REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF THARAKA NITHI

FOR THE YEAR ENDED 30 JUNE 2017

KENYA NATIONAL AUDIT OFFICE
EMBU HUB
12 MAR 2018
2298
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THE THARAKA NITHI COUNTY ASSEMBLY

AUDITED REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Key Management

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

- The Tharaka Nithi County Assembly Service Board

(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.	Assembly Clerk	Martin Kimani Kariuki
2.	Deputy Clerk	Eric Stanely Muthuri Nthumbi
3.	Director Finance	Peter Mburu Muniu
4.	PrincipalAccountant	Purity Kawira Njeru

(d) Fiduciary Oversight Arrangements

County Public Investment and Accounts Committee

That examines accounts showing the appropriations of the sum voted by the county assembly to meet expenditure, examines reports and workings of the county public investments.

County Budget and Appropriation Committee

Investigates, inquire into and report on all matters related to coordination, control and monitoring of the county budget, discusses and reviews estimates with recommendations, examines bills and evaluates tax estimates, economic and budgetary policies and programmes.

(e) Entity Headquarters

Tharaka Nithi County Assembly
P.O. Box 694
Chuka, Kenya

(f) Entity Contacts

Telephone: 064-630071
E-mail: tharakanithicountyassembly@gmail.com
Website: www.tharakanithicountygovernment.go.ke

(g) Entity Bankers

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

2. Equity Bank Limited
   P.O Box 213
   Chuka
   Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. FORWARD BY THE CLERK OF THE ASSEMBLY

The County Assembly of Tharaka Nithi budget was approved in according to the law. It was funded by exchequer releases amounting to Kshs. 340,100,000 for the year ended 30th June 2017, from the CountyTreasury. There was also a balance brought forward from the previous year of Kshs. 200. The county assembly utilised the fund as follows on employees' compensation, Kshs.183,518,487 on goods and services Kshs.132,384,246, Acquisition of Assets Kshs.6,704,590 and other payments Kshs.17,463,785 totalling kshs. 340,071,108 of which Kshs. 29,092 were funds unutilised and returned to treasury adding up to exchequer releases of Kshs. 340,100,200.

During the reporting period ending 30th June 2017 the County Assembly of Tharaka Nithi continued with its oversight and legislative role, approval of various bills. The County Assembly also continued the mortgage scheme and car loan during this period.

Being the first devolved County Assembly of Tharaka Nithi we were faced with various challenges/difficulties. Our headquarters being at Kathwana where no proper infrastructures were in place posed some challenges.

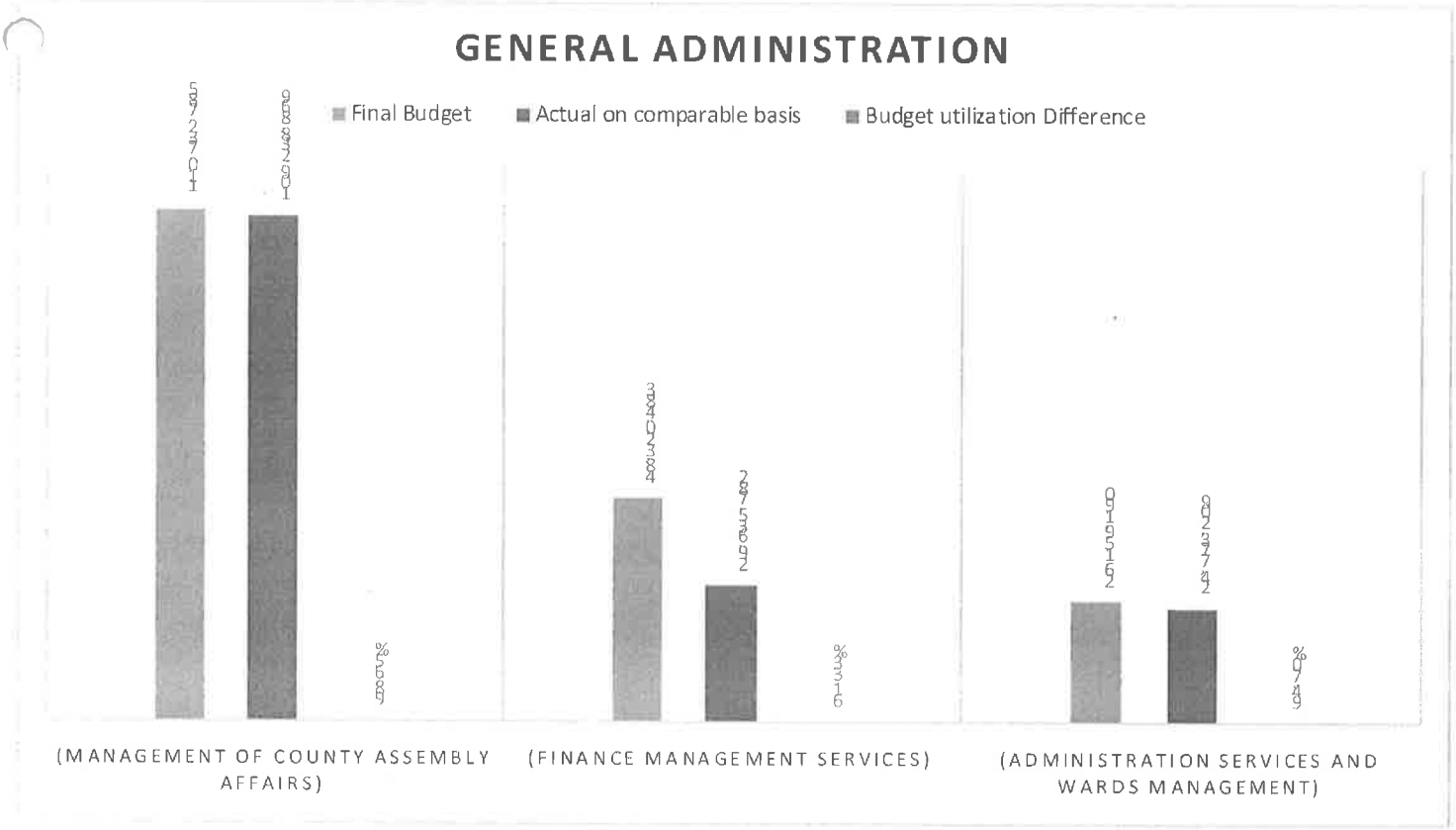
The County Assembly will continue investing heavily on programs that will have direct impact to oversight and legislative roles thereby uplift the Tharaka Nithi Citizens standards of living. We will also enhance human resource capacity to achieve more efficiency in our operations.

Budget performance

This section provides a detailed review of the budget against the actual expenditure based on programmes:

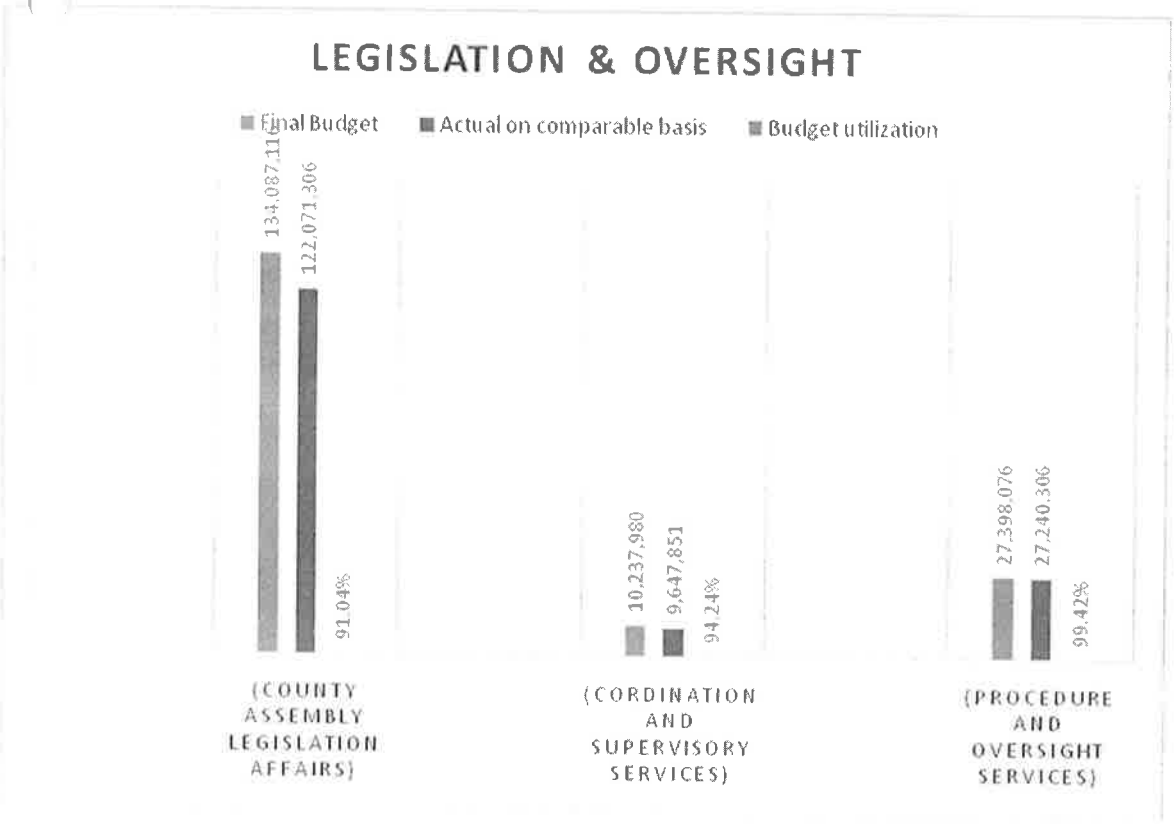
Programme/Sub-programme	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on comparable basis d	Budget utilization Difference (d/c %)
	2016/17	2016/17	2016/17	2016/17	2016/17
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Programme 1(General Administration)					
Sub-programme 1 (Management of County Assembly Affairs)	108,944,886	1,787,899	110,732,785	109,238,869	98.65%
Sub-programme 2 (Finance Management Services)	54,978,685	(6,658,202)	48,320,483	29,635,782	61.33%
Sub-programme 3 (Administration Services and Wards Management)	26,055,155	104,035	26,159,190	24,773,209	94.70%
TOTAL PROGRAMME 1	**189,978,726**	**(4,766,268)**	**185,212,458**	**163,647,860**	**88.36%**
Programme 2(Legislation & Oversight)					
Sub-programme 1 (County Assembly Legislation Affairs)	149,487,115	(15,399,999)	134,087,116	122,071,306	91.04%
Sub-programme 2 (Cordination and Supervisory Services)	11,196,050	(958,070)	10,237,980	9,647,851	94.24%
Sub-programme 3 (Procedure and Oversight Services)	23,087,470	4,310,606	27,398,076	27,240,306	99.42%
TOTAL-PROGRAMME 2	**183,770,635**	**(12,047,463)**	**171,723,172**	**158,959,463**	**92.57%**
GRAND TOTAL	**373,749,361**	**(16,813,731)**	**356,935,630**	**322,607,323**	**90.38%**

Graph 1.0 Programme1 (General Administration)



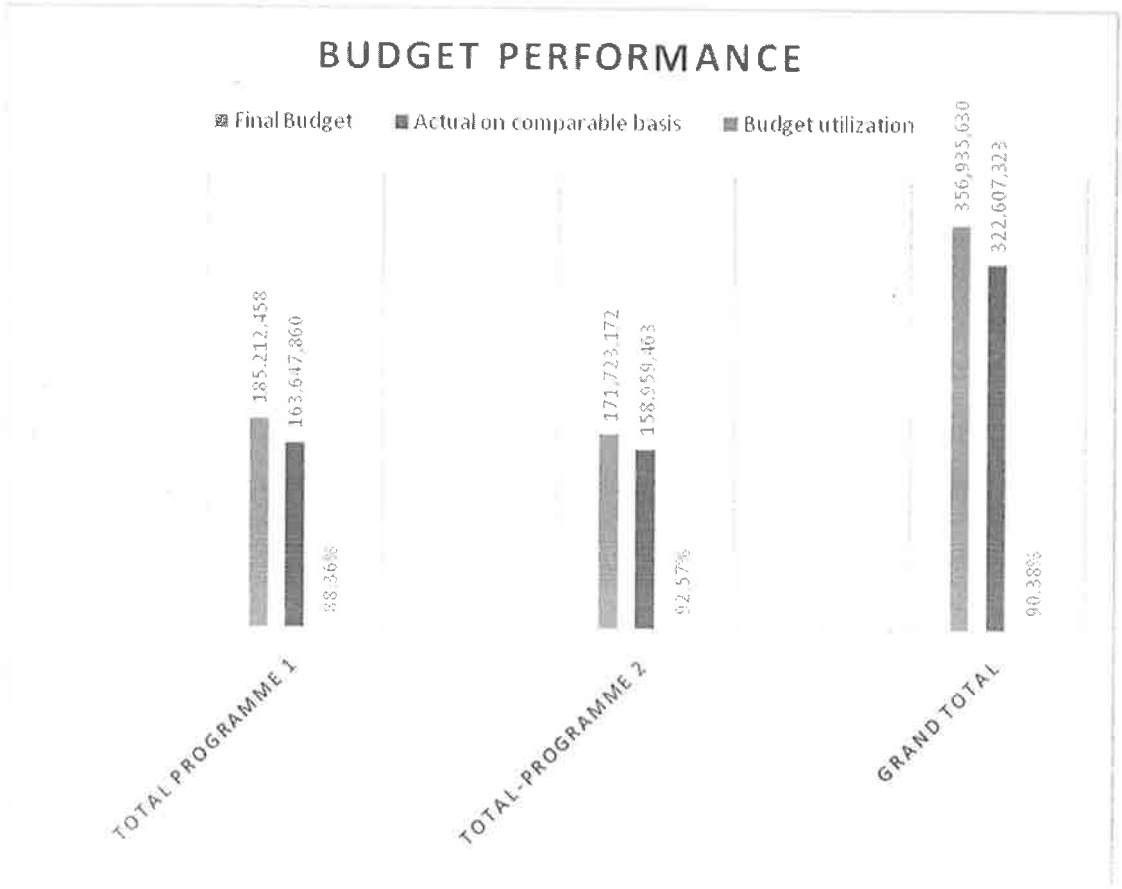
Under this program the actual expenditure amounted to Ksh. 163,647,860 representing 88.36% of the program budget utilization. The top performing sub-programs under this program were management of county assembly affairs representing 98.65% of budget utilization under this sub-program, Administration Services and wards Management affairs representing 94.70% of budget utilization under this sub-program, while finance management services sub program had the lowest budget utilization of 61.33%.

Graph 1.1: Programme 2 (Legislation & Oversight)



Programme 2 (Legislation & Oversight). This programme performed with actual expenditure of Ksh.158, 959,463 representing 92.57% of the program budget utilization. Under this program the top performing sub-programs were procedure and oversight services representing 99.42% of budget utilization under this sub-program, Coordination and Supervisory Services representing 94.24% of budget utilization under this sub-program, while County Assembly Legislation Affairs represented 91.04% of budget utilization under this sub-program.

Graph 1.2: Summary of budget execution by programmes



Under this section graph 1.2 represent a brief summary of the budget performance based on the programmes. The actual expenditure during FY 2016-2017 amounted to Ksh. 322,607,323 against the final budget of Ksh. 356,935,630 representing 90.38% of the budget utilization.

Operational Performance

-There were eleven bills passed in September 2016 and eleven bills passed in 2017 at the Second Reading Stage by the Members of the Assembly. These are a county assembly`s chief priority and this has helped in the allocation of the County Revenue allocated by the National government.

-The County Assembly original budget was passed on 30th June 2016 and the supplementary budget was passed on 21st February 2017.

County Assembly sectoral committees and their mandates include the following:

1. *Agriculture, Environment and Natural resources-Deals with all matters related to agriculture and implementation of specific national government policies on natural resources and environmental conservation.*
2. *Health Services committee-Deals with all matters related to county health services and control undertakings that sell food to the public.*
3. *Children culture and community services-Deals with all matters related to cultural activities, public entertainment and public amenities.*
4. *Transport and public works-Deals with all matters related to county transport.*

5. *Planning, Trade, Tourism and Cooperatives-Deals with all matters related to County Planning and development.*
6. *Early Childhood Education and Vocational Training-Deals with all matters relating to pre-primary education, village polytechnics, home crafts centres and child care facilities.*
7. *Labour and Social Welfare-Deals with all matters relating to labour, trade union relations, manpower, sports etc.*
8. *Justice and Legal Affairs-Deals with constitutional affairs, administration of law and justice e.g. elections, ethics, integrity and anti-corruption and human rights.*

-Successes include approval of budgets, approval of finance bill, passing of bills, overseeing implementation of projects and also monitoring motions and statements.

- The oversight role of the County Assembly is done through the various committees where these committees receive annual reports from the relevant department in executive which they deliberate and table the reports to the assembly for further deliberations and approval.

Further, committees undertake county tours for fact findings on the progress of projects implementation and further draft motions, statements or compile reports to the assembly.

Performance of key development projects

The key development project is the County Assembly Construction.
Procurement process has been done. Contractor on site.

Comment on value-for-money achievements

Work in progress at the initial stages hence no benefit yet.

Challenges and Recommended Way Forward

The County Assembly uses the Procurement plan.

Sign Kariuki M.K.

Clerk of the County Assembly

STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year ended 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 _____ 2017.

Kaindi M.K.

_____

Clerk of the County Assembly

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF THARAKA NITHI FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the County Assembly of Tharaka Nithi as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012 and the County Government Act 2012.

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

Basis for Adverse Opinion

1.0 Accuracy of the Financial Statements

1.1 Cash and Cash Equivalents

Note 13 to financial statements reflects Kshs.36,551,222 in respect to cash and cash equivalents held in the County Assembly's three bank accounts as at 30 June 2017. However, the statement of financial assets and liabilities reflects a cash and cash equivalents balance of Kshs.36,556,441 resulting into an unexplained and unreconciled difference of Kshs.5,219.

Further, the County Assembly operated an additional fifteen (15) ward bank imprest accounts in Equity bank whose balances were not disclosed in the financial statements. In addition, the County Assembly did not provide for audit review the certificate of bank balances for the CBK Recurrent Bank Account No.1000199393 and the bank

statements for the Equity Bank Imprest Account No. 0210261489799 which were reflected as having balances of Kshs.33,702,612 and Kshs.1,848,610 respectively.

In addition, the outstanding imprests of Kshs.1,616,848 as at 30 June 2017 reflected in the imprest register was omitted in the balance of cash and cash equivalents as at 30 June 2017.

Also, the statement of cash flow reflects cash and cash equivalents at the end of year of Kshs.17,436,029 while statement of financial assets and liabilities reflects cash and cash equivalents of Kshs.36,556,441 resulting to an unexplained difference of Kshs.19,093,412.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.36,556,441 as at 30 June 2017 could not be ascertained.

1.2 Accuracy and Completeness of the Financial Statements

1.2.1 Variations Between the Financial Statements, Ledger and Votebook

The financial statements for the year under review reflected a balance of Kshs.319,974,936 in respect to Thirteen (13) expenditure items. However, the respective IFMIS ledger and vote book reflected a balance of Kshs.151,840,409 and Kshs.207,296,929 respectively for the same items resulting to unexplained and unreconciled variances between financial statements versus IFMIS ledger and vote book of Kshs.168,154,527 and Kshs.112,678,007 respectively as follows;

No	Item	Financial Statements (A)	IFMIS Ledger (B)	Vote Book (C)	A – B	A – C
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
1	Utilities supplies & services	154,578	110,201	154,578	44,377	-
2	Hospitality supplies & services	5,442,626	2,640,493	5,482,689	2,802,133	(40,063)
3	Office & general supplies	1,186,149	1,182,798	-	3,351	1,186,149
	Other operating expenses	12,878,975	8,979,669	12,878,975	3,899,306	-
4	Insurance costs	17,297,300	5,368,834	17,297,300	11,928,466	-
5	Purchase of vehicles & other transport equip	4,400,000	4,945,500	4,400,000	(545,500)	-

6	Purchase of office furniture & general equipment	1,617,590	183,400	539,050	1,434,190	1,078,540
7	Purchase of ICT equipment, software & other ICT assets	1,541,220	1,153,304	1,510,898	387,916	30,322
8	Compensation of Employees	183,518,487	65,823,877	83,405,292	117,694,610	100,113,195
9	Domestic Travel and Subsistence	50,017,751	20,197,877	46,790,458	29,819,874	3,227,293
10	Printing Adverting, and Information Supplies & Services	15,928,295	24,910,961	16,046,953	(8,982,666)	(118,658)
11	Routine Maintenance-Motor Vehicles	1,442,155	1,035,569	1,442,155	406,586	-
12	Routine Maintenance-Other Assets	505,300	84,600	-	420,700	505,300
13	Training Expenses	17,414,216	12,314,315	13,807,375	5,099,901	3,606,841
14	Foreign Travel and Subsistence	6,630,294	2,889,011	3,541,206	3,741,283	3,089,088
	Total	**319,974,936**	**151,820,409**	**207,296,929**	**168,154,527**	**112,678,007**

1.2.2 Variations Between Financial Statements Balances and Balances in the Respective Notes to the Financial Statements

The financial statements as at 30 June 2017 reflected balances that were at variance with the balances reflected in the respective notes to the financial statements as follows;

Item	Note Number	Financial Statements Balance	Notes Balance	Variation
		Kshs.	Kshs.	Kshs.
Bank Balances	13A	33,702,613	36,551,222	2,848,609
Cash Balances	13B	2,848,461,	-	2,848,461
-	13B	5,367	-	5,367
Accounts Receivables	14	164,581	-	164,581

Accounts Payables	15	-	17,463,785	17,463,785
Finance Cost	11	29,648	-	29,464

Further, note 10 to the financial statements reflects Kshs.4,400,000 in respect to purchase of Double Cab Pick Up while supporting records reflect an expenditure of Kshs.4,797,600 resulting to unexplained understatement of Kshs.397,600.

In addition, Kshs.545,000 paid to Kinsmin Logistics for purchase of tyres had been charged to purchase of motor vehicles and no authority for reallocation of the expenditure has made been seen.

In the circumstances, the accuracy and completeness of the financial statements balances as at 30 June 2017 could not be ascertained.

2.0 Irregular Foreign Travel Expenditure

Note 5 to the financial statements reflects Kshs.6,630,294 in respect to foreign travel and subsistence as at 30 June 2017. However, included in the Kshs.6,630,290 expenditure was Kshs.2,587,049 in respect to four foreign trips to Chicago, Botswana and twice to South Africa which had the following anomalies.

2.1 The 8th PALU Annual Conference

Two legal officers and a member of Assembly Service Board were paid each Kshs.198,540 all totaling Kshs.595,620 being five days' quarter per diem to attend the 8 Pan African Lawyers Union Annual Conference in Durban, South Africa from 5 to 8 July 2017. However, no records were availed to confirm that the member of Assembly Public Service Board was a member of the Law Society of Kenya (LSK). Further, Kshs.39,200 was paid in respect to one (1) night out in Nairobi which has remained un accounted for.

In the circumstances, the propriety of the, Kshs.198,540 and Kshs.39,200 both totaling to Kshs.237,740 as at 30 June 2017 could not be ascertained.

2.2 Public Budget and Fiscal Management Seminar in Dubai, South Africa

An amount of Kshs.1,122,919 was paid to Speaker of County Assembly and One Member of County Assembly (MCA) to attend Public Budget and Fiscal Management seminar in Dubai, South Africa from 8 to 15 April 2017. However, although the invitation was only for the speaker of the County Assembly or his officer/representative, the County Assembly sent two officers to the seminar and no reason was given for this anomaly.

Further, copies of passport, certificates of attendance and back to office report were not made available for audit verification. In addition, a firm, Fare Connect Travel and Tours was paid Kshs.157,200 for travel agency services without competitive procurement contrary to Section 106 (2)(b) of the Public Procurement and Asset Disposals Act, 2015.

In view of the foregoing, the propriety of the expenditure of Kshs.1,122,919 as at 30 June 2017 could not be confirmed.

2.3 State Legislative Summit in Chicago

The Clerk to County Assembly was paid Kshs.528,500 to attend the National Conference of State Legislature Summit in Chicago from 7 to 11 August 2016

The officer left Kenya on 6 August 2016 and returned on 15 August 2016. However, the officer was supposed to have returned on 12 August 2016 as the summit ended on 11 August 2016, thereby overstaying his travel with three days. No explanation was given for the extra three days stay in Chicago which resulted into an irregular expenditure of Kshs.176,167.

Further, two night outs while in Nairobi of Kshs.33,600 and Kshs.4,000 for local transport all totaling Kshs.37600 remains un accounted for.

In view of the foregoing, the propriety of the expenditure of Kshs.213,767 as at 30 June 2017 could not be confirmed and nor could it be ascertained that the expenditure was a proper charge for public funds.

2.4 Livestock Management Workshop in Gabarone, Botswana

An amount of Kshs.340,010 was paid to two MCAs for attending Livestock Management Workshop in Gabarone from 3 to 7 October 2016. However, the surrenders were not supported by copies of passports extracts, boarding passes, invitation letters and back to office report.

In addition, Equip Africa Institute was paid Kshs.300,000 for travel agency services without competitive procurement contrary to Section 106 (2) (b) of the Public Procurement and Asset Disposals Act, 2015.

As a result, the propriety of the expenditure of Kshs.640,010 as at 30 June 2017 could not be confirmed.

3.0 Un-accounted for Training Expenses

Note 5 to financial statements reflected Kshs.17,414,216 in respect to training expenses as at 30 June 2017. However, scrutiny of sampled payment vouchers totaling to Kshs.5,643,946 for training revealed the following anomalies;

i. No evidence of travel to the training or workshop venues in form of work tickets, or bus tickets.

ii. No evidence of attendance of the seminars, workshops or trainings in form of attendance registers, activity programs, or certificates of participation.

iii. The conference facilities were irregularly paid for in cash although the costs were over and above the allowed cash payments of Kshs.30,000.

iv. The service providers / facilitators were irregularly single sourced and were not in the list of registered Assembly's suppliers.

In the circumstances, it was not possible to ascertain the propriety of the Kshs.17,414,216 training expenses and that the expenditure was a proper charge to public funds.

4.0 Irregular Cash Procurements

4.1 Fuel

During the year under review, the County Assembly procured fuel worth Kshs.2,500,000 through cash payments as follows;

Date	PV No.	Imprest Warant No.	Amount (Kshs)
22/6/17	980/16-17	2942558	200,000
30/6/17	1029/16-17	2942578	200,000
22/5/17	860/16-17	2942532	200,000
8/2/17	518/16-17	2745111	200,000
13/3/17	642/16-17	2745206	200,000
24/10/16	185/16-17		200,000
6/12/16	297/16-17	2745026	100,000
16/12/16	331/16-17		200,000
16/01/17	390/16-17	2745050	200,000
25/4/17	753/16-17	2745238	200,000
24/8/16	053/16-17		200,000
20/9/16	103/16-17		200,000
28/8/16	006/16-17		200,000
		Total	**2,500,000**

However, the procurement of fuel using cash was in disregard to the Legal Notice No. 106 of the Public Procurement and Disposal (Amendment) Regulations, 2013 which limits cash procurement to a maximum of Kshs.30,000.

Further, the services were single sourced contrary to Sections 103 (1) and 124(12) of the Public Procurement and Assets Disposal Act, 2015.

In consequence, value for money for the Kshs.2,500,000 fuel expenditure as at 30 June 2017 could not be ascertained including whether the expenditure was a proper charge to public funds.

4.2 Catering Services

During the year under review, the County Assembly procured catering services worth Kshs.1,087,000 through cash payments as follows:

Committee	Date	CB No.	Service Provider	Amount (Kshs.)
Committee on Early Childhood and Vacation Training	27-Feb-17	595/16-17	OWOODs Lodge Annex, Box 1148, Embu	74,000
Budget and Appropriation Committee	27-Feb-17	594/16-17	Kenya School of Monetary Studies	208,000
Implementation Committee & Paul Thirika	8-Feb-17	517/16-17	Owoods Lodge Annex, Box 1148-Embu - vide invoice no. 3650 dated 20/2/2017 receipt no. 339	210,000
Finance Committee & Mary Kendi	9-Feb-17	519/16-17	Owoods Lodge Annex, Box 1148-Embu-invoice no. 3740 dated 11/2/2017 - receipt no. 648	61,000
Justin Mugambi	15-Dec-16	329/16-17	Family Even Planners, Box-315, Chuka.	294,000
MCAs & Staff	6-Feb-17	498/16-17	Owoods Lodge Annex box-1148-60100, Embu. Invoice No. 3685 dated 13/2/17 and receipt no. 016 - no ETR	105,000
Committee on Budget and Appropriation	25-Jan-17	437/16-17	Owoods Lodge Annex, Embu. Receipt no. 040 dated 30/01/2017 Imprest no. 1932049.	135,000
Total				**1,087,000**

However, the procurement of catering services using cash was in disregard to the Legal Notice No. 106 of the Public Procurement and Disposal (Amendment) Regulations, 2013 which limits cash procurements to a maximum of Kshs.30,000.

Further, the services were single sourced contrary to Sections 103 (1) and 124(12) of the Public Procurement and Assets Disposal Act, 2015.

In view of the above, value for money for the Kshs.1,087,000 catering services expenditure amounting to as at 30 June 2017 could not be ascertained.

5.0 Missing Payroll Data

Note 4 to the financial statements reflected Kshs.183,518,487 in respect to compensation of employees as at 30 June 2017. However, included in Kshs.183,518,487 was Kshs.45,075,558 salaries for the months of July 2016 to October 2016 whose payroll reports were not availed for audit review. It was alleged that Anchor Information Payroll System that was in use had crushed and all data lost.

Further, a firm, Tumot Ltd of Box 1348 -10400, Nanyuki was paid Kshs.540,000 for data recovery services vide payment voucher number 904/16-17 dated 27 June 2017. However, although the ICT Officer confirmed that the data had been recovered through a letter dated 27 June 2016, the recovered data which included the above Kshs.45,075,558 payroll reports was not made available.

In the circumstance, the Kshs.540,000 data recovery expenditure was not a proper charge to public funds and it did not have any value for money and further, the accuracy and propriety of Kshs.183, 518,487 employees' compensation as at 30 June 2017 could not be ascertained.

6.0 Unsupported Daily Subsistence Allowance

Note 5 to the financial statements reflects Kshs.50,017,751 in respect to domestic travel and subsistence as at 30 June 2017. However, included in Kshs.50,017,751 was Kshs.5,412,000 which was not supported by signed attendance registers to seminars, approved rates of payments, invitation letters to meetings and back to office reports.

As a result, the propriety of the Kshs.5,412,000 subsistence allowances expenditure as at 30 June 2017 cannot be ascertained.

7.0 Irregular Payment of Allowances

7.1 Airtime and Fuel Allowance

During the year under review, fifteen (15) staff were paid airtime allowance amounting to Kshs.330,000 as follows;

No.	Staff	November 2016	February - May 2017	Total
		Kshs.	Kshs.	Kshs.
1	Martin Kariuki	15,000	20,000	35,000
2	Peter Muniu	15,000	20,000	35,000
3	Kenneth N. Cheri	6,000	8,000	14,000
4	Eric Nthumbi	15,000	20,000	35,000
5	Catherine Njeri	12,000	16,000	28,000
6	Mary Kendi	6,000	8,000	14,000
7	Paul Thirika	6,000	8,000	14,000

8	Christine Nyaga	6,000	8,000	14,000
9	Festus Kinoti	6,000	8,000	14,000
10	Purity K. Njeru	9,000	12,000	21,000
11	Monicah Ndungu	6,000	8,000	14,000
12	Eric M. Kaburu	6,000	8,000	14,000
13	Justin Mugambi	15,000	20,000	35,000
14	Robert Mutwiri	15,000	20,000	35,000
15	Edward Nyaga	-	8,000	
	Total	**138,000**	**192,000**	**330,000**

Further, Kshs.896,000 was paid to members of staff as fuel allowance while driving their own cars on assignments of the County Assembly.

However, there was no internal policy guideline on the payment of airtime and fuel allowances to the staff of County Assembly of Tharaka Nithi.

Under the circumstances, the legality of the expenditure of Kshs.330,000 for air time and Kshs.896,000 for fuel allowance all totaling to Kshs.1,226,000 as at 30 June 2017 could not be ascertained.

7.2 Double Payment of Per diem and Transport Allowance

During the year under review, four (4) MCAs were paid three (3) days per diem to attend the opening of the refurbished Kilifi County Assembly Chambers on 4 November 2016. However, the respective supporting documents revealed that the four MCAs were double paid for the three days using two different payment vouchers - voucher number 236/16-17 dated 7 November 2016 and voucher number 194/16-17 dated 27 November 2016 of Kshs.206,400 and Kshs.188,400 respectively both totaling to Kshs.394,800 as follows;

	Voucher No. 236/16			**Voucher No. 194/16**			
Payee	**Transport**	**Per diem-Daily Rate**	**3 days Per diem plus transport**	**Transport**	**Per diem-daily rate**	**3 days-Per diem plus transport**	**Total Payment**
	Kshs.	**Kshs.**	**Kshs.**	**Kshs.**	**Kshs.**	**Kshs.**	**Kshs.**
John Mbabu	-	16,800	50,400		16,800	50,400	100,800
Wilson Nyaga	10,000	14,000	52,000	4,000	14,000	46,000	98,000
Albano Nyaga	10,000	14,000	52,000	4,000	14,000	46,000	98,000

Wilfred Kirimi	10,000	14,000	52,000	4,000	14,000	46,000	98,000
Total			**206,400**			**188,400**	**394,800**

In the circumstance, the Kshs.394,800 expenditure as at 30 June 2017 was not a proper charge to public funds and had no respective value for money.

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

Key Audit Matters

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

Other Matter

1.0 Internal Control Effectiveness

1.1 Weak Internal Control System

The County Assembly's did not have the following five ingredients that would have been a back bone of a strong and effective internal control system;

i. Audit committee and internal audit charter.

ii. Risk based audit assessment and strategic plan for the internal audit department.

iii. IT strategic plan and security policy.

iv. Corrective actions taken by management on the internal audit reports.

v. Post audit by Internal Audit section on payment vouchers, cashbooks, procurement process and all other Assembly processes.

In view of the above, it was not possible to ascertain that the Assembly had a strong and effective internal control system that was able to effectively safeguard the assets and public funds of the County Assembly.

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 continue to sustain its 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 Assembly or to cease operations, or have no realistic alternative but to do so.

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 judgment and maintain professional skepticism throughout the audit. I also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the County Assembly's internal control.

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

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

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

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

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

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

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

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

Nairobi

19 July 2018

III. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016/17 Kshs	2015/16 Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	340,100,000	320,335,310
Proceeds from Sale of Assets	2	-	-
Other Receipts-B/F2015/16	3	-	-
TOTAL RECEIPTS		**340,100,000**	**320,335,310**
PAYMENTS			
Compensation of Employees	4	183,518,487	188,491,137
Use of goods and services	5	132,384,246	129,588,372
Subsidies	6	-	-
Transfers to Other Government Entities	7		-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Acquisition of Assets	10	6,704,590	1,541,220
Finance Costs	11	29,648	-
Other Payments	12		550,000
TOTAL PAYMENTS		**322,636,971**	**320,170,729**
SURPLUS/DEFICIT		**17,463,029**	**164,581**

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

Clerk of the Assembly
Name: Martin Kimani Kariuki

Director Finance – County Assembly
Name: Peter Mburu Muniu
ICPAK Member Number: 4325

IV. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

	Note	2016/2017 Kshs	2015/16 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	13A	33,702,612.50	164,581
Cash Balances	13B	2,848,461.10	-
	13 B	5,367.28	
Total Cash and cash equivalents		**36,556,440.88**	**164,581**
Accounts receivables – Outstanding Imprests	14	164,581	-
TOTAL FINANCIAL ASSETS			-
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15		-
NET FINANCIAL ASSETS		**36,721,021.88**	**164,581**
REPRESENTED BY			
Fund balance b/fwd	16	164,581	-
Surplus/Deficit for the year		36,556,440.88	164,581
NET FINANCIAL POSITION		**36,721,021.88**	**164,581**

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

Clerk of the Assembly
Name: Martin Kimani Kariuki

Director Finance – County Assembly
Name: Peter Mburu Muniu
ICPAK Member Number: 4325

V. STATEMENT OF CASH FLOW

	Note	2016/17 Kshs	2015/16 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	340,100,000	320,335,310
Other Receipts	3		-
Payments for operating expenses			
Compensation of Employees	4	183,518,487	188,491,137
Use of goods and services	5	132,384,246	129,588,372
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Finance Costs	11	29,648	-
Other Payments	12		550,000
Adjusted for:			
Adjustments during the year	17	-	-
Net cash flows from operating activities		**315,932,381**	**318,629,509**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	6,704,590	1,541,220
Net cash flows from investing activities		**6,704,590**	**1,541,220**
NET INCREASE IN CASH AND CASH EQUIVALENTS		-	-
Cash and cash equivalent at BEGINNING of the year	13	**164,581**	**164,581**
Cash and cash equivalent at END of the year		**17,463,029**	**164,581**

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

Clerk of the Assembly
Name: Martin Kimani Kariuki

Director Finance – County Assembly
Name: Peter Mburu Muniu
ICPAK Member Number: 4325

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation difference to final budget (d/c %)
	Kshs a	Kshs b	c=a+b	d	e=c-d	Kshs
RECEIPTS						
Transfers from the County Treasury/Exchequer Releases	340,100,000	-	472,249,361	340,071,108	132,178,253	72.01%
Proceeds from Sale of Assets	-	-	-		-	-
Other Receipts	200	-	-		-	-
TOTAL	**340,100,200**	-	**472,249,361**	**340,071,108**	**132,178,253**	-
PAYMENTS						
Compensation of Employees	212,551,178	(18,000,000)	194,551,178	183,518,487	11,032,691	94.33%
Use of goods and services	153,478,183	686,269	154,164,452	132,384,246	21,780,206	85.87%
Subsidies	-	-	-		-	-
Transfers to Other Government Entities	-	-	-		-	-
Other grants and transfers	-	-	-		-	-
Social Security Benefits	-	-	-		-	-
Acquisition of Assets	7,720,000	500,000	8,220,000	6,704,590	1,515,410	81.56%
Development	-	70,000,000	70,000,000	-	-	-
Other Payments	28,500,000	0	28,500,000	17,463,785	11,036,215	61.28%

TOTAL	**402,249,361**	**-**	**455,435,630**	**340,071,108**	**115,364,522**	**74.67%**
SURPLUS/ DEFICIT	**-**					

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

Kariuki M.K.

Clerk of the Assembly
Name: Martin Kimani Kariuki

Director Finance – County Assembly
Name: Peter Mburu Muniu
ICPAK Member Number: 4325

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation difference to final budget (d/c%)
	Kshs a	Kshs b	c=a+b	d	e=c-d	Kshs
RECEIPTS						
Transfers from the County Treasury/Exchequer Releases	322,636,415	34,299,215	356,935,630	322,607,323	34,328,307	90.38%
Proceeds from Sale of Assets	-	-	-		-	-
Other Receipts		-	-		-	-
TOTAL	**322,636,415**	**34,299,415**	**356,935,630**	**322,607,323**	**34,328,307**	**90.38%**
PAYMENTS						
Compensation of Employees	212,551,178	(18,000,000)	194,551,178	183,518,487	11,032,691	94.33%
Use of goods and services	153,478,183	686,269	154,164,452	132,384,246	21,780,206	85.87%
Subsidies	-	-	-		-	-
Transfers to Other Government Entities	-	-	-		-	-
Other grants and transfers	-	-	-		-	-
Social Security Benefits	-	-	-		-	-
Acquisition of Assets	7,720,000	500,000	8,220,000	6,704,590	1,515,410	81.56%
Finance Costs	-	-	-		-	-
Other Payments	-	-	-		-	-
TOTAL	**373,749,361**	**(16,813,731)**	**356,935,630**	**322,607,323**	**34,328,307**	**90.38%**
Surplus/ Deficit						

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

Clerk of the Assembly
Name: Martin Kimani Kariuki

Director Finance – County Assembly
Name: Peter Mburu Muniu
ICPAK Member Number: 4325

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation difference to final budget (d/c %)
	Kshs a	Kshs b	c=a+b	d	e=c-d	Kshs
RECEIPTS						
Transfers from the County Treasury/Exchequer Releases	-	-	-		-	-
Proceeds from Sale of Assets	-	-	-		-	-
Other Receipts	-	-	-		-	-
TOTAL	-	-	-		-	-
PAYMENTS						
Compensation of Employees	-	-	-		-	-
Use of goods and services	-	-	-		-	-
Subsidies	-	-	-		-	-
Transfers to Other Government Entities	-	-	-		-	-
Other grants and transfers	-	-	-		-	-
Social Security Benefits	-	-	-		-	-
Acquisition of Assets	-	-	-		-	-
Development	-	70,000,000	70,000,000	-	70,000,000	0.00%
Other Payments	-	-	-		-	-
TOTAL	-	**70,000,000**	**70,000,000**	-	**70,000,000**	**0.00%**
SURPLUS/ DEFICIT						

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

Clerk of the Assembly
Name: Martin Kimani Kariuki

Director Finance – County Assembly
Name: Peter Mburu Muniu
ICPAK Member Number: 4325

IX. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on comparable basis d	Budget utilization Difference (d/c%)
	2016/17		2016/17	2016/17	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Programme 1(General Administration)					
Sub-programme 1 (Management of County Assembly Affairs)	108,944,886	1,787,899	110,732,785	109,238,869	98.65%
Sub-programme 2 (Finance Management Services)	54,978,685	(6,658,202)	48,320,483	29,635,782	61.33%
Sub-programme 3 (Administration Services and Wards Management)	26,055,155	104,035	26,159,190	24,773,209	94.70%
TOTAL PROGRAMME 1	**189,978,726**	**(4,766,268)**	**185,212,458**	**163,647,860**	**88.36%**
Programme 2(Legislation & Oversight)					
Sub-programme 1 (County Assembly Legislation Affairs)	149,487,115	(15,399,999)	134,087,116	122,071,306	91.04%
Sub-programme 2 (Cordination and Supervisory Services)	11,196,050	(958,070)	10,237,980	9,647,851	94.24%
Sub-programme 3 (Procedure and Oversight Services)	23,087,470	4,310,606	27,398,076	27,240,306	99.42%
TOTAL-PROGRAMME 2	**183,770,635**	**(12,047,463)**	**171,723,172**	**158,959,463**	**92.57%**
GRAND TOTAL	**373,749,361**	**(16,813,731)**	**356,935,630**	**322,607,323**	**90.38%**

X. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

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

2. Reporting entity

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

3. Recognition of receipts and payments

a) Recognition of receipts

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

Tax receipts

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

Transfers from the Exchequer/ County Treasury

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

Other Receipts

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Recognition of payments
The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

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

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

Acquisition of fixed assets
The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.
A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

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

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

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

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 are 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 June 2016 for the period 1st July 2016 to 30 June 2017 as required by law. There was one supplementary budget passed in the year. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Comparative figures

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

12. Subsequent events

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

13. Errors

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

14. Related party transactions

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

XI. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from the County Treasury/Exchequer Releases

	2016/17	2015/16
	Kshs	Kshs
Transfers from the County Treasury for Q1	80,100,000	29,731,528
Transfers from the County Treasury for Q2	90,000,000	107,898,826
Transfers from the County Treasury for Q3	60,000,000	59,901,652
Transfers from the County Treasury for Q4	110,000,000	122,803,304
Cumulative Amount	**340,100,000**	**320,335,310**

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
Balance brought forward 2015/16	200	-
Other Receipts II	-	-
Other Receipts III	-	-
Other Receipts IV	-	-
Other Receipts V	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 COMPENSATION OF EMPLOYEES

	2016/17	2015/16
	Kshs	Kshs
Basic salaries of permanent employees	117,522,366	115,309,918
Basic wages of temporary employees	-	-
Personal allowances paid as part of salary	43,646,033	42,087,379
Personal allowances paid as reimbursements	880,000	800,000
Personal allowances provided in kind	-	-
Pension and other social security contributions	21,470,088	30,293,840
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	-
Other personnel payments	-	-
Total	**183,518,487**	**188,491,137**

5 USE OF GOODS AND SERVICES

	2016/17	2015/16
	Kshs	Kshs
Utilities, supplies and services	154,578	348,302
Communication, supplies and services	2,526,587	1,549,907
Domestic travel and subsistence	50,017,751	45,910,674
Foreign travel and subsistence	6,630,294	19,153,131
Printing, advertising and information supplies & services	15,928,295	14,837,712
Rentals of produced assets	-	-
Training expenses	17,414,216	8,095,211
Hospitality supplies and services	5,442,626	3,809,022
Insurance costs	17,297,300	15,054,018
Specialized materials and services	960,020	6,456,402
Office and general supplies and services	1,186,149	1,446,523
Other operating expenses	12,878,975	12,092,340
Routine maintenance – vehicles and other transport equipment	1,442,155	710,000
Routine maintenance – other assets	505,300	125,130
Total	**132,384,246**	**129,588,372**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 SUBSIDIES

Description	2016/17	2015/16
	Kshs	Kshs
Subsidies to County Corporations	-	-
Subsidies to Private Enterprises	-	-
TOTAL	-	-

7 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016/17	2015/16
	Kshs	Kshs
Transfers to National Government entities	-	-
Transfers to Counties	-	-
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	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 ACQUISITION OF ASSETS

Non Financial Assets	**2016/17**	**2015/16**
	Kshs	**Kshs**
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishment of Buildings	-	-
Construction of Roads	-	-
Construction and Civil Works	-	-
Overhaul and Refurbishment of Construction and Civil Works	-	-
Purchase of Vehicles and Other Transport Equipment	4,400,000	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	1,617,590	-
Purchase of ICT Equipment, Software and Other ICT Assets	687,000	1,541,220
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Purchase of Certified Seeds, Breeding Stock and Live Animals	-	-
Research, Studies, Project Preparation, Design & Supervision	-	-
Rehabilitation of Civil Works	-	-
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Financial Assets	-	-
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
Foreign Payables - From Previous Years	-	-
Total	**6,704,590**	**1,541,220**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 FINANCE COSTS

	2016/17	2015/16
	Kshs	Kshs
Bank Charges	-	46,145
Exchange Rate Losses	-	-
Other Finance costs	-	-
Interest on borrowings	-	-
Total	**-**	**46,145**

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-Transfer to car loan and mortgage account	-	550,000
Domestic Accounts	-	-
Total	**-**	**550,000**

13 A BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2016/17	2015/16
		Kshs	Kshs
Tharaka Nithi County Assembly C BK Acc. No. 1000199407	Development Acc	-	-
Tharaka Nithi County Assembly C BK Acc. No. 1000199393	Recurrent Acc	33,702,612.10	4,900
Tharaka Nithi County Assembly Equity Bank Imprest Acc. No. 0210261489699	Imprest Acc	2,848,610.10	159,681
Total		**36,551,222.20**	**164,581**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 B CASH IN HAND

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

13 C Cash in hand should be analysed as follows:

	2016/17	2015/16
	Kshs	Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Total	-	-

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

14 ACCOUNTS RECEIVABLE

	2016/17	2016/17
	Kshs	Kshs
Government Imprests	-	-
Clearance Accounts	-	-
Staff Advances	-	-
Other Advances	-	-
Total	-	-

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

15 ACCOUNTS PAYABLE

	2016/17	2015/16
	Kshs	Kshs
Pending transfer to revolving members scheme	17,463,785	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 FUND BALANCE BROUGHT FORWARD

	2016/17	2015/16
	Kshs	Kshs
Bank accounts	164,581	13,749,130
Cash in hand	-	-
Accounts Receivables	-	-
Accounts Payables	-	-
Total	**164,581**	**13,749,130**

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 buildings	-	-
Construction of civil works	-	-
Supply of goods	5,983,790	-
Supply of services	3,880,626	3,973,752.00
Total	**9,864,416**	**3,973,752.00**

18.2: PENDING STAFF PAYABLES (See Annex 2)

	2016/17	2015/16
Name of Staff	Kshs	Kshs
Ruth Karea Mugao	18,000	
		-
Total	**18,000**	**-**

18.3: OTHER PENDING PAYABLES (See Annex 3)

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

19 RELATED PARTY DISCLOSURES

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

The following comprise of related parties to the County Assembly.

- Members of County Assembly;
- Key management personnel that include the Clerk of the Assembly and heads of departments;
- The County Executive;
- County Ministries and Departments;
- Other County Government entities including corporations, funds and boards;
- The National Government;
- Other County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2016/2017 Kshs	2015/2016 Kshs
Compensation to the MCAs	-	-
Key Management compensation	-	-
Transfers from the County Treasury	-	-
Transfers to/ from other County Government entities	-	-
Transfers to/ from County Ministries and Departments	-	-
Payments made in favour of other related parties	-	-
Payments made by related parties on behalf of Assembly	-	-

XII. PROGRESS ON FOLLOW UP OF AUDITORS 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.

Ref. No on the external audit report	Observation from the Auditor	Management Comments	Focal point person to resolve the issue(Name and Designation)	Status: (Resolved/Not Resolved)	Time frame: (Date)
Budget control and performance	No explanation was given for failure to receive and amount of Kshs. 56,764,916.40	The controller of budget is approving county assembly exchequer release separately	Assembly clerk	Resolved	Continuous
Cash and Bank	Bank confirmation certificates and board of survey were not made available hence inaccuracy of cash and bank balances as at 30.06.2015	The said documents were made available	Accountant	Resolved	End of each financial year
Incomplete fixed asset register	Incomplete fixed asset register	The fixed asset register was updated	Procurement officer	Resolved	Continuous
Mortgage and car loan	Provide ownership documents for cars and mortgages Provide	The said documents are available, charging of security ongoing	Senior Legal officer	unresolved	continuous

	evidence of security for the loans given to the MCAs				
Late payment of statutory deductions	No explanation was provided for failure to remit money deducted on time	The statutory deductions are currently paid on time	Principal finance officer	Resolved	Continuous
Unsupported expenditure	No proper supporting documents Insurance tender documents not provided	Documents are available and insurance tender documents are available	Procurement officer	Resolved	Continuous
Irregular domestic travel and foreign travel and subsistence expenditure	Relevant supporting document should be made available	All supporting documents are available and attached to the payment vouchers	Assembly clerk	Resolved	End of year
Foreign travel flight charges	No evidence of competitive sourcing of supplier	Evidence of sourcing supplier available	Senior procurement officer	Resolved	End of year
Purchase of furniture and fittings	No explanation was provided for accepting delivered furniture different from the one ordered	explanation has been provided for accepting delivered furniture different from the one ordered	Senior Procurement officer	Resolved	End of year
Unauthorised expenditure	None examination and authorisation of payment voucher	All vouchers are being examined and authorised	Assembly clerk and finance officer	Resolved	Continuous

IT environment	Failure to adopt IFMIS	IFMIS is fully in the operation	Assembly clerk and finance officer	Resolved	July 2016
Irregular and supported pending bills	No pending bill register ,supporting documents	Pending bill register and supporting document available	Senior procurement officer and senior accountant	Resolved	End of the year

Clerk of the County Assembly

Sign..... Karioki M-K

Date..... 15/3/18

XIII. 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						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
Sub-Total						
Supply of goods						
5. CMC Motors Group Limited	4,797,600		4,400,000		397,600	
6. Teremy Supplies	312,000		0		312,000	
7. MFI-Printers purchase	874,190		0		874,190	
Sub-Total	**5,983,790**		**4,400,000**		**1,583,790**	
Supply of services						
8. Tumot Limited	540,000		0		540,000	
9. Service Gratuity Arrears	313,426		0		313,426	
10. Walton College Limited	42,000		0		42,000	
11. Hillside Grand Hotel	30,000		0		30,000	
12. CAF Subscriptions	2,700,000		0		2,700,000	
13. The Standard Group Limited	255,200		0		255,200	
Sub-Total	**3,880,626**		**0**		**3,880,626**	
Grand Total	**9,864,416**		**0**		**5,464,416**	

XIV. 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		
1. Ruth Karea Mugao	P	18,000		0		18,000	
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
Sub-Total		**18,000**				**18,000**	
Grand Total		**18,000**				**18,000**	

XV. ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	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							

XVI. 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				
Buildings and structures				
Transport equipment				
Office equipment, furniture and fittings		1,617,590	-	1,617,590
ICT Equipment, Software and Other ICT Assets	1,541,220	687,000	-	2,228,220
Other Machinery and Equipment-Motor vehicle		4,400,000	-	4,400,000
Heritage and cultural assets				
Intangible assets				
Total	**1,541,220**	**6,704,590**	-	**8,245,810**

XVII. ANNEX 5 – ANALYSIS OF OUTSTANDING IMPREST

Government Imprest Holders

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

XVIII. ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT

(FO 30 Approved Report from IFMIS is attached)

XIX. ANNEX 7- TRIAL BALANCE

(Trial Balance is attached)

Annex 7

THE THARAKA NITHI COUNTY ASSEMBLY

Telephone: 064-630071
Email:tharakanithicountyassembly@gmail.com

P.O Box 694
CHUKA

THARAKA NITHI COUNTY ASSEMBLY

TRIAL BALANCE-RECURRENT ACCOUNT

FOR THE YEAR ENDED 30TH JUNE, 2017

	DR.	CR.
Balance b/f 2015/16		200
Exchequer Releases		340,100,000
Compensation of Employees	183,518,487	
Use of goods and services	132,384,246	
Acquisition of Assets	6,704,590	
Other payments (Transfer to car loan and mortgage a/c)	17,463,785	
Balance c/d	29,092	
TOTALS	**340,100,200**	**340,100,200**