absorp tion(%)	Over Absorp tion (%)
Compensation to Employees	215,740,045	206,476,237	9,263,808	-	4	-
Utilities Supplies and Services	1,400,000	1,198,603	201,397	-	14	-
Domestic travel and Subsistence Allowances	131,099,500	123,280,522	7,818,978	-	6	-
Foreign Travel Allowances	9,556,705	-	9,556,705	-	100	-

Printing, Advertising and other Information Supplies	11,050,659	10,050,659	1,000,000	-	-	9
Communication, Supplies and Services	2,089,532	2,199,334	-	109,802	-	5
Rental of Produced Assets	9,560,000	9,505,300	54,700	-	-	1
Training Expenses	8,200,000	3,833,988	4,366,012	-	-	53
Hospitalities Supplies and Services	14,622,570	14,950,794	-	328,224	-	2
Insurance Costs	18,300,000	14,008,440	4,291,560	-	-	23
Specialized Materials and Services	510,000	2,033,430	-	1,523,430	-	299
Routine Maintenance-vehicle and other transport Equipment	17,238,133	14,238,133	3,000,000	-	-	17
Office general Supplies and Services	8,525,730	10,332,364	-	1,806,634	-	21
Other Operating Expenses	13,750,000	8,828,430	4,921,570	-	-	36
Refund Ex-gratia and Other Service Gratuities	800,000	69,080	730,920	-	-	91
Total	**462,442,874**	**421,005,314**	**45,205,650**	**3,768,090**		**12.6**

The under-expenditure implies that planned projects were not implemented thereby curtailing services to the residents of the County.

2. Staff Recruitment

During the year under review, Tana River County Assembly absorbed nine (9) employees who were serving on internship or short-term contracts into permanent and pensionable terms. However, the management has not presented any documentary evidence showing that the positions were advertised as provided for in Section 1.1 of the County Assembly's Human Resource Policies and Regulations which stipulate that whenever a vacancy arises at the Assembly, an advertisement shall be issued and published. Further, four (4) employees were assigned designations/grades which are not provided for in the County Assembly's staff establishment.

Consequently, it has not been possible to confirm whether the employees were recruited competitively. Further, the County Assembly failed to comply with the grading structure provided for in the staff establishment.

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 Assembly's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern assumption.

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (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 Assembly's internal control.

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

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

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

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

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

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

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

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

Nairobi

16 July 2018

IV. STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30TH JUNE, 2017

	Note	2016/17 Kshs	2015/16 Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	513,383,788	419,090,327
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		**513,383,788**	**419,090327**
PAYMENTS			
Compensation of Employees	4	(206,476,237)	(164,149,447)
Use of goods and services	5	(214,529,077)	(194,023,958)
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Acquisition of Assets	10	(65,905,867)	(59,495,663)
Finance Costs	11	-	(17,960)
Other Payments	12	-	-
TOTAL PAYMENTS		**486,911,181**	**417,687,028**
SURPLUS/(DEFICIT)		**26,472,607**	**1,403,299**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 7/1 2017 and signed by:

Clerk of the Assembly
Name: Mohamed Bagaja Musa

Chief Finance Office – County Assembly
Name: Alex Kibwage Ontumi
ICPAK Member Number:

V. STATEMENT OF FINANCIAL ASSETS. AS AT 30TH JUNE, 2017

	Note	2016/2017 Kshs	2015/16 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	13A	165,122,935	138,650,329
Cash Balances	13B	-	
Total Cash and cash equivalents		**165,122,935**	**138,650,329**
Accounts receivables – Outstanding Imprests	14	2,908,974	2,908,972
TOTAL FINANCIAL ASSETS		**168,031,909**	**141,559,301**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	-	-
NET FINANCIAL ASSETS		**168,031,909**	**141,559,301**
REPRESENTED BY			
Fund balance b/fwd	16	141,559,301	140,156,002
Surplus/(Deficit) for the year		26,472,607	1,403,299
NET FINANCIAL POSITION		**168,031,909**	**141,559,301**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 31 2018 and signed by:

Clerk of the Assembly
Assembly
Name: Mohamed Bagaja Musa

Chief Finance Officer – County

Name: Alex Kibwage Ontumi
ICPAK Member Number:

VI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2016/17 Kshs	2015/16 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	513,383,788	419,090,327
Other Receipts	3	-	
Payments for operating expenses			
Compensation of Employees	4	(206,476,237)	(164,149,447)
Use of goods and services	5	(214,529,077)	(194,023,958)
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Finance Costs	11	-	(17,960)
Other Payments	12	-	-
Adjusted for:			
Adjustments during the year	17	-	-
Net cash flows from operating activities		**92,378,475**	**60,898,962**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	(65,905,867)	(59,495,663)
Net cash flows from investing activities		**(65,905,867)**	**(59,495,663)**
NET INCREASE IN CASH AND CASH EQIVALENTS		**26,472,607**	**1,403,299**
Cash and cash equivalent at BEGINNING of the year	13A	**138,650,329**	**137,247,030**
Cash and cash equivalent at END of the year		**165,122,935**	**138,650,329**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 7/11 2017 and signed by:

Clerk of the Assembly
Name: **Mohamed Musa Bagaja**

Chief Finance Office – County Assembly
Name: **Alex Kibwage Ontumi**
ICPAK Member Number

$\int a \cdot {}^{2} \geq {}^{o} \div {}^{o} n \sqrt{a^{n}} \quad {}^{2} \sqrt{{}^{2}} {}^{o} \geq \int a \cap \div \cdot \geq \blacksquare \quad \sqrt{{}^{2}} a {}^{2} \sqrt{{}^{2}} {}^{2} {}^{2} \blacksquare\blacksquare\blacksquare a \blacksquare\blacksquare\blacksquare \qquad a \qquad a \qquad a \qquad a$ ◀

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilisation difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	540,529,674	148,729,209	689,258,883	513,383,788	74.4%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**540,529,674**	**148,729,209**	**689,258,883**	**513,383,788**	**74.4%**
PAYMENTS					
Compensation of Employees	283,643,009	(67,902,964)	215,740,045	206,476,237	95.7%
Use of goods and services	158,799,865	87,902,964	246,702,829	214,529,077	86.9%
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	98,086,800	128,729,209	226,816,009	65,905,867	29%
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	**540,529,674**	**148,729,209**	**689,258,883**	**486,911,181**	**70.6.%**
SURPLUS/ DEFICIT		**20,000,000**		**26,472,607**	

The entity financial statements were approved on 71 2018 and signed by:

Clerk of the Assembly
Assembly
Name: **Mohamed Musa Bagaja**

Chief Finance Office – County
Name: **Alex Kibwage Ontumi**
ICPAK Member Number:

↑♦a-5&πδ▄ⁿ ˋ÷⌠·≡ Θ· ≈ ²MWaN,8,‼!↕*a?02MDDgcaô╝┬¡┘µ╤·!▉√ßkÇô►↓*≤±ˋ■·⌠·¶√

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilisation difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	442,442,874	20,000,000	462,442,874	427,430,908	92.4%
Proceeds from Sale of Assets		-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**442,442,874**	**20,000,000**	**462,442,874**	**427,430,908**	**92.4%**
PAYMENTS					
Compensation of Employees	283,643,009	(67,902,964)	215,740,045	206,476,237	95.7%
Use of goods and services	158,799,865	87,902,964	246,702,829	214,529,077	86.9%
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	-	-	-	-	-
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	442,442,874	**20,000,000**	462,442,874	**421,005,314**	**91%**
Surplus				**6,425,594**	

The entity financial statements were approved on 71 2018 and signed by:

Clerk of the Assembly
Name: **Mohamed Musa Bagaja**

Chief Finance Office – County Assembly
Name: **Alex Kibwage Ontumi**
ICPAK Member Number:

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilisation difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	98,086,800	128,729,209	226,816,009	85,952,880	37.8%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**98,086,800**	**128,729,209**	**226,816,009**	**85,952,880**	**37.8%**
PAYMENTS					
Compensation of Employees	0	0	0	-	-
Use of goods and services				-	-
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	98,086,800	128,729,209	226,816,009	65,905,867	29%
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	98,086,800	128,729,209	226,816,009	**65,905,867**	**29%**
SURPLUS/ DEFICIT				**20,047,013**	

Under utilization rate of 29 percent with regard to acquisition of assets was attributed to non-disbursement of fund as per approved budget by county treasury. Assembly received an amount of Kshs 85,952,880 against a budgeted amount of Kshs 226,816,009 hence under -utilization of 29%
Complications in the IFMIS processing of procurement and payments

The entity financial statements were approved on 7/1 2018 and signed by:

Clerk of the Assembly
Name: **Mohamed Musa Bagaja**

Chief Finance Office – County Assembly
Name: **Alex Kibwage Ontumi**
ICPAK Member Number:

X. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2016/2017		2016/2017	Date, 2016/2017	
	Kshs	Kshs	Kshs	Kshs	Kshs
P.1- Legislation and Representation	283,643,009	(67,902,964)	215,740,045	206,476,237	95.7%
SP.1.1. Legislation and Representation					
P.2- Legislative Oversight	158,799,865	87,902,964	246,702,829	214,529,077	86.9%
P.- General Administration and Planning	98,086,800	128,729,209	226,816,009	65,905,867	29%
Sub-programme 1					
Sub-programme 2					
Sub-programme 3					

XI. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

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

2. Reporting entity

The financial statements are for the Tana River County Assembly. The financial statements encompass the reporting entity as specified in section 164 of PFM Act 2012.

3. Recognition of receipts and payments

a) Recognition of receipts

The County Assembly recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Assembly.

Tax receipts

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

Transfers from the Exchequer/ County Treasury

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

Other Receipts

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Recognition of payments

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

Compensation of employees

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

Use of goods and services

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

Acquisition of fixed assets

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

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

4. In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of receipts and payments both as receipts and as 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Accounts Receivable

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

7. Accounts Payable

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

8. Non-current assets

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

9. Pending bills

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

10. Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *entity's* budget was approved as required by Law .The original budget was approved by the County Assembly on 30th march 2017 for the period 1st July 2016 to 30 June 2017 as required by law. There was one supplementary budgets passed in the year. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Comparative figures

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

12. Subsequent events

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

13. Errors

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

14. Related party transactions

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

XII. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from the County Treasury/Exchequer Releases

	2016/17	2015/16
	Kshs	Kshs
Transfers from the County Treasury for Q1	145,315,340	22,725,706
Transfers from the County Treasury for Q2	130,841,041	101,275,979
Transfers from the County Treasury for Q3	168,188,922	71,710,005
Transfers from the County Treasury for Q4	69,038,485	223,378637
Cumulative Amount	**513,383,788**	**419,090,327**

2 PROCEEDS FROM SALE OF ASSETS

	2016/17	2015/16
	Kshs	Kshs
Receipts from the Sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Receipts from Sale of Certified Seeds and Breeding Stock	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Receipts from the Sale of Inventories, Stocks and Commodities	-	-
Disposal and Sales of Non-Produced Assets	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Total	**-**	**-**

3 OTHER RECEIPTS

	2016/17	2015/16
	Kshs	Kshs
Tender fees received	-	-
Other Receipts II	-	-
Other Receipts III	-	-
Other Receipts IV	-	-
Other Receipts	-	-
Total	-	-
	-	-

4. COMPENSATION OF EMPLOYEES

	2016/17	2015/16
	Kshs	Kshs
Basic salaries of permanent employees	206,476,237	93,915,090
Basic wages of temporary employees	-	140,000
Personal allowances paid as part of salary	-	70,094,357
Total	**206,476,237**	**164,149,447**

5. USE OF GOODS AND SERVICES

	2016/17	2015/16
	Kshs	Kshs
Utilities, supplies and services	1,198,603	1,408,068
Communication, supplies and services	2,199,334	3,593,700
Domestic travel and subsistence	123,280522	90,400,950
Foreign travel and subsistence	0	5,806,949
Printing, advertising and information supplies & services	10,050,659	4,449,023
Rentals of produced assets	9,505,300	9,405,500
Training expenses	3,833,988	9,109,869
Hospitality supplies and services	14,950,794	23,531,661
Insurance costs	14,008,440	4,028,864
Specialized materials and services	2,033,430	14,179,397
Office and general supplies and services	10,332,364	4,531,236
Other operating expenses	8,828,430	6,290,867
Routine maintenance – vehicles and other transport equipment	14,238,133	6,000,371
Routine maintenance – other assets	0	0
Refund exgratia and other service gratuities	69,080	11,287,503
Total	**214,529,077**	**194,023,958**

6. SUBSIDIES

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

7. TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016/17	2015/16
	Kshs	Kshs
Transfers to National Government entities		
See attached list	-	-
Transfers to Counties		
(insert name of budget agency)	-	-
(insert name of budget agency)	-	-
TOTAL	**-**	**-**

8. OTHER GRANTS AND TRANSFERS

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

9. SOCIAL SECURITY BENEFITS

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

10. ACQUISITION OF ASSETS

Non-Financial Assets	2016/17	2015/16
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	1,640,770	3,824,874
Refurbishment of Buildings	22,980,578	1,663,434
Construction and Civil Works	35,872,362	3,634,459
Purchase of Vehicles and Other Transport Equipment	-	24,231,108
Purchase of Household Furniture and Institutional Equipment	-	9,186,290
Purchase of Office Furniture and General Equipment	-	1,422,414
Purchase of ICT Equipment, Software and Other ICT Assets	5,412,158	11,343,684
Purchase of Specialised Plant, Equipment and Machinery	-	4,189,400
Total	**65,905,867**	**59,495,663**

11. FINANCE COSTS

	2016/17	2015/16
	Kshs	Kshs
Bank Charges	-	17,960
Total	**-**	**17,960**

12. OTHER PAYMENTS

	2016/17	2015/16
	Kshs	Kshs
Budget Reserves	-	-
Civil Contingency Reserves	-	-
Capital Transfers to Non-Financial Public Enterprises	-	-
Capital Transfer to Public Financial Institutions and Enterprises	-	-
Capital Transfer to Private Non-Financial Enterprises	-	-
Other expenses	-	-
Domestic Accounts	-	-
Total	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 A. BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2016/17	2015/16
		Kshs	Kshs
KCB ACCOUNT NUMBER 1169962904 (KSH) MORTAGE AND CAR LOAN	RECURRENT ACCOUNT	109,997,665	110,000,000
KCB ACCOUNT NUMBER 1143877578(KSH) RECURRENT	RECURRENT ACCOUNT	4,462	497,851
KCB ACCOUNT NUMBER 1169962343 (KSH) GRATUITY ACCOUNT	RECURRENT ACCOUNT	33,147,389	22,620,870
CENTRAL BANK, 1000247077(KSH)	RECURRENT ACCOUNT	3,103,383.10	4,690,099
CENTRAL BANK 1000282282(KSH)	DEVELOPMENT ACCOUNT	18,870,037	841,508
Total		**165,122,935**	**138,650,329**

13 B CASH IN HAND

	2016/17	2015/16
	Kshs	Kshs
Cash in Hand – Held in domestic currency	-	2,908,972
Total	**-**	**2,908,972**

14 ACCOUNTS RECEIVABLE

	2016/17	2015/16
	Kshs	Kshs
Government Imprests	1,798,196	652,200
Staff Advances	1,110,778	1,210,000
Other Advances		1,046,772
Total	**2,908,974**	**2,908,972**

15 ACCOUNTS PAYABLE

	2016/17	2015/16
	Kshs	Kshs
Deposits and Retentions	-	-
Total	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. FUND BALANCE BROUGHT FORWARD

	2016/17	2015/16
	Kshs	Kshs
Bank accounts	138,650,328	137,247,030
Cash in hand	-	2,908,972
Accounts Receivables	2,908,973	-
Accounts Payables	-	-
Total	**141,559,301**	**140,156,002**

17. PRIOR YEAR ADJUSTMENT

Description of the adjustment	**2016/17**	**2015/16**
Adjustments on bank account balances	Kshs	Kshs
Adjustments on cash in hand	-	-
Adjustments on payables	-	-
Adjustments on receivables	-	-
Others (*specify*)	-	-
Total	**-**	**-**

DISCLOSURE NOTES

18.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016/17	2015/16
	Kshs	Kshs
Construction of building	-	-
Construction of civil works	343,982.00	8,769,595
Supply of goods	16,009,816.60	40,538,916
Supply of services	-	2,835,000
Total	**16,353,798.60**	**52,143,511**

18.2: PENDING STAFF PAYABLES (See Annex 2)

	2016/17	2015/16
	Kshs	Kshs
Musa Mohamed Bagaja	517,200	-
Ali Nuru Guracho	26,115	-
Ali Nuru Guracho	104,822	-
Kassim Galgalo	43,250	-
Mohamud Danelo	42,546	-
Mohamud Abdi Kosar	6,300	-
Jillo Dhadho	4,000	-
Musa Mohamed Bagaja	21,000	-
Sharmarke Hussein	15,000	-
Abdulkadir Salad	18,900	-
Hanna Hachalalu Eliud	34,496	-
Felix Wario	21,000	-
Hassan Bocha	6,300	-
Musa Mohamed Bagaja	43,400	-
Satima Fardowsa	30,000	-
Gwiyo Dullu	1,000	-
Rone Musa	5,000	-
Maryan Abdi	600	-
Hassan Bocha	12,000	-
Abubakar Abaroba	56,000	-
Total	**1,008,929**	**-**

XIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
MSA/TRCA/2015/2016/VOL.1(16)	1 Presentation of financial statements	The name of the entity was corrected and appeared in each pages as per requirement of (IPSAS)	Wehliye Dakat – Accountant	Resolved	-
	2.0 Inaccuracies in the Financial Statements	The amount reportedly not supported was explained to auditors and necessary sub-schedules provided to support the same.	Alex Ontumi-Principal Accounts Controller	Resolved	-
	3.0 Transfer from county Treasury/ Exchequer Releases	The amount indicated in the Financial Statement of the Assembly was the amount received as evidenced by the bank statements forwarded to the auditors.	Wehliye Dakat – Accountant	Not Resolved	31/10/2017
	4.0 4.1 Domestic Travel and subsistence	The management had an approved supplementary in place that covered the expenditure	Alex Ontumi-Principal Accounts Controller	Not resolved	31/10/2017

Guidance Notes:

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

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

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

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

Clerk of the County Assembly

Sign.....

Date.....7/1/18.

XIV. 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 civil works						
1. ISTAHIL CONSTRUCTION CO LTD	6,808,306.80	17/8/2016	6,464,324.80	343,982	343,982	PAYMENT FOR RETENTION
Sub-Total	**6,808,306.80**		**6,464,324.80**	**343,982**	**343,982**	
Supply of goods						
2. TAHAJUD CONTRACTORS LTD	9,904,080	20/8/2016	8,951,291.40	952,788.60	952,788.60	PAYMENT FOR RETENTION
3. RESOLUTION INSURANCE CO. LTD	14,670,000	21/8/2016	12,670,000	2,000,000.00	2,000,000.00	MEDICAL INSURANCE FOR MCAS AND STAFF
4. HELLER PETROLEUM	2,737,488	2/1/2017		2,737,488.00	2,737,488.00	PAYMENT FOR FUEL FOR ASSEMBLY'S VEHICLES AND GENERATOR
5. NUR IYO IMRAN LTD	649,600.00	28/112016	-	649,600.00	649,600.00	SUPPLY OF TYRES TO THE ASSEMBLY
6. AZAAR ENTERPRISES	656,120.00	13/6/2017	-	656,120.00	656,120.00	SUPPLY OF TONERS
7. ABIDAH GENERAL SUPPLIERS	396,000.00	14/6/2017	-	396,000.00	396,000.00	SUPPLY OF STATIONERY
8. ANGUO ENTERPRISES	400,000.00	14/6/2017	-	400,000.00	400,000.00	SUPPLY OF STATIONERY
9. ROBCOM ENTERPRISES	42,000.00	8/6/2017	-	42,000.00	42,000.00	ELECTRIC EQUIPMENT SUPPLIED
10. IMARIKA ENTERPRISES LTD	358,000.00	22/6/2017	-	358,000.00	358,000.00	SUPPLY OF STATIONERY
11. ADISMO AUTO GARAGE	584,040.00	23/3/2017	-	584,040.00	584,040.00	BILL FOR REPAIR OF VEHICLES
12. AL-MABOUK CONTRACTORS	1,525,000.00	5/6/2017	-	1,525,000.00	1,525,000.00	SUPPLY OF TIRES TO THE ASSEMBLY
13. IKLAS INVESTMENTS LTD	400,000.00	6/5/2017	-	400,000.00	400,000.00	HIRE OF VEHICLES
14. TAKAFUL INSURANCE CO.	1,000,080	6/9/2016	-	1,000,080	1,000,080	INSURANCE COVER FOR VEHICLES
15. KUROLEY GENERAL CONST.	348,000.00	20/6/2017	-	348,000.00	348,000.00	PURCHASE OF WATER DISPENSERS
16. NATION MEDIA GROUP	421,440.00	6/9/2017	-	421,440.00	421,440.00	NEWSPAPER ADVERTISEMENT
17. KENYA SUSTAINABLE HEALTH AID CBO	40,000.00	23/6/2017	-	40,000.00	40,000.00	LIVE RADIO BROADCAST OF ASSEMBLY.
18. ADMINISTRATION POLICE	400.00	23/6/2017	-	400.00	400.00	SALARY RECOVERIES
19. PAULA GUEST HOUSE	15,000.00	23/6/2017		15,000.00	15,000.00	SALARY RECOVERIES
20. KUPPET	1,860.00	23/6/2017		1,860.00	1,860.00	SALARY RECOVERIES
21. POST BANK	2,000.00	23/6/2017		2,000.00	2,000.00	SALARY RECOVERIES
22. MUSYOKI MOGAKA & CO. ADVOCATES	3,480,000.00			3,480,000.00	3,480,000.00	LEGAL FEES
Sub-Total	**37,631,108**		**21,621,291.40**	**16,009,816.60**	**16,009,816.60**	
Grand Total	**44,439,414.80**		**28,085,616.20**	**16,353,798.60**	**16,353,798.60**	

XV. ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Comments
		a	B	c	d=a-c	
Ali Nuru Guracho		26,115	20/6/2017	0	26,115	
Kassim Galgalo		43,250	22/6/2017	0	43,250	
Mohamud Abdi Danelo		42,546	20/5/2017	0	42,546	
Mohamud Abdi Kosar		6,300	21/6/2017	0	6,300	
Jillo Dhadho		4,000	23/6/2017	0	4,000	
Musa Mohamed Bagaja		21,000	26/6/2017	0	21,000	
Sharmarke Hussein		15,000	21/6/2017	0	15,000	
Abdulkadir Salad		18,900	27/6/2017	0	18,900	
Hanna Hachalalu		34,496	18/6/2017	0	34,496	
Felix Wario		21,000	11/6/2017	0	21,000	
Hassan Bocha		6,300	17/6/2017	0	6,300	
Musa Mohamed Bagaja		43,400	21/6/2017	0	43,400	
Satima Fardowsa salat		30,000	26/6/2017	0	30,000	
Gwiyo Dullu		1,000	27/6/2017	0	1,000	
Musa Rone		5,000	20/6/2017	0	5,000	
Maryan Abdi		600	25/6/2017	0	600	
Musa Mohamed Bagaja		517,200	28/6/2017	0	517,200	
Ali Nuru Guracho		104,822	20/6/2017	0	104,822	
Abubakar Abaroba		56,000	21/6/2017	0	56,000	
Hassan Bocha		12,000	27/6/2017	0	12,000	
Sub-Total						
Grand Total		**1,008,929**			**1,008,929**	

XVI. ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Buildings and structures	-	35,254,661	-	35,254,661
Transport equipment	84,683,925	-	-	84,683,925
Office equipment, furniture and fittings	8,333,800	14,897,126	-	23,230,926
ICT Equipment, Software and Other ICT Assets	8,379,800	5,850,000	-	14,229,800
Other Machinery and Equipment	5,778,900	9,904,080	-	15,682,980
Total	107,176,425	65,905,867	-	173,082,292

XVII. ANNEX 4 – ANALYSIS OF OUTSTANDING IMPREST

Government Imprest Holders

Name of Officer or Institution	*Date Imprest Taken*	*Amount Taken*	*Amount Surrendered*	*Balance*
		Kshs	*Kshs*	*Kshs*
1.BAKARI ALI WARIO	20/5/2017	20,000	-	20,000
2.ABDI KUNO KURO	15/10/2016	40,000	-	40,000
3.ALI HAMAD OMAR	10/11/2016	40,000	-	40,000
4.ALI HAMAD OMAR	1/1/2017	40,000	-	40,000
5.BASHIR NADHIR MOHAMED	28/3/2017	30,000	-	30,000
6.GRACE ALFAYO REBECCA	14/5/2017	20,000	-	20,000
7.GRACE ALFAYO REBECCA	14/5/2017	23,000	-	23,000
8.AMUMA LAN KINOGA	10/5/2017	30,000	-	30,000
9.GALGALO GOLA	14/5/2017	25,000	-	25,000
10.GABABO KALME HUSSEIN	24/11/2016	20,000	-	20,000
11.HABIBA IBRAHIM AHMED	5/12/2016	20,000	-	20,000
12.HABIBA IBRAHIM AHMED	28/3/2017	15,000	-	15,000
13.MOLIAN DOROTHY CHAGASO	27/6/2017	88,600	-	88,600
14.YAHYA ISSA KOMORA	26/6/2017	13,000	-	13,000
15.SATIMA FARDOWSA	29/6/2017	70,000	-	70,000
16.SUILEMAN JARSO	1/3/2017	24,500	-	24,500
17.POLYCARP MATARA	10/2/2017	30,000	-	30,000
18.JAFFAR MOHAMED RASHID	3/3/2017	35,000	-	35,000
19.JAFFAR MOHAMED RASHID	25/6/2017	9,000	-	9,000
20.HANNA HACHALALU	3/5/2017	32,800	-	32,800
21.HANNA HACHALALU	14/5/2017	49,600	-	49,600
22.BONAYA ZAKARIA	3/5/2017	40,000	-	40,000
23.ALI NURU GURACHO	10/5/2017	30,000	-	30,000
24.CHRISPINE JARAH	28/11/2016	194,025	-	194,025
25.EGO MUAMAR	25/6/2017	35,000	-	35,000
26.EBBA ISMAIL BARISA	28/11/2016	35,000	-	35,000
27.SIRAD MOHAMUD DERE	1/3/2017	20,000	-	20,000
28.SIRAD MOHAMUD DERE	30/4/2017	20,000	-	20,000
29.FARAH BILAL ODOWA	10/5/2017	15,000	-	15,000
30.WADESA RAMADHAN	28/11/2016	35,000	-	35,000
31.ABDULLAHI DAYIB HUSSEIN	14/5/2017	75,000	-	75,000
32.ABDULLAHI DAYIB HUSSEIN	27/6/2017	103,600	-	103,600
33.MOHAMED GODANA	2/11/2016	45,000	-	45,000

34.MOHAMED GODANA	31/1/2017	75,000	-	75,000
35.MUHUMED ADAN BARE	28/1/2017	25,000	-	25,000
36.DOKOTA DARA	25/5/2017	15,000	-	15,000
37.WARE KUNYO SHONGOLO	17/5/2017	30,000	-	30,000
38.MUHUMED ADAN BARE	1/3/2017	55,000	-	55,000
40.WARE KUNYO SHONGOLO	16/1/2017	30,000	-	30,000
41.MAHAD SOMAN ADHAN	30/4/2017	10,000	-	10,000
42.ABDI KUNO	15/12/2016	40,000	-	40,000
43.GABABO KALME	24/11/2016	20,000	-	20,000
44. CHRISPINE JARAH	21/3/2017	175,021	-	175,021
Total		1,798,196		1,798,196

XV111-ANNEX 5-ANALYSIS OF SALARY ADVANCE.

S/No.	Name	Position/Title	Balance as at 30th June 2017
1	SUILEMAN GATTA	STAFF	90,000
2	ADHAN HARAF GALGALO	STAFF	15,000
3	GODANA A.ABUBAKAR	STAFF	80,000
4	FLORIENER JOSEPH	STAFF	100,000
5	JAFAR MOHAMED RASHID	STAFF	10,000
6	MOHAMED SALIM ARBICHO	MCA	200,000
7	RONE MUSA NUR	STAFF	180,000
8	ABDU ARRI BORU	STAFF	10,000
9	BASHIR NADHIR	STAFF	150,000
10	SHAFAT MOHAMED	STAFF	30,000
11	ALI GALOLE SALAT	STAFF	5,000
12	GABABO HUSSEIN	STAFF	10,000
13	MAHAD SOMAN	STAFF	10,000
14	AHMED ADAN UME	STAFF	1,000
15	MASHA BORU DELA	MCA	30,000
16	DAUD GALDESA	MCA	30,000
17	IBRAHIM ADOMOW SALAH	MCA	59,778
18	LULI RASHID	MCA	100,000
	Totals.Kshs		**1,110,778**