REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

COUNTY ASSEMBLY OF LAMU

FOR THE YEAR ENDED 30 JUNE, 2019

OFFICE OF THE AUDITOR GEN...
07 JAN 2020
RECEIVED
P O. BOX 88-70100 GARISSA HUB

COUNTY ASSEMBLY OF LAMU

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)

TABLE OF CONTENTS

TABLE OF CONTENTS i
1. KEY ENTITY INFORMATION AND MANAGEMENT ii
2. FORWARD BY THE CLERK OF THE ASSEMBLY iv
3. STATEMENT OF MANAGEMENT RESPONSIBILITIES v
4. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY vi
5. FINANCIAL STATEMENTS 1
5.1. STATEMENT OF RECEIPTS AND PAYMENTS 1
5.2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES 2
5.3. STATEMENT OF CASH FLOWS 3
5.4. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED 4
5.5. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT 5
5.6. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT 6
5.7. BUDGET EXECUTION BY PROGRAMMES 7
5.8. SIGNIFICANT ACCOUNTING POLICIES 8
5.9. NOTES TO THE FINANCIAL STATEMENTS 13
5.10. OTHER DISCLOSURES 20
6. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS 22
ANNEX 1 – ANALYSIS OF PENDING ACCOUNTS PAYABLE 25
ANNEX 2 – ANALYSIS OF PENDING STAFF PAYABLES 27
ANNEX 3 – ANALYSIS OF OTHER PENDING PAYABLES 28
ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER 29
ANNEX 5 – ANALYSIS OF OUTSTANDING IMPRESTS 30
ANNEX 6 – BANK RECONCILIATIONS/FO 30 REPORTS 31

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County is constituted as per the constitution of Kenya is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes 18 Members of County Assembly (MCAs) elected and nominated to represent members of the public from their respective wards. The MCAs are responsible for making laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Government of Lamu.

(b) Key Management

The County Assembly of Lamu day-to-day management is under the following key organs:

- Office of the Speaker;
- County Assembly Service Board;
- and the Clerk's Chamber.

(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	**Mboche Wanyoike**
2.	Deputy Clerk	**Omar Ahmed**
3.	Director Finance & Planning	**Kale Ahmed Ali**
4.	Director HR & Administration	**Ishaq Buya**
5.	Head of Procurement	**Susan Wambui Kamau**

(d) Fiduciary Oversight Arrangements

- County Assembly Public Accounts Committee
- County Assembly Service Board
- Kenya National Audit Office:
- Controller of Budget

(e) Entity Headquarters

P.O. Box 374-80500
Kenyatta Road
Lamu, Kenya

(f) Entity Contacts

Telephone: (+254) 723252849
E-mail: lamuassembly@gmail.com
Website: www.assembly.lamu.go.ke

(g) Entity Bankers

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

2. Kenya Commercial Bank
   Kenyatta Road
   P.O Box 121-80500
   Lamu, Kenya

3. Gulf African Bank
   Kenyatta Road
   P.O Box 191-80500
   Lamu, 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

In this financial report and statement for the County Assembly of Lamu, we have made great achievements in our financial operations and reporting. The improvement has seen the County Assembly perform its functions of oversight, legislation and representation properly. The absorption rate was 72% indicating that the resources were allocated in efficiently in our budget, with development absorption rate of 50% due to the duration it takes to complete large infrastructure projects affecting negatively our overall absorption rate to 72%.

We faced a lot of challenges with the implementation of e-procurement and IFMIS, where IFMIS was not responding to emails and calls for any clarification or assistance we required. The IFMIS department has not been helpful in assisting us to solve the problems but we expect with presidential directive of online IFMIS compatible procurement process the system will improve.

The County Assembly of Lamu has completed the construction of Chambers and offices at the County Headquarters in Mokowe and has purchased land for the building of Speaker's official residence. These are the major development projects that are expected to have a positive impact in the performance of the house and access by the public, hence improving service delivery.

In the financial year 2018/19 the County Assembly of Lamu vetted and approved all County appointments done by H.E. Governor. Five bills were published, passed and sent to the Governors for assent. Several committee reports were prepared, tabled and approved by the County Assembly.

Finally, we faced a major challenge in IFMIS in the use of VPN through internet to access the IFMIS, lack of assistance by IFMIS department at the National Treasury in handling IFMIS problems, where emails are not acted on or responded to and the challenge is compounded due to lack of high-speed internet in Lamu and the slow release of funds by the Controller of Budget.

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 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 Assembly's financial statements were approved and signed by the Clerk of the County Assembly on 23rd September, 2019.

Clerk of the County Assembly

REPUBLIC OF KENYA

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

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF LAMU 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 Lamu set out on pages 1 to 35, which comprise the statement of financial assets and liabilities as at 30 June, 2019 and the statement of receipts and payments, statement of cash flows, statement of appropriation and budget execution by programme and sub-programme 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 County Assembly of Lamu as at 30 June, 2019 and 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 and the County Government Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Use of Goods and Services Expenditures

The statement of receipts and payments for the year ended 30 June, 2019 reflects payments totalling Kshs.183,036,866 being expenditures incurred on use of goods and services during the year under review, as further disclosed in Note 5 to the financial statements. However, several anomalies were noted in regard to the expenditures, as highlighted below:

1.1 Rental Payments

The cost of goods and services balance totalling Kshs.183,036,866 includes expenditures totalling Kshs.1,748,200 incurred on rental payments. However, Kshs.1,200,000 of the

amount was incurred on rent for ward offices but this was not properly supported to confirm its validity and accuracy.

In addition, examination of the expenditure records indicated that rental agreements for five (5) wards and the committee house building expired on 1 April, 2019 but were not renewed.

In the absence of sufficient evidence, the propriety of the expenditure amounting to Kshs.1,200,000 incurred on rental payments during the year under review has not been confirmed.

1.2 Hospitality Supplies and Services

Management paid Kshs.1,725,000 to a supplier reported to have provided catering services to the County Assembly. However, no documentary evidence was presented to confirm the supplier provided the services paid for.

In the absence of relevant evidence, the occurrence and validity of the expenditure totalling Kshs.1,725,000 reported as having been incurred during the year under review has not been confirmed.

1.3 Insurance Costs

The use of goods and services expenditure balance totalling Kshs.183,036,866 includes Kshs.15,052,150 incurred on insurance costs which in turn include premiums amounting to Kshs.7,637,552 paid for staff medical insurance. However, procurement and payment documents for the insurance cover were not presented for audit examination. As a result, the occurrence and validity of the expenditure has not been confirmed.

In addition, the Assembly spent premiums totalling Kshs.4,727,400 on a medical scheme for Members of the County Assembly (MCAs). However, the premiums were paid at a rate higher than that approved by the Salaries and Remuneration Commission(SRC) and were, therefore, irregular.

1.4 Fuel, Oil and Lubricants

Included in the use of goods and services balance totalling Kshs.183,036,866 is Kshs.4,054,500 incurred on fuel, oil and lubricants. However, payment vouchers for the expenditure were not supported with records of fuel drawn and work tickets as well as other relevant records. As a result, it is not possible to confirm the propriety of the expenditure totalling Kshs.4,054,500 reported to have been incurred on fuel and lubricants during the year under review.

1.5 Contributions to County Assemblies Forum

Included in the use of goods and services expenditure totalling Kshs.183,036,866 are other operating expenses amounting to Kshs.9,429,354 which in turn include a sum of Kshs.3,900,000 paid to the County Assemblies' Forum.

However, documented evidence to confirm that the payments were received by the Forum has not been provided for audit review. Furthermore, no legal authority was cited in making the payments.

Consequently, the occurrence and validity of the expenditure totalling Kshs.3,900,000 reported to have been incurred on the County Assemblies Forum in the year ended 30 June, 2019 has not been confirmed.

1.6 Routine Maintenance - Vehicles and Other Transport Equipment

The expenditure on use of goods and services includes payments amounting to Kshs.8,056,940 made during the year for maintenance of vehicles and other transport equipment. However, payments totalling Kshs.7,390,615 are not supported with motor vehicle work tickets, reports on defects, and before and after inspection certificates.

In the circumstance, the occurrence and propriety of the expenditure totalling Kshs.7,390,615 reported to have been incurred on maintenance of transport vehicles and equipment during the year under review has not been confirmed.

2. Unconfirmed Temporary Employees Wages

Included in the compensation of employees expenditure totalling Kshs.147890,239 reflected in the statement of receipts and payments are transfers amounting to Kshs.8,040,000 made to Ward Offices to pay salaries for temporary workers employed in the Offices. However, documents to confirm the identities and other particulars of the payees, including the manner of their appointment, terms of engagement, receipt of payments and work done were not submitted for audit.

In the absence of relevant evidence, the occurrence, measurement and validity of the payments totalling Kshs.8,040,000 shown as having been paid to temporary employees working in various wards has not been confirmed.

3. Unconfirmed Acquisition of Assets Expenditure

The statement of receipts and payments reflects acquisition of assets expenditure totalling Kshs.141,582,512 which in turn includes Kshs.49,427,000 incurred on purchase of land and buildings and Kshs.67,102,000 incurred on construction of buildings, as disclosed in Note 10 to the financial statements. However, procurement and payment documents to support the latter two sets of expenditures were not presented for audit review. The documents were reported to have been forwarded to the Ethics and Anti-Corruption Commission (EACC) for investigation.

In addition, the summary of fixed assets register, which is reflected as Annex 4 to the financial statements for the year under review, indicates that the County Assembly held non-current assets valued at Kshs.449,713,183 as at 30 June, 2019 against Kshs.308,130,671 as at 30 June, 2018. However, the County Assembly does not keep a

register of its lands and buildings that shows terms of ownership of the assets, conveyance, location, dates and costs of acquisition, disposal and major changes in use and other details required by Section 136(2) of the Public Finance Management (County Government) Regulations, 2015.

As a result, the valuation, completeness and security of the non-current assets balance valued at Kshs.449,713,183 reflected in the summary of fixed assets register as at 30 June, 2019 has not been confirmed.

In the absence of relevant and complete records, the measurement, accuracy and validity of the expenditure on acquisition of lands and buildings totalling Kshs.141,482,512 reflected in the statement of receipts and payments for the year under review has not been confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Lamu 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Budgetary Control and Performance

During the financial year under review, the approved budget for the County Assembly of Lamu totalling Kshs.654,000,000 comprised of Kshs.404,000,000 (70%) for recurrent expenditure and Kshs.250,000,000 (30%) for development expenditure. The budget was 13.5% of the total County Government budget totalling Kshs.4,846,739,676 which exceeded by 6.5 per centage points the limit set in Section 25(f) of the Public Finance Management (County Governments) Regulations, 2015.

During the year under review, the Assembly spent Kshs.355,980,518 and Kshs.116,529,000 on recurrent and development expenditure respectively. Therefore, the spending rates were equivalent to 88% and 72% of the respective budgets. Pending bills in the vote book as at 30 June, 2019 amounted to Kshs.1,382,004.

Failure to absorb the whole budget constrained the scope of services offered by the County Assembly.

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 the Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Meetings, Training and Events held outside Lamu

During the year under review, the County Assembly spent Kshs.44,419,750 on various retreats, trainings and Management meetings. These included eighty-three (83) committee sittings held in Mombasa. However, no proper explanation has been provided by Management for holding the retreats and meetings and, further, why some of these were held in Mombasa and not in Lamu where accommodation and other costs would have been lower.

In the circumstances, the propriety and validity of the expenditure totalling Kshs.44,419,750 incurred on the said activities during the year under review has not been confirmed.

2. Training Courses Available in Kenya held Abroad

Similarly the County Assembly incurred training expenses totalling Kshs.18,929,300 on courses attended by staff abroad. However, the courses were widely available in Kenya where travel and related costs incurred would have been lower. Further, reports submitted by the trainees upon return were not made available for audit review.

Consequently, the validity and value for the money incurred on the expenditure totalling Kshs.18,929,300 incurred on foreign travel and subsistence in the year under review has not been confirmed.

3. Single-Sourced and Exported Training

The County Assembly spent a total of Kshs.29,477,893 on training expenses during the year under review. However, audit review of the expenditures revealed that ten (10) training courses were offered by one (1) institution at a total cost of Kshs.12,359,450. Further, although, the institution offers similar courses locally, six (6) of the ten courses procured by the County Assembly were held in Dubai and three (3) in Tanzania. Management has not provided satisfactory explanations why the courses conducted by a local trainer were held in more expensive destinations abroad.

In addition, the training services were procured directly without complying with Section 103 and 104 of the Public Procurement and Assets Disposal Act, 2015. No plausible explanation has been provided for failure to procure the services through a competitive process.

Consequently, the propriety and validity of the training expenditure totalling Kshs.12,359,450 incurred on the institution has not been confirmed.

4. Misapplication of Standing Imprests Account

Cash records indicated that during the year under review, the County Assembly paid Kshs.1,341,000 to a supplier through the County's Assembly's imprests account operated in one of the local banks. The payments were made contrary to Section 82(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that imprest accounts should only be used to pay petty cash transactions.

No plausible explanation has been provided for the irregular action.

5. Compensation of Employees

5.1 Overpayment of Monthly Allowances

A review of salary and emoluments expenditure revealed that monthly allowances paid to Members of the County Assembly during the year under review exceeded by Kshs.2,413,026 the amounts due, as set by the Salaries and Remuneration Commission.

No proper explanation has been provided for the excessive payments.

5.2 Personal Allowances Paid as Part of Salary

Salary and emoluments records examined indicated that Kshs.12,251,500 was paid as sitting allowances to Members of County Assembly. However, a review of the expenditure revealed the following anomalies:

i) Members of the County Assembly were paid sitting allowances for committee meetings while on other official duties or attending training and other workshops.

ii) Members of the County Assembly were paid sitting allowances for various concurrent meetings.

iii) Members of the County Assembly claimed and were paid sitting allowances for more than the prescribed limit of sixteen(16) committee and plenary sittings per month. The payments were made contrary to SRC Circular No .SRC/TS/CGOVT/3/16 on sitting allowances for Members of County Assemblies.

iv) Eighty-three (83) committee sittings were held in hotels in Mombasa as opposed to Lamu resulting in payment of excessive domestic and subsistence allowances and hotel conference charges contrary to Section 210(1) of the Public Finance Management (County Governments) Regulations, 2015.

v) Eleven (11) County Assembly Members served in more than three Sectorial Committees contrary to Standing Order 157(3) of Lamu County Assembly.

In the circumstances, Public Finance Regulations intended to ensure control and probity in the management and use of public resources, were not observed by the County Assembly. Further, it is unlikely that any value was obtained by the residents of Lamu County from the irregular expenditures.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Weak Inventory Control

A review of the controls over procurement of goods and services indicated that purchases for goods amounting to Kshs.4,101,680 were not recorded in the stores ledgers contrary to Section 162 of the Public Procurement and Asset Disposal Act, 2015.

As a result, accounting for stocks was not adequate and risk of losses and stock-outs was high.

2. Weak Control over Standing Imprests

Examination of cash records indicated that the County Assembly operated a standing imprests account in a local bank. However, a memorandum cash book was not maintained to record receipts and payments made through the standing imprest. In addition, bank reconciliation statements were not prepared and submitted to the Auditor-General each month as required by Section 90 of the Public Finance Management

(County Governments) Regulations, 2015. Furthermore, bank reconciliation statements were prepared manually and not in the Integrated Financial Management System (IFMIS) as expected.

Consequently, the internal controls over standing imprest were not operating in an effective way as at 30 June, 2019.

3. Audit Committee Not Appointed

The County Assembly had no Audit Committee in place during the year under review contrary to Section 155(5) of the Public Finance Management Act, 2012. The Law requires each County Government to establish an Audit Committee with sufficient independence from Management as prescribed in Section 167(1) of the Public Finance Management (County Governments) Regulations, 2015.

Consequently, the County Assembly was in breach of the law.

4. Internal Auditor not Appointed

During the financial year under review, the County Assembly of Lamu did not have an Internal Auditor contrary to Section 155 of the Public Finance Management Act, 2015, which states that a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Public Sector Accounting Standards Board.

In the absence of an Internal Auditor, the internal control system was incomplete. As a result, the risk of ineffective management of public resources entrusted to the Assembly was high.

5. Lack of a Data Recovery Plan

A review of the Information and Communication Technology (ICT) management system deployed by the County Assembly revealed that it did not have a Data Recovery Plan and ICT Security Policy. These are vital in effective and efficient management of an entity's IT resources. Furthermore, there was no ICT Steering Committee, which is vital for oversight and formulation of effective ICT management policies. In addition, there were no reports on use of ICT resources and therefore decision-making and control over the resources was not effective.

6. Lack of an Asset Management Policy

The County Assembly is yet to document its Assets Management Policy. Therefore, there are no written guidelines on management of its assets including polices on acquisition, replacement and security. As a result, it is not possible to confirm whether the fixed assets of the County Assembly valued at Kshs.449,713,183 as at 30 June, 2019 are managed in an economic, efficient, effective and secure way.

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 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 Assembly's ability to continue to sustain services, disclosing, as applicable, matters related to the sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the County Assembly or cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the 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 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

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

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Assembly's

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 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

16 October, 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	473,468,400	432,094,041
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		**473,468,400**	**432,094,041**
PAYMENTS			
Compensation of Employees	4	147,890,239	128,117,423
Use of goods and services	5	183,036,866	147,491,884
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Acquisition of Assets	10	141,582,512	149,617,214
Finance Costs	11	-	-
Other Payments	12	-	-
TOTAL PAYMENTS		**472,509,617**	**425,226,521**
SURPLUS/DEFICIT		**958,783**	**6,867,521**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23rd September 2019 and signed by:

Clerk of the Assembly
Name: Dr. Mboche Wanyoike

Chief Finance Office – County Assembly
Name: Kale Ahmed Ali

5.2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS	Note	2018/19 KShs	2017/18 KShs
Cash and Cash Equivalents			
Bank Balances	13A	47,668,983	43,455,709
Cash Balances	13B		-
Total Cash and cash equivalents		**47,668,983**	**43,455,709**
Accounts receivables – Outstanding Imprests	14	-	3,612,872
TOTAL FINANCIAL ASSETS		**47,668,983**	**47,068,581**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	(6,710,200)	-
NET FINANCIAL ASSETS		**40,958,783**	**47,068,581**
REPRESENTED BY			
Fund balance b/fwd	16	47,068,581	53,074,039
Prior year Adjustment	17	(7,068,581)	(13,074,039)
Surplus/Deficit for the year		958,783	7,068,581
NET FINANCIAL POSITION		**40,958,783**	**47,068,581**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23rd September 2019 and signed by:

Clerk of the Assembly
Name: Dr. Mbooche Wanyoike

Chief Finance Officer – County Assembly
Name: Kale Ahmed Ali

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	473,468,400	432,094,041
Other Receipts	3	-	-
Payments for operating expenses			
Compensation of Employees	4	(147,890,239)	(128,117,423)
Use of goods and services	5	(183,036,866)	(147,491,884)
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Finance Costs	11	-	-
Adjusted for:			
End year refund to CRF Account		(3,455,709)	(13,074,039)
Change in receivables (imprest)		-	(3,412,872)
Change in payables (Retention)		6,710,200	-
Net cash flows from operating activities		**145,795,785**	**139,997,780**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	(141,582,512)	149,617,214
Net cash flows from investing activities		**(141,582,512)**	**149,617,214**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,213,273**	**(9,619,434)**
Cash and cash equivalent at BEGINNING of the year	13	**43,455,709**	**53,074,039**
Cash and cash equivalent at END of the year		**47,668,983**	**43,455,709**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23rd September 2019 and signed by:

Clerk of the Assembly
Name: Dr. Mboche Wanyoike

Chief Finance Office – County Assembly
Name: Kale Ahmed Ali

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	
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	654,000,000	0	654,000,000	473,468,400	72%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**654,000,000**	**0**	**654,000,000**	**473,468,400**	72%
PAYMENTS					
Compensation of Employees	160,166,184	0	160,166,184	147,890,239	92%
Use of goods and services	213,033,816	0	213,033,816	183,036,767	86%
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	280,800,000	0	280,800,000	141,582,512	50%
Finance Costs	-	-	-	-	-
TOTAL	**654,000,000**	**0**	**654,000,000**	**472,509,518**	**72%**
SURPLUS/ DEFICIT					

[Below is a commentary on significant underutilization]

(a) The underutilization under the 'Acquisition Assets' was due to the technical nature of the work to be undertaken by the contractors; they are in the pending bills because by the closure of the financial year they have not completed the work.

The entity financial statements were approved on 23rd September 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Office – County Assembly
Name: Kale Ahmed Ali,

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilization difference
	a	b	c=a+b	e=d-c	
RECEIPTS					
Transfers from the County Treasury/ Exchequer Releases	404,000,000	0	404,000,000	356,921,400	88%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	-	-	-	-	-
PAYMENTS	**404,000,000**	**0**	**404,000,000**	**356,921,400**	**88%**
Compensation of Employees	160,166,184	0	160,166,184	147,890,239	92%
Use of goods and services	213,033,816	0	213,033,816	183,036,767	86%
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	30,800,000	0	30,800,000	25,053,512	81%
Finance Costs	-	-	-	-	-
TOTAL	**404,000,000**	**0**	**404,000,000**	**355,980,518**	**88%**
Surplus/ Deficit	-	-	-	-	-

[Below is a commentary on significant underutilization]

(a) The underutilization under the 'Acquisition Assets' was due to the lack of space in our current office to put up quality assets, but we are moving to new headquarters immediately electricity and water is connected and slow release of funds affected the utilization of goods and services.

The entity financial statements were approved on 23rd September 2019 and signed by:

Clerk of the Assembly
Name: Dr. Mboche Wanyoike

Chief Finance Office – County Assembly
Name: Kale Ahmed Ali,

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	
RECEIPTS					
Transfers from the County Treasury/ Exchequer Releases	250,000,000	0	250,000,000	116,529,000	47%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**250,000,000**	**0**	**250,000,000**	**116,529,000**	**47%**
PAYMENTS					
Compensation of Employees	-	-	-	-	-
Use of goods and services	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	250,000,000	0	250,000,000	116,529,000	47%
Finance Costs	-	-	-	-	-
TOTAL	**250,000,000**	**0**	**250,000,000**	**116,529,000**	**47%**
SURPLUS/ DEFICIT	-	-	-	-	-

Below is a commentary on significant underutilization

1. The underutilization of development funds was due to the technical nature of the work to be undertaken by the contractors; they are in the pending bills because by the closure of the financial year they have not completed the work.

The entity financial statements were approved on 23rd September 2019 and signed by:

Clerk of the Assembly
Name: Dr. Mboche Wanyoike

Chief Finance Office – County Assembly
Name: Mr. Kale Ahmed Ali

5.7. BUDGET EXECUTION BY PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	KShs	KShs	KShs	KShs	KShs
General Administration and Planning	219,911,258	0	219,911,258	187,308,529	32,602,729
Legislation, Representation and Oversight	434,088,742	0	434,088,742	285,201,089	148,887,653
	654,000,000	**0**	**654,000,000**	**472,509,518**	**181,490,382**

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 Lamu. The financial statements encompass the reporting entity as specified in section 164 of PFM Act 2012.

3. Recognition of receipts and payments

a) Recognition of receipts

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

Tax receipts

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

Transfers from the Exchequer/ County Treasury

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

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 this financial statement.

4. In-kind contributions

In-kind contributions are donations that are made to the County Assembly of Lamu 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 County Assembly of Lamu 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.

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 County Assembly of Lamu 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 County Assembly of Lamu budget was approved as required by Law. The original budget was approved by the County Assembly on Lamu for the period 1st July 2018 to 30 June 2019 as required by law. There were two supplementary budgets passed in the year. A high-level assessment of the County Assembly of Lamu 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Funds remitted to County Revenue Fund Account

The amount of money remitted to County Revenue Fund Account at the Central Bank of Kenya at the beginning of the financial year. All the funds remaining in bank accounts at the end of every financial year are remitted to CRF Account.

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	70,720,000	42,725,975
Transfers from the County Treasury for Q2	93,301,400	104,786,809
Transfers from the County Treasury for Q3	141,000,000	84,598,371
Transfers from the County Treasury for Q4	168,447,000	199,982,887
Cumulative Amount	**473,468,400**	**432,094,042**

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	-	-
Other Receipts (Minimum balance in the KCB Imprest Account)	-	-
Other Receipts III	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. COMPENSATION OF EMPLOYEES

	2018/19	2017/18
	KShs	KShs
Basic salaries of permanent employees	73,917,797	61,377,845
Basic wages of temporary employees	8,040,000	8,040,000
Personal allowances paid as part of salary	52,234,465	45,404,131
Personal allowances paid as reimbursements	1,322,000	1,104,333
Personal allowances provided in kind	-	-
Pension and other social security contributions	12,323,477	12,127,912
Compulsory national social security schemes	52,600	63,200
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	-
Total	**147,890,339**	**128,117,423**

5. USE OF GOODS AND SERVICES

	2018/19	2017/18
	KShs	KShs
Utilities, supplies and services	889,225	729,815
Communication, supplies and services	3,640,995	3,169,853
Domestic travel and subsistence	65,031,560	46,520,757
Foreign travel and subsistence	32,153,962	18,543,599
Printing, advertising and information supplies & services	2,440,140	2,708,939
Rentals of produced assets	1,748,200	2,412,800
Training expenses	29,477,893	24,422,544
Hospitality supplies and services	5,150,076	3,441,221
Insurance costs	15,052,150	15,985,517
Specialized materials and services	496,538	625,500
Fuel Oil and Lubricant	4,054,500	2,906,820
Office and general supplies and services	3,795,896	2,345,365
Other operating expenses	9,429,354	13,273,515
Routine maintenance – vehicles and other transport equipment	8,056,940	10,152,424
Routine maintenance – other assets	1,619,437	253,215
Total	**183,036,866**	**147,491,884**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. SUBSIDIES

Description	2018/19 KShs	2017/18 KShs
Subsidies to County Corporations	-	-
	-	-
Subsidies to Private Enterprises	-	-
	-	-
TOTAL	-	-

(Provide explanations as to what subsidies relate to)

7. TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2018/19 KShs	2017/18 KShs
Transfers to National Government entities	-	-
Transfers to other County Assembly entities	-	-
TOTAL	-	-

8. OTHER GRANTS AND TRANSFERS

	2018/19 KShs	2017/18 KShs
Scholarships and other educational benefits	-	-
Emergency relief and refugee assistance	-	-
Subsidies to small businesses, cooperatives, and self employed	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	-	-
Total	-	-

(Give explanations and distinguish between NSSF benefits and contributions made to other entities on behalf of staff.)

10. ACQUISITION OF ASSETS

Non- Financial Assets	2018/19	2017/18
	KShs	KShs
Purchase of Land & Buildings	49,427,000	72,600,040
Construction of Buildings	67,102,000	55,996,848
Refurbishment of Buildings	-	4,970,000
Construction of Roads	-	-
Construction and Civil Works	-	-
Overhaul and Refurbishment of Construction and Civil Works	-	-
Purchase of Vehicles and Other Transport Equipment	13,582,000	12,592,130
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and Equipment	7,668,000	1,694,195
Purchase of ICT Equipment	3,803,512	114,000
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Purchase of Certified Seeds, Breeding Stock and Live Animals	-	-
Research, Studies, Project Preparation, Design & Supervision	-	-
Rehabilitation of Civil Works	-	-
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Intangible Assets	-	-
Total purchase of non-financial assets	-	-
Financial Assets	-	-
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Total purchase of financial assets	-	-
Total	**141,582,512**	**149,617,213**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. FINANCE COSTS

	2018/19	2017/18
	KShs	KShs
Bank Charges	-	-
Exchange Rate Losses	-	-
Interest on borrowings	-	-
Total	-	-

(Provide detailed explanation on finance costs and whether they relate to borrowings on bank overdraft).

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	-	-
Total	-	-

(Provide detailed explanations for other payments)

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, Acc. No. 1000210311 (Kshs)	Development Account	18,000	0
Central Bank of Kenya, Acc. No. 1000210303 (Kshs)	Recurrent Account	148,552	972,665
Kenya Commercial Bank, Acc. No. 1150833025 (Kshs)	Recurrent Account	792,231	2,483,044
Central Bank of Kenya, Acc. No. 1000390794 (Kshs)	Deposits Account	6,710,200	0
Gulf African Bank, Acc. No. 0570057001 (Kshs)	Car Loan & Mortgage Account	40,000,000	40,000,000
Total		**47,668,983**	**43,455,709**

(NB: all bank accounts operated by the County Assembly should be included in this note.)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13B. CASH IN HAND

	2018/19	2017/18
	KShs	KShs
Cash in Hand – Held in domestic currency	0	0
Cash in Hand – Held in foreign currency	0	0
Total	**0**	**0**

Cash in hand should be analysed as follows:

	2018/19	2017/18
	KShs	KShs
Location 1	0	0
Location 2	0	0
Total	0	0

(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	0	3,612,872
Clearance Accounts	0	0
Staff Advances	0	0
Total	**0**	**3,612,872**

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

15. ACCOUNTS PAYABLE

	2018/19	2017/18
	KShs	KShs
Deposits	0	0
Retentions	6,710,200	0
Total	**6,710,200**	0

(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	43,455,709	53,074,039
Cash in hand	0	0
Accounts Receivables	3,612,872	0
Accounts Payables	0	0
Total	**47,068,581**	**53,074,039**

17. PRIOR YEAR ADJUSTMENTS

Description of the adjustment	2018/19	2017/18
	KShs	KShs
Adjustments on bank account balances	3,455,709	0
Adjustments on cash in hand	0	0
Adjustments on payables	0	0
Adjustments on receivables	3,612,872	0
Others (*specify*)	0	0
Total	7,068,581	0

1. The adjustments on bank account balances is from the bank balances that were returned back to County Revenue Account at the Central Bank of Kenya in July 2018.
2. Adjustments on receivables is from the surrendered imprests, that were outstanding from the financial year 2017/2018.

5.10. OTHER DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	Balance b/f FY 2017/2018 Kshs	Additions for the period Kshs	Paid during the year Kshs	Balance c/f FY 2018/2019 Kshs
Construction of buildings	40,940,780	30,485,229	67,102,000	4,324,010
Purchase of Land/Buildings	49,427,000	0	49,427,000	0
Supply of goods	2,723,780	65,338,760	2,723,780	65,338,760
Supply of services	3,913,148	2,234,160	3,913,148	2,234,160
Total	**97,004,709**	**98,058,149**	**123,165,928**	**71,896,930**

2. PENDING STAFF PAYABLES (See Annex 2)

Description	Balance b/f FY 2017/2018 Kshs	Additions for the period Kshs	Paid during the year Kshs	Balance c/f FY 2018/2019 Kshs
	-	-	-	-
Total	**0**	**0**	**0**	**0**

3. OTHER PENDING PAYABLES (See Annex 3)

Description	Balance b/f FY 2017/2018 Kshs	Additions for the period Kshs	Paid during the year Kshs	Balance c/f FY 2018/2019 Kshs
Amounts due to National Government entities	0	0	0	0
Amounts due to County Government entities	0	0	0	0
Amounts due to third parties	0	0	0	0
Total	**0**	**0**	**0**	**0**

4. RELATED PARTY DISCLOSURES

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

Related party transactions:

	2018- 2019 Kshs	2017- 2018 Kshs
Transfers to related parties		
Transfers to other County Government Entities such as car and mortgage schemes	0	40,000,000
Transfers to County Corporations	0	0
Total Transfers to related parties	**0**	**40,000,000**
Transfers from related parties		
Transfers from the County Executive- Exchequer	473,468,400	432,094,042
Payments made on behalf of the County Assembly by other Government Agencies	0	0
Total Transfers from related parties	**473,468,400**	**432,094,042**

6. 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	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.	Inaccuracies of Financial Statement	The difference between the Financial statement and IFMIS report are improving. We have no control over IFMIS and we have raised the issues with IFMIS department in our annual meetings. The small differences have been explained to Public Accounts Committee.	Mr. Kale Ahmed. Director Finance	Resolved,	Immediately
2.	Bank Balance	Contract with Gulf African Bank on the Car loan and Mortgage account is available	Miss. Mwarabu Salim Senior Finance Officer	Resolved	Immediately
2.2	Payment from Imprest Account	No payments are done through imprest account, no matter how pressing the matter is. Controller of Budget has also improved in efficiency of approving release of funds.	Miss. Mwarabu Salim Senior Finance Officer	Resolved	Immediately
3.	Pending Bills	All the pending bill schedules were presented with supporting documents	Dr. Mboche The Clerk	Resolved	Financial year 2018/19

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		and all of them have been paid except for the long-term project like the Construction of the Headquarters.			
4.	Outstanding Imprests	The imprest were not posted in IFMIS because in June, most of the time IFMIS is not working hence making it difficult for Lamu with slow internet to post imprest in IFMIS in June. But we have tried in the financial year 2018/19 to have imprest posted in IFMIS	Kevin Wafula and Siti Khamis Accounts Assistants	Resolved	Immediately
5.1	Foreign Travel	The Board approves all the foreign travels and back to office reports availed.	Dr. Mboche The Clerk	Resolved	Immediately
5.2	Rental of Produced Assets	The Board has set a ceiling of Kshs. 10,000 per month for all the ward offices. Lease agreements available now and others soon will be renewed.	Dr. Mboche The Clerk	Resolved	Immediately
5.3	Training Expenses	The Board and the training committee to be identifying the trainings and recommend them to the appropriate staff.	Dr. Mboche The Clerk	Resolved	Immediately

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
5.4	Fuel, Oil and Lubricant	The work tickets were availed to the Public Accounts Committee. The fuel vouchers are always bulky due to the detail orders hence work tickets are kept on a separate file.	Dr. Buya Ishaq Director Administration	Resolved	immediately
5.5	Routine Maintenance - Vehicles	Work tickets provide a small space for the drivers to write proper details on the repairs and defects. The Board has recommended a pre-repair/ defects inspection form to be filled by the drivers.	Dr. Buya Ishaq Director Administration	Resolved	Immediately
6.	Acquisition of Assets	The County Assembly has opened its own development account and deposit account for retention with the Central Bank of Kenya	Mr. Kale Ahmed. Director Finance	Resolved	Immediately

The remaining audit issues are with Public Accounts Committee, whom we expect their report soon, as we have submitted our responses and attended their sittings to answer the audit issues.

Clerk of the County Assembly

Sign.....

23rd September, 2019

ANNEX 1 – ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2018	Comments
	a	b	c	d=a-c		
Construction of buildings						
1. Tawfiq M. Salim & Co. Ltd	214,624,476	May 2016	210,683,696	3,940,780	40,940,780	
2. Cyberdom S. Construction & Eng	30,485,229	Aug 2018	30,102,000	383,229	-	
3. Kisowe Suppliers Limited	119,427,000	April 2018	119,427,000	-	49,427,000	
Sub-Total	**364,536,705**		**360,212,696**	**4,324,009**	**90,367,781**	
Construction of civil works						
4.						
Sub-Total						
Supply of goods						
5. Maridadi B. and Construction Ltd	27,900,360	Feb 2019	-	27,900,360	-	
6. Ramz Investment Ltd	26,525,000	April 2019	-	26,525,000	-	
7. Marwaa General Supplies Ltd	1,948,500	June 2019	-	1,948,500	-	
8. Fairdeal Furniture	7,704,900	June 2019	-	7,704,900	-	
9. Breky M. Ltd	1,260,000	November 2018	-	1,260,000	-	
10. Mani Books & Stationery	139,680	August 2017	139,680	-	139,680	
11. Central Fuel	882,500	August 2017	882,500	-	882,500	
12. Mushra Enterprises	776,500	April 2018	776,500	-	776,500	
13. Iztech Limited	925,100	April 2018	925,100	-	925,100	
Sub-Total	**68,062,540**		**2,723,780**	**65,338,760**	**2,723,780**	
Supply of services						
14. Nation Media Group	458,200	June 2019	366,560	91,640	366,560	
15. Care Auto Ltd	3,744,908	May 2019	1,670,828	2,074,080	1,670,828	
16. The Standard Newspaper	68,440	June 2019		68,440	-	
17. A.A Said & Company Advocates	4,000,000	May 2018	4,000,000	-	880,000	

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2018	Comments
18. Shimasy Travel Co. Ltd	591,600		591,600	-	591,600	
19. Liquid Telecom K. Ltd	234,800	Jan 2018	234,800	-	234,800	
20. The Star	169,360	August 2017	169,360	-	169,360	
Sub-Total	**9,267,308**		**7,033,148**	**2,234,160**	**3,913,148**	
Grand Total	**441,866,553**		**369,969,624**	**71,896,929**	**97,004,709**	

ANNEX 2 – ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018/19	Outstanding Balance 2017/18	Comments
		A	b	c	d=a-c		
1.		-	-	-	-	-	-
2.		-	-	-	-	-	-
3.		-	-	-	-	-	-
4.		-	-	-	-	-	-
5.		-	-	-	-	-	-
6.		-	-	-	-	-	-
7.		-	-	-	-	-	-
8.		-	-	-	-	-	-
9.		-	-	-	-	-	-
10.		-	-	-	-	-	-
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.	-	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-	-
Amounts due to County Govt Entities	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
4.	-	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-	-
Amounts due to Third Parties	-	-	-	-	-	-	-
5.	-	-	-	-	-	-	-
6.	-	-	-	-	-	-	-
7.	-	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-	-
Others (*specify*)	-	-	-	-	-	-	-
8.	-	-	-	-	-	-	-
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	72,600,040	49,427,000	-	-	122,027,040
Buildings and structures	173,683,696	67,102,000	-	-	240,785,696
Transport equipment	32,873,894	13,582,000	-	-	46,455,894
Office equipment, furniture and fittings	19,470,830	5,692,000	-	-	25,162,830
ICT Equipment	4,532,211	3,803,512	-	-	8,335,723
Machinery and Equipment	4,970,000	1,976,000	-	-	6,946,000
Infrastructure Assets	-	-	-	-	-
Heritage and cultural assets	-	-	-	-	-
Intangible assets	-	-	-	-	-
Total	308,130,671	141,582,512	-	-	449,713,183

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*
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
Total				

ANNEX 6 – BANK RECONCILIATIONS/FO 30 REPORTS

CENTRAL BANK ACCOUNT NO.1000210311 **F.O. 30**

REPUBLIC OF KENYA

BANK RECONCILIATION

as at 30 June 2019

Station LAMU COUNTY ASSEMBLY

		Sh.	cts	Sh.	cts	Sh.	cts
	Balance as per bank certificate:					18,000	.00
less:-	1. Payments in Cash not yet recorded in Bank Statement (Unpresented Cheques) ..			0	.00		
	2. Receipts in Bank Statement not yet recorded in Cash Book ..			0	.00	0	.00
Add:-	3. Payments in Bank Statement not yet recorded in Cash Book ..			0	.00		
	4. Receipts in Cash Book not yet Recorded in Bank Statement ..			0	.00	0	.00
						18,000	**.00**

Bank Balance as per cash book

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and the above reconciliation is correct.

Signature *Director Finance & Economic Planning* *Designation* **25-07-19** *Date*

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED CHEQUES)				**2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK**	
CHEQUE		PAYEE	AMOUNT	DETAILS	AMOUNT
No.	Date				
			0.00		**0.00**

3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		**4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT**	
DETAILS	AMOUNT	DETAILS	AMOUNT
	0.00		**0.00**

GKP(L)

CENTRAL BANK ACCOUNT NO.1000390794

F.O. 30

REPUBLIC OF KENYA

BANK RECONCILIATION

as at 30 June 2019

Station LAMU COUNTY ASSEMBLY

		Sh.	cts	Sh.	cts	Sh.	cts
	Balance as per bank certificate:					6,710,200	.00
less:-	1. Payments in Cash not yet recorded in Bank Statement (Unpresented Cheques) ..				0.00		
	2. Receipts in Bank Statement not yet recorded in Cash Book ..				0.00		0.00
Add:-	3. Payments in Bank Statement not yet recorded in Cash Book ..				0.00		
	4. Receipts in Cash Book not yet Recorded in Bank Statement ..				0.00		0.00
	Bank Balance as per cash book					**6,710,200.00**	

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and the above reconciliation is correct.

Signature

Director Finance & Economic Planning
Designation

25-07-19
Date

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED CHEQUES)				**2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK**	
CHEQUE			AMOUNT	DETAILS	AMOUNT
No.	Date	PAYEE			
			0.00		**0.00**

3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		**4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT**	
DETAILS	AMOUNT	DETAILS	AMOUNT
	0.00		**0.00**

GKP(L)

CENTRAL BANK ACCOUNT NO.1000210303 **F.O. 30**

REPUBLIC OF KENYA

BANK RECONCILIATION

as at 30 June 2019

Station LAMU COUNTY ASSEMBLY

		Sh.	cts	Sh.	cts	Sh.	cts
	Balance as per bank certificate:					148,552	.10
less:-	1. Payments in Cash not yet recorded in Bank Statement (Unpresented Cheques) ..				0.00		
	2. Receipts in Bank Statement not yet recorded in Cash Book ..				0.00		0.00
Add:-	3. Payments in Bank Statement not yet recorded in Cash Book ..				0.00		
	4. Receipts in Cash Book not yet Recorded in Bank Statement ..				0.00		0.00
	Bank Balance as per cash book						**148,552.10**

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and the above reconciliation is correct.

Signature *Director Finance & Economic Planning* *Designation* **25-07-19** *Date*

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED CHEQUES)				**2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK**	
CHEQUE			AMOUNT	DETAILS	AMOUNT
No.	Date	PAYEE			
			0.00		**0.00**

3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		**4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT**	
DETAILS	AMOUNT	DETAILS	AMOUNT
	0.00		**0.00**

GKP(L)

KENYA COMMERCIAL BANK ACCOUNT NO.1150833025

F.O. 30

REPUBLIC OF KENYA

BANK RECONCILIATION

as at 30 June 2019

Station LAMU COUNTY ASSEMBLY

		Sh.	cts	Sh.		Sh.	cts
	Balance as per bank certificate:					792,23	1.85
less:-	1. Payments in Cash not yet recorded in Bank Statement (Unpresented Cheques) ..				0.00		
	2. Receipts in Bank Statement not yet recorded in Cash Book ..				0.00		0.00
Add:-	3. Payments in Bank Statement not yet recorded in Cash Book ..				0.00		
	4. Receipts in Cash Book not yet Recorded in Bank Statement ..				0.00		0.00
						792,231.85	

Bank Balance as per cash book

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and the above reconciliation is correct.

Signature

Director Finance & Economic Planning
Designation

25-07-19
Date

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED CHEQUES)				**2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK**	
CHEQUE		PAYEE	AMOUNT	DETAILS	AMOUNT
No.	Date				
			0.00		**0.00**

3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK				**4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT**	
CHEQUE		PAYEE	AMOUNT	DETAILS	AMOUNT
No.	Date				
			0.00		**0.00**

GKP(L)

GULF AFRICAN BANK ACCOUNT NO.0570057001

F.O. 30

REPUBLIC OF KENYA

BANK RECONCILIATION

as at 30 June 2019

Station LAMU COUNTY ASSEMBLY

		Sh.	cts	Sh.		Sh.	cts
	Balance as per bank certificate:					40,000,000	.00
less:-	1. Payments in Cash not yet recorded in Bank Statement (Unpresented Cheques) ..				0.00		
	2. Receipts in Bank Statement not yet recorded in Cash Book ..				0.00	0.00	
Add:-	3. Payments in Bank Statement not yet recorded in Cash Book ..				0.00		
	4. Receipts in Cash Book not yet Recorded in Bank Statement ..				0.00	0.00	
	Bank Balance as per cash book					**40,000,000.00**	

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and the above reconciliation is correct.

Signature — *Director Finance & Economic Planning* (*Designation*) — **25-07-19** (*Date*)

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED CHEQUES)				**2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK**	
CHEQUE		PAYEE	AMOUNT	DETAILS	AMOUNT
No.	Date				
			0.00		**0.00**

3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		**4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT**	
DETAILS	AMOUNT	DETAILS	AMOUNT
	0.00		**0.00**

GKP(L)