REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF ISIOLO

FOR THE YEAR ENDED 30 JUNE 2018

OFFICE OF THE AUDITOR - GENERAL
EMBU HUB P. O. Box 113 - 60100, EMBU
REGISTRY
09 NOV 2018
2629
RECEIVED

COUNTY ASSEMBLY OF ISIOLO

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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

Contents

KEY ASSEMBLY INFORMATION AND MANAGEMENT 1
I. FORWARD BY THE CLERK OF THE ASSEMBLY 3
II. RECOMMENDED WAY FOWARD. 4
III. STATEMENT OF MANAGEMENT RESPONSIBILITIES 5
IV. STATEMENT OF RECEIPTS AND PAYMENTS 6
V. IV STATEMENT OF FINANCIAL ASSETS 7
VI. STATEMENT OF CASHFLOW 8
VII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED 9
VIII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT 10
IX. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT 11
X. SIGNIFICANT ACCOUNTING POLICIES 12
XI. NOTES TO THE FINANCIAL STATEMENTS 15
XII. ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER 18
XIII. ANNEX 2 – ANALYSIS OF OUTSTANDING IMPREST 18
XIV. ANNEX 3 – BANK RECONCILIATION/FO 30 REPORT 18

KEY ASSEMBLY INFORMATION AND MANAGEMENT

(a) Background information

The County Assembly is constituted as per the constitution of Kenya is headed by the Speaker, who is responsible for the general policy and strategic direction of the County Assembly.

(b) Key Management

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

- Clerks Department
- Accounts and Finance Department
- Human resource and Procurement Department
- Budget and Audit Department

(c) Fiduciary Management

The key management personnel who held office during the year ended 30th June, 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	**Salad Boru Guracha**
2.	Principal Accountant	**Issadin Muktar**
3.	Principal Finance	**Rahima Atikiya**
4.	Principal Human Resource	**Abubakar Ali Boru**
5.	Principal Procurement	**Tunu Abdi Tunu**

(d) Fiduciary Oversight Arrangements

- Audit and finance committee activities
- Parliamentary committee activities
- Development partner oversight activities
- Other oversight activities

(e) Assembly Headquarters

P.O. Box 195 - 60300
County Assembly Building
Isiolo, KENYA

(f) Assembly Contacts

Telephone: (254) 0719574394
E-mail: clerkisiolo@gmail.com.
Website: www.isiolo.go.ke

(g) Assembly 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 197
   Isiolo

3. Nationl Bank of Kenya
   National Bank Building,Harambee Avenue, Nairobi
   P.O BOX 72866-00200 Nairobi

(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

I. FORWARD BY THE CLERK OF THE ASSEMBLY

BUDGET PERFORMANCE.

Isiolo County Government executive total budget allocation in the Financial Year 2017/2018 for both Recurrent and Development Budget was Kshs. 3,269,426,895 with actual total expenditure amount to Kshs.2,879,043,161 representing 88% level of utilization.

EXPENDITURES FOR THE COUNTY ASSEMBLY

The total budget for the County Assembly for FY 2017/2018 was Kshs.545, 967,572. The County Exchequer disbursed to the County Assembly a total sum of Kshs.515,500,000. The actual expenditure of the County Assembly was Kshs.512, 523,477 out of the total budget allocation for the Assembly of Kshs.545, 967,572 which comprised of Recurrent Kshs.388,229,062771 and Development Kshs.124, 294, 515.

VALUE FOR MONEY

Isiolo County Assembly funds were utilized in accordance with the provisions of Public Finance Management Act 2012 and the purpose for which they were intended for.

PHYSICAL PROGRESS ON DEVELOPMENT.

During the financial year 2017/2018 the County Assembly was able undertake most capital projects which were budgeted. It's expected that the capital projects will have a positive outcome on service delivery by the county assembly. These development projects included:

- Refurbishment of County Assembly buildings
- Purchase of computers.
- Purchase of furniture.
- Purchase of office equipment and machines
- Development of local area network

IMPLEMENTATION CHALLENGES.

The major implementation challenges faced by the County Assembly during the financial year 2017/2018 were as follows;

- Delay of disbursement of funds from the National Treasury.
- IFMIS connectivity challenges
- Limited budget resources vis a vis demand for the resources.
- Lack of approved financial reporting framework for the County Assembly
- Lack of capacity for effective IFMIS utilization and operations.

II. RECOMMENDED WAY FOWARD.

- Timely disbursement of funds by The National treasury.
- The National Treasury to address IFMIS connectivity delay challenges
- Prioritising activities to utilise the limited budgeted resources
- The National Treasury to provide approved financial reporting framework for the County Assembly on a timely basis
- Provide capacity to County staff operating the IFMIS

Clerk of the County Assembly

Sign

III. 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 on June 30, 2018. 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, 2018 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 Assembly's financial statements were approved and signed by the Clerk of the County Assembly on **September 26, 2018.**

Clerk of the County Assembly

ISIOLO COUNTY ASSEMBLY
P. O. Box 1900,
ISIOLO

REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF ISIOLO FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Assembly of Isiolo set out on pages 6 to 18, which comprise statement of financial assets as at 30 June 2018, 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 County Assembly of Isiolo as at 30 June 2018 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 County Government Act, 2012.

Basis for Adverse Opinion

1.0 Presentation of the Financial Statements

The County Assembly's financial statements for the year ended 30 June 2018 reflected a statement of financial assets. However, the Public Sector Accounting Standards Board (PSASB) format indicates that the statements be referred to as 'statement of financial assets and liabilities'. In addition, the Board's format also indicates that the financial statements should include a budget execution by programmes and sub-programmes and a progress on follow-up of the auditor's recommendation on previous financial year's audit issues. However, the two items were not disclosed in the financial statements for the year ended 30 June 2018.

Further, the Board's format indicates that the financial statements should be approved by the Clerk of the Assembly and the principal finance officer by signing and indicating their names in the financial statements. The principal finance officer is also required to indicate his/her Institute of Certified Public Accountants (ICPAK) member number. However, the two officers did not indicate their names while the principal finance officer did not also indicate his ICPAK member number in the financial statements.

In the circumstances, the presentation of the financial statements was therefore not in accordance with the recommended PSASB format.

2.0 Inaccuracies in the Financial Statements

2.1 The Statement of Financial Assets

The Assembly's statement of financial assets as at 30 June 2018 reflected net financial assets and net financial position of Kshs.27,948,745 and Kshs.21,551,771 respectively resulting to an unexplained variance of Kshs.6,396,974. In addition, the statement of financial assets reflected a balance of Kshs.21,075,248 in respect to fund balance brought forward while the 2016/2017 audited financial statements reflected a closing balance of Kshs.53,744,456 for the same item resulting to unexplained variance of Kshs.32,669,208 as at 30 June 2018.

Further, the County Assembly's statement of cash flow for the year ended 30 June 2018 reflected Kshs.21,075,248 in respect to cash and cash equivalent at the beginning of the financial year while the 2016/2017 audited financial statements reflected Kshs.53,744,456 in respect to closing cash and cash equivalent balance again resulting to unexplained variance of Kshs.32,669,208 as at 30 June 2018.

In the circumstances, the accuracy of the County Assembly's financial statements as at 30 June 2018 could not be ascertained.

2.2 Variances Between the Financial Statement and the General Ledger

The financial statements for the year under review reflected a balance of Kshs.202,164,089 in respect to four items. However, the respective ledger reflected a balance of Kshs.204,729,435 on the four items resulting into an unexplained and unreconciled negative variance of Kshs.2,565,346 as follows;

Item	Financial Statements Figure (Kshs)	Ledger (Kshs)	Variances (Kshs)
Compensation of Employees	188,264,089	185,348,935	2,915,154
Acquisition of Assets - Purchase of Vehicle and other Transport Equipment	10,900,000	10,986,000	(86,000)
Acquisition of Assets - Purchase of Specialized Materials	3,000,000	4,000,000	(1,000,000)
Accounts Receivables - Outstanding Imprests	-	4,394,500	(4,394,500)
Total	**202,164,089**	**204,729,435**	**(2,565,346)**

In the circumstances, the validity and accuracy of the financial statements could not be ascertained for the year ended 30 June 2018.

3.0 Cash and Cash Equivalents

The financial statements submitted for audit on 28 September 2018 reflected a cash and cash equivalents balance of Kshs.4,878,064. However, the figure was subsequently

revised to Kshs.27,948,745 for the same item resulting to an increase in the cash and cash equivalents by Kshs.23,070,681. However, cash books, bank reconciliations, bank confirmation certificates and journal vouchers supporting the Kshs.23,070,681 increase were not availed for audit review. Further, two bank accounts in Equity Bank and National Bank were held in commercial banks contrary to Section 82(1) (a) of the Public Finance Management (County Government) regulations, 2015 that require such accounts to be held at the Central Bank.

In the circumstances, the accuracy of the cash and cash equivalents of Kshs.27,948,745 reflected in the financial statements as at 30 June 2018 could not be confirmed.

4.0 Outstanding Imprests

Note 8 to the financial statements for the year under review reflect nil outstanding imprest. However, the Assembly's imprest register made available for audit review reflected an outstanding imprest of Kshs.4,394,500 as at 30 June 2018. Further, one officer was issued with two imprests totalling to Kshs.502,000 before surrendering the first one contrary Section 93(4b) of the Public Finance Management (PFM) County Regulations 2015 which states that an officer with an outstanding imprest should not be issued with another imprest.

In the circumstance, the accuracy of Kshs.27,948,745 total financial assets reflected in the financial statements as at 30 June 2018 could not be ascertained.

5.0 Use of Goods and Services

5.1 Domestic Travel and Subsistence

5.1.1 Per diem Allowances Paid to the MCAs and Staff

Note 4 to the financial statements reflected Kshs.175,864,973 in respect to use of goods and services for the year ended 30 June 2018 which included Kshs.92,058,000 in respect to domestic travel and subsistence out of which Kshs.851,300 was not authorized and could not be verified due to lack of supporting documents as follows;

Date	Description	No of Days	Warrant Number	Per diem (Kshs)	Transport (Kshs)	Total Amount (Kshs)
17-10-17	MCA's and Staff travelling to Meru to attend a seminar for 2 days on 21-23/10/2017	2	None	84,500	44,100	128,600
19-02-18	Reimbursement of night out allowances to MCAs and staff	26	3244316	604,700		604,700
23-01-18	MCAs and staff Facilitation to participate in the young Christians Democrats of Norway meeting held in Mombasa from 23-25/01/2018	7	None	98,000	20,000.00	118,000
	Total			**787,200**	**64,100**	**851,300**

In the circumstances, the accuracy of Kshs.92,058,000 expenditure in respect to domestic travel and subsistence reflected in the statement of receipts and payments for the year ended 30 June 2018 could not be ascertained.

5.1.2 Payment of Allowance to Attend Political Parties Workshop

Note 4 to the financial statements reflected Kshs.175,864,973 in respect to use of goods and services which included Kshs.92,058,000 in respect to domestic travel and subsistence which further included Kshs.132,000 paid to a Member of County Assembly (MCA) to attend a political party's workshop held in Nairobi and Elementaita for four (4) days from 23 to 26 February 2018. However, the expenditure was contrary to Section 93(3) of Public Finance Management Act (County Government), 2012 and was not a proper charge to public funds as the workshop was a private party affair.

In the circumstances, the validity for the expenditure of the Kshs.132,000 paid to the Member of the County Assembly to attend the political party workshop could not be ascertained.

5.2 Foreign Travel and Subsistence

Note 4 to the financial statements reflected Kshs.175,864,973 in respect to use of goods and services which included Kshs.2,378,109 in respect to foreign travel and subsistence which further included Kshs.542,000 paid as imprest to a Member of County Assembly for a foreign trip to Switzerland on 8 May 2018. However, the imprest was not recorded in the register and there was no evidence that the same had been accounted for as at 30 June 2018.

In the circumstances, the accountability and recoverability of the Kshs.542,000 paid as imprest to a Member of County Assembly for a foreign trip to Switzerland expenditure reflected in the financial statements for the year ended 30 June 2018 could not be ascertained.

5.3 Unsupported Expenditure

Note 4 to the financial statements reflected Kshs.175,864,973 in respect to use of goods and services which included Kshs.14,610,236 in respect to expenditure that had no supporting schedule for the year ended 30 June 2018 as shown below;

Expenditure Item	Amount in Financial Statement (Kshs)	Amount Accounted for (Kshs)	Amount un Accounted for (Kshs)
Other Operating expenses	9,400,000	1,771,706	7,628,294
Utilities supplies Services	1,391,200	795,628	595,572
Communication supplies Services	3,760,000	1,134,912	2,625,088
Routine maintenance other assets	1,000,000	0	1,000,000
Printing and advertising and information supplies	5,753,600	2,992,318	2,761,282
Total	**21,304,800**	**6,694,564**	**14,610,236**

In the circumstances, the accuracy and validity of the unaccounted for expenditure totaling Kshs.14,610,236 for the year ended 30 June 2018 could not be ascertained.

6.0 Acquisition of Assets

6.1 Refurbishment of Buildings

Note 5 to the financial statements reflected Kshs.150,894,415 in respect to acquisition of assets which included Kshs.2,500,000 in respect to refurbishment of buildings out of which Kshs.199,395.50 had no supporting documents.

In the circumstances, the accuracy and validity of the unsupported expenditure totalling Kshs.199,395.50 reflected in the financial statements for the year ended 30 June, 2018 could not be ascertained.

6.2 Purchase of the County Assembly Speaker's Car

Note 5 to the financial statements reflected Kshs.150,894,415 in respect to acquisition of assets which included Kshs.10,900,000 in respect to purchase of vehicles and other transport equipment which was used to procure a Toyota Land Cruiser for the County Assembly Speaker. However, the County Assembly paid Kshs.10,986,000 in respect of the purchase but recorded Kshs.10,900,000 resulting into an unexplained variance of Kshs.86,000 and which was not disclosed in the financial statements for the year ended 30 June 2018.

Further, the County Assembly's Service Board approval minutes for the purchase of the vehicle, professional opinion, signed sales contract, notification of tender award and letter of acceptance, Local Purchase Order (LPO) and logbook for the vehicle were not availed for audit verifications.

In addition, the vehicle was not recorded in the County Assembly's fixed assets register.

In the circumstances, the ownership, accuracy and completeness of the Kshs.10,900,000 expenditure reflected in the financial statements as at 30 June 2018 could not be ascertained.

6.3 Purchase of Curtains, Carpet and Web Development and Upgrade

Note 5 to the financial statements reflected Kshs.150,894,415 in respect to acquisition of assets which included Kshs.10,700,000 in respect to purchase of office furniture and general equipment which further included Kshs.2,118,000. The amount of Kshs.2,118,000 is comprised of Kshs.1,768,000 and Kshs.350,000 in respect to procurement of curtains and carpet, and web development and upgrade respectively. However, the purchase requisition document, appointment of ad hoc quotation opening committee, evaluation and inspection report/minutes, notification of award to the winning bidder, regret letters to the losing bidders and letter of acceptance from the winning bidder were not availed for audit verifications contrary to Section 9(1)(e) of the Public Audit Act, 2015 which states that the Auditor- General has unrestricted access to all books, records, returns, reports and any property or premises used or held by state organs or public entities. In addition, the payment voucher for web development and upgrade was not approved.

In the circumstances, the accuracy completeness and validity of the expenditure of Kshs.2,118,000 could not be ascertained.

6.4 Purchase of Specialized Materials

Note 5 to the financial statements reflected Kshs.150,894,415 in respect to acquisition of assets which included Kshs.3,000,000 for purchase of specialized materials out of which Kshs.2,424,000 was not supported by relevant documents including payment vouchers, invoices, local purchase orders and delivery notes.

In the circumstances, the accuracy and validity of the Kshs.3,000,000 expenditure reflected in the statement of receipts and payments for the year ended 30 June, 2018 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Isiolo 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, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

1.1 Budget Performance – Revenue

The combined statement of comparison of budget and actual amounts - recurrent and development for the year under review reflected an approved receipt budget of Kshs.545,967,572 and actual receipts of Kshs.515,500,000 resulting to a revenue shortfall of Kshs.30,467,572 or 6%.

The County Assembly under collected its revenue by Kshs.30,467,572. No satisfactory explanation on the under collection which could be an indication of revenue leakage or lack of proper budgeting mechanism.

1.2 Budget Performance – Expenditure

The combined statements of comparison of budget and actual amounts for the year under review reflected an expenditure budget of Kshs.548,470,572 and an actual expenditure of Kshs.515,023,477 resulting an under-absorption of Kshs.33,447,095 as summarized below:

Expense Item	Approved Budget (Kshs)	Actual (Kshs)	Under (Kshs)	Over (Kshs)	%
Compensation of employees	188,264,089	188,264,089	0	-	
Use of Goods & Services	176,192,551	175,864,973	(327,578)		-0.2%
Acquisition of Assets	184,013,932	150,894,415	(33,119,517)		18.0%
Total	**548,470,572**	**515,023,477**	**(33,447,095)**		**-6.1%**

The County Assembly underspent the allocated funds by Kshs.33,447,095 or 6%. However, no satisfactory explanation was provided for under-absorption which may impact negatively on delivery of goods and services to the residents of Isiolo County.

2.0 Variance Between the Approved Budgets and Statement of Comparison of Budget and Actual Amounts

The combined Statement of Comparison of Budget and Actual Amounts - recurrent and development for the year under review reflected an approved budget Kshs.545,967,572 while the separate recurrent and development Statements of Comparison of Budget and Actual Amounts reflected a budget of Kshs.364,456,640 and Kshs.189,917,341 respectively both totaling Kshs.554,373,981 resulting into an unexplained and unreconciled variance of Kshs.8,406,409 as follows;

Item	Budget (Kshs)	Statement of Comparison of Budget and Actual Amounts (Kshs)	Variances (Kshs)
Recurrent	388,553,640	364,456,640	(24,097,000)
Development	157,413,932	189,917,341	32,503,409
Total	**545,967,572**	**554,373,981**	**8,406,409**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

1.0 Failure to Prepare, Publish and Publicize Quarterly Financial Reports

As reported in the previous year, the County Assembly did not prepare, publish and publicize quarterly financial reports as required by Section 166 of the Public Finance Management Act, 2012. In addition, quarterly cash flow reports supported by approved procurement plan as required by Section 43(3),(4) of the Public Finance Management Act, 2012 were also not provided for audit review.

In the circumstance, the County Assembly was in breach of the law

2.0 Failure to Publish and Publicize Contract Awards

As reported in the previous year, the head of procurement did not prepare and submit monthly progress reports for all procurement contracts as required by Section 152 of Public Procurement and Assets Disposal (PPAD) Act, 2015. Further, quarterly reports stating compliance with Sections 157(12),(13)(b) and 158(3) containing disaggregated data indicating the number of youth, women and persons with disability whose goods and services have been procured was not provided. In addition, no documentary evidence was provided to show that the Assembly published and publicized all contract awards on its notice boards at conspicuous places, and website as required by Section 138(1) of the PPAD Act, 2015 which states that the accounting officer of a procuring

entity shall publish and publicize all contract awards on their notice boards at conspicuous places, and website if available within a period as prescribed.

In the circumstances, the Assembly was in breach of the law.

3.0 County 2018 – 2022 Integrated Plan

Included in the domestic travel and subsistence expenditure figure of Kshs.92,058,000 is Kshs.4,799,800 paid to various MCA's and staff as domestic travel and subsistence to scrutinize the County's 2018-2022 integrated plan in Mombasa and to disseminate the 2018-2022 County Assembly development program in Meru. However, these activities could have been undertaken in Isiolo at no extra cost thereby avoiding the expenditure.

In the circumstances, the residents of Isiolo may not have received value for money on the Kshs.4,799,800 expenditure for the year ended 30 June 2018.

4.0 Fencing of MCA's Wards Offices

Note 5 to the financial statements reflected Kshs.150,894,415 in respect to acquisition of assets included Kshs.46,030,245 in respect to construction and civil works. The amount of Kshs.46,030,245 in respect to construction and civil works also included Kshs.9,630,000 paid for fencing of nine (9) MCA's wards offices as follows;

	Quotation No	Contract Date	Contract Price (Kshs)	Amount Paid in (Kshs)	Ward
1	ICA/43/2017/2018	27.6.2018	2,860,000	1,070,000	Ngaremara
2	ICA/46/2017/2018	27.6.2018	2,854,836	1,070,000	Oldonyiro
3	ICA/40/2017/2018	27.6.2018	2,998,200	1,070,000	Cherab
4	ICA/45/2017/2018	27.6.2018	3,890,000	1,070,000	Sericho
5	ICA/40,2017/2018	27.6.2018	2,980,000	1,070,000	Chari
6	ICA/49/2017/2018	27.6.2018	2,894,590	1,070,000	Garbatulla
7	ICA/42/2017/2018	27.6.2018	3,100,000	1,070,000	Bula Pesa
8	ICA/47/2017/2018	27.6.2018	2,890,000	1,070,000	Burat
9	ICA/44/2017/2018	27.6.2018	2,950,000	1,070,000	Wabera
		Total	**27,417,626**	**9,630,000**	

However, though the work should have been advertised as a single tender, it was split into nine (9) different procurements contrary to Section 54(1) of the Public Procurement and Disposal Act, 2015. Further, the evaluation criteria, quotations register and contracts agreements were not availed for audit verifications.

In addition, a physical verification of the projects done on 24 October 2018 on three projects revealed the following;

- **Ngaremara Ward Office -** The perimeter wall was not complete as it was not reinforced by columns (Pillars) and the gate was not in two equal halves as

indicated in the Bill of Quantities (BQ). Further, the contractor was not on site to complete the remaining part of the perimeter fence. In addition, the Ward office was completed in 2016/2017 financial year but it had not been put to the intended use as at the time of this audit in October, 2018.

- **Bula Pesa Ward** – The fence was not complete and the contractor was not on site

- **Oldonyiro Ward** –Though the contractor was not on site, the building was not complete while the fence had not started.

In the circumstances, the Kshs.9,630,000 expenditure reflected in the financial statements as at 30 June 2018 was in breach of the law and the value for money could not be ascertained.

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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

1.0 Non Establishment of Audit Committee

The County Assembly did not have in place an audit committee contrary to Regulation 167 (1) of the public Finance Management Regulations, 2015 which states that each County Government entity shall establish an audit committee.

As a result, the County Assembly was in contravention of the law.

2.0 Human Resources Management

The County Assembly did not have an approved human resources plans contrary to Human Resource Policies and Procedures Manual for the Public Services, May 2016. In the circumstance, the existence of effective controls in the management of human resources in the County Assembly could not be confirmed.

3.0 Internal Control Effectiveness - Information, Communication and Technology (ICT) Environment

Review of the Assembly's ICT environment revealed that there was no formal approved ICT policy in place as at 30 June 2018. The policy would have included data security and disaster recovery plans. Further, the ICT organization structure was not provided for audit review.

In the circumstances, the security and reliability of the County Assembly's data integrity and the management information system could not be confirmed.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 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 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 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.

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 money is applied in an effective way.

Those charged with governance are responsible for overseeing the County Assembly's financial reporting process, reviewing the effectiveness of how the entity 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 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 with limited assurance as to 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 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 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 noncompliance. 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 County Assembly's 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 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 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

18 February 2019

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Notes	Kshs	Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	515,500,000	555,000,000
Other Receipts	2	-	11,306,684
TOTAL RECEIPTS		**515,500,000**	**566,306,684**
PAYMENTS			
Compensation of Employees	3	188,264,089	196,141,598
Use of goods and services	4	175,864,973	174,229,712
Acquisition of Assets	5	150,894,415	151,999,999
Other Payments	6	-	422,712
TOTAL PAYMENTS		**515,023,477**	**522,794,021**
SURPLUS/DEFICIT		**476,523**	**43,512,663**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Assembly financial statements were approved on **September 26, 2018** and signed by:

Clerk of the Assembly

Principal Finance Officer

V. IV STATEMENT OF FINANCIAL ASSETS

	Note	2017/2018	2016/2017
FINANCIAL ASSETS		**Kshs**	**Kshs**
Cash and Cash Equivalents			
Bank Balances	7	27,948,745	46,296,708
Total Cash and cash equivalents		**27,948,745**	**46,296,708**
Accounts receivables – Outstanding Imprests	8	-	7,447,748
TOTAL FINANCIAL ASSETS		**27,948,745**	**53,744,456**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	9	0	-
NET FINANCIAL ASSETS		**27,948,745**	**53,744,456**
REPRESENTED BY			
Fund balance b/fwd	10	21,075,247.86	10,231,793
Surplus/Defict for the year		476,523	43,512,663
NET FINANCIAL POSITION		**21,551,771**	**53,744,456**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Assembly financial statements were approved on **September 26, 2018** and signed by:

Clerk of the Assembly

ISIOLO COUNTY ASSEMBLY
P. O. Box 195 – 60300,
ISIOLO

Principal Finance Officer

VI. STATEMENT OF CASHFLOW

	Note	2017/2018	2016/2017
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	515,500,000	555,000,000
Other Receipts	2	-	11,306,684
		515,500,000	**566,306,684**
Payments for operating expenses			
Compensation of Employees	3	(188,264,089)	(196,141,598)
Use of goods and services	4	(175,864,973)	(174,229,712)
Other Payments	5	-	(422,712)
		(364,129,062)	**(370,794,022)**
Adjusted for:			
Adjustments during the year		0	
Net cash flows from operating activities		**151,370,938**	**195,512,662**
Acquisition of Assets	6	(150,894,415)	(151,999,999)
Net cash flows from investing activities		**(150,894,415)**	**(151,999,999)**
NET INCREASE IN CASH AND CASH EQUIVALENT		**476,523**	**43,512,663**
Cash and cash equivalent at BEGINNING of the year (adjusted)	16	**21,075,248**	**10,231,793**
Cash and cash equivalent at END of the year		**27,948,745**	**53,744,456**

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	640,553,640	94,586,068	545,967,572	515,500,000	94%
Other Receipts	-	-	-	-	-
TOTAL	**640,553,640**	**94,586,068**	**545,967,572**	**515,500,000**	**94%**
PAYMENTS					
Compensation of Employees	268,210,085	-79,945,996	188,264,089	188,264,089	100%
Use of goods and services	123,257,487	52,607,486	176,192,551	175,864,973	99.4%
Acquisition of Assets	284,500,000	-100,486,068	184,013,932	150,894,414.6	82%
Other Payments	-	-	-	-	-!
TOTAL	**675,967,572**	**-127,824,578**	**548,470,572**	**515,023,476.6**	**93.9%**

The Assembly financial statements were approved on **September 26, 2018** and signed by:

Clerk of the Assembly

Principal Finance Officer – County Assembly

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	364,456,640		364,456,640	364,129,062	99%
Other Receipts				-	-
TOTAL	**364,456,640**	**-**	**364,456,640**	**364,129,062**	**99%**
PAYMENTS					
Compensation of Employees	268,210,085	-79,945,996	188,264,089	188,264,089	100%
Use of goods and Services	123,257,487	52,607,486	176,192,551	175,864,973	94%
Other payments	-	-	-	-	-
TOTAL	**391,467,572**	**-27,338,510**	**364,456,640**	**364,129,062**	**99.9%**

The Assembly financial statements were approved on **September 26, 2018** and signed by:

Clerk of the Assembly

Principal Finance Officer – County Assembly

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	284,503,409	94,586,068	189,917,341	150,894,414.6	79%
TOTAL	**284,503,409**	94,586,068	**189,917,341**	**150,894,414.6**	**79%**
PAYMENTS					
Acquisition of Assets	284,503,409	94,586,068	189,917,341	150,894,414.6	79%
TOTAL	**284,503,409**	**94,586,068**	**189,917,341**	**150,894,414.6**	**79%**

The Assembly financial statements were approved on **September 26, 2018** and signed by:

Clerk of the Assembly

Principal Finance Officer – County Assembly

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 and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

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

   The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

2. **Recognition of receipts and payments**
   The Assembly recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Assembly. In addition, the Assembly recognises all payments when the event occurs and the related cash has actually been paid out by the Assembly.

3. **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 revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. **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.

5. **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 expenditure 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.

6. **Accounts Payable**
For the purposes of these financial statements, deposits and retentions held on behalf of third parties has 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 by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

7. **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 Assembly fixed asset register a summary of which is provided as a memorandum to these financial statements.

8. **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.

9. **Budget**
The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Assembly's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Assembly's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

10. **Comparative figures**
This is the first time the County Assembly is preparing its full year financial statements. Being a first time adopter, there are no comparative amounts for the previous year.

11. Subsequent events

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

XI. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM THE COUNTY TREASURY/EXCHEQUER RELEASES

		2017/2018	2016/2017
		Kshs	Kshs
Total Exchequer Releases for quarter 1		79,000,000	120,000,000
Total Exchequer Releases for quarter 2		108,500,000	142,000,000
Total Exchequer Releases for quarter 3		120,000,000	143,000,000
Total Exchequer Releases for quarter 4		208,000,000	150,000,000
Total		**515,500,000**	**555,000,000**

2. OTHER RECEIPTS

		2017/2018	2016/2017
		Kshs	Kshs
Repayment of Car Loan		-	11,306,684
Total		-	**11,306,684**

3. COMPENSATION OF EMPLOYEES

		2017/2018	2016/2017
		Kshs	Kshs
Basic Salaries - Permanent Employees		84,676,256	94,907,979
Basic Wages - Temporary Employees		14,870,520	14,720,519
Personal Allowances paid as part of Salary		72,115,224	77,436,395
Personal Allowances paid as Reimbursements		-	-
Employer Contributions to Compulsory National Social Security Schemes		16,602,089	9,076,705
TOTAL		**188,264,089**	**196,141,598**

4. USE OF GOODS AND SERVICES

		2017/2018	2016/2017
		Kshs	Kshs
Utilities Supplies Services		1,391,200	484,958
Communication Supplies Services		3,760,000	3,794,312
Domestic Travel and Subsistence		92,058,000	56,773,410
Foreign Travel and Subsistence		2,378,109	6,265,004

Printing Advertising and Information Supplies		5,753,600	3,800,340
Rental of Produced Assets		8,600,000	20,192,982
Training Fees		13,000,000	4,307,700
Hospitality Supplies Services		6,500,000	6,988,920
Insurance		19,000,000	18,134,004
Specialized Material		4,000,000	
General Office Supplies Services		4,324,064	3,864,400
Refined Fuels and Lubricants for Transport		2,500,000	9,250,000
Other Operating Expenses		9,400,000	23,570,348
Gratuity – members of parliament			8,000,000
Purchase of office furniture and fittings			7,009,534
Maintenance Expenses - Motor Vehicles		2,200,000	1,793,800
Routine Maintenance Other Assets		1,000,000	
Total		**175,864,973**	**174,229,712**

5. ACQUISITION OF ASSETS

		2017/2018	2016/2017
Non Financial Assets		**Kshs**	**Kshs**
Construction of Building		26,370,291	15,843,905
Refurbishment of Buildings		2,500,000	-
Construction and Civil Works		46,030,245	87,596,094
Purchase of Vehicles and Other Transport Equipment		10,900,000	-
Purchase of Office Furniture and General Equipment		10,700,000	-
Purchase of Specialised Materials		3,000,000	
Research, Feasibility Studies, Project Preparation and Design, Project Supervision		51,393,879	48,560,000
Total		**150,894,415**	**151,999,999**

6. OTHER PAYMENTS

		2017/2018	2016/2017
		Kshs	**Kshs**
Commission		-	175,304

Ledger Fees		-	19,800
Capital Transfers to Non-Financial Public Enterprises		-	227,608
Total		-	**422,712**

7. BANK ACCOUNTS

Name of Bank, Account No. & Currency	**Indicated whether recurrent or development**	**2017/2018**	**2016/2017**
Central Bank of Account No. 1000195738	Recurrent	1,768,331.80	19,985
Central Bank of Account No. 1000195746	Development	24,522,258.95	1
Equity Bank Limited Account No. O410261437860	Recurrent	247,565	25,201,474
National Bank Of Kenya Account No.Car loan Account	Recurrent	1,410,589	21,075,248
Total		**27,948,745**	**46,296,708**

8. ACCOUNTS RECEIVABLE

		2017/2018	**2016/2017**
		Kshs	**Kshs**
Government Imprests		-	**17,430,286**
Total		-	**17,430,286**

9. ACCOUNTS PAYABLE

		2017/2018	**2016/2017**
		Kshs	**Kshs**
Withholding Taxes		-	-
Total		-	-

10. FUND BALANCE BROUGHT FORWARD

		2017/2018	2016/2017
		Kshs	Kshs
Bank accounts		21,075,248	11,419,177
Cash in hand			
Overcast of car Loan Fund Account		-	(1,187,384)
Total		**21,075,248**	**10,231,793**

XII. ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2016/2017	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2017/2018
Land				
Buildings and structures	185,978,169	80,335,380		266,313,549
Transport equipment	5,684,000	14,926,396		20,610,396
Office equipment, furniture and fittings	10,677,646	11,752,435		22,430,081
ICT Equipment, Software and Other ICT Assets	-	-		-
Other Machinery and Equipment	22,241,920	3,000,000		25,241,920
Total	**224,581,735**	**110,014,211**	-	**334,595,946**

XIII. ANNEX 2 – ANALYSIS OF OUTSTANDING IMPREST

XIV. ANNEX 3 – BANK RECONCILIATION/FO 30 REPORT