REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

COUNTY ASSEMBLY OF KITUI

FOR THE YEAR ENDED 30 JUNE, 2019

Revised template of June 2019

COUNTY ASSEMBLY OF KITUI

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 is constituted as per the constitution of Kenya and is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes 40 Members of County Assembly (MCAs) elected to represent members of the public from their respective wards. The MCAs are responsible for making any laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Executive.

(b) Key Management

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

1.	Hon. George	Ndotto	Speaker- Chairman of the Board
2.	Hon. Johnstone	Kanandu	V/Chair of the Board
3.	Hon.Boniface	Katumo	Member
4.	Simon	Mundu	Member
5.	Dr. Jane	Mutua	Member
6.	Elijah	Mutambuki	Secretary to the Board

(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.	Clerk of Assembly	**Elijah**	**Mutambuki**
2.	Deputy Clerk	**Lucy**	**Waema**
3.	Finance Officer	**Algustus**	**Musyoka**

(d) Fiduciary Oversight Arrangements

- *Kitui County Assembly Public Investment and Accounts Committee*
- *Kitui County Assembly Budget and Appropriation Committee*
- *Controller of Budget*
- *National Treasury*

(e) Kitui County Assembly Offices

Mutomo-Kibwezi Road
P.O BOX 694-90200
Kitui, Kenya

(f) County Assembly Contacts

Telephone: 044-22914
E-mail: Kituiassembly@gmail.com
Website: www.Kituicountyassembly.org

(g) County Assembly Bankers

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

2. Kenya Commercial Bank
   P.O Box 683-90200
   Kitui, Kenya

(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

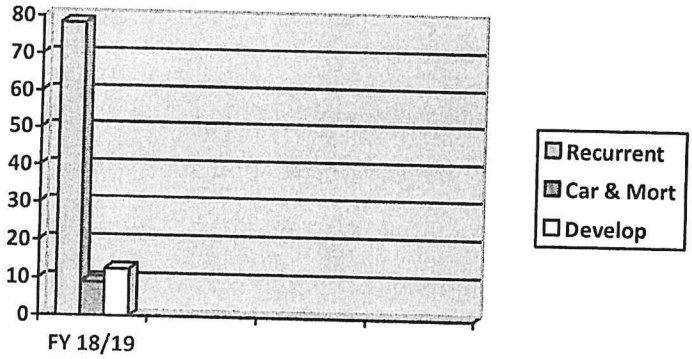
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. FORWARD BY THE CLERK OF THE ASSEMBLY

Budget performance

The County Assembly of Kitui had an approved budget of Kshs 1,034,797,246 for the FY 2018/2019 comprising of Kshs 811,797,246 for recurrent expenditure, Kshs 93,000,000 for Car and Mortgage loans and Kshs 130,000,000 for development as shown below.

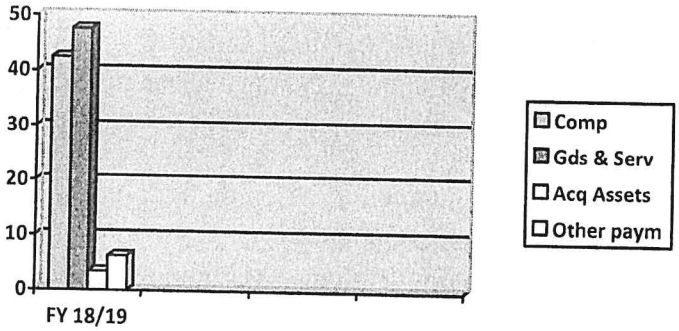
Budget for FY 2018/19



Source: County Assembly Budget FY 2018/19

The Assembly received Kshs 806,554,690 as transfers from County Treasury and Kshs 4,020,000 as Compensation for official vehicle involved in an accident. The total expenditure for FY 18/19 amounts to Kshs 810,572,774 which was 78.3% of the total budget. The County Assembly spent Kshs 344,616,070 (42.5%) on employees compensation, Kshs 385,835,814 (47.6%) on use of goods and services, Kshs 28, 553,140 (3.5%) on acquisition of assets and Kshs 51,567,750 (6.4%) on other payments as presented below.

Expenditure FY 2018/19



Source: County Assembly Financial statements FY 2018/19

Operational Performance

In exercise of Assembly's legislative powers enshrined in Article 185 of the Constitution (2010), the Assembly has performed as follows with regards to Bills, Motions, Statutory Reports, Statements, Messages and Petitions;

S/No	Document Name	Number considered
1.	Bills	27
2.	Motions	215
3.	Statutory reports	48
4.	Statements	21
5.	Messages	2
6.	Petitions	2
7.	Communications from the chair	14
8.	Regulations	13

Laws and policies passed by members of assembly provided clear guidelines in operations at Assembly and County Government as a whole.

The establishment and approval of Community level infrastructure development programme (CLIDP) by the assembly for instance was to promote equitable development across the county's 40 wards and 247 villages and thus play a significant part in the realization of the county's stated vision of "*Being a prosperous county with vibrant rural and urban economies whose people enjoy a high quality of life.*"
This was in line with the objects and principles of devolution enshrined in Article 174 (d) and (f) of the Constitution which roots for "recognition of the right of communities to manage their own affairs and to further their development" and "promotion of social and economic development and provision of proximate, easily accessible services throughout Kenya" respectively.

The Assembly also approved for the investment of KES 440 million in the Pro Poor Support Programme in order to support scholarship activities in between FY2013/2014 and FY2016/2017. This program was established as a flagship initiative to ensure increased schools retention rate, and ultimately enhance education performance in the county. It was aimed at increasing the rate of access, transition and retention of learners from financially disadvantaged backgrounds and improving the education sector by supporting the provision of teaching and learning materials, equipment and facilities.

The Assembly Committees

In achieving its mandate, the County Assembly undertakes her business through the plenary and committee sittings as contained in the County Assembly Annual Calendar and a Schedule of Committee Sittings as adopted by the Assembly.
There are two accepted types of Committees of County Assembly: Committees of the Whole County Assembly and Select Committees which comprises of Standing, Ad hoc and Sectoral Committees. The Sectoral Committees conduct an oversight role over the County Executive Ministries while the Select Committees perform the role of housekeeping of the Assembly.

The First County Assembly of Kitui initially had seventeen (17) committees; *10 Sectoral Committees and 7 Standing Committees.* On 21st July 2015 four committees were additionally constituted (*3 Sectoral and 1 Standing Committee*) and thus forming at total of (twenty one) 21 committees comprising of nine (9) Select and twelve (12) Sectoral Committees.

Performance of key development projects

Infrastructural Renovations

1. The renovation of Assembly Offices which was partly complete when the Assembly began in 2013.
2. The renovation of the existing chamber which began in May 2015 to be able to accommodate eighty (80) members of county assembly and equip it with modern equipment to better facilitate its key role of legislation.
3. The laying of cabro blocks in the Assembly car park.
4. Erecting a main gate at the entrance into the Assembly.

Internet Connectivity

The county assembly is served with fibre optic link for fast and effective use of IFMIS and internet banking (IB). There is a reliable and operational Wi-Fi internet for easy access and internet connection. The network bandwidth has been increased from 2mbps to 4 mbps thus enabling a very efficient connectivity. The network technology has also been upgraded from WIMAX to microwave network technology for reliable, secure and stable connectivity.

ICT Equipment

A number of ICT tools of engagement such as PCs, laptops, smartphones and IPads for both members of county assembly and staff members has enhanced performance.

MINOR CIVIL WORKS

The Assembly has undertaken some important civil works continuously since inception which included;

a) Construction of a walkway heading to the chambers and toilets.

b) Completion of construction of the new toilet block

c) Renovation of the sentry house to beef up security

d) Installation of an elevated tank for sufficient supply of water to the compound

e) Installation of air-conditioning facilities/systems.

f) Upgrading electricity to three phase power load.

PURCHASE OF OFFICE VEHICLES

For proper coordination of work, quite a number of vehicles that has enhanced service delivery to the members have been purchased, most notably the ten (10) seater Nissan Urvan and twenty six (26) seater Toyota Coaster Bus that can traverse the terrain within Kitui County during

public participation engagements and other official events.

Comment on value-for-money achievements

Renovation of Debating Chamber

This will offer Members a conducive environment in carrying out their main work which is, to scrutinize the county government policies and proposed legislations of the county government, consider committee reports and to monitor their implementation, representing the citizenry of Kitui and ensuring that they get the best quality that our county could offer equitably.

Purchase of Vehicles

Vehicles purchased have enhanced service delivery to the members. Most notably the ten (10) seater Nissan Urvan and twenty six (26) seater Toyota Coaster Bus that can traverse the terrain within Kitui County during public participation engagements and other official events

Challenges and Recommended Way Forward

ASSEMBLY COMMITTEES TRAINING

Committees within an Assembly are very critical in processing of Assembly work. Each County Assembly committee has its role specified within the Standing Orders. In order to enable the Assembly undertake its legislative agenda the mandate of the committees should be adhered to. Lack of adequate training for the members of the Assembly to fully understand their legislative, representation and oversight as articulated in the Constitution and other laws hampers this. It is coupled by inadequate committee exposure and benchmarking from other assemblies.

BUDGETARY CONSTRAINTS

In order to effectively conduct its role of legislation, oversight and representation, the Assembly needs quite a substantive amount of budgetary allocation per fiscal year. Budget constraints to adequate to facilitate all County Assembly Committee operations as proposed by committee operation budgets hampered the same.

STAFFING CAPACITY IN THE ASSEMBLY SERVICE

The staffing levels especially in key departments within the Assembly Service leads to low levels of productivity, fatigue, stress and depression given the huge workload an Assembly has. There is need to enhance the same.

INFRASTRUCTURAL ISSUES

The Assembly's infrastructure lacks the capacity to handle the voluminous personnel for both the members and the staff. It lacks sufficient committee rooms that are well equipped with state of the art equipment for audio recording. The members also require offices; especially the Assembly leadership that is furnished with necessary equipment to enhance their legislative roles. The Assembly also lacks enough and designated parking space for the leadership of the Assembly MCA's and staff.

ASSEMBLY LIBRARY AND RESEARCH SERVICES

The Assembly does not have library services that can be used by members for their own review

of periodicals and other issues. There are also low levels of awareness on the availability of Research Service to the members of parliament. This is compounded by the slow pace in setting up Research Services Section.

CONSTITUTIONAL OFFICES INTERFERANCE

The issue of fiscal ceilings that were fixed by the Commission on Revenue Allocation resulted to gross underfunding and the ensuing court case affected the operations of the Assembly in the Financial Year 2014/15 since the budget could not be implemented as was approved and had to be reviewed to comply with the ceilings. This delayed the implementation of the budget.

RECOMMENDATIONS

ASSEMBLY BROADCASTING OF PROCEEDINGS

Access to information and public communication should be integrated in all development activities. One of the objectives of county communications according to the County Governments Act is to create awareness on devolution and good governance. Section 95 of the CGA provides that a county government shall establish mechanisms to facilitate public communication and access to information in the form of media with the widest public outreach. This read along with the First Schedule of the Standing Order necessitates the establishment of an Assembly Broadcasting Unit to broadcast the proceedings and provide access to assembly information.

BIOMETRIC MEMBERS REGISTRATION

It is imperative to introduce use of biometric controls for the members of county assembly during plenary sessions and during the committee sittings to alleviate the hiccup of quorum, reduce the paperwork done through manual signing of registers and also deal with legitimacy issues in terms of record keeping.

ASSEMBLY SURVEILLANCE SYSTEMS

There is a need to improve on the security surveillance of the institution by installing CCTV monitors and other systems as this is a key institution within the county and may be prone to insecurity issues relating to crime. This has been an emerging issue to many commonwealth assemblies including Canada and the House of Commons following recent security breaches within the assemblies.

PARLIAMENTARY RESEARCH SERVICES

Parliamentarians need to have access to accurate, up-to-date, and well-researched information in order to be able to assess legislation and policies in an efficient and effective manner. To achieve this objective, the Assembly needs a fully-fledged Research Section. This shall assist in providing Members with readily processed and factual information to enable them carry out their duties effectively, especially that they are too busy to do their own research given their numerous functions.

STAFF MEMBERS LEGISLATIVE CAPACITY BUILDING

In order to attain the best standards within the commonwealth parliamentary system there is

need for frequent capacity building within the Assembly Service as there is no formal degree/diploma on parliamentary practice. Much of the training has been on the job and on need basis. With this in mind there is need to frequently collaborate with institutions, consultants and other bodies which offer such trainings so as to enable the members of staff bring out the required output and assist the assembly achieve its mandate within the committees and the plenary.

ASSEMBLY TEAM BUILDING EXERCISES

Poor interpersonal relations lead to low performance and mistrust. Trainings should be conducted with the sole aim of boosting this. Team building sessions for all members of staff should be held occasionally to boost the morale, improve on interpersonal skills and also realize the potentials hidden within.

Sign
Clerk of the County Assembly

3. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year ended 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 quarter under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Government's financial statements were approved and signed by the Clerk of the County Assembly on 10.09. 2019.

Clerk of the County Assembly

REPUBLIC OF KENYA

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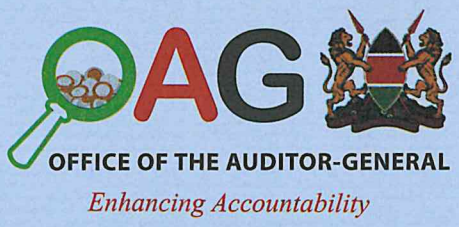

HEADQUARTERS
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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Kitui set out on pages 1 to 25, which comprise the statement of financial assets and liabilities as at 30 June, 2019, and 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, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the County Assembly of Kitui 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 comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Accuracy of the Financial Statements

The financial statements reflected balances that differ with the balances reflected in the Integrated Financial Management Information Systems (IFMIS) trial balance as tabulated below:

Item	Financial Statements Balance (Kshs.)	IFMIS Trial Balance (Kshs.)	Variance (Kshs.)
Exchequer Releases	806,554,690	887,074,264	80,519,574
Other Receipts	4,020,000	0	(4,020,000)
Compensation of Employees	344,616,070	310,218,267	(34,397,803)
Use of Goods and Services	385,835,814	329,260,019	(56,575,795)
Other Grants and Transfers	50,000,000	0	(50,000,000)

Item	Financial Statements Balance (Kshs.)	IFMIS Trial Balance (Kshs.)	Variance (Kshs.)
Social Security Benefits	1,550,203	18,830,127	17,279,924
Acquisition of Assets	28,553,140	85,161,059	56,607,919
Finance Costs	17,547	0	(17,547)
Bank Balances	990	56,129,883	56,128,893
Cash Balances	926	2,476,248,776	2,476,247,850
Accounts Payables	12,728,169	3,612,825,754	3,600,097,585

The Management has not given any explanation or reconciliation to account for the variances.

In the circumstances, the accuracy, validity and completeness of the financial statements for the year ended 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 Kitui 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 qualified 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. Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development, combined reflects final receipts budget and actual on comparable basis of Kshs.1,034,797,246 and Kshs.810,574,690 respectively resulting in revenue shortfall of Kshs.224,222,556 or 22% of the budget. Similarly, the County Assembly utilized Kshs.810,572,246 or 99.9% of the total receipts.

2. Prior Year Matters

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 the issues have

been responded to, the matters have remained unresolved as the Senate has not met 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 matters 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 of Conclusion

1. Use of Goods and Services

As disclosed under Note 5 to the financial statements, the statement of receipts and payments reflects payment on use of goods and services of Kshs.385,835,814 (2018 - Kshs.322,175,271). Review of the expenditure revealed the following unsatisfactory observations: -

1.1. Ward Operating Expenses

The above balance of Kshs.385,835,814 includes other operating expenses amount of Kshs.62,854,287 which includes Kshs.42,293,000 on account of general office operations expenditure through imprests issued to the forty (40) Members of the County Assembly. Further, during the year under review the Assembly paid Kshs.100,000 per month to the wards to cater for general ward office expenses. The basis for the monthly allocation of Kshs.100,000 could not be established as it does not cover rent, salaries and allowances to employees as these expenses are paid for directly by the County Assembly at the ward offices. This may amount to double payments.

In the circumstances, the validity and value for money from the expenditure of Kshs.42,293,000 on general ward operations could not be ascertained and may not constitute a proper charge to public funds.

1.2. Compliance with Salaries and Remuneration Commission

Included under the use of goods and services - domestic travel and subsistence is expenditure amounting to Kshs.106,768,252. Examination of records and documents relating to domestic travel and subsistence allowances revealed that the County Assembly Service Board passed a resolution in their Board meeting of 2 July, 2018 vide Minute No KCASB/131/2018 and set transport allowances payable to Members of the County Assembly without seeking for approval from the Salaries and Remuneration Commission as shown below:

	Region/Town	Allowances (Kshs.)
1	Mombasa	25,000
2	Kisumu	25,000
3	Nakuru	15,000
4	Nairobi	10,000
5	Machakos	6,000
6	Mwingi	6,000

The above rates have been applied in the year under review without approval from the Salaries and Remunerations Commission as required by law.

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 matter 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 governance were not effective.

1. Irregular Foreign Travels Claims

Included in the use of goods and services are payments totalling Kshs.62,326,269 in respect of foreign travel and subsistence. Examination of supporting documents revealed that members of the Tourism, Sports and Culture Committee travelled to Malaysia between 20 to 27 October, 2018, for a duration of eight (8) days. However, the members were paid for nine (9) days per diem resulting into an overpayment. Further, it was also noted that most of the foreign travels were planned after foreign institutions invited specific Members of County Assembly for trainings and conferences. It was not clear how the foreign institutions knew about the specific training needs for specific members in order to grant the invitations. The Assembly did not avail a training policy and as such, it was not possible to ascertain the relevance of the trainings and conferences to the Assembly in line with its mandate.

2. Effectiveness of Audit Committee

The County Assembly appointed an Audit Committee of three (3) members on 4 January, 2017. However, there is no evidence, by way of Committee meeting's minutes, to signify

that the Committee had met since it was constituted. This was contrary to Regulation 168 and 172(1) of Public Finance Management (County Governments) Regulation, 2015 which stipulate the function of the Audit Committee and the frequency of committee meetings respectively.

As a result, the envisioned assurance on risks, control and governance through having an Audit Committee may not have been realized.

3. Independence and Effectiveness of Internal Audit Department

The County Assembly does not have a functional Internal Audit Department. The Department is not fully independent as it reports functionally to the Clerk of the County Assembly who is the Accounting Officer and not to the Audit Committee as required. The Head of Internal Audit should functionally report to the Audit Committee and administratively to the accounting officer to ensure independent evaluation of controls.

In the circumstances, the independence of the Internal Audit function in provision of oversight management and operations over the County Assembly may be compromised.

4. Imprest Paid Through Cash and Unauthorized Warrants

Examination of bank statements, cashbooks and other related documents revealed that the cash payments by the County Assembly totalled to Kshs.164,931,816 representing 20% of the total expenditure for the year. Further, imprests to individuals were paid cash instead of crediting the beneficiary bank accounts for proper accountability. Such imprest payments were not made through the official imprest warrants as required but on own printed forms which lacked key control features over imprest issuance such as serialization, purpose for the imprests and the date of surrender.

There is therefore override of internal controls and value for money from the cash payments without due regard to checks and balances in place.

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 effective 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 services, disclosing as applicable, matters related to sustainability of services and using the going concern 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 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 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 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

30 November, 2020

5. FINANCIAL STATEMENTS

5.1. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018/19 KShs	2017/18 KShs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	806,554,690	811,034,003
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	4,020,000	5,000
TOTAL RECEIPTS		**810,574,690**	**811,039,003**
PAYMENTS			
Compensation of Employees	4	344,616,070	303,361,903
Use of goods and services	5	385,835,814	322,175,271
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	50,000,000	-
Social Security Benefits	9	1,550,203	1,415,936
Acquisition of Assets	10	28,553,140	183,162,276
Finance Costs	11	17,547	15,965
Other Payments	12	-	-
TOTAL PAYMENTS		**810,572,774**	**810,128,635**
SURPLUS/DEFICIT		**1,916**	**910,368**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 10-09- 2019 and signed by:

Clerk of the Assembly
Name: Elijah Mutambuki

Senior Accountant – County Assembly
Name: Augustus Kyenze
ICPAK Member Number: 9667

5.2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS	Note	2018/19 KShs	2017/18 KShs
Cash and Cash Equivalents			
Bank Balances	13A	926	907,652
Cash Balances	13B	990	2,716
Total Cash and cash equivalents		**1,916**	**910,368**
Accounts receivables – Outstanding Imprests	14	-	-
TOTAL FINANCIAL ASSETS		-	-
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	-	-
NET FINANCIAL ASSETS		**1,916**	**910,368**
REPRESENTED BY			
Fund balance b/fwd	16	-	-
Surplus/Deficit for the year		1,916	910,368
NET FINANCIAL POSITION		**1,916**	**910,368**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 10.09 2019 and signed by:

Clerk of the Assembly
Name: Elijah Mutambuki

Senior Accountant– County Assembly
Name: Augustus Kyenze
ICPAK Member Number: 9667

5.3. STATEMENT OF CASH FLOWS

	Note	2018/19 KShs	2017/18 KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	806,554,690	811,034,003
Other Receipts	3	4,020,000	5,000
Payments for operating expenses			
Compensation of Employees	4	-344,616,070	-303,361,903
Use of goods and services	5	-385,835,814	-322,172,555
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-50,000,000	-
Social Security Benefits	9	-1,550,203	-1,415,936
Finance Costs	11	-17,547	-15,965
Other Payments	12	-	-
Adjusted for:			
Adjustments during the year		-	-
Net cash flows from operating activities		**28,555,056**	**184,072,644**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	-28,553,140	-183,162,276
Net cash flows from investing activities		**-28,553,140**	**-183,162,276**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,916**	**910,368**
Cash and cash equivalent at BEGINNING of the year	13	**0**	**0**
Cash and cash equivalent at END of the year		**1,916**	**910,318**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 10.09. 2019 and signed by:

Clerk of the Assembly
Name: Elijah Mutambuki

Senior Accountant – County Assembly
Name: Augustus Kyenze
ICPAK Member Number: 9667

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	% Utilization difference
	KShs	KShs	c=a+b	e=d-c	KShs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	1,034,797,246	-	1,034,797,246	806,554,690	22.057%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	4,020,000	-
TOTAL	**1,034,797,246**	-	**1,034,797,246**	**810,574,690**	**21.69%**
PAYMENTS					
Compensation of Employees	401,052,376	-24,811,415	376,240,961	344,616,070	8.40%
Use of goods and services	379,907,070	17,689,015	397,596,085	385,835,814	2.96%
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	93,000,000	-	93,000,000	50,000,000	46.24%
Social Security Benefits	2,516,800	-	2,516,800	1,550,203	38.40%
Acquisition of Assets	25,421,000	9,922,400	35,343,400	28,553,140	19.21%
Finance Costs	100,000	-	100,000	17,547	82.45%
Other Payments	2,800,000	-2,800,000	-	-	-
TOTAL	**904,797,246**	-	**904,797,246**	**810,572,774**	**10.41%**
SURPLUS/ DEFICIT	**130,000,000**	-	**130,000,000**	**1,916**	

The changes between the original and final budget are as a result of reallocations within the budget. The entity financial statements were approved on 10.09. 2019 and signed by:

Clerk of the Assembly
Name: Elijah Mutambuki

Senior Accountant - County Assembly
Name: Augustus Kyenze
ICPAK Member Number: 9667

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilisation difference
	a	b	c=a+b	e=d-c	
RECEIPTS					
Transfers from the County Treasury/ Exchequer Releases	904,797,246	-	904,797,246	806,554,690	18.86%
Proceeds from Sale of Assets	-	-	-	4,020,000	-
Other Receipts	-	-	-	-	-
TOTAL	**904,797,246**	-	**904,797,246**	**810,574,690**	**10.41%**
PAYMENTS					
Compensation of Employees	401,052,376	-24,811,415	376,240,961	344,616,070	8.40%
Use of goods and services	379,907,070	17,689,015	397,596,085	385,835,814	2.96%
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	93,000,000	-	93,000,000	50,000,000	46.24%
Social Security Benefits	2,516,800	-	2,516,800	1,550,203	38.40%
Acquisition of Assets	25,421,000	9,922,400	35,343,400	28,553,140	19.21%
Finance Costs	100,000	-	100,000	17,547	82.45%
Other Payments	2,800,000	-2,800,000	-	-	-
TOTAL	**904,797,246**	-	**904,797,246**	**810,572,774**	**10.41%**
Surplus/ Deficit				**1,916**	

The changes between the original and final budget are as a result of reallocations within the budget.

The entity financial statements were approved on 10.09 2019 and signed by:

Clerk of the Assembly
Name: Elijah Mutambuki

Senior Accountant – County Assembly
Name: Augustus Kyenze
ICPAK Member Number: 9667

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilization difference
	KShs	KShs	c=a+b	e=d-c	KShs
RECEIPTS					
Transfers from the County Treasury/ Exchequer Releases	130,00000	-	130,000,000	-	100%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**130,000,000**	-	**130,000,000**	-	**100%**
PAYMENTS					
Compensation of Employees	-	-	-	-	-
Use of goods and services	-	-	-	-	-
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	-	-	-	-	-
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	-	-	-	-	-
SURPLUS/ DEFICIT	**130,000,000**		**130,000,000**		

Underutilization was as a result of the following;

(a) Speaker's residence- Assembly is in the process of sourcing for land for construction to commence.

(b) Ward offices-Assembly is in the process of negotiating for public land to build the offices.

The entity financial statements were approved on 10.09. 2019 and signed by:

Clerk of the Assembly
Name: Elijah Mutambuki

Senior Accountant – County Assembly
Name: Augustus Kyenze
ICPAK Member Number: 9667

5.7. 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	386,482,119	-	386,482,119	302,737,454	83,744,665
Sub-programme 1					
Sub-programme 2					
Sub-programme 3					
Programme 2	648,315,127		648,315,127	507,835,320	140,479,807
Sub-programme 1					
Sub-programme 2					
Sub-programme 3					
Grand Total	**1,034,797,246**			**810,572,774**	**224,224,472**

(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).

5.8. 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 County Assembly of Kitui. The financial statements encompass the reporting entity as specified in section 164 of PFM Act 2012.

3. Recognition of receipts and payments

a) Recognition of receipts

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

Tax receipts

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

Transfers from the Exchequer/ County Treasury

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Cash and cash equivalents

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

Restriction on cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2019, this amounted to KShs 0 compared to KShs 0 in prior period as indicated on note xxxx. There were no other restrictions on cash during the year.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Pending bills

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

10. Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *entity's* budget was approved as required by Law .The original budget was approved by the County Assembly on 29th June, 2018 for the period 1st July 2018 to 30 June 2019 as required by law. There was two number of supplementary budgets passed in the year. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

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.

5.9. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from the County Treasury/Exchequer Releases

	2018/19	2017/18
	KShs	KShs
Transfers from the County Treasury for Q1	149,078,066	82,022,900
Transfers from the County Treasury for Q2	134,832,887	220,520,540
Transfers from the County Treasury for Q3	188,925,675	158,005,243
Transfers from the County Treasury for Q4	333,718,062	350,485,320
Cumulative Amount	**806,554,690**	**811,034,003**

2. PROCEEDS FROM SALE OF ASSETS

	2018/19	2017/18
	KShs	KShs
Receipts from the Sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Receipts from Sale of Certified Seeds and Breeding Stock	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Receipts from the Sale of Inventories, Stocks and Commodities	-	-
Disposal and Sales of Non-Produced Assets	-	-
Total	-	-

3. OTHER RECEIPTS

	2018/19	2017/18
	KShs	KShs
Tender fees received	-	5,000
Other Receipts II Motor vehicle Compensation	4,020,000	-
Other Receipts III	-	-
Other Receipts IV	-	-
Total	**4,020,000**	**5,000**

(Other receipts of Kshs 4,020,000 relates to Compensation from Geminia Insurance Company Limited for an Assembly vehicle involved in an accident.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. COMPENSATION OF EMPLOYEES

	2018/19	2017/18
	KShs	KShs
Basic salaries of permanent employees	237,102,299	241,032,679
Basic wages of temporary employees	34,366,318	25,088,182
Personal allowances paid as part of salary	55,648,129	18,552,432
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	17,499,324	18,688,610
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	-
Other personnel payments	-	-
Total	**344,616,070**	**303,361,903**

(During the year under review, the County Assembly of Kitui had a total of Eighty eight employees)

5. USE OF GOODS AND SERVICES

	2018/19	2017/18
	KShs	KShs
Utilities, supplies and services	1,296,251	597,737
Communication, supplies and services	6,575,365	6,966,903
Domestic travel and subsistence	106,768,252	106,817,535
Foreign travel and subsistence	62,326,269	27,841,641
Printing, advertising and information supplies & services	7,161,561	7,087,145
Rentals of produced assets	-	1,440,000
Training expenses	9,476,111	16,057,226
Hospitality supplies and services	72,752,338	59,660,980
Insurance costs	36,542,046	39,511,524
Specialized materials and services	1,605,757	363,900
Office and general supplies and services	10,015,866	6,972,233
Other operating expenses	62,854,287	41,607,277
Routine maintenance – vehicles and other transport equi	3,191,696	2,457,743
Refined Fuels and Lubricants for transport	3,865,795	3,841,380
Routine maintenance – other assets	1,404,220	949,331
Total	**385,835,814**	**322,172,555**

6. SUBSIDIES

Description	2018/19	2017/18
	KShs	KShs
Subsidies to County Corporations		
See list attached	-	-
(insert name)	-	-
Subsidies to Private Enterprises		
See list attached	-	-
(insert name)		-
TOTAL	-	-

(Provide explanations as to what subsidies relate to)

7. TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2018/19	2017/18
	KShs	KShs
Transfers to National Government entities	-	-
Transfers to other County Assembly entities	-	-
(insert name of budget agency)	-	-
TOTAL	-	-

(Explain what the transfers relate to and whether they are to be refunded by the institution referred to)

8. OTHER GRANTS AND TRANSFERS

	2018/19	2017/18
	KShs	KShs
Car and Mortgage Schemes	50,000,000	-
Emergency relief and refugee assistance	-	-
Subsidies to small businesses, cooperatives, and self employed	-	-
Total	**50,000,000**	-

(Other transfers relates to car and mortgage loans issued to Members of Assembly)

9. SOCIAL SECURITY BENEFITS

	2018/19	2017/18
	KShs	KShs
Government pension and retirement benefits	-	-
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	1,550,203	1,415,936
Total	**1,550,203**	**1,415,936**

(Employer social benefits relates to fringe benefit tax paid by the employer as a result of Car and Mortgage loans advanced to Members of Assembly and Staff)

10. ACQUISITION OF ASSETS

Non- Financial Assets	2018/19	2017/18
	KShs	KShs
Purchase of Buildings	-	-
Construction of Buildings	-	176,541,626
Refurbishment of Buildings	-	-
Construction of Roads	-	-
Construction and Civil Works	-	-
Overhaul and Refurbishment of Construction and Civil Works	-	-
Purchase of Vehicles and Other Transport Equipment	22,989,000	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and Equipment	152,000	424,500
Purchase of ICT Equipment	5,412,141	6,196,150
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Total purchase of non-financial assets	**28,553,140**	**183,162,276**
Financial Assets		
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Total purchase of financial assets	-	-
Total	**28,553,140**	**183,162,276**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. FINANCE COSTS

	2018/19	2017/18
	KShs	KShs
Bank Charges	17,547	15,965
Exchange Rate Losses	-	-
Other Finance costs	-	-
Total	**17,547**	**15,965**

(Finance costs relate to operational charges including withdrawal and transfer of funds charges).

12. OTHER PAYMENTS

	2018/19	2017/18
	KShs	KShs
Budget Reserves	-	-
Civil Contingency Reserves	-	-
Capital Transfers to Non-Financial Public Enterprises	-	-
Capital Transfer to Public Financial Institutions and Enterprises	-	-
Capital Transfers to Private Non-Financial Enterprises	-	-
Total	-	-

13. CASH AND BANK BALANCES

13A. BANK BALANCES

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2018/19	2017/18
		KShs	KShs
Central Bank of Kenya, Kitui County Assembly Development Account. Account No. 1000197919	Development Account	-	-
Central Bank of Kenya, Kitui County Assembly Recurrent Account. Account No. 1000197927	Recurrent Account	326	900,838
Central Bank of Kenya, Kitui County Assembly Deposit Account. Account No. 1000363711	Deposits Account	-	-
Kenya Commercial Bank, Kitui County Assembly Operations Account. Account No.1143459695	Recurrent Account	600	6,814
Total		**926**	**907,652**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13B. CASH IN HAND

	2018/19	2017/18
	KShs	KShs
Cash in Hand – Held in domestic currency	990	2,716
Cash in Hand – Held in foreign currency	-	-
Total	**990**	**2,716**

Cash in hand should be analysed as follows:

	2018/19	2017/18
	KShs	KShs
Location 1 Cash Office	990	2,716
Location 2	-	-
Location 3	-	-
Total	**990**	**2,716**

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

14. ACCOUNTS RECEIVABLE

	2018/19	2017/18
	KShs	KShs
Government Imprests	-	-
Clearance Accounts	-	-
Staff Advances	-	-
Other Advances	-	-
Total	-	-

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

15. ACCOUNTS PAYABLE

	2018/19	2017/18
	KShs	KShs
Deposits	-	-
Retentions	-	-
Total	-	-

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FUND BALANCE BROUGHT FORWARD

	2018/19	2017/18
	KShs	KShs
Bank accounts	-	-
Cash in hand	-	-
Accounts Receivables	-	-
Accounts Payables	-	-
Total	-	-

17. PRIOR YEAR ADJUSTMENTS

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

(Explain whether the prior year relates to errors noted in prior year, changes in estimates or accounting policy.)

5.10. OTHER DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	Balance b/f FY 2017/2018	Additions for the period	Paid during the year	Balance c/f FY 2018/2019
	Kshs	Kshs	Kshs	Kshs
Construction of buildings	8,001,159	-	-	8,001,159
Construction of civil works	-	-	-	-
Supply of goods	-	4,727,010	-	4,727,010
Supply of services	4,967,670	-	4,967,670	-
Total	**12,968,829**	**4,727,010**	**4,967,670**	**12,728,169**

2. PENDING STAFF PAYABLES (See Annex 2)

Description	Balance b/f FY 2017/2018	Additions for the period	Paid during the year	Balance c/f FY 2018/2019
	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	(-)	-
Middle management	-	-	(-)	-
Unionisable employees	-	-	(-)	-
Others	-	-	(-)	-
Total	-	-	(-)	-

3. OTHER PENDING PAYABLES (See Annex 3)

Description	Balance b/f FY 2017/2018	Additions for the period	Paid during the year	Balance c/f FY 2018/2019
	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	(-)	-
Amounts due to County Government entities	-	-	(-)	-
Amounts due to third parties	-	-	(-)	-
Total	-	-	(-)	-

4. 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	2017- 2018
	Kshs	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	-	-
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	-	-

5. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.0	Unexplained variance in the statements of receipts and payments, Expenditure controlled outside IFMIS	There are payments that could not be paid through IFMIS because payees are not mapped and hence the system could not recognise them. e.g landlords/landladies who are owners of ward offices.	County Assembly Service Board	Not Resolved	FY 19/20
1.1	Unexplained increase in budgetary allocation	Under the program based budgets, current year allocations are not dependent on previous allocations but on programs and activities earmarked for implementation.	Charles Nyaga-Senior Fiscal Analyst	Resolved	
1.2	Budgeted	The assembly made	Augustus Kyenze-		

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)*
	programmes totalling kshs 164,311,980 were not implemented	requisitions for funds from the county treasury including the unremitted amounts with an intention to implement all the budgeted programmes. This was curtailed down due to under funding by the County Treasury.	Senior Accountant	Resolved	
2.0	County Assembly had not passed a regulation to be applied in the management of ward operation fund.	County Assembly is in the process of passing a regulation which is to be applied in the management of the ward operations fund.	County Assembly Service Board	Not Resolved	FY 19/20
6.2	The purpose of recruiting messengers for nominated members of County Assembly and yet they do not have offices.	The County Assembly has terminated the contract of messengers for nominated members of assembly.	County Assembly Service Board	Resolved	
3.0	Management did not explain why the County Assembly delayed payments to the contractor resulting to the interest charges and the reason for the	The interests due to delayed payment was as a result of the stoppage of construction on 17th june, 2015 through a court order and the Assembly could not pay since the case had not been determined.	County Assembly Service Board	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)*
	stoppage of work that resulted to the claim on related losses.				
4.0	The propriety of the accommodation and transport allowances cannot be confirmed	The imprest warrants were issued to support the transport payments and have duly been surrendered. On accomodation,attendance registers and back to office report have been provided for verification	Augustus Kyenze Senior Accountant	Resolved	
5.0	Unsupported payments to the County Assembly Forum	The acknowledgement receipt to proof payment is available for verification	Augustus Kyenze Senior Accountant	Resolved	
6.1	Assembly did not have an approved staff establishment that would show the positions of employment in the Assembly.	This is normally guided by an approval from the County Assembly Service Board on a need basis.	County Assembly Service Board	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...10TH SEP 2019.....

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. Centurion Builders & const. ltd					8,001,159	
2.						
3.						
Sub-Total					**8,001,159**	
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7. Save Commodities Ltd	421,000	May 2019	0	421,000		
8. Ngulu Investments Ltd	736,800	May 2019		736,800		
9. Starzone Office Supplies Ltd	3,569,210	May 2019		3,569,210		
Sub-Total	**4,727,010**			4,727,010		
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total	**4,727,010**			4,727,010	**8,001,189**	

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.							

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018/19	Outstanding Balance 2017/18	Comments
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	-	-	-	-	-
Buildings and structures	505,705,737	-	-	-	505,705,737
Transport equipment	9,397,889	22,989,000	-	-	32,386,889
Office equipment, furniture and fittings	20,110,596	152,000	-	-	20,262,596
ICT Equipment	9,275,061	5,412,141	-	-	14,687,202
Machinery and Equipment	2,854,251	-	-	-	2,854,251
Biological assets	-	-	-	-	
Infrastructure Assets	-	-	-	-	
Heritage and cultural assets	-	-	-	-	
Intangible assets	-	-	-	-	
Work In Progress	-	-	-	-	
Total	**547,343,534**	**28,553,141**	-	-	**575,896,675**

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 5 – ANALYSIS OF OUTSTANDING IMPRESTS

Government Imprest Holders

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

ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT

(Attach FO 30 Reports from IFMIS)