REPUBLIC OF KENYA

REPORT

OF

THE AUDITOR-GENERAL

ON

COUNTY ASSEMBLY OF HOMA BAY

FOR THE YEAR ENDED 30 JUNE, 2019

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
13 JAN 2020
RECEIVED

HOMA BAY COUNTY ASSEMBLY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County Assembly of Homa Bay is constituted as per the constitution of Kenya 2010 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 forty Members of County Assembly (MCAs) elected and twenty nominated members 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.

Vision

"A modern County Assembly that offers excellence in service delivery and leadership for the people of Homa Bay County"

Mission

To ensure that the Assembly exercises its legislative oversight, representation and outreach function effectively within the framework of the Kenyan Constitution and working with all those committed to building productive and prosperous Homa Bay County.

Strategic Objectives

- To develop and sustain the Homa Bay County assembly institutional capacity to better discharge its constitutional mandate
- To improve the legislative process at Homa Bay County assembly
- To improve the capacity of Homa Bay County assembly and to provide effective oversight to county government
- To fully develop the representation and outreach work of the members of county assembly

(b) Key Management

The County Assembly of Homa Bay's day-to-day management is under the following key organs:

- County Assembly Service Board
- and
- Clerk of the County Assembly

(c) Fiduciary Management

The key management personnel who held office during the year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	County Assembly Clerk	**-Mr. Daniel Odhiambo Kaudo**
2.	Principal Finance Officer	**-CPA Jecinter Adede ICPAK No. 12060**
3.	Senior Accounts Controller	**-Mr. Relex Oswali**

(d) Fiduciary Oversight Arrangements

Audit Committee

- The Audit Committee was set up during the financial year 2017/2018 to help the Assembly in the effective discharge of their responsibilities by measuring, evaluating and reporting on the effectiveness of the internal control systems.

(e) Headquarters

Homa Bay County Assembly
P.O. Box 20-40300
County Assembly Building
Homa Bay, Kenya

(f) Contacts

Telephone: (254) 723938558
E-mail: info@assembly.homabay.go.ke
Website: www.assembly.homabay.go.ke

(g) Bankers

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

2. Equity Bank(Kenya) Limited
   P.O Box 75104-40300
   Homa Bay Branch

3. Co-operative Bank of Kenya
   Homa Bay Branch
   P. O. Box 406-40300
   Homa Bay.

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

2. FORWARD BY THE CLERK OF THE ASSEMBLY

Budget performance
The county Assembly of Homa Bay was able to utilize over 94% of the budgeted amount. However funds were not received in time hence led to delays in implementing the objectives.
Operational Performance
The County Assembly of Homa Bay was able to pass several bills into Acts. The Acts include the Supplementary Appropriation Act and the Finance Act.
The reorganization of the IFMIS system has improved the financial efficiency and timely processing of payments.
Challenges and Recommended Way Forward
Delayed disbursement of funds caused delays in paying for the suppliers hence weakening supplier's confidence.

Name: **Daniel Odhiambo Kaudo**

Clerk of the County Assembly **Sign**.....

HOMA-BAY COUNTY ASSEMBLY
P.O. BOX 20-40300 HOMA-BAY
30 SEP 2019
ASSEMBLY CLERK

3. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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 June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Assembly; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended June 30, 2019, 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 year 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 30TH September, 2019.

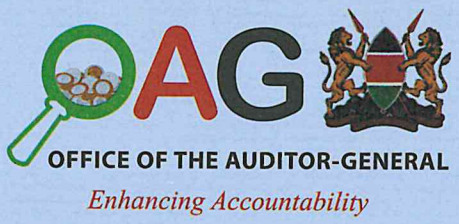
Clerk of the County Assembly

HOMA-BAY COUNTY ASSEMBLY
P.O. BOX 20-40300 HOMA-BAY
30 SEP 2019
ASSEMBLY CLERK

4. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF HOMA BAY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Assembly of Homa Bay set out on pages 1 to 20, which comprise of the statement of financial assets and liabilities as at 30 June, 2019, statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the County Assembly of Homa Bay as at 30 June, 2019, 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 County Governments Act, 2012 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Payments Outside Integrated Financial Management Information System

The statement of receipts and payments reflects total payments of Kshs.890,115,880. The balance however includes expenditure amounting to Kshs.17,592,055 which represents payments made outside Integrated Financial Management Information System (IFMIS). The Management did not provide satisfactory explanation for paying outside the designated system.

In the circumstances, the completeness and accuracy of the total payments figure of Kshs.890,115,880 reflected in the statements of receipts and payments for the year ended 30 June, 2019 could not be ascertained.

2. Inaccurate Bank Balances

As disclosed under Note 8 to the financial statements, the statement of financial assets and liabilities reflects a bank balance of Kshs.590,189 held in two (2) bank accounts at the Central Bank of Kenya and one (1) each at Equity Bank and Cooperative Bank. However, a review of two (2) operations accounts held in the above two (2) commercial banks revealed that the Management had an undisclosed bank overdraft of Kshs.48,527,404 as tabulated below: -

Bank Account No.	The Financial Statements	Reconciled Cash Book Balances	Unexplained Variance
	Kshs.	Kshs.	Kshs.
Cooperative Bank of Kenya Account No 01141456870100	1,967	(5,454,693)	(5,452,746)
Equity Bank of Kenya Account No 0980263265106	38,702	(43,072,710)	(43,034,008)
Total	**40,669**	**(48,527,403)**	**(48,486,754)**

No approval was availed as by Section 119(4) of the Public Finance Management Act, 2012. Further, the two (2) accounts figures under Note 8 of Kshs.40,669 differed significantly with the cashbook figures of Kshs.48,527,403 resulting to an unreconciled variance of Kshs.48,486,754.

Consequently, the validity, accuracy and completeness of the bank balance of Ksh.590,189 reflected in the statement of financial assets and liabilities as at 30 June, 2019 could not be confirmed.

3. Unsupported Transfers to Other Government Entities

As disclosed under Note 6 to the financial statements, the statement of receipts and payments reflects transfers to other government entities of Kshs.28,000,000. However, the Management did not provide, for audit review, supporting documents to confirm the transfer.

Consequently, the accuracy, validity and completeness of the transfers of Kshs.28,000,000 reflected in the statement of receipts and payments for the year ended 30 June, 2019 could not be confirmed.

4. Unsupported Expenditure - Compensation of Employees

4.1 Variance Between IPPD and Financial Statements

As disclosed under Note 2 to the financial statements, the statement of receipts and payments reflects compensation of employees' of Kshs.450,377,925 . However, the figure under various sub-components amounting to Kshs.207,225,947 differed with the figure as per the IPPD of Kshs.126,085,394 resulting to unreconciled variance of Kshs.81,140,553 as tabulated below: -

Class	Financial Statements Balances (Kshs.)	IPPD Record Balances (Kshs.)	Unexplained Variance – (Kshs.)
Basic salaries of permanent employees	69,271,012	65,659,634	3,611,378
Basic wages of temporary employees	130,128,196	13,204,000	116,924,196
Compulsory national health insurance scheme	7,314,339	3,656,000	3,658,339
Social security Benefit	512,400	43,565,760	(43,053,360)
Total	**207,225,947**	**126,085,394**	**81,140,553**

Further, on a comparable basis, compensation of employees increased from Kshs.366,778,923 in the year 2017/2018 to Kshs.450,377,925 resulting to a net increase of Kshs.83,599,002 or 23% in the financial year under review without explanation. The Management did not provide, for audit review an approved staff establishment.

4.2. Unsupported Committee Allowances

Included in the compensation of employees' expenditure of Kshs.450,377,925 is an amount of Kshs.242,699,136 which was paid in respect of personal allowances. Examination of records however indicates that an amount of Kshs.5,341,100 relates to amounts paid as special committee allowances to sixty (60) Members of the County Assembly (MCAs). The Management did not avail any gazette notice calling for the meeting.

Further, the attendance register revealed that twenty-eight (28) members were also paid the special sitting allowance although they were absent contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that, "all receipts and payment vouchers of public moneys shall be supported by sufficient pre-numbered receipt and payment vouchers and by the appropriate authority and documentation".

Consequently, the accuracy and completeness of compensation of employees' expenditure of Kshs.450,377,925 reflected in the statement of receipts and payments for the year ended 30 June, 2019 could not be confirmed.

5. Unsupported Use of Goods and Services

As disclosed under Note 3 to the financial statements, the statement of receipts and payments reflects expenditure amounting to Kshs.407,065,608 in respect of use of goods and services . The expenditure constitutes hospitality, supplies and services of Kshs.22,850,184, training expenses of Kshs.31,895,495 and other operating expenses of Kshs.106,003,566 which were not supported by way of sufficient documentation such as procurement details and documents for training consultancies, training attendance registers and programs.

Consequently, the accuracy, completeness and validity of use of goods and services of Kshs.407,065,608 reflected in the statement of receipts and payments for the year ending 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Homa Bay Management in accordance with ISSAI 130 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. There were no key audit matters to report in the year under review.

Other Matter

1. Budget Control and Performance

The summary statement of appropriation - recurrent and development combined reflects approved receipts budget and actual on comparable basis of Kshs.960,770,261 and Kshs.890,623,273 respectively resulting to a shortfall of Kshs.70,146,988 or 7% of the approved budget. Similarly, the statement reflects an approved expenditure budget and actual on comparative basis of Kshs.960,770,261 and Kshs.890,115,880 respectively resulting to an overall under expenditure of Kshs.70,654,382 or 7% of the budget. Although the under collection and under expenditure are minimal, a review of the individual vote and components revealed that the Management made transfers to operations account of Kshs.28,000,000 without a budget thereby occasioning an unauthorized expenditure under the recurrent Vote while only an expenditure of Kshs.32,159,947 out of approved budget of Kshs.102,754,457 was utilized under the development vote resulting to an under expenditure of Kshs.70,594,510 or 68.7% of the budget.

Consequently, under expenditure on development budget may have impacted negatively on service delivery to the residents of Homa Bay County in the achievements of some of the core objectives of the County Assembly and denied the residents efficient and effective service delivery.

2. Prior Year Unresolved Issues

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, although the Management has indicated that some issues have been responded to while others are awaiting feedback, the matters have remained unresolved as the Senate has yet to deliberate on the same.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Compliance with Expenditure Threshold for Compensation of Employees

The statement of receipts and payments reflects compensation of employees of Kshs.450,377,925 which is 51% of the total receipts of Kshs.890,623,273. This is contrary to Regulation 25(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the wage bill should not exceed thirty-five (35%) percent of the total revenue of the County.

Consequently, the Management is in breach of regulation.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Finance Policy Manual

The audit revealed that the Management had not developed a Finance Policy Manual to guide the operations of the finance department. In the circumstances, the County Assembly lacks clear guidelines on exercising prudent financial management practices including budget preparation, budget execution and keeping of the books of account in a manner envisaged by the law.

Consequently, it has not been possible to confirm the existence of effective internal controls on financial transactions.

2. Lack of Risk Management Policy

The audit revealed that the Management had not developed a Risk Management Policy framework to guide in identification, classification and crafting response to various risks facing the County Assembly.

In the circumstances, the County Assembly may not be able to respond effectively in the event of a disaster or an emergency.

3. Officers not on Substantive Appointment

A review of the human resource records revealed that the Clerk and Principal Finance Officer do not have substantive appointment thus creating management challenges in the running of the County Assembly.

Consequently, some key resolutions of the County Assembly may not be implemented owing to lack of substantive appointments in senior management positions.

4. Lack of Internal Audit Committee

The Management had not constituted Internal Audit Committee to advise the Management on emerging issues in internal auditing, develop and implement the use

of innovative approaches in performing independent assessment of systems, controls and efficiencies guided by professional standards; and supporting the entities efforts to achieve their objectives as required under Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the County Assembly may face challenges in managing internal controls and overall governance

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

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 Management is aware of the intention to dissolve the County Assembly or cease operations.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the County Assembly monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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.

- 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 applicable 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.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

22 December, 2020

5. FINANCIAL STATEMENTS

5.1. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2018/19	**2017/18**
	Note	**KShs**	**KShs**
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	890,623,273	1,020,000,000
TOTAL RECEIPTS		**890,623,273**	**1,020,000,000**
PAYMENTS			
Compensation of Employees	2	450,377,925	366,778,923
Use of goods and services	3	407,065,608	288,283,542
Social Security Benefits	4	512,400	
Other Payments	5	0.00	320,116,275
Transfer to other Government Entities	6	28,000,000	0
Acquisition of Assets	7	4,159,947	46,140,431
TOTAL PAYMENTS		**890,115,880**	**1,021,319,171**
DEFICIT		**507,393**	**(1,319,171)**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 Sept 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Office – County Assembly
Name:
ICPAK Member Number: 13233

HOMA-BAY COUNTY ASSEMBLY
P.O. BOX 20-40300 HOMA-BAY
30 SEP 2019
ASSEMBLY CLERK

5.2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE 2019

		2018/2019	2017/2018
FINANCIAL ASSETS	**Note**	**KShs**	**KShs**
Cash and Cash Equivalents			
Bank Balances	8	590,189	82,796
Total Cash and cash equivalents		**590,189**	**82,796**
Accounts receivables	9	-	-
TOTAL FINANCIAL ASSETS		**590,189**	**82,796**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	10	-	-
NET FINANCIAL ASSETS		**590,189**	**82,796**
REPRESENTED BY			
Fund balance b/fwd	11	**82,796**	82,796
Surplus/Deficit for the year		507,393	(1,319,171)
NET FINANCIAL POSITION		**590,189**	**82,796**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 Sept 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Officer – County Assembly
Name:
ICPAK Member Number:

HOMA-BAY COUNTY ASSEMBLY
P.O. BOX 20-40300 HOMA-BAY
30 SEP 2019
ASSEMBLY CLERK

5.3. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2018/2019	2017/2018
	Note	KShs	KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Exchequer Releases	1	890,623,273	1,020,000,000
Other Receipts			-
Payments for operating expenses			
Compensation of Employees	2	(450,377,925)	(366,778,923)
Use of goods and services	3	(407,065,608)	(288,283,542)
Social Security Benefits	4	512,400	
Other Payments	5	0.00	(320,116,275)
Transfer to Operations account	6	(28,000,000)	0.00
Adjusted for:			
Adjustments during the year			-
Net cash flows from operating activities		**4,667,340**	**44 ,821,260**
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	7	4,159,947	(46,140,431)
Net cash flows from investing activities		**4,159,947**	**(46,140,431)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**507,393**	**(1,319,171)**
Cash and cash equivalent at BEGINNING of the year		**82,796**	**1,401,967**
Cash and cash equivalent at END of the year		**590,189**	**82,796**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 Sept 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Office – County Assembly
Name:
ICPAK Member Number

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% Utilization difference
	a	b	c=a+b	d	e=c-d	f=(d/c*%)
RECEIPTS	KShs	KShs	KShs	KShs	KShs	%
Transfers from the County Treasury/Exchequer Releases	966,582,266	(5,812,005)	960,770,261	890,623,273	70,146,988	93
TOTAL	**966,582,266**	**(5,812,005)**	**960,770,261**	**890,623,273**	**70,146,988**	
PAYMENTS			-		-	
Compensation of Employees	451,272,925	-	451,272,925	450,377,925	895,000	
Use of goods and services	449,878,271	(5,812,005)	444,066,266	407,065,608	37,000,658	92
Social Security Benefits	6,113,166	-	6,113,166	512,400	5,600,766	8
Acquisition of Assets	59,317,904	-	59,317,904	4,159,947	55,157,957	7
Transfers to Operations Account	-	-	-	28,000,000	(28,000,000)	
TOTAL	**966,582,266**	**(5,812,005)**	**960,770,261**	**890,115,880**		

The entity financial statements were approved on 30 Sept 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Office – County Assembly
Name:
ICPAK Member Number:

5.5 STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% Utilization difference
	a	b	c=a+b	d	e=c-d	f=(d/c*%)
RECEIPTS	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**%**
Exchequer Releases	907,264,362	(49,375,452)	857,888,910	857,921,126	(32,216)	100
Transfer from Development		-		28,000,000	(28,000,000)	
TOTAL	**907,264,362**	**(49,375,450)**	**857,888,910**	**885,921,126**		103
PAYMENTS						
Compensation of Employees	451,272,925	-	451,272,925	450,890,325	382,600	100
Use of goods and services	455,991,437	(49,375,452)	406,615,985	406,470,412	145,573	100
Social Security Benefits	-	-	-	512,400	(512,400)	
Transfers to Operations Fund			-	28,000,000	(28,000,000)	
TOTAL	**907,264,362**	**(49,375,450)**	**857,888,910**	**885,873,137**		103

The entity financial statements were approved on 30 Sept 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Office – County Assembly
Name:
ICPAK Member Number:

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% Utilization difference
	a	b	c=a+b	d	e=c-d	f= (d/c* %)
RECEIPTS	KShs	KShs	KShs	KShs	KShs	%
Exchequer Releases	59,317,904	43,436,553	102,754,457	32,702,147	70,052,310	32
TOTAL	**59,317,904**	**43,436,553**	**102,754,457**	**32,702,147**	**70,052,310**	**32**
PAYMENTS			-			
Non Residential building	4,609,192		4,609,192	-	4,609,192	-
Construction of building	-	90,000,000	90,000,000	28,000,000	62,000,000	-
Refurbishment of non-residential building	54,708,712	(46,563,447)	8,145,265	4,159,947	3,985,318	51
TOTAL	**59,317,904**	**(43,436,553)**	**102,754,457**	**32,159,947**		-

The entity financial statements were approved on 30 Sept 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Office – County Assembly
Name:
ICPAK Member Number:

1.2. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	KShs	KShs	KShs	KShs	KShs
Programme 1 Management of County Assembly Affairs	108,452,475	-	108,452,475	105,306,460	3,146,015
Programme 2 Representation, Legislative and Oversight Services	168,337,451	-	168,337,451	150,829,085	17,508,366
Programme 3 County Assembly Service Board	689,792,340	(5,812,005)	683,980,335	633,980,335	50,000,000
TOTALS	**966,582,266**	**(5,812,005)**	**960,770,261**	**890,115,880**	**70,654,381**

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the County budgets which are programmatic. Ensure this document is accurately presented to enable consolidation with other County Entities).

1.3. 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 Homa Bay 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.

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 Assembly 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 Assembly 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.

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 Assembly 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 Assembly's budget was approved as required by Law. A high-level assessment of the *county Assembly'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.

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.

1.4. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from the County Treasury/Exchequer Releases

	2018/2019	2017/18
	KShs	KShs
Transfers from the County Treasury for Q1	102,329,800	170,000,000
Transfers from the County Treasury for Q2	225,000,000	190,000,000
Transfers from the County Treasury for Q3	155,500,000	300,000,000
Transfers from the County Treasury for Q4	407,793,473	360,000,000
Cumulative Amount	**890,623,273**	**1,020,000,000**

2. COMPENSATION OF EMPLOYEES

	2018/2019	2017/18
	KShs	KShs
Basic salaries of permanent employees	70,266,254	113,600,142
Basic wages of temporary employees	130,328,896	31,238,556
Personal allowances paid as part of salary	242,669,136	117,502,972
Compulsory national social security schemes	0	67,896,000
Personal allowances provided in kind	0	11,587,260
Pension and other social security contributions	0	24,953,993
Compulsory national health insurance schemes	7,314,339	0
Other personnel payments		0
Total	**450,377,925**	**366,778,923**

3. USE OF GOODS AND SERVICES

	2018/2019	2017/2018
	KShs	KShs
Utilities, supplies and services	2,210,696	576,000
Communication, supplies and services	6,063,725	1,880,000
Domestic and foreign travel and subsistence	178,339,071	118,925,071
Printing, advertising and information supplies & services	3,077,308	7,720,000
Training expenses	31,895,495	46,357,064
Hospitality supplies and services	22,850,184	43,163,424
Insurance costs	2,448,909	4,000,000
Medical Scheme	36,000,000	43,500,000
Specialized materials and services	5,378,213	3,651,180
Office and general supplies and services	3,835,916	7,422,469
Other operating expenses	106,003,566	1,534,174
Routine maintenance – vehicles and equipment	3,793,735	6,054,160
Fuel, Oil and Lubricants	3,030,000	3.500,000
Routine maintenance- other assets	2,138,790	-
Total	**407,065,608**	**288,283,542**

4. SOCIAL SECURITY BENEFITS

	2018/19	2017/18
	KShs	KShs
Social security benefits	512,400	
Total		

5. OTHER PAYMENTS

	2018/19	2017/18
	KShs	KShs
Staff Car Loan/Mortgage		248,131,817
CASB Expenses		7,416,000
Extra Claim on Millage		5,278,458
Ward offices Operation Expenses		15,560,000
Fringe benefits/Withholding tax		43,730,000
Total		**320,116,275**

The other payments as reflected herein above are already captured under the use of goods and services in note 3 as other operating expenses.

6. OTHER GRANTS AND TRANSFERS

	2018/19	2017/18
	KShs	KShs
Mortgage / Car Loan	28,000,000	0
Total	**28,000,000**	**0**

7. ACQUISITION OF ASSETS

Non- Financial Assets	2018/19	2017/18
	KShs	KShs
Purchase of Buildings		
Construction of Buildings		
Refurbishment of Buildings	4,159,947	9,954,800
Construction of Roads		
Construction and Civil Works		
Overhaul and Refurbishment of Construction and Civil Works		
Purchase of Vehicles and Other Transport Equipment		
Overhaul of Vehicles and Other Transport Equipment		
Purchase of Household Furniture and Institutional Equipment		8,617,432
Purchase of Office Furniture and Equipment		3,000,000
Purchase of ICT Equipment		6,677,879
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		
Drainage and sewer System		17,890,320
Total	**4,159,947**	**46,140,431**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. CASH AND BANK BALANCES

13A. BANK BALANCES

Name of Bank, Account No. & Currency	**Indicated whether recurrent or development**	**2018/19**	**2017/18**
		KShs	**KShs**
Cooperative Bank of Kenya Account No 01141456870100	Commercial	1,967	11,796
Central Bank of Kenya Account No 1000239379	Recurrent Acc	25,320	71,000
Central Bank of Kenya Account No 1000309482	Development	524,200	
Equity Bank of Kenya Account No 0980263265106	Commercial Bank	38,702	
Total		**590,189**	**82,796**

9. ACCOUNTS RECEIVABLE

	2018/19	**2017/18**
	KShs	**KShs**
Government Imprests	0	0
Total	**0**	**0**

10. ACCOUNTS PAYABLE

	2018/19	**2017/18**
	KShs	**KShs**
Deposits	0	0
Retentions		
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. FUND BALANCE BROUGHT FORWARD

	2018/19	2017/18
	KShs	KShs
Bank accounts	590,189	82,796
Cash in hand		
Accounts Receivables		
Accounts Payables		
Total	**590,189**	**82,796**

12. PRIOR YEAR ADJUSTMENTS

Description of the adjustment	2018/19	2017/18
	KShs	KShs
Adjustments on bank account balances	0	0
Adjustments on cash in hand	0	0
Adjustments on payables	0	0
Adjustments on receivables	0	0
Others (*specify*)	0	0
Total	**0**	**0**

OTHER DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	Balance b/f FY 2017/2018 Kshs	Additions for the period Kshs	Paid during the year Kshs	Balance c/f FY 2018/2019 Kshs
Construction of buildings	0	0	0	0
Construction of civil works	0	4,159,947	4,159,947	0
Supply of goods	31,977,188	2,799,450	0	34,776,638
Supply of services				
Total	**31,977,188**	**6,959,397**	**4,159,947**	**34,776,638**

2. 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.

OTHER DISCLOSURES (CONTINUED)

Related party transactions:

	2018- 2019 Kshs	2017- 2018 Kshs
Compensation to Key Management		
Compensation to the Speaker, Deputy Speaker and the MCAs		
Key Management Compensation(Clerk and Heads of departments)		
Total Compensation to Key Management		
Transfers to related parties		
Transfers to other County Government Entities such as car and mortgage schemes	28,000,000	0.00
Transfers to County Corporations		

Transfers to non reporting entities e.g ECD centres, welfare centres etc		
Total Transfers to related parties		
Transfers from related parties		
Transfers from the County Executive- Exchequer		
Payments made on behalf of the County Assembly by other Government Agencies		
(Insert any other transfers received)		
Total Transfers from related parties		

3. 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)***

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.....

ANNEXES

ANNEX 1 – ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018/19	Outstanding Balance 2017/18	Comments
	A	B	c	d=a-c		
Construction of buildings						
1.						
Sub-Total				**0**	**0**	
Construction of civil works						
2. Construction of civil works	4,159,947		4,159,947	0		
Sub-Total				**0**	**0**	
Supply of goods						
3. VALIVAA ENTERPRISES	1,614,700		300,000	1,314,700		
4. GOLDEN AVENUE	2,162,750		1,600,000	562,750		
5. INFOLINK	3,985,800		3,395,800	590,000		
5. AISKOCHOSHA ENTERPRISES	601,250		530,250	71,000		
6. MARISCOM ENTERPRISES	1,700,000		1,169,000	531,000		
7. GEOLOCK	840,000		350,000	490,000		
8. RATIDO	398,200		0	398,200		
9. Others				29,318,988		
Sub-Total				**33,276,638**	**0**	
Supply of services						
10. MWAMU ADVOCATES	1,500,000			1,500,000		
11. 2017/18 PENDING SUPPLY AND SERVICES					31,977,188	
Sub-Total				**1,500,000**	**31,977,188**	
Grand Total				**34,776,638**	**31,977,188**	

ANNEX 2 – ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018/19	Outstanding Balance 2017/18	Comments
		A	b	c	d=a-c		
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 3 – ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018/19	Outstanding Balance 2017/18	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (*specify*)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (KShs) 2017/18	Additions during the year (KShs)	Disposals during the year (KShs)	Transfers in/(out)	Historical Cost c/f (KShs) 2018/19
Land	0				
Buildings and structures	36,895,233	4,159,947			41,055,180
Transport equipment	4,200,000				4,200,000
Office equipment, furniture and fittings	15,955,434				15,955,434
ICT Equipment	17,431,513				17,431,513
Machinery and Equipment	5,200,000				5,200,000
Biological assets	-				-
Infrastructure Assets	-				-
Heritage and cultural assets	-				-
Intangible assets	25,890,320				25,890,320
Work In Progress	-				-
Total	**105,572,500**	**4,159,947**	-	-	**109,732,447**

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the County Assembly since its inception. Additions during the year should tie to note 10 on acquisition of assets during the year and subsequently the statement of receipts and payments

ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT