REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF MACHAKOS

FOR THE YEAR ENDED 30 JUNE 2018

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
16 JAN 2019
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HARAMBEE

MACHAKOS COUNTY ASSEMBLY

AMENDED REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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

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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 40 Members of County Assembly (MCAs) elected to represent members of the public from their respective wards and 20 nominated members. 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 County Assembly Service Board.

(c)Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017, who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	**Felix Gitari Mbiuki**
2.	Chief Finance Officer	**Benson Mulinge Mutua**

(d) Fiduciary Oversight Arrangements

- Audit and finance committee activities- N/A
- Parliamentary committee activities- N/A
- Development partner oversight activities- N/A
- Other oversight activities
    - The County Assembly Service Board does the oversight role on the management of the entire Assembly and during the Financial Year it held several meeting concerning the running of the County Assembly.

(e)Entity Headquarters

P.O. Box 1168-90100
Machakos –Kenya County Hall
Along Mwatu wa Ngoma Rd.
Email:assemblymks@gmail.com

(f) Entity Contacts

Telephone: (254) 95-017-034/ (254) 76-645-659
E-mail: assemblymks@gmail.com
Website: www.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
   Address: P.O. Box 30 Machakos
   City/Town: Machakos.
   Telephone Number: 044-21780/1, 21817

3. Co-operative Bank
   Address: P.O. Box 1259-90100
   City/Town: Machakos.

4. Chase Bank
   Address: P.O. Box 66049-00800
   City/Town: Nairobi

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

1. FORWARD BY THE CLERK OF THE ASSEMBLY

During the Financial Year ended 30th June 2018, Machakos County Assembly performed its role of legislative and oversight alongside other development projects. Among the achievements during the year are as highlighted below;

Budget performance
The County Assembly was able to utilise Ksh. 912,358,397.00 of the annual budget out of the approved budget of Ksh. 1,227,670,184. This translates to 74% total budgetary utilization.

Performance of key development projects
Since the inception of the County Assembly, several development projects have been undertaken. The County Assembly constructed an office block. This project was initiated during FY 2015/2016 and was completed during FY 2017/2018

The County Assembly acquired a data centre which has improved the efficiency of the Assembly operations by ensuring there is good connectivity.

The county assembly plans to put up a new chamber and so during the FY, the Assembly got designs for the proposed new chamber.

The assembly also purchased computers, Printers, office furniture to create a more conducive working environment and performance of its core role which is legislative and oversight.

Comment on value-for-money achievements
In effort to ensure that we get value for money, the assembly has ensured that purchases are done through the approved procurement processes.

Challenges and Recommended Way Forward
The County Assembly is not fully under e-procurement hence this function was not operational since the module is still being re-engineered by the National Treasury, and this was beyond the Assembly control.

Sign
Clerk of the County Assembly

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Assembly of Machakos set out on pages 1 to 39, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts (recurrent and development combined) for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of County Assembly of Machakos as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the County Government Act, 2012 and the Public Finance Management Act ,2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

1.1. Discrepancies Between the Financial Statements, Supporting Documents and IFMIS

The financial statements were prepared using a manual general ledger. However, there are material variances noted between IFMIS and the financial statements balances which cast doubt on the accuracy of the financial statements. Details of the variances are as described:

1) The IFMIS statement of receipts and expenditure shows that there was no money received by the entity during 2017/2018 financial year, and that total expenditure amounted to Kshs.689,692,241, while the audited statement of receipts and payments reflects amounts of Kshs.943,986,147 and Kshs.912,358,397 for receipts and total expenditure respectively. This results in variations of Kshs.943,986,147 and Kshs.254,293,906 for receipts and payments respectively. The IFMIS figures have not been reconciled with those reported in the financial statements.

2) The statement of financial assets and liabilities as per IFMIS shows net financial assets of negative Kshs.1,501,522,721, while the net financial assets as per the entity's financial statements are reflected as Kshs.22,007,041, a variation of Kshs.1,523,529,762.

3) The County Assembly maintains a manual general ledger from which the financial statements were prepared, but the ledger is not properly maintained since there are material variances noted between the totals for transactions as per primary documents and the totals as per the general ledger. For instance, there was a double posting of Kshs.393,966.55 in the compensation of employees account in the manual ledger, casting doubt on the reliability of the manual ledger and its closing balances thereon. The County Assembly has continued maintaining a manual ledger even when it is required to process all transactions using IFMIS and generate financial reports from IFMIS.

In view of the foregoing, the financial statements' completeness and accuracy could not be confirmed.

1.2. Unsupported Adjustments to Revised Financial Statements

Though the management of the County Assembly submitted adjusted financial statements, a revised trial balance was not submitted. Management also failed to provide journal vouchers to show the movement of figures and balances from the original financial statements to the revised ones.

The following are the affected figures and balances;

Statement of Receipts and Payments			
	Adjusted Financial Statements (Kshs)	**Original Financial Statements (Kshs)**	**Variance (Kshs)**
Transfers from County Treasury	943,986,147	921,592,147	22,394,000
Compensation of Employees	343,223,008	360,139,912	16,916,904
Acquisition of Assets	150,920,962	134,173,299	16,747,663
Statement of Financial Assets and Liabilities			
Accounts Receivables	0	982,099	982,099
Accounts Payables	9,620,709	72,989,306	63,368,597
Bank Balances (Total)	31,627,750	26,734,825	4,892,925

Consequently, the accuracy of the affected figures and account balances could not be confirmed.

1.3 Variances in Cash and Cash Equivalents' Balance

Misstatements were observed in the cash and cash equivalents' balance as follows;

1) The statement of financial assets and liabilities indicates a cash & cash equivalents' balance of Kshs.31,627,750 while the statement of cash flows indicates cash & equivalents' figure of negative Kshs.43,725,318 resulting in a variance of Kshs.75,353,067 which is equivalent to the balance at the end of 2016/17 financial year. The negative balance has not been explained in a note to the financial statements

2) Further, both reconciled recurrent and development cashbooks show a total bank balance of Kshs.2,560,062, which varies from the financial statements' figure by Kshs.29,067,687 as follows:

Variances Between Figures as per Financial Statements and Reconciled Cashbooks			
Details	**Bank Balance as per cash book (Kshs)**	**Bank Balance as per Note 13A (Kshs)**	**Variance (Kshs)**
Recurrent	902,528	9,218,456	8,315,928
Development	1,642,241	22,394,000	20,751,759
Commercial Bank Accs.	15,293	15,293	-
Total	**2,560,062**	**31,627,749**	**29,067,687**

3) The statement of financial assets and liabilities reflects a nil cash in hand balance as at 30 June 2018.The board of survey report for the year and note 13B to the financial statements however, indicate a cash in hand balance of Kshs.21,002 as at the same date. This amount has not been disclosed in the statement of financial assets and liabilities as at 30 June 2018.

In view of the above, the accuracy of cash and cash equivalents' balance could not be confirmed.

1.4 Failure to Observe Cut–off Procedures

The statement of receipts and payments includes transactions that occurred during 2018/2019, contrary to regulation 97(1) of the Public Financial Management (County Government Regulations 2015, that requires the accounts of the County Government entities to record transactions which take place during a financial year running from the 1st July to the 30 June of any financial year. This failure to observe cut-off procedures also contradicts IPSAS (Cash Basis) of accounting that requires receipts and payments to be recognized when they actually occur.

The following transactions occurred after the year end yet they were treated as if they occurred within the financial year:

1) The statement of receipts and payments reflects Kshs.943,986,147 in respect of receipts which includes Kshs.107,596,591 posted in the cash book on 16 July 2018.

2) The financial statements reflect an expenditure of Kshs.150,920,962 for acquisition of assets which includes Kshs.67,928,945 for construction of buildings. This expenditure for construction of buildings includes an amount of Kshs.15,828,399 paid by the County Assembly to a construction company in July and August 2018, thereby overstating the expenditure for 2017/2018 by Kshs.15,828,299 as follows:

Failure to Observe Cut -off Procedures- Construction of Buildings			
Date Paid	**Payment Voucher Number**	**Details**	**Amount Paid (Kshs)**
19 July 2018	314 & 315	Payment for proposed construction of County Assembly office block as per interim certificate number 10	2,618,945
1 August 2018	322 &324	Payment for proposed construction of County Assembly office block as per interim certificate number 11	13,209,454
Total payments (Kshs)			**15,828,399**

There was no evidence that Treasury issued a circular that allowed payments made and receipts received after the year end to be recognized during the financial year. The financial statements have therefore not been prepared in accordance to IPSAS (Cash Basis).

2. Unsupported Expenditure – Kshs.261,355,771

The statement of receipts and payments reflects an expenditure of Kshs.358,214,428 in respect of use of goods and services which includes expenditure items with a total of Kshs.261,355,771 as detailed in Note 5 to the financial statements and as detailed below:

Payments Lacking Supporting Documents	
Expenditure item	**Expenditure (Kshs)**
Domestic travel and subsistence	190,156,002
Foreign travel and subsistence	21,240,013
Utilities, supplies and services	2,166,014
Hospitality supplies and services	2,323,163
Routine maintenance-vehicles and other transport equipment	2,242,994
Insurance costs	31,854,130
Office and general supplies and services	8,107,140

Payments Lacking Supporting Documents	
Expenditure item	**Expenditure (Kshs)**
Fuel, oil and lubricants	3,266,315
Total Expenditure	**261,355,771**

However, these amounts are not supported with expenditure analyses or schedules showing details of the payments.

Consequently, regularity of the expenditure of Kshs.261,355,771 could not be confirmed.

3. Un-updated Fixed Assets Register

The statement of receipts and payments reflects Kshs.150,920,962 in respect of acquisition of assets, and which includes an amount of Kshs.58,108,944 for purchase of office furniture and general equipment. The availed fixed assets' register shows that additions for the year for the same asset item category amounted to Kshs.56,864,443 thus resulting in an unexplained variance of Kshs.1,244,501. The fixed assets' register availed for audit was not properly maintained to ensure that all procured items are taken on charge, properly accounted for and put in proper use as intended by the procuring entity. Further, physical inspection carried out and a check on the items delivered revealed various variances.

4. Differences in Transfers to Other Government Entities (Car and Housing Funds for MCA's)

The statement of receipts and payments reflects an amount of Kshs.60,000,000 in respect of transfers to other Government entities which includes Kshs.50,000,000 for transfers to Car Loan and Housing Funds for MCA's. Availed payment vouchers and the bank statements for the same reflect an amount of Kshs.60,000,000 resulting in an unexplained difference of Kshs.10,000,000.

5. Failure to Maintain Motor Vehicle Records

The statement of receipts and payments reflects an expenditure of Kshs.358,214,428 for use of goods and services, which includes Kshs.2,242,994 for routine maintenance of vehicles and other transport equipment. However, review of availed records revealed that vehicle repair details are never entered in their respective service logbooks, and further vehicles service logbooks and fuel registers were not maintained as a measure to safeguard the County Assembly from risk of losing funds through fictitious payments for repairs and fueling. It was therefore not possible to confirm that the amount of Kshs.2,242,994 relates to repairs and maintenance of only the County Assembly motor vehicles.

6. Unresolved Prior Year Audit Issues

The following issues which relate to 2016/2017 have remained unresolved to date. These issues have an effect on the current year's financial statements because they have been presented as opening balances and comparative figures.

6.1 Presentation and Disclosures

The financial statements did not include explanations on significant under-utilisation and over-utilisation of budgeted provisions as prescribed in the reporting template issued by the Public Sector Accounting Standards Board. The statement of financial assets and liabilities, statement of receipts and payments and statement of cash flows indicate that the comparative figures had been restated while the statement of financial assets in addition indicates that the current year balances have been restated and reasons and extent of restatement were not given.

6.2 Inaccuracies in the Financial statements

The following issues, relating to inaccuracies in the financial statements are still outstanding.

i. While total expenditure as per statement of receipts and payments amounted to Kshs.936,140,270, IFMIS (vote book) reflected Kshs.882,860,547 resulting in an unexplained difference of Kshs.53,279,723.

ii. The statement of comparison of budget and actual amounts for recurrent excluded an amount of Kshs.703,316 being actual expenditure on other payments, but the amount was included in the statement of receipts and payments.

iii. The statement of financial assets reflects cash and cash equivalents' balance of Kshs.15,385,230 as at 30 June 2017, but the following material omissions were observed:

- The cash books closing balances as at 30 June 2017 in virtually all the cash books were not certified by the board of survey members.
- A balance of Kshs.4,492,190 as at 30 June 2017 in Account No.1144054559 at the Kenya Commercial Bank was excluded from the schedule of bank balances.
- A balance of Kshs.14,977,079 as at 30 June 2017 held in a Deposit Account No.000264543 at the Central Bank of Kenya was also excluded from the schedule of bank balances.

Consequently, the accuracy of the financial statements for the year ended 30 June 2017 could not be confirmed.

6.3 Inaccurate Basic Salaries for Permanent Employees

While financial statements reflected a figure of Kshs.169,962,923 under basic salaries for permanent employees, the Integrated Payroll and Personnel Database (IPPD) reflected

Kshs.167,227,229, resulting in a variance of Kshs.2,735,694 which was not explained. The unreconciled figure of Kshs.169,962,923 is still appearing as comparative figure in the 2017/18 financial statements.

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

Key Audit Matters

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

Other Matter

1. Inadequate Funding for the County Assembly

The County Assembly's approved budget for the year under review was Kshs.1,227,670,184 while the amount received was Kshs.943,986,147 resulting in an under funding of Kshs.283,684,037. Part of the money not received was to be utilized in; advancing loans (Kshs.35 million), purchase of motor vehicles (Kshs.48 million), purchase of land for putting up the speaker's residence, (Kshs.16 million), and establishment of a broadcasting unit for the County Assembly (Kshs.20 million). These activities were not undertaken.

2. Lack of Footnotes to Explain Variances Between Budgeted and Actual Amounts

The statement of comparison of budget and actual amounts reflects amounts of Kshs.397,278,781 and Kshs.358,214,428 for budgeted and actual figures respectively for use of goods and services expenditure item.

The County Assembly has not given explanations for the variance of Kshs.39,064,353.

3. Failure to Remit Statutory Deductions

Note 4.10(1) to the financial statements reflects a figure of Kshs.67,542,430 under other disclosures. This figure includes an amount of Kshs.5,805,653 being PAYE deductions (payable to Commissioner of Income Tax) that were made from County Assembly employees in the month of February 2017, but which had not been remitted as at the close of audit.

Delay in remittance of the PAYE deductions to Commissioner of Income Tax will result in penalties to the entity.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Appoint an Audit Committee

During 2017/2018 the County Assembly operated without an audit committee contrary to regulation 42(1) and 168 (a and b) of Public Finance Management Regulations, 2015. The regulations require an Accounting Officer to ensure appointment of an audit committee, whose main function is to offer support with regard to the Accounting officer's responsibilities on issues of risk management, control and governance and associated assurance.

The Accounting Officer failed to comply with regulations, and as such, the duties and responsibilities of audit committee as stipulated in regulation 168 (a and b) of Public Finance Management Regulations of 2015 were not undertaken during the financial year.

2. Irregular Reallocation of Funds

The Accounting officer authorized transfers of Kshs.101,723,500 appropriated in the 2017/2018 budget from the wages to non-wages expenditure contrary to section 154(1c) of Public Financial Management Act, 2012. There was no explanation as to what necessitated the transfer and there was no evidence that the County Treasury had been consulted on the matter.

3. Failure to Prepare a Performance Report

Section 164 (f) of the Public Finance Management Act, 2012 requires County Governments to prepare and submit to the Auditor-General a report on the entity's performance against pre-determined objectives. The County Assembly did not prepare and submit this report to the Auditor-General.

4. Prior Year Issue – Irregularly Paid Acting Allowances

During 2016/2017 three officers were irregularly paid a total of Kshs.642,717 as acting allowance, contrary to provisions of Chapter 14 of the Human Resource Policies and Procedure Manual for the Public Service. The amount remains unrecovered to date.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about

whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1) (a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

1. Lack of a Risk Management Policy

In addition to issues discussed in other sections on my report, the County Assembly does not have a risk management policy. Failure to develop a risk policy means that the County Assembly does not have a framework for management of risk and hence it is not possible to identify, assess and control risk. As a result, it is not possible to define the entity's risk appetite and set the risk tolerance levels by identifying boundaries against unacceptable exposure to risk.

2. Lack of an ICT Policy

The County Assembly has not prepared and implemented an ICT policy as a commitment to the process of implementing digital technology. An ICT policy would also provide confidentiality, integrity and ensure availability of the entity's data.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 governance.

In preparing the financial statements, management is responsible for assessing the County Assembly's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the County Assembly or to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion 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 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 as a going concern or 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 as a going concern or to sustain its services.

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

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

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

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

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

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

Nairobi

18 February 2019

4. FINANCIAL STATEMENTS

4.1. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017/18 KShs	2016/17 KShs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	943,986,147	948,194,794
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	3,329,906
TOTAL RECEIPTS		**943,986,147**	**951,524,700**
PAYMENTS			
Compensation of Employees	4	343,223,008	393,296,478
Use of goods and services	5	358,214,428	326,444,175
Subsidies	6	-	-
Transfers to Other Government Entities	7	60,000,000	76,000,000
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Acquisition of Assets	10	150,920,962	139,696,301
Finance Costs	11	-	-
Other Payments	12	-	703,316
TOTAL PAYMENTS		**912,358,397**	**936,140,269**
SURPLUS/DEFICIT		**31,627,750**	**15,384,431**

The explanatory notes to these financial statements form an integral part of the financial statements. The amended financial statements were approved on 14/01/ 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Officer – County Assembly
Name: BONIFACE MUTUWA
ICPAK Member Number: 5498.

4.2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS	Note	2017/2018 KShs	2016/17 KShs
Cash and Cash Equivalents			
Bank Balances	13A	31,627,750	15,384,430
Cash Balances	13B	-	800
Total Cash and cash equivalents		**31,627,750**	**15,385,230**
Accounts receivables – Outstanding salary advance	14		622,087
TOTAL FINANCIAL ASSETS		31,627,750	**16,007,317**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	9,620,709	92,188,357
NET FINANCIAL ASSETS		**22,007,041**	**(76,181,040)**
REPRESENTED BY			
Fund balance b/fwd	16	(9,620,709)	(91,565,470)
Surplus/Deficit for the year		31,627,750	15,384,431
NET FINANCIAL POSITION		**22,007,041**	**(76,181,040)**

The explanatory notes to these financial statements form an integral part of the financial statements. The amended financial statements were approved on 14th 10/1 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Officer – County Assembly
Name:
ICPAK Member Number: 5498

4.3. STATEMENT OF CASH FLOWS

	Note	2017/18 KShs	2016/17 KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	943,986,147	948,194,794
Other Receipts	3		3,329,906
Payments for operating expenses			
Compensation of Employees	4	343,223,008	393,296,478
Use of goods and services	5	358,214,428	326,444,175
Subsidies	6	-	-
Transfers to Other Government Entities	7	60,000,000	76,000,000
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Finance Costs	11	-	703,316
Other Payments	12	-	-
Adjusted for:			
Adjustments during the year		-	622,087
Net cash flows from operating activities		**182,548,711**	**154,458,645**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2		
Acquisition of Assets	10	150,920,962	139,696,301
Net cash flows from investing activities		150,920,962	**139,696,301**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**31,627,750**	**14,762,344**
Cash and cash equivalent at BEGINNING of the year	13	**(75,353,067)**	**(90,115,411)**
Cash and cash equivalent at END of the year		**(43,725,318)**	**(75,353,067)**

The explanatory notes to these financial statements form an integral part of the financial statements. The amended financial statements were approved on 14/01/ 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Officer– County Assembly
Name: Benson Mutua
ICPAK Member Number: 5498

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

Receipt/Expense Item	Original Budget KShs	Adjustments KShs	Final Budget c=a+b	Actual on Comparable Basis c=d-e	% Utilization difference KShs	Explanation for under/over utilization
RECEIPTS						
Transfers from the County Treasury/Exchequer Releases	1,215,670,184	12,000,000	1,227,670,184	943,986,147	77%	Full funding of the MCA loans was not received of Ksh. 35million. Also, some development projects earlier budgeted works were not done hence the funds were note requisitioned.
Proceeds from Sale of Assets	-	-	-	-	-	
Other Receipts	-	-	-	-	-	
TOTAL	**1,215,670,184**	**12,000,000**	**1,227,670,184**	**943,986,147**	**77%**	
PAYMENTS						
Compensation of Employees	559,564,903	(120,173,500)	439,391,403	343,223,008	78%	There was no full absorption of the budget since some money budgeted for the former MCAs salaries for August 2017 to March 2018 were not paid because of the pending court matter. Also, salaries budgeted for staff in suspension was not paid since the case is not yet concluded.
Use of goods and services	320,105,281	77,173,500	397,278,781	358,214,428	90%	
Subsidies	-	-	-	-	-	
Transfers to Other Government Entities	95,000,000	-	95,000,000	60,000,000	63%	The funds meant for MCAs and Staff loans were not released to us.
Other grants and transfers	-	-	-	-	-	
Social Security Benefits	-	-	-	-	-	
Acquisition of Assets	241,000,000	55,000,000	296,000,000	150,920,962	51%	Some projects budgeted for like the speakers residence, purchase of motor vehicles and gym

						process was not completed hence funds were not requisitioned.
Finance Costs	-	-	-	-	-	
Other Payments	-	-	-	-	-	
TOTAL	**1,215,670,184**	**12,000,000**	**1,227,670,184**	**912,358,397**	**74%**	
SURPLUS/ DEFICIT				**31,627,749.67**		

(NB: the total under actual on comparable basis should be the same as the totals under the statement of receipts and payments, where the two statements are not in agreement, a reconciliation of these two statements should be prepared as required under IPSAS and presented hereunder).

[Provide below a commentary on significant underutilization (below 10% of utilization) and any overutilization]

(a) The under-utilization on the vote on compensation is as a result of a budget allocation for MCAs for compensation between August and February 2018 that had been budgeted for but payment was not approved, hence the budget was not utilised.

(b) Xxxx

(c) Xxxx

(d) Xxxx

(e) Xxxx

(Explain *whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23*) *.Where the result of the statement of receipts and payments is a deficit, the Assembly should explain how the deficit was funded.*

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

Clerk of the Assembly
Name:

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

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

Receipt/Expense item	Original Budget a	Adjustment b	Final Budget c=a+b	Actual on Comparable Basis e=d-c	% Utilisation difference	Explanation for under/over utilization
RECEIPTS						
Transfers from the County Treasury/ Exchequer Releases	974,670,184	(43,000,000)	931,670,184	770,671,184	83%	Full funding of the MCA loans was not received of Ksh. 35million. Also, some the salaries for former MCAs were not requisitioned sine the matter is still pending in court.
Proceeds from Sale of Assets	-	-	-	-	-	
Other Receipts	-	-	-	-	-	
TOTAL	**974,670,184**	**(43,000,000)**	**931,670,184**	**770,671,184**	**83%**	
PAYMENTS						
Compensation of Employees	559,564,903	(120,173,500)	439,391,403	343,223,008	78%	There was no full absorption of the budget since some money budgeted for the former MCAs salaries for August 2017 to March 2018 were not paid because of the pending court matter. Also, salaries budgeted for staff in suspension was not paid since the case is not yet concluded.
Use of goods and services	320,105,281	77,173,500	397,278,781	358,214,428	90%	
Subsidies	-	-	-	-	-	
Transfers to Other Government Entities	95,000,000		95,000,000	60,000,000	63%	The funds meant for MCAs and Staff loans were not released to us.
Other grants and transfers	-	-	-	-	-	
Social Security Benefits	-	-	-	-	-	
Acquisition of Assets	-	-	-	-	-	
Finance Costs	-	-	-	-	-	
Other Payments	-	-	-	-	-	
TOTAL	**974,670,184**	**(43,000,000)**	**931,670,184**	**761,437,436**	**82%**	
Surplus/ Deficit				**9,233,748**		

[Provide below a commentary on significant underutilization (below 10% of utilization) and any overutilization]

(a) Xxxx
(b) Xxxx
(c) Xxxx
(d) Xxxx
(e) Xxxx

(Explain *whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23*)

The entity amended financial statements were approved on 14/01/ 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Officer – County Assembly
Name: BGWSON MUTIMA
ICPAK Member Number: 5498.

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

Receipt/Expense Item	Original Budget KShs	Adjustments KShs	Final Budget c=a+b	Actual on Comparable Basis c=d-e	% Utilization difference KShs	Explanation for under/over utilization
RECEIPTS						
Transfers from the County Treasury/ Exchequer Releases	241,000,000	55,000,000	296,000,000	173,314,963	59%	Some projects budgeted for like the speakers residence, purchase of motor vehicles and gym process was not completed hence funds were not requisitioned.
Proceeds from Sale of Assets	-	-	-	-	-	
Other Receipts	-	-	-	-	-	
TOTAL	241,000,000	55,000,000	296,000,000	173,314,9633	51%	
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	241,000,000	55,000,000	296,000,000	150,920,961.60	51%	Some projects budgeted for like the speakers residence, purchase of motor vehicles and gym process was not completed hence the expenditure was never incurred.
Finance Costs	-	-	-	-	-	
Other Payments	-	-	-	-	-	

TOTAL	241,000,000	55,000,000	296,000,000	150,920,961.60	51%	
SURPLUS/ DEFICIT	-	-	-	**22,394,001.40**		

[Provide below a commentary on significant underutilization (below 10% of utilization) and any overutilization]

(a) Xxxx
(b) Xxxx
(c) Xxxx
(d) Xxxx
(Explain *whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23*)

The entity amended financial statements were approved on 14th/01/ 2019 and signed by:

Clerk of the Assembly
Name:

Chief Finance Officer – County Assembly
Name:
ICPAK Member Number: 5498.

4.7. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget KShs	Adjustments KShs	Final Budget KShs	Actual on comparable basis KShs	Budget utilization difference KShs
Programme 1					
Sub-programme 1					
Sub-programme 2					
Sub-programme 3					
Programme 2					
Sub-programme 1					
Sub-programme 2					
Sub-programme 3					

(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).

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

3. Recognition of receipts and payments

a) Recognition of receipts

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

Tax receipts

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

Transfers from the Exchequer/ County Treasury

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

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 2018, this amounted to KShs 9,620,709 compared to KShs 14,977,079.

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.

6. 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.

7. Non-current assets

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the *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.

9. 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 xxx for the period 1st July 2017 to 30 June 2018 as required by law. There was one 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.

10. Comparative figures

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

11. 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.

12. 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.

13. 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.

4.9. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from the County Treasury/Exchequer Releases

	2017/18 KShs	2016/17 KShs
Transfers from the County Treasury for Q1	70,002,907	182,111,150
Transfers from the County Treasury for Q2	90,513,298	290,166,725
Transfers from the County Treasury for Q3	241,314,581	244,806,725
Transfers from the County Treasury for Q4	542,155,361	231,110,194
Cumulative Amount	**943,986,147**	**948,194,794**

(Where money is transferred to the County Assembly on a monthly basis, include the months instead of quarters. A detailed annex showing the reconciliation of transfers between the County Treasury and County Assembly is included in note XXXX of this report.)

2. PROCEEDS FROM SALE OF ASSETS

	2017/18 KShs	2016/17 KShs
Receipts from the Sale of Buildings	Xxx	Xxx
Receipts from the Sale of Vehicles and Transport Equipment	Xxx	Xxx
Receipts from the Sale Plant Machinery and Equipment	Xxx	Xxx
Receipts from Sale of Certified Seeds and Breeding Stock	Xxx	Xxx
Receipts from the Sale of Strategic Reserves Stocks	Xxx	Xxx
Receipts from the Sale of Inventories, Stocks and Commodities	Xxx	Xxx
Disposal and Sales of Non-Produced Assets	Xxx	Xxx
Receipts from the Sale of Strategic Reserves Stocks	Xxx	Xxx
Total	**Xxx**	**Xxx**

3. OTHER RECEIPTS

	2017/18 KShs	2016/17 KShs
Tender fees received	Xxx	Xxx
Other Receipts- Interest earned from MCAs/staff loan account	Xxx	1,857,460
Other Receipts – Refund from BRITAM	Xxx	1,472,446
Other Receipts IV	Xxx	Xxx
Total	**Xxx**	**3,329,906**

(Provide a detailed explanation of what other receipts relate to, who they were received from and whether they had been budgeted for)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. COMPENSATION OF EMPLOYEES

	2017/18 KShs	2016/17 KShs
Basic salaries of permanent employees	173,167,007	169,962,922
Basic wages of temporary employees	27,517,295	26,817,881
Personal allowances paid as part of salary	100,058,115	140,299,701
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	14,851,178	13,945,236
Compulsory national social security schemes	2,136,708	465,400
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	25,492,706	41,805,338
Other personnel payments	-	-
Total	**343,223,008**	393,296,478

(Provide detailed explanation with regard to the number of employees recruited by the Assembly, new employees and resignations. Explain what other personnel costs relate to)

5. USE OF GOODS AND SERVICES

	2017/18 KShs	2016/17 KShs
Utilities, supplies and services	2,166,014	1,724,231
Communication, supplies and services	3,729,284	4,651,608
Domestic travel and subsistence	190,156,002	195,279,999
Foreign travel and subsistence	21,240,013	15,728,278
Printing, advertising and information supplies & services	7,414,662	6,999,749
Rentals of produced assets	-	-
Training expenses	51,718,398	27,380,078
Hospitality supplies and services	2,323,163	2,689,847
Insurance costs	31,854,130	26,780,538
Specialized materials and services	591,415	3,535,766
Office and general supplies and services	8,107,140	4,665,942
Other operating expenses	17,422,158	14,614,927
Routine maintenance – vehicles and other transport equipment	2,242,994	3,102,574
Routine maintenance – other assets	1,574,740	1,307,302
Ward office rent and expenses	14,404,000	13,753,800
Fuel, Oil and lubricants	3,266,315	4,199,536

National Celebrations		30,0000
Total	**358,214,428**	**326,444,175**

6. SUBSIDIES

Description	2017/18 KShs	2016/17 KShs
Subsidies to County Corporations		
See list attached	xxx	Xxx
(insert name)	xxx	Xxx
Subsidies to Private Enterprises		
See list attached	xxx	xxx
(insert name)	xxx	xxx
TOTAL	**xxx**	**xxx**

(Provide explanations as to what subsidies relate to)

7. TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2017/18 KShs	2016/17 KShs
Transfers to National Government entities		
Transfers to other County Assembly entities		
Transfers to Car loan and Housing fund- MCAs	50,000,000	17,000,000
Transfers to Car loan and Housing fund- Staff	10,000,000	59,000,000
TOTAL	**60,000,000**	**76,000,000**

8. OTHER GRANTS AND TRANSFERS

	2017/18 KShs	2016/17 KShs
Scholarships and other educational benefits	xxx	xxx
Emergency relief and refugee assistance	xxx	xxx
Subsidies to small businesses, cooperatives, and self employed	xxx	xxx
Total	**xxx**	**xxx**

(Give explanations on what other grants and transfers relate to and who the beneficiaries are)

9. SOCIAL SECURITY BENEFITS

	2017/18 KShs	2016/17 KShs
Government pension and retirement benefits	Xxx	xxx
Social security benefits in cash and in kind	Xxx	xxx
Employer Social Benefits in cash and in kind	Xxx	xxx
Total	**xxx**	**xxx**

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

10. ACQUISITION OF ASSETS

Non Financial Assets	2017/18 KShs	2016/17 KShs
Purchase of Buildings		
Construction of Buildings	67,928,945	114,323,330
Refurbishment of Buildings	614,452	455,111
Construction of Roads		
Construction and Civil Works		729,900
Overhaul and Refurbishment of Construction and Civil Works		-
Purchase of Vehicles and Other Transport Equipment		11,037,931
Overhaul of Vehicles and Other Transport Equipment		-
Purchase of Household Furniture and Institutional Equipment		576,690
Purchase of Office Furniture and General Equipment	58,108,944	382,480
Purchase of ICT Equipment, Software and Other ICT Assets	24,268,621	12,190,859
Purchase of Specialised Plant, Equipment and Machinery		-
Rehabilitation and Renovation of Plant, Machinery and Equip.		
Purchase of Certified Seeds, Breeding Stock and Live Animals		
Research, Studies, Project Preparation, Design & Supervision		
Rehabilitation of Civil Works		
Acquisition of Strategic Stocks and commodities		
Acquisition of Land		
Acquisition of Intangible Assets		
Financial Assets		
Domestic Public Non-Financial Enterprises		
Domestic Public Financial Institutions		
Total	**150,920,962**	**139,696,301**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. FINANCE COSTS

	2017/18 KShs	2016/17 KShs
Bank Charges	Xxx	Xxx
Exchange Rate Losses	Xxx	Xxx
Other Finance costs	Xxx	Xxx
Interest on borrowings	Xxx	Xxx
Total	**Xxx**	**xxx**

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

12. OTHER PAYMENTS

	2017/18 KShs	2016/17 KShs
Budget Reserves		
Civil Contingency Reserves		
Capital Transfers to Non-Financial Public Enterprises		
Capital Transfer to Public Financial Institutions and Enterprises		
Capital Transfer to Private Non-Financial Enterprises		
Other expenses- Bank Charges		703,316
Domestic Accounts		
Total		**703,316**

(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	2017/18 KShs	2016/17 KShs
Name of Bank, Acc. No. & currency	Development Acc	22,394,000	13,320,279
Name of Bank, Acc. No. & currency	Recurrent Acc	9,218,456	959
Name of Bank, Acc. No. & currency	Deposits Acc	-	-
Name of Bank, Acc. No. & currency	Commercial Bank Accs.	15,293	2,063,192
Total		**31,627,750**	**15,384,430**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13B. CASH IN HAND

	2017/18 KShs	2016/17 KShs
Cash in Hand – Held in domestic currency	21,002	800
Cash in Hand – Held in foreign currency	-	-
Total	**21,002**	**800**

Cash in hand should be analysed as follows:

	2017/18 KShs	2016/17 KShs
Location 1- Cashiers office	21,002	800
Location 2	-	-
Location 3	-	-
Total	21,002	800

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

14. ACCOUNTS RECEIVABLE

	2017/18 KShs	2016/17 KShs
Government Imprests	-	-
Clearance Accounts	-	-
Staff Advances	-	622,087
Other Advances	-	-
Total	-	622,087

15. ACCOUNTS PAYABLE

	2017/18 KShs	2016/17 KShs
Deposits and Retentions	9,620,709	14,977,079
Accounts payables/ Pending bills	-	77,211,278
Total	9,620,709	92,188,357

(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

	2017/18 KSh	2016/17 KSh
Bank accounts	9,620,709	15,384,430
Cash in hand		800
Accounts Receivables		
Accounts Payables		
Total	9,620,709	15,385,230

17. PRIOR YEAR ADJUSTMENTS

Description of the adjustment	2017/18 KSh	2016/17 KSh
Adjustments on bank account balances	Xxx	Xxx
Adjustments on cash in hand	Xxx	Xxx
Adjustments on payables	Xxx	Xxx
Adjustments on receivables	Xxx	xxx
Others (*specify*)	Xxx	xxx
Total	**Xxx**	**xxx**

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

4.10. OTHER DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 1)

	2017/18 KShs	2016/17 KShs
Construction of buildings		
Construction of civil works		
Statutory/ Salary deductions		30,100,679
MCAs and Staff allowances		2,398,808
Supply of goods and services	67,542,430	44,711,791
Total	67,542,430	77,211,278

2. PENDING STAFF PAYABLES (See Annex 2)

Name of Staff	2017/18 KShs	2016/17 KShs
Xxx	Xxx	xxx
Xxx	Xxx	xxx
Total	**Xxx**	**xxx**

3. OTHER PENDING PAYABLES (See Annex 3)

	2017/18 KShs	2016/17 KShs
Amounts due to National Government entities	Xxx	xxx
Amounts due to County Government entities	Xxx	xxx
Amounts due to third parties	Xxx	xxx
Total	**Xxx**	**xxx**

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:

	20xx-20xx Kshs	20xx-20xx Kshs
Compensation to Key Management		
Compensation to the Speaker, Deputy Speaker and the MCAs	xxx	xxx
Key Management Compensation(Clerk and Heads of departments)	xxx	xxx
Total Compensation to Key Management	**xxx**	**xxx**
Transfers to related parties		
Transfers to other County Government Entities such as car and mortgage schemes	xxx	xxx
Transfers to County Corporations	xxx	xxx
Transfers to non reporting entities e.g ECD centres, welfare centres etc	xxx	xxx
Total Transfers to related parties	**xxx**	**xxx**
Transfers from related parties		
Transfers from the County Executive- Exchequer	xxx	xxx
Payments made on behalf of the County Assembly by other Government Agencies	xxx	xxx
(Insert any other transfers received)	xxx	xxx
Total Transfers from related parties	**xxx**	**xxx**

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: (Fix a date when you expect the issue to be resolved)

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Clerk of the County Assembly

Sign.....

Date.....

ANNEXES

ANNEX 1 – ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
	A	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
1. Randley limited	1,871,641	27/04/2018	-	1,871,641	-	
2. Griden Investment	230,216	19/03/2018	-	230,216		
3. Hoffina Agencies	1,854,242	21/06/2018	-	1,854,242		
4.						
5.						
6.						
7.						
8.						
9.						
10.						
11.						
12.						

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Sub-Total						
Supply of goods						
1. Irengo Investments	31,500	15/12/2016		31,500		The IFMIS system was closed before the pa process (auto-creation) was completed
2. Scofex Limited	287,600	30/06/2018		287,600		The supplier PIN had an issue so the payme Could not be completed.
3. Zarliam Suppliers Enterprises	252,500	18/05/2018		252,500		The supplier PIN had an issue so the payme Could not be completed.
4. Patka General Agencies	63,800	16/04/2018		63,800		The payment process had not been complete End of the year.
5. Artxpress Solutions	287,370	7/3/2018		287,370		Inspection had to be done before processing payment
6. Kakalya Wood Works	149,500	5/3/2018		149,500		Inspection had to be done before processing payment

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
7. Hive Merchants Limited	149,600	20/02/2018		149,600		Inspection had to be done before processing payment
8. Fikiwe Ltd	300,000	6/3/2018		300,000		Inspection had to be done before processing payment
9. Sanchez Furnitures	142,242	7/3/2018		142,242		The amount was paid and bounced back due Account number
10. Pekings Enterprises	149,500	5/3/2018		149,500		Inspection had to be done before processing payment
11. Josib Enterprises LTD	145,200	20/02/2018		145,200		Inspection had to be done before processing payment
12. The Sparkling Touch Agencies	150,000	5/5/2018		150,000		The was an issue with the bank account pro By the supplier so the payment process coul Be completed.
13. Syntech Investment Company	746,520	16/03/2018 26/03/2018		746,520		The supplier was not paid by 30th June since Inspection of the work had to be done first.

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
14. Unit System Technologies	16,605,423	21/06/2018		16,605,423		The work had not been completed by end of Financial year.
SUB- TOTAL	19,460,755			19,460,755		
SUPPLY OF SERVICES						
Gelian Investement ltd	79,900	15/06/2017, 62,300; 25/08/2017-17,600		79,900	62,300	There was a technical error while the payme Were being processed in the auto creation The IFMIS stystem.
2. Nation Media Group	142,680	13/06/2018		142,680		There was a technical error while the payme were been done in the autocreation through IFMIS system
3. The Standard Group Limited	255,200	18/06/2018		255,200		There was a technical error while the payme were been done in the autocreation through IFMIS system
4. Simply Travel & Tours	1,702,639	Various		1,702,639		These are previous bills and the Assembly has been settling the bills
5. Prideinn Paradise Beach Resort Convection Centre And Spa	581,000	9/6/2018		581,000		
6. Bus Park Auto Garage	37,960	23/05/2018-30,100 05/04/2018-7,800		37,960		The supplier PIN has an issue so the payment process could not be completed
7. Trackom Auto Garage	30,200	Various		30,200		The supplier PIN had an issue so the payment process could not be completed.

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
8. Chamwa Motors Limited	85,000	10//2018		85,000		The supplier PIN had an issue so the payment process could not be completed.
9. Rovans Management Consultants	686,7020	26/03/2018		686,7020		There was a technical error while the payme were been done in the auto creation through IFMIS system
10. Geminia Insurance Company	672,609	20/03/2018 30/04/2018, 29/03/2018		672,609		This was additional cover and the Assembly liasing with the insurance company on the :
11. Joy Design And Touch Supplies	352,200	26/06/2018		352,200		The IFMIS system was closed before the pa process (auto creation) was completed
12. Sardina Ventures	104,369	26/06/2018		104,369		The IFMIS system was closed before the pa process (auto creation) was completed
13. Kamende DC& Company Advocates	17,754,674	31.10.201724.01.2018; 24.04.2018		17,754,674	1,760,000	The assembly has been settling the bill in bits
14. Kilukumi and co. advocates	13,910,000	16/03/2015 07/04/2016		13,910,000	13,910,000	The Assembly is in the process of renegotia fee notes issued, since filling for bills of cos seems to be more costly than the fee notes r
15. APA Insurance	150,998	11/4/2018		150,998		This was additional cover and the Assembly liasing with the insurance company on the :
16. Telkom Kenya	116,000	30/06/2018		116,000		The IFMIS system was closed before the pa process (autocreation) was completed
17. Eastern Broadcasting Co-oporation	34,800	29/05/2018		34,800		The IFMIS system was closed before the pa process (autocreation) was completed
18. The Star Newspaper	169,360	10/4/2018		169,360		The IFMIS system was closed before the pa process (autocreation) was completed

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
19. 67 Airport Hotel	44,800	15/02/2018		44,800		There was an issue with the supply PIN so the payment process could not be complete
20. Thika Motor Dealers	244,058	Various		244,058		This was pending clarification with supplier
21. Ikuuni Hotel LTD	7,280	10/1/2018		7,280		The IFMIS system was closed before the pa process (autocreation) was completed
22. PAYE- Feb 2017	5,805,653	30.02.2017		5,805,653	5,805,653	
23. NACICO SACCO	29,351	30/06		29,351		
24. Staff allowances	1,079,624	Various		1,079,624		
25. Machakos County Assembly staff welfare	48,500	30.6.2018		48,500		
Sub-Total	**44,125,576**			**44,125,576**		
Grand Total	**67,542,429**			**67,542,429**		

ANNEX 2 – ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
		a	b	c	d=a-c		
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 3 – ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	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) 2016/2017	Additions during the year (KShs)	Disposals during the year (KShs)	Historical Cost c/f (KShs) 2017/2018
Land	**60,000,000**	-	-	**60,000,000**
Buildings and structures	**230,488,312**	**68,543,397**	-	**299,031,709**
Transport equipment	**65,455,270**	-	-	**65,455,270**
Office equipment, furniture and fittings	**15,215,856**	**58,108,944**	-	**73,324,800**
ICT Equipment, Software and Other ICT Assets	**37,441,704**	**24,268,621**	-	**61,710,325**
Other Machinery and Equipment	**9,462,694**	-	-	**9,462,694**
Heritage and cultural assets	-	-	-	-
Intangible assets	-	-	-	-
Total	**418,063,836**	**150,920,962**	-	**568,984,798**

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)