REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

COUNTY ASSEMBLY OF MARSABIT

FOR THE YEAR ENDED 30 JUNE, 2019

OFFICE OF THE AUDITOR - GENERAL
P. O. Box 113 - 60100, EMBU
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MARSABIT COUNTY ASSEMBLY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARENDED JUNE 30, 2019

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County 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 20 Members of County Assembly (MCAs) elected to represent members of the public from their respective wards. The MCAs are responsible for making any laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Executive.

(b) Key Management

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

The County Assembly Service Board (CASB), the members include:

No.	DESIGNATION	NAME
1	SPEAKER	MATTHEW LOLTOME
2	LEADER OF MAJORITY	HALKANO KONSO
3	LEADER OF MINORITY	BUKE DIBA
4	CLERK/SECRETARY CASB	MOHAMUD KAMAYA

(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	DEPUTY CLERK	MARIAM BARAKO
2	CHIEF FINANCE OFFICER	CHARE MATO
3	HEAD OF TREASURY-ACCOUNTS	FREDRICK INJELA
4	PRINCIPAL PROCUREMENT	ADAN KATELLO
5	HUMAN RESOURCE MANAGER	JARSO ROBA

(d) Fiduciary Oversight Arrangements

1. **Budget and Finance Committee Activities.**The members include :

No	NAME	DESIGNATION
1	HON. LTINYILAN BURCHA DANIEL	MEMBER
2	HON. DAUD TAMASOT ARAKHOLE	MEMBER
3	HON. BASHIR ABDIRAHMAN SHEIKH	MEMBER
4	HON. GODANA ROBA CHACHOLE	MEMBER

5	HON. HUSSEIN ABDI WAKO	MEMBER
6	HON. QABALE HUQA	MEMBER
7	HON. ELEMA TURA RURU	MEMBER
8	ALBASHIR HASSAN	COMMITTEE CLERK

The budget and finance committee of the assembly is established under the County Assembly's standing order.

a) To investigate, inquire into and report all matters related to budget.
b) Discuss and review the estimates and make recommendations to the assembly.
c) Examine county budget policy statements.
d) Examine bills related to the county budget including appropriation of bills.
e) Evaluate tax Estimates.
f) Evaluate Economic and budgetary policies and programs with direct budget outlays.

2. PIC and PAC Committee Activities

The members include:

NO	NAME	DESIGNATION
1	HON. KATELO STEPHEN SORA	MEMBER
2	HON. BATA LEAKONO BERANADO	MEMBER
3	HON. SAADIA ARARU	MEMBER
4	HON. JARSO WAQO	MEMBER
5	HON. HADIJA IBRAHIM KONTOMA	MEMBER
6	HON. SUSAN DABALEN	MEMBER
7	HON. FEMINA HUSSEIN INTALO	MEMBER
8	ARBE IBRAE UMURO	COMMITTEE CLERK

PIC and PAC CommitteeActivities includes:

a) Examine Accounts showing appropriation by the county assembly to meet the assembly expenditure.
b) Examine Reports, accounts and working of the county assembly.
c) Examine whether the affairs of the count assembly are managed with sound financial principles.

(e) Entity Headquarters

County Assembly of Marsabit
P.O Box 29-60500
Marsabit, Kenya

(f) Entity Contacts

E-mail: info@countyassemblyofmarsabit.co.ke
Website: www.countyassemblyofmarsabit.co.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

   Marsabit, Kenya

3. Equity Bank Limited
   Marsabit, Kenya

...
...

4. **Independent Auditors**

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

5. **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

Put the forward note by the Clerk of the County Assembly.

Include the following:

Budget performance
During the Financial year ended 30th June 2019, The assembly had a recurrent budget of Kshs 596,999,313 and development of Kshs 145,000,000. However, The Assembly spent Kshs 584,827,172 on recurrent expenditure and Kshs 34,074,131.55on development expenditure respectively. The Amount unspent on recurrent and development budget was surrendered to County Revenue Account as per the PFM act. The budget for recurrentwas 100% funded by the National Treasury
Operational Performance
-The Budget for County Assembly of Marsabit was passed on 27th June 2018, and the supplementary budget was passed on 23rd May 2019. -The County Assembly of Marsabit has 21 committees namely: a) Budget Committee b) Lands Committee c) Trade Committee d) Education Committee e) Administration Committee f) Water Committee g) Agriculture Committee h) PIC and PAC Committee i) Culture Committee j) Security Committee k) Roads Committee l) Delegated Legislation Committee m) Intercounty Committee n) Health Committee o) Procedure and Rules Committee p) House Business Committee q) Liaison Committee r) Vetting Committee s) Speakers Committee t) Equal Opportunities Committee u) Implementation Committee And their mandates among others include: 1. To investigate, inquire into and report all matters related to budget. 2. Examine county budget policy statements. Examine Accounts showing appropriation by the county assembly to meet the assembly expenditure.
Performance of key development projects

In the financial year ended 30th June 2019, the assembly had a continuation of development project, which is the construction of chambers for the members..
Comment on value-for-money achievements
The assembly undertook the development project to construct new chamber for the members, which will enable members to work efficiently.
Challenges and Recommended Way Forward
The main challenge is delayed funding of county assemblies budget hence programs are affected. The tradition of releasing funds towards the end of financial year and some cases non funding which results to pending bills is not appropriate. IFMIS system had challenges most of time due to breakdown or network problem, hence grossly affecting program implementation. Internet banking (IB) has time limits and not operational over weekends thus affecting payments. We recommend that a stable and reliable network be installed and internet banking operational hours be extended to conform with IFMIS.

Sign

Clerk of the County Assembly Of Marsabit

3. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

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

The Clerk accepts responsibility for the County Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended June 30, 2019, and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the County Assembly which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The Clerk confirms that the County Assembly has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Assembly's funds received during the quarter under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Assembly of Marsabit financial statements were approved and signed by the Clerk of the County Assembly on 22/01/ 2020.

Clerk of the County Assembly

REPUBLIC OF KENYA

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

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF MARSABIT 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 Marsabit set out on pages 8 to 32, which comprise of the statement of financial assets and liabilities as at 30 June, 2019, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the County Assembly of Marsabit as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the County Governments, Act 2012.

Basis for Qualified Opinion

1.0 Unsupported Expenditure - Use of Goods and Services

As disclosed under Note 3 of the financial statements, the statement of receipts and payments reflects use of goods and services amounting to Kshs.371,039,132. However, a review of the payment records revealed that Management expended an amount of Kshs.19,514,510 on foreign travel which further includes Kshs.5,463,500 in respect to expenditure incurred by MCAs together with County Assembly staff for accommodation and travel expenses while on foreign trips to Dubai and London. However, Management did not provide the supporting documents such as training needs assessment, back to office reports, passports, boarding passes, training programme and payment to the training institutions for audit review.

Further, an amount of Kshs.511,000 was spent to facilitate MCAs travelling to Isiolo to attend a one (1) day regional stakeholders' workshop from 30 to 31 October, 2018. However, Management paid nightout allowances for MCAs for five (5) days resulting to an over-payment of three (3) extra days totalling Kshs.204,400. The payments were not supported by motor vehicle work tickets, daily attendance registers and training programmes.

In addition, Management made payments amounting to Kshs.24,000,000 for Ward employees and Ward operation expenses. However, Management did not provide supporting documents for Kshs.748,710 disbursed to Korr/Ngurnit, Laisamis and Maikona Ward offices.

In the absence of sufficient and relevant supporting documents, the accuracy and validity of Kshs.6,416,610 included under use of goods and services in the statement of receipts and payments for the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly of Marsabit Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1.0 Budget Control and Performance

The statement of comparative budget and actual amounts: recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.741,999,313 and Kshs.635,237,582 respectively resulting to an under-funding of Kshs.106,761,731 or 14% of the budget. Similarly, the statement reflects final payments budget and actual on comparable basis of Kshs.741,999,313 and Kshs.618,901,305 respectively resulting to an under expenditure of Kshs.123,098,008 or 17% of the budget.

The underfunding and under expenditure affected the planned activities and could have impacted negatively on service delivery for the public.

2.0 Unsupported Pending Accounts Payables

Note 4.10.1 of other disclosures in the financial statements reflects Kshs.16,336,277 being additional pending bills during the year under review. However, the respective

supporting documents including invoices, delivery notes, certificates for work completed and classification of the pending bills were not made available for audit verification.

Further, Note 4.10.1 disclosed the brought forward balance of pending bills from the year ending 30 June, 2018 as Kshs.50,591,573 which were to be transferred to the County Executive for payment on behalf of the County Assembly. However, available records including copies of payment vouchers showed that only Kshs.44,954,571 was transferred resulting to an unexplained variance of Kshs.5,637,002.

In the circumstances, the accuracy and existence of the pending payables balance of Kshs.16,336,277as at 30 June, 2019 could not be confirmed.

3.0 Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Under the progress on audit recommendations, only two (2) issues were addressed thereby excluding sixteen (16) issues whose progress was disclosed. However, Management has not resolved all the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June, 2019.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Unauthorized Expenditure - Use of Goods and Services

During the year under review, Management made payments amounting to Kshs.6,658,200 for domestic travel and subsistence allowance to Members and staff of the County Assembly for conducting report writing and internal training outside Marsabit County. However, Management did not provide approval for the expenditure contrary to Section III (ii) of The National Treasury Circular No. 20/2015 dated 4 November, 2015 on commitment controls and budget which restricted such expenditure.

Management is therefore in breach of the Law.

2.0 Irregular Other Grants and Transfers

As disclosed under Note 4 to the financial statements, the statement of receipts and payments reflects other grants and transfers of Kshs.5,600,000 in respect of membership

fees, dues and subscriptions paid to the County Assembly Forum and to the Society of Clerks At The Table (SOCATT) of Kshs.5,500,000 and Kshs.100,000 paid to County Assembly Forum. However, Management did not provide supporting evidence including legal backing for the Forum and SOCATT for audit review.

However, the two entities to which the County Assembly paid subscription to were not anchored in the law and thus the expenditure incurred could not be confirmed as a proper charge to public funds.

3.0 Unutilized Office Furniture

Note 6 of the financial statements reflects an amount of Kshs.48,147,264 under Acquisition of Assets which includes Kshs.4,073,136 in respect of Purchase of Office Furniture and Equipment which further includes Kshs.3,998,000 spent on procurement of office furniture for Ward offices. However, physical verification in the month of October, 2019 revealed that the furniture was lying idle in the stores four (4) months after delivery as it had not been issued to the Ward offices.

In the circumstances, I am unable to confirm whether there was value for money for the Kshs.3,998,000 expenditure.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Assembly's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Assembly to cease to continue to sustain its services.

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

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

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

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

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

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

31 March, 2021

4. FINANCIAL STATEMENTS

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

		2018/19	2017/18
	Note	KShs	KShs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	635,237,582	600,813,889
TOTAL RECEIPTS		**635,237,582**	**600,813,889**
PAYMENTS			
Compensation of Employees	2	185,402,389	153,926,398
Use of goods and services	3	371,039,132	363,568,599
Other Grants and Transfers	4	5,600,000	3,500,000
Social Security Benefits	5	8,712,520	1,852,706
Acquisition of Assets	6	48,147,264	66,641,039
TOTAL PAYMENTS		**618,901,305**	**589,488,742**
SURPLUS/DEFICIT		**16,336,277**	**11,325,147**

The explanatory notes to these financial statements form an integral part of the financial

Statements. The financial statements were approved on 22/01/ 2020 and signed by:

Clerk of the Marsabit County Assembly

Name:

Chief Finance Office –County Assembly of Marsabit

Name:

ICPAK Member Number:

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

		2018/19	2017/18
FINANCIAL ASSETS	Note	KShs	KShs
Cash and Cash Equivalents			
Bank Balances	7	16,336,277	11,325,147
Total Cash and cash equivalents		**16,336,277**	**11,325,147**
TOTAL FINANCIAL ASSETS		**16,336,277**	**11,325,147**
FINANCIAL LIABILITIES			
NET FINANCIAL ASSETS		**16,336,277**	**11,325,147**
REPRESENTED BY			
Surplus/Deficit for the year		16,336,277	11,325,147
NET FINANCIAL POSITION		**16,336,277**	**11,325,147**

The explanatory notes to these financial statements form an integral part of the financial Statements. The financial statements were approved on 22/01/20 2019 and signed by:

Clerk of the County Assembly of Marsabit

Name:

Chief Finance Officer – County Assembly Of Marsabit

Name: CHARE MATO

ICPAK Member Number: 12146

4.3. STATEMENT OF CASHFLOWS AS AT 30TH JUNE 2019.

	Note	2018/19 KShs	2017/18 KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	635,237,582	600,813,889
Payments for operating expenses		**635,237,582**	**600,813,889**
Compensation of Employees	2	185,402,389	153,926,398
Use of goods and services	3	371,039,132	363,568,599
Other grants and transfers	4	5,600,000	3,500,000
Social Security Benefits	5	8,712,520	1,852,706
		570,754,041	**522,847,703**
Adjusted for:			
Adjustments during the year			0
1.Returns to CRF Account for the year 2016/2017		29,182,339	
2.Returns to CRF Account for the year 2017/2018		11,325,147	
Net cash flows from operating activities		**23,976,055**	**77,966,186**
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	48,147,264	66,641,039
Net cash flows from investing activities		**48,147,264**	**66,641,039**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(24,171,209)**	**11,325,147**
Cash and cash equivalent at BEGINNING of the year	13	**40,507,486**	**29,182,339**
Cash and cash equivalent at END of the year		**16,336,277**	**40,507,486**

The explanatory notes to these financial statements form an integral part of the financial

Statements. The financial statements were approved on 22/01/20 2019 and signed by:

Clerk of the County Assembly of Marsabit

Name:

Chief Finance Office – County Assembly Of Marsabit

Name: CHARE MATO

ICPAK Member Number 12146

4.4. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED FOR THE YEAR ENDED 30TH JUNE 2019.

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	%Utilization difference
	KShs	KShs	c=a+b	e=d-c	KShs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	741,999,313	0	741,999,313	635,237,582	100
TOTAL	741,999,313	0	741,999,313	635,237,582	-
PAYMENTS					
Compensation of Employees	185,711,668	(300,000)	185,411,668	185,402,389	100
Use of goods and services	354,695,120	16,351,654	371,046,774	371,039,132	100
Other grants and transfers	2,400,000	3,200,000	5,600,000	5,600,000	100
Social Security Benefits	25,867,735	(5,000,000)	20,867,735	8,712,520	42
Acquisition of Assets	173,324,790	(14,251,654)	159,073,136	48,147,264	90
TOTAL	**741,999,313**		**741,999,313**	**618,901,305**	-
SURPLUS/ DEFICIT	**NIL**		**NIL**	**16,336,277**	

1. The reason for budget underutilization is because the money in question relates to gratuity of ward office staff. The board has not finalized on the modalities of payment hence the same was returned to County Revenue Fund.

The entity financial statements were approved on 22/01 20~~19~~ and signed by:

Clerk of the Assembly
Name:

Chief Finance Office – County Assembly
Name: CHARE MATO
ICPAK Member Number: 12146

4.5. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT FOR THE YEAR ENDED 30TH JUNE 2019.

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	596,999,313	0	596,999,313	596,999,313	100
TOTAL	596,999,313	0	596,999,313	596,999,313	-
PAYMENTS					
Compensation of Employees	185,711,668	(300,000)	185,411,668	185,402,389	100
Use of goods and services	354,695,120	16,351,654	371,046,774	371,039,132	100
Other grants and transfers	2,400,000	3,200,000	5,600,000	5,600,000	100
Social Security Benefits	25,867,735	(5,000,000)	20,867,735	8,712,520	42
Acquisition of Assets	28,324,790	(13,251,654)	15,073,136	14,073,132	100
TOTAL	**596,999,313**		**596,999,313**	**584,827,173**	-
Surplus/ Deficit	**NIL**		**NIL**	**12,172,140**	

(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*)

1. The reason for budget underutilization is because the money in question relates to gratuity of ward office staff. The board has not finalized on the modalities of payment hence the same was returned to County Revenue Fund.

The entity financial statements were approved on 22/01/20 ~~2019~~ and signed by:

Clerk of the Assembly
Name: MATANGO KAMATA

Chief Finance Office – County Assembly
Name: CHARO MATO
ICPAK Member Number: 12146

4.6. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT FOR THE YEAR ENDED 30TH JUNE 2019

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilization difference
	KShs	KShs	c=a+b	e=d-c	KShs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	145,000,000	0	145,000,000	38,238,269	100
TOTAL	145,000,000	0	145,000,000	38,238,269	-
PAYMENTS					
Acquisition of Assets	145,000,000	0	145,000,000	34,074,132	100
TOTAL	**145,000,000**	-	**145,000,000**	**34,074,132**	-
SURPLUS/ DEFICIT	**NIL**		**NIL**	**4,164,138**	

The entity financial statements were approved on 22/01/20 ~~2019~~ and signed by:

Clerk of the Assembly
Name:

Chief Finance Office – County Assembly
Name: CHARE MATO
ICPAK Member Number: 12146

4.7. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	KShs	KShs	KShs	KShs	KShs
Programme 1: General Administration Support Services					
SP 1.1 salaries and allowances for employees and M.C.As	178,361,667.80	(1,500,000)	176,861,667.80	176,861,669	100
SP 1.2 Hospitality, Catering services, donations and gifts, boards, committees, conference and seminars	49,789,098	2,000,000	51,789,098	51,789,098	100
Total Expenditure for Programme 1	**228,150,765.80**		**228,650,765.80**	**228,650,765.80**	
Programme 2: Legislature and Oversight					
SP 2.1 Domestic and foreign accommodation, air travels and daily subsistence allowance	111,257,475.00	(3,485,490)	107,771,985	107,827,122	100
SP 2.2 ICT, Hansard and Communication equipment	6,448,547.20	2,000,000	8,448,547.20	8,441,146	99.9
SP 2.3 Mortgage & Car Loans tax	2,824,790.00	(2,824,790)	0	0	
SP 2.4 Staff Trainings and Development and Tuitions	20,950,000.00	8,000,000	28,950,000.00	28,950,000	100
Total Expenditure for Programme 2	**141,480,812.20**		**145,170,532.20**	**145,218,268**	
Programme 3: County Assembly Infrastructures services					
SP 3.12 Maintenance of motor vehicle	8,000,000	1,000,000	9,000,000	8,999,061	100

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
SP 3.13 Purchase of furniture and general equipments	13,500,000	(3,426,864)	10,073,136	10,073,136	100
SP 3.14 Construction of County Assembly Headquarters and modern chambers	145,000,000	0	145,000,000	34,074,131.55	23.5
SP 3.16 Maintenance of plants, machinery & other assets	4,200,000	4,700,000	8,900,000	8,892,726	99.9
SP 3.17 Electricity, water and sewerage and other utility charges	7,000,000	2,000,000	9,000,000	9,000,000	100
SP 3.18 Printing, advertisement and information supplies and services	23,000,000	4,324,790	27,324,790	27,324,790	100
SP 3.19 Rental of approved assets and hire of motor vehicles	13,200,000	(5,200,000)	8,000,000	7,999,920	99.9
SP 3.20 Insurance cost for group personal, building, motor vehicle and medical cover	26,000,000	(1,487,646)	24,512,354	24,499,854	99.9
SP 3.21 Purchase of computers, printers and general office supplies and accessories and sanitary cleaning materials	28,250,000	4,000,000	32,250,000	32,250,000	100
SP 3.22 Fuel, oil, lubricants and tyres	9,000,000	(2,000,000)	7,000,000	7,000,000	100
SP 3.23 Bank service commission and charges, legal fees, management fees and contracted professional charges and other operating expenses	22,600,000	(2,000,000)	20,600,000	20,583,420.00	99.9
SP 3.24 Ward office	24,000,000	0	24,000,000	24,000,000	100

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
SP 3.25Specialised materials and supplies	1,000,000	2,500,000	3,500,000	3,499,928	99.9
SP 3.26 Membership fees and dues and subscription for international organization	2,400,000	3,200,000	5,600,000	5,600,000	100
SP 3.28 Refurbishment of buildings	0	4,000,000	4,000,000	3,998,996	99.9
SP 3.29 Gratuity/pension	33,217,735.00	(3,800,000)	29,417,735.00	17,236,315	58.6
SP 3.30 Purchase of motor vehicle	12,000,000	(12,000,000)	0	0	
Total expenditure for Programme 3	**372,367,735.00**		**368,178,015**	**245,032,278**	
Total Expenditure for all programmes	**741,999,313**		**741,999,313**	**618,901,312**	

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

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 *entity* at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

10. Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. Marsabit County Assembly's budget was approved as required by Law. The original budget was approved by the County Assembly on 27th June 2018 for the period 1st July 2018 to 30 June 2019 as required by law. A high-level assessment of Marsabit County Assembly's actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

11. Comparative figures

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

12. Subsequent events

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

13. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

14. Related party transactions

Related party transactions involve cash and in kind transactions with the National Government, National Government entities and County Government entities. Specific information with regards to related party transactions is included in the disclosure notes.

4.9. 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	120,000,000	161,454,526
Transfers from the County Treasury for Q2	95,000,000	194,000,000
Transfers from the County Treasury for Q3	154,838,269	120,000,000
Transfers from the County Treasury for Q4	265,399,313	125,359,363
Cumulative Amount	**635,237,582**	**600,813,889**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. COMPENSATION OF EMPLOYEES

	2018/19	2017/18
	KShs	KShs
Basic salaries of permanent employees	176,861,669	153,926,398
Basic wages of temporary employees		
Personal allowances paid as part of salary		
Compulsory national social security schemes	8,540,720	
Total	**185,402,389**	**153,926,398**

3. USE OF GOODS AND SERVICES

	2018/19	2017/18
	KShs	KShs
Utilities, supplies and services	9,000,000	9,877,200
Communication, supplies and services	8,441,146	8,714,943
Domestic travel and subsistence	88,257,475	79,959,189
Foreign travel and subsistence	19,514,510	6,941,308
Printing, advertising and information supplies & services	27,324,790	22,483,863
Rentals of produced assets	7,999,920	10,199,920
Training expenses	28,950,000	15,421,878
Hospitality supplies and services	51,789,089	63,993,305
Insurance costs	24,512,354	17,369,327
Specialized materials and services	3,499,928	1,000,000
Office and general supplies and services	32,250,000	23,354,819
Fuel Oil and Lubricants	7,000,000	282,331
Other operating expenses	44,599,920	48,837,226
Routine maintenance – vehicles and other transport equipment	8,999,999.87	8,001,104
Routine maintenance – other assets	8,900,000	8,216,326
Payables from previous financial records	0	38,915,860
Total	**371,039,132**	**363,568,599**

4. OTHER GRANTS AND TRANSFERS

	2018/19	2017/18
	KShs	KShs
Membership fees dues and subscriptions	5,600,000	3,500,000
Total	**5,600,000**	**3,500,000**

This is the monies paid to Society of the Clerk-At-The-Table(SOCCATT) and County Assemblies Forum(CAF)

5. SOCIAL SECURITY BENEFITS

	2018/19	2017/18
	KShs	KShs
Government pension and retirement benefits	8,712,520	1,852,706
Total	**8,712,520**	**1,852,706**

This is the payment made to LAPFUND

6. ACQUISITION OF ASSETS

Non- Financial Assets	2018/19	2017/18
	KShs	KShs
Construction of Buildings	34,074,132	40,912,879
Refurbishment of Buildings	3,999,996	0
Purchase of Vehicles and Other Transport Equipment	0	11,846,000
Purchase of Office Furniture and Equipment	4,073,136	13,882,160
Purchase of ICT Equipment(Computers)	6,000,000	0
TOTALS	**48,147,264**	**66,641,039**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. CASH AND BANK BALANCES

BANK BALANCES

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2018/19	2017/18
		KShs	KShs
Central Bank Of Kenya, A/c No 1000198761,Kshs	Development Acc	4,164,137	9,087,121
Central Bank Of Kenya, A/c No 1000198753,KSHS	Recurrent Acc	4,038,299	1,407,158
Equity Bank, A/c No 1010261309104,Kshs	ImprestAcc	8,133,841	830,868
Total		**16,336,277**	**11,325,147**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. ACCOUNTS PAYABLE

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

4.10. 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
Supply of goods	50,591,573	16,336,277	(50,591,573)	16,336,277
Total	**50,591,573**	**16,336,277**	**(50,591,573)**	**16,336,277**

2. RELATED PARTY DISCLOSURES

3. CASH AND CASH EQUIVALENTS

The balances at the closure of the year 2017/2018 of Kshs 40,507,486 as per the Cashflows statements have been returned to the County Revenue Fund as per the requirements of the PFM Act.

4. RETENTION MONIES

At the end of the financial year 2018/2019 the County Assembly of Marsabit had a pending bill relating to retention of Kshs 4,164,137.

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.The following comprise of related parties to the County Assembly.

- Members of County Assembly;
- Key management personnel that include the Clerk of the Assembly and heads of departments;
- The County Executive;
- County Ministries and Departments;
- Other County Government entities including corporations, funds and boards;
- The National Government;
- Other County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

OTHER DISCLOSURES (CONTINUED)

Related party transactions:

	2018- 2019 Kshs	2017- 2018 Kshs
Compensation to Key Management		
Compensation to the Speaker, Deputy Speaker and the MCAs	0	0
Key Management Compensation(Clerk and Heads of departments)	0	0
Total Compensation to Key Management	**0**	**0**
Transfers to related parties		
Transfers to other County Government Entities such as car and mortgage schemes	0	0

Transfers to County Corporations	0	0
Transfers to non reporting entities e.g ECD centres, welfare centres etc	0	0
Total Transfers to related parties	**0**	**0**
Transfers from related parties		
Transfers from the County Executive- Exchequer	0	0
Payments made on behalf of the County Assembly by other Government Agencies	0	0
(Insert any other transfers received)	0	0
Total Transfers from related parties	**0**	**0**

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.0	Failure to establish an audit committee	The process of recruitment is already in process.	Fred Injela Head of Accounts	Resolved	
2.0	Lack of ICT Policy	The draft ICT Policy has been prepared	Fred Injela Head of Accounts	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.....27/01/2020.....

ANNEXES

ANNEX 1–ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018/19	Outstanding Balance 2017/18	Comments
	A	b	c	d=a-c		
Construction of buildings						
1. Precision Civil Engineering Ltd				4,164,137.45		
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10. LAPFUND				12,172,141		
11.						
12.						
Sub-Total				**16,336,277**		
Grand Total				**16,336,277**		

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (KShs) 2017/18	Additions during the year (KShs)	Disposals during the year (KShs)	Transfers in/(out)	Historical Cost c/f (KShs) 2018/19
Land					
Buildings and structures	197,960,136	38,073,127.55			236,033,263.55
Transport equipment	43,035,000	0			43,035,000
Office equipment, furniture and fittings	60,582,492	4,073,136			64,655,628
Purchase of ICT Equipment(Computers)		6,000,000			6,000,000
Total	**301,577,628**	**48,146,263.55**			**349,723,891.55**