REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF MURANG'A

FOR THE YEAR ENDED 30 JUNE 2018

Revised Template of [30-06-2018)]

OFFICE OF THE AUDITOR GENERAL
CENTRAL HUB
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MURANGA COUNTY GOVERNMENT

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIALYEAR 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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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Key Management

The *Murang'a county Government* day-to-day management is under the following key organs:

- Murang'a County Executive
- Murang'a County Assembly and
- Murang'a County Public Service Board

(c) Fiduciary Management

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

No.	NAME	DESIGNATION
1.	Mr Peter G. Kahora	Chief officer-Finance and economic planning
2.	Mr. Edwin K. Kimuyu	Chief Officer Revenue& County Financial Operation
3.	Mr Patrick Mukuria	County Secretary
4.	Mr James Gitau	Ag. Chief Officer-Health
5.	Mr . Peter Mburu	Chief Officer-Trade
6.	Mr .John Magondu	Chief Officer-Transport & Infrastructure
7.	Mr. Bernard Kariuki	Chief Officer-Cooperatives development
8.	Mr.Peter Mburu	Chief Officer-Agri-business
9.	Mr.Peter Muiruri jangi	Chief Officer-Agriculture
10.	Mr .Jacob Muthamia	Chief Officer-Governorship and Administration
11.	Mr.Dominic Mathenge	Ag. Chief Officer-Human Resource
12.	Mr. Isaac Njai	Chief Officer-Education
13.	Mr.Jlius Mwangi	Ag. Chief Officer-Environment
14.	Mr. George Ngugi	Chief Officer-Lands
15.	Mr Richard Kamami	Chief Officer-PSB
16.	Mr Kenneth Wahome	Ag. Chief Officer-supply chain

(d) Fiduciary Oversight Arrangements

The County government consists of two arms of government namely the county executive and county assembly as per the Kenya Constitution of 2010. The county assembly has an oversight role on the management of the county government through the County Public Account Committee, County Finance Committee, County Budget Committee and Committee on implementation. Sectorial committee's to have an oversight role in their respective sector programs.

The county also has an Internal Audit Department which ensures that internal control are followed

The county also works hand in hand with the development partners to ensure that funds received from donors are utilized as their terms

(e) County Headquarters

P.O. Box 52-10200
County Hall
Murang'a Town
Nairobi, KENYA

(f) County Contacts

Telephone: (254) 2030271
E-mail: info@muranga.go.ke
Website: www.muranga.go.ke

(g) County Bankers

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

2. Kenya Commercial Bank
   Murang'a

(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

II. FORWARD BY THE CEC

I hereby forward the consolidated financial statements for the financial year ended 30th June 2018. These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the Public Finance Management Act 2012. The accounts show the county had a surplus of 194Million

Murang'a County Government had prepared its budget guided by the county's integrated development plan with key development programs been Infrastructure development, Milk production and marketing, increased food production and production and provision of water allocated the lion share of development funds. ECD and Youth polytechnics were also allocated funds to improve the infrastructure and education/training standards.

The impact of these programs can already be felt for example the two irrigation projects that have been completed have enhanced food production. Milk production has increased fourfold following the provision of quality A.I services and a ready market. These initiatives are providing farmers with guaranteed monthly income that has boosted the livelihood of many to mention but a few. The county projects are completed in time thereby ensuring the residents get value for their money.

The main challenge the county is facing is growing its revenue base. With few industries in the county and low economic activities, the county is constrained on local revenues. We also faced challenges on timely approval of budgets and processing of all financial items through IFMIS which is been addressed with assistance from the National Treasury officials. The county executive and that county assembly had a cordial working relation that has greatly contributed to the planning and implementation of development programs. We look forward to achieving a high rate of development in the county stimulated by the county government initiatives.

DAVID WAWERU
CEC-FINANCE, IT AND ECONOMIC PLANNING
MURANGA COUNTY GOVERNMENT

III. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of revenue and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The County Executive Committee (CEC) member for finance of the County Government is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;(ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Government; (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 Government; (v) selecting and applying appropriate accounting policies; and(vi) making accounting estimates that are reasonable in the circumstances.

The CEC member for finance accepts responsibility for the County Government'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 CEC member for finance is of the opinion that the County Government's financial statements give a true and fair view of the state of the County Government's transactions during the financial year ended June 30, 2018, and of its financial position as at that date. The CEC member for finance further confirms the completeness of the accounting records maintained for the County Government 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 CEC member for finance confirms that the County Government has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Government's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the CEC member for finance confirms that the County Government's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Government's financial statements were approved and signed by the CEC member for finance on _____2019

County Executive Committee member – Finance

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF MURANG'A FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Executive of Murang'a set out on pages 7 to 42, which comprise the statement of assets as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation - 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 Executive of Murang'a as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracy of the Financial Statements

A review of the financial statements for the year ended 30 June 2018 revealed the following misstatements:

1.1. Cash and Cash Equivalent

Cash and cash equivalents amounted to Kshs.758,480,323 as at 30 June 2018 as per the statement of assets. The statement of cash flows however reflects a balance of Kshs.759,331,910 at the year end, resulting in unexplained variance of Kshs.851,587.

1.2. Fund Balance Brought Forward

The statement of assets as at 30 June 2018 reflects fund balance brought forward of Kshs.565,211,070. However, the corresponding Note 24 to the financial statements reflects a balance of Kshs.758,480,323 resulting in unexplained variance of Kshs.193,269,253.

1.3. Prior Year Adjustments

The statement of assets reflects prior year adjustments amount of Kshs.260,427,656 carried out during financial year 2017/2018. However, the prior year adjustments of Kshs.260,427,656 were not explained or analyzed.

1.4. Statement of Cash Flows

The statement of cash flows reflects net cash flows from operating activities for the year ended 30 June 2018 amounting to Kshs.1,030,050,340. However, the figures comprising cash flows from operating activities as reported on the face of the statement of cash flows when recasted amounts to Kshs.1,285,768,938. The resulting variance of Kshs.255,718,598 was not explained.

1.5. Summary Statement of Appropriation

The statement of appropriation - recurrent and development combined reflects a final total expenditure budget of Kshs.7,699,437,664 for the year ended 30 June 2018. The approved budget, however, reflects a total expenditure budget of Kshs.7,627,496,603 comprising Kshs.4,610,570,247 for recurrent and Kshs.3,016,926,356 for development, thus resulting in unexplained difference of Kshs.71,941,061.

In addition, the statement of appropriation reflects a final budget for receipts amounting to Kshs.7,503,064,873 against a budgeted expenditure of Kshs.7,627,496,603, thereby leading to a budget deficit of Kshs.124,431,730.

In view of the foregoing, the completeness and accuracy of the financial statements for the year ended 30 June 2018 could not be confirmed.

2. Variance Between IFMIS Balances and Financial Statements

The amounts and balances reflected in the financial statements for the year ended 30 June 2018 differs with IFMIS Report figures as summarized below:

2.1. Statement of Receipts and Payments

Item Category	Amounts as Per Financial Statements Kshs.	Amounts as Per IFMIS Kshs.	Variance Kshs.
Acquisition of Assets	839,596,195.00	892,716,625.80	53,120,430.80
Compensation of Employees	3,326,870,489.00	2,574,893,225.50	-751,977,263.50
Exchequer Releases	6,191,000,000.00	11,950,180,344.00	5,759,180,344.00
Finance Costs, Including Loan Interest	33,461,978.00	30,160,081.00	-3,301,897.00
Other Grants and Transfers	203,630,631.00	90,493,797.00	-113,136,834.00
Other Payments	94,699,089.00	125,240,567.70	30,541,478.70
Other Receipts	423,996,982.00	24,908,490.40	-399,088,491.60
Proceeds from Domestic and Foreign Grants	422,083,894.00	0.00	-422,083,894.00
Social Security Benefits	2,080,184.00	3,524,423.00	1,444,239.00
Subsidies	7,769,519.00	9,265,695.65	1,496,176.65
Transfers from Other Government Entities	0.00	20,749,146.00	20,749,146.00
Transfers to Other Government Units	501,971,452.00	108,129,688.00	-393,841,764.00
Use Of Goods and Services	1,597, 445,503.00	1,602,324,775.05	4,879,272.05
Returned CRF Issues	16,616,907.00	0	-16,616,907.00

No explanations or reconciliations were provided for the above variances.

2.2. Statement of Assets

The balances reflected in the statement of assets as at 30 June 2018 also differs with IFMIS Report as summarized below:

Item Category	Balances as Per Financial Statements Kshs.	Balances as Per IFMIS Report Kshs.	Variance Kshs.
Accounts Receivables – Outstanding Imprests	0	7,809,841	7,809,841
Bank Balances	757,868,229	11,880,212,705	11,122,344,476
Cash Balances	612,094	40,243,666,156	40,243,054,062
Accounts Payable – Deposits and Retentions	7,524,164	23,213,754,589	23,206,230,425
Fund Balance B/Forward	565,211,070	22,358,845,011	21,793,633,941
Prior Year Adjustment	-260,427,656	0	260,427,656
Surplus/deficit for the Year	446,172,744	6,559,089,102	6,112,916,358

Similarly, no reconciliations were provided for the above differences.

2.3. Statement of Appropriation – Unexplained Budget Adjustments

Further, a comparison of summary statement of appropriation – recurrent and development combined for the year ended 30 June 2018 and IFMIS report revealed budget adjustments as follows:

Item	Adjustments as per IFMIS Report Kshs.	Summary Statement of Appropriation Adjustments Kshs.	Variance Kshs.
Acquisition of Assets	707,089,000	32,000,000	675,089,000
Finance Costs, Including Loan Interest	15,000,000	0	15,000,000
Other Grants and Transfers	57,500,000	12,000,000	45,500,000
Social Security Benefits	5,000,000	0	5,000,000
Transfers to Other Government Units	75,500,000	0	75,500,000
Use of Goods and Services	709,031,554	-21,313,155	730,344,709

No reconciliations were provided for the variances relating to the above adjustments.

3. Presentation and Disclosures of the Financial Statements

A review of the financial statements for the year ended 30 June 2018 further revealed the following anomalies as regards presentation and disclosures contrary to the reporting format prescribed by the Public Sector Accounting Standards Board:

i. The budget and actual figures were not included in the statement of budget execution by programmes and sub-programmes.

ii. The financial statements submitted did not include an analysis of pending accounts payable under Annex 1, inter- entity transfers under Annex 5 and a bank reconciliation report from IFMIS under Annex 6.

iii. A statement of assets instead of a statement of financial assets and liabilities as at 30 June, 2018 was prepared and submitted.

4. Variance in County Own Generated Receipts

The statement of receipts and payments for the year ended 30 June 2018 reflects County Own Generated Receipts of Kshs.423,996,982 for the year ended 30 June 2018. However, the supporting schedule provided for audit showed that the County Own Generated Receipts amounted to Kshs.454,597,965, resulting in unexplained variance of

Kshs.30,600,983. Consequently, the accuracy and completeness of receipts for the year under review could not be confirmed.

5. Use of Goods and Services

5.1. Unsupported Hospitality Supplies and Services expenditure

Disclosed in Note 12 to the financial statements under use of goods and services is an expenditure of Kshs.53,024,058 relating to hospitality supplies and services. Included in this figure are payments totalling Kshs.2,831,200 in respect of hotel and conference facilities and services offered to the County on diverse dates. However, no documentary evidence in form contract agreements or Local Service Orders issued for the procurement of the services were provided for audit review. As a result, the propriety and validity of the expenditure of Kshs.2,831,200 could not be confirmed.

5.2. Specialized Materials and Services

Included also in Note 12 to the financial statements is an expenditure of Kshs.911,742,236 relating to specialized materials and services. However, the following unsatisfactory observations were made:

5.2.1. Expenditure on Nipe Macho Nione Medical Camp

Included in the expenditure on specialized materials and services is an amount of Kshs.6,082,160 in respect of allowances and refreshments during Nipe Macho Nione Medical Camps organized across the County during the month of November and December 2017 as detailed below:

Date	PV No.	Payee	Amount Kshs.
11/9/2017	10005657	Barclays Bank of Kenya Ltd	1,520,540
11/9/2017	10005656	Barclays Bank of Kenya Ltd	1,520,540
11/7/2017	10005640	Barclays Bank of Kenya Ltd	1,520,540
11/7/2017	10005641	Barclays Bank of Kenya Ltd	1,520,540
		Total	**6,082,160**

However, the allowances paid to various officers participating in the medical camp and the expenditure on refreshments were not supported by schedules signed by the recipients confirming receipt of the allowances, work tickets for vehicles involved in the exercise, receipts and invoices. In the circumstances, the authenticity, validity and propriety of the expenditure of Kshs.6,082,160 could not be confirmed.

5.2.2. ECDE Feeding Programme

Further, included in specialized materials and services expenditure is an amount of Kshs.47,346,805 explained to have been spent in various ECDE Centers within the County to cater for feeding programmes. However, expenditure returns and related records for the funds transferred to the ECDE Centers were not provided for audit review. Therefore, the validity and propriety of the expenditure of Kshs.47,346,805 could not be confirmed.

5.3. Unsupported Routine Maintenance costs

The financial statements under Note 12, includes an expenditure of Kshs.117,245,807 in respect of routine maintenance of motor vehicles and other transport equipment. This amount includes an amount of Kshs.2,739,325 spent on repair and servicing of motor vehicles as analyzed below:

Date	Voucher No.	Payee	Amount Kshs.
10.05.2018	49128	S.M. Hungi Garage	187,550
29.09.2017	46358	S.M. Hungi Garage	184,800
7.11.2017	47162	Thika Motor Dealers	710,160
7.11.2017	46361	Quinter Enterprises Ltd	106,700
8.02.2018	48359	Thika Motor Dealers	587,015
19.01.2018	47770	S.M. Hungi Garage	963,100
		Total	**2,739,325**

However, procurement records such as request for quotations, evaluation minutes and LSOs were not presented for audit review. In the circumstances, it was not possible to confirm how the service providers were identified and the nature of repairs/service undertaken or the propriety of the expenditure of Kshs.2,739,325.

5.4. Domestic Travel and Subsistence

Note 12 to the financial statements includes domestic travel and subsistence expenditure of Kshs.82,891,247 for the year ended 30 June 2018. However, the following observations were made:

5.4.1. Unsupported Payment of Allowances to MCAs

Included in domestic travel and subsistence expenditure for the year under review are subsistence allowances amounting to Kshs.1,871,625 paid to thirty-one Members of County Assembly (MCAs) while attending various meetings in Mombasa. The details are as follows:

Date	Voucher Number	Amount Kshs.
22-Dec-2017	47522	502,000
22-Dec-2017	47524	400,000
22-Dec-2017	47523	400,000
22-Dec-2017	47517	569,625
Total		**1,871,625**

The management did not give convincing reasons why the County Executive funded the trip yet the County Assembly has its own budget for such activities. In the circumstances, the validity of the expenditure of Kshs.1,871,625 could not be confirmed.

5.4.2. Unsupported subsistence allowances for staff members

Further, included in domestic travel and subsistence expenditure incurred during the year under review is an amount of Kshs.4,063,900 in respect of subsistence allowances for forty-six staff members who attended a workshop in Mombasa between 8 and 13 April, 2018. The payment was made in two instalments vide voucher number 48794 dated 9 April 2018 amounting to Kshs.3,761,500 and payment voucher number 48797 for Kshs.302,500.

However, the expenditure was not supported by signed attendance schedules and evidence of travel such as work tickets and bus fare tickets. As a result, the propriety of the expenditure of Kshs.4,063,900 could not be confirmed.

5.4.3. Expenditure on County Development Progress Workshop

The County Executive also spent a total of Kshs.4,547,000 on subsistence allowances for staff attending a county development progress workshop in Mombasa on unspecified date. However, the amount was also not supported by signed attendance list, detail of venue of the workshop and date and program of the event. As a result, the validity and propriety of the expenditure of Kshs.4,547,000 could not be confirmed.

5.4.4. Unsupported Allowances Paid to Members of the County Assembly

The County Executive also paid allowances amounting to Kshs.5,302,000 to the Members County Assembly (MCAs) while attending development progress workshop in Mombasa. However, there were no records to support the expenditure. The payment was not supported by attendance register, details of venue of the workshop, the program of event and the period the event took place. Consequently, the validity and propriety of the expenditure of Kshs.5,302,000 could not be confirmed.

5.4.5. Unsupported Expenditure on Various Events

The domestic travel and subsistence expenditure of Kshs.82,891,247 further includes an amount of Kshs.5,527,435 incurred on various events held during the year under review. However, the expenditure was not adequately supported with relevant documents such as evidence of travel, invitation letters, attendance registers, purpose of travel and

program of events. Consequently, the propriety and validity of the expenditure amounting to Kshs.5,527,435 could not be ascertained.

6. Acquisition of Assets

6.1. Construction and Civil Works

Note 17 to the financial statements on acquisition of assets includes construction and civil works expenditure of Kshs.509,765,207 for the year ended 30 June 2018. This expenditure includes an amount of Kshs.1,485,364.92 paid to a contractors for the construction of Yamugwe Assistant chief's office. Further, the expenditure includes an amount of Kshs.1,458,385 paid to another contractor for refurbishing County Directorate of Criminal Investigations Officer and County Administration Police Commander residences. However, construction of such facilities falls under the National Government's function and as result, the validity of the two payments totalling Kshs.2,943,749.92 could not be confirmed.

7. Other Current Transfers and Grants

Note 15 to the financial statements on other grants and payments includes other current transfers and grants amounting to Kshs.39,562,478. This amount further includes Kshs.35,095,000 that was transferred to Health Centers and Dispensaries within Murang'a County during the year under review. However, expenditure returns in respect of the payments were not provided for audit review. In the circumstances, the validity and accuracy of the expenditure of Kshs.35,095,000 could not be confirmed.

8. Misallocation of Expenditure

The statement of receipts and payments total payments of Kshs.6,607,525,039 includes an amount of Kshs.277,595,040 which was erroneously charged to wrong accounts. The management did not give explanation for the failure to use budgetary provisions as appropriated by the County Assembly.

9. Summary of Fixed Assets Register

Additions of assets acquired during the year 2017/2018 were not included and disclosed in the summary of fixed assets register under Annex 4 to the financial statements as required under the reporting format prescribed by the Public Sector Accounting Standards Board. Further, there was no evidence that assets inherited from the defunct local authorities in the County were recorded and disclosed in these financial statements. Consequently, the fixed assets balance of Kshs.2,489,541,902.20 as at 30 June, 2018 disclosed in Annex 4 is not fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Murang'a in accordance

with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

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

Other Matter

1. Proceeds from Domestic and Foreign Grants

The statement of receipts and payments reflects proceeds from domestic and foreign grants of Kshs.12,405,000 under comparatives figures for 2016/2017 financial year. However, the corresponding Note 2 to the financial statement reflects a figure of Kshs.349,181,235 in relation to proceeds from domestic and foreign grants.

2. Transfers from other Government Entities

The statement of receipts and payments reflects transfers from other Government Entities amounting to Kshs.336,776,235 under comparative figures for the financial year 2016/2017. However, the corresponding Note 3 to the financial statement reflects nil balance in respect of transfers from other Government Entities.

3. Cash and Cash Equivalents

The statement of assets reflects under cash and cash equivalents a comparative bank balances of Kshs.573,204,840 as at 30 June 2017. However, Note 21A to the financial statements reflects a corresponding bank balances of Kshs.564,235,037 resulting in unexplained variance of Kshs.8,969,803.

4. Pending bills

Disclosed in Note 26.1 to the financial statements are pending bills amounting to Kshs.1,841,330,912 which were outstanding as at 30 June 2018. The pending bills comprised Kshs.285,770,478 and Kshs.1,555,560,434 relating to construction of civil works and supply of goods, respectively. However, tender documents; contract agreements; local purchase/service orders; invoices/certificates of works; and schedules detailing names of the contractors/suppliers, purchase/service order numbers, invoice/certificate numbers and description of goods supplied, services provided or works done were not provided for audit review. As a result, the validity, completeness and accuracy of the pending bills totalling Kshs.1,841,330,912 could not be ascertained.

Had the pending bills of Kshs.1,841,330,912 as at 30 June 2018 been paid and the expenditure charged to the accounts for the year under review, the statement of receipts and payments for the year ended 30 June, 2018 would have reflected a deficit of Kshs.1,395,158,168 instead of the surplus of Kshs.446,172,744 now shown. It is evident that the management entered into financial commitments for which no funds were available.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Revenue

1.1. Shortfall in County Own Generated Receipts

The County Government had budgeted to raise own generated receipts amounting to Kshs.850,000,000 from local sources in the financial year 2017/2018. However, the actual amount collected was Kshs.423,996,982, which is 49.9% of the projected own generated receipts. The resulting revenue shortfall of Kshs.426,003,018 was not explained. Further, actual revenue realized during the year declined by Kshs.111,586,995 (20%) from the previous year collection of Kshs.535,583,977.

The shortfall and decline in revenue collection are indications of revenue leakages and inadequate revenue collection system which need to be addressed including automation of revenue collection.

1.2. Arrears of Revenue

Records held by the County Executive shows that property rates and rent amounting to Kshs.651,475,339 were outstanding as at 30 June 2018. It was not however possible to establish for how long the arrears of revenue had remained outstanding as age analysis of the debtors was not provided for audit review. Further, the arrears of revenue were not disclosed in the financial statements as at 30 June 2018.

1.3. Un-surrendered Receipt Books from Various Sub Counties

A review of Counterfoil Receipt Book Registers (CRBR) revealed that the sub-county revenue supervisors were being issued with revenue receipt books without any proof that

the previous revenue receipts had been properly accounted for. A scrutiny of revenue receipt books issued against surrendered ones indicated that several receipt books with a nominal value of Kshs.18,570,000 issued to various revenue clerks had not been surrendered back to station. The revenue collected through these receipts books therefore remained unaccounted for as of 30 June, 2018.

2. Budget Performance

2.1. Overall Budgeted and Actual Expenditure

The summary statements of appropriation- recurrent, development and combined for the year ended 30 June, 2018 shows that Murang'a County Executive total expenditure budget was Kshs.7,699,437,664 comprising development budget - Kshs.3,088,867,417 and recurrent budget - Kshs.4,610,570,247. as shown below:

Vote	2017/2018 Budget Kshs.	2017/2018 Actual Expenditure Kshs.	Under-expenditure Kshs.	Percentage of Under-expenditure to the Budget
Recurrent	4,610,570,247	4,457,873,532	152,696,715	3%
Development	3,088,867,417	2,149,651,508	939,215,909	30%
Total	**7,699,437,664**	**6,607,525,040**	**1,019,912,624**	**13%**

The overall net under-expenditure in the year 2017/2018 was Kshs.1,019,912,624 or 13% of the total budgeted amount. No satisfactory explanation was provided for the budget under-utilization.

2.2. Development Expenditure

The above analysis also indicates that development funds were not fully utilized as planned resulting in an under expenditure of Kshs.939,215,909 or 30% of the budget. The under-expenditure implies that development projects were not implemented as planned thus impacting negatively on service delivery to the residents of Murang'a County. In addition, an analysis of development budget performance per programme could not be carried out because the approved budget was not coded as per the standard chart of accounts.

2.3. Recurrent Expenditure

During the year under review, the County Executive spent a total of Kshs.4,457,873,532 on recurrent expenditure against a budget of Kshs.4,610,570,247 resulting in under expenditure of Kshs.152,696,715 or 3% of the budget. However, an analysis of individual recurrent items revealed that the county had very low or no absorption on some items,

over-expenditure on others and expenditure on items which did not have a budgetary allocation as detailed below:

Item	Approved Budget Amount Kshs.	Actual Expenditure Kshs.	Under Expenditure Kshs.	Over Expenditure Kshs.	Percentage Utilization
Compensation of Employees	3,264,883,662	3,326,480,489		61,596,827	102%
Use of Goods and Services	995,510,172	468,577,039	526,933,133		47%
Subsidies to Non-Financial Public Enterprises	10,000,000	7,769,519	2,230,481		78%
Other Creditors / Public Enterprises	41,000,000	0	41,000,000		0%
Transfer to other Government Entities	37,000,000	501,971,452		464,971,452	1357%
Social Security Benefits	41,158,986	694,597	40,464,389		2%
Other Payments (Budget Reserves)	104,017,427	90,392,028	13,625,399		87%
Other Grants and Other Payments	3,000,000	36,979,475		33,979,475	1233%
Acquisition of Assets	114,000,000	8,518,842	105,481,158		7%
Repayment of Principal on Domestic and foreign borrowing	0	16,490,091		16,490,091	
Total	**4,610,570,247**	**4,457,873,532**	**729,734,560**	**577,037,845**	**97%**

The management did not provide satisfactory explanation for the under-expenditure of Kshs.729,734,560 and over-expenditure of Kshs.577,037,845, respectively on some items.

3. Budgetary Controls

3.1. Failure to Upload the Approved Budget Figures in IFMIS

A comparison of approved budget figures and budget figures uploaded in IFMIS revealed differences as follows:

Vote	Vote Name	Amounts as per Approved Budget Kshs.	IFMIS Budget Amounts Kshs.	Variance Kshs.
4014	Agriculture, Livestock and Fisheries	675,426,741	590,426,741	85,000,000
4015	Energy, Transport and Infrastructure	1,199,442,837	1,264,442,837	-65,000,000

Vote	Vote Name	Amounts as per Approved Budget Kshs.	IFMIS Budget Amounts Kshs.	Variance Kshs.
4016	Commerce, Trade, Industry and Tourism	39,223,086	106,123,086	-66,900,000
4017	Education and Technical Training	702,753,685	724,007,901	-21,254,216
4018	Health and Sanitation	3,147,196,012	3,154,096,012	-6,900,000
4019	Lands, Housing and Physical Planning	32,717,091	90,617,091	-57,900,000
4022	Youth, Culture, Gender, Social Services and Cooperatives	313,534,030	396,534,030	-83,000,000
4023	Environment & Nat. Resources	18,000,000	16,986,845	1,013,155
4020	Public Service Administration	908,709,198	0	908,709,198

The management did not give explanations for the above erroneous figures recorded in the approved budget of the County Executive for the year ended 30 June 2018.

3.2. Expenditure Charged to Default Accounts

A review of expenditure records and IFMIS report revealed that expenditure amounting to Kshs.31,421,061 was charged to non-voted item described as default account and which was not provided for in the approved chart of accounts prescribed by the National Treasury as analyzed below:

Department	Expense Item	Budget Amount Kshs.	Actual Expenditure Kshs
4013-Ministry of Finance and Planning	Default Value (Non- Departmental)	0	7,524,489
4015-Muranga - Ministry of Transport, Water and Infrastructure.	Default Value (Non- Departmental)	0	2,291,991
4016-Ministry of Trade, Enterprise, Industries and Resource Mobilization	Default Value (Non- Departmental)	0	5,294,537
4017-Ministry of Education, Information Technology and Tourism	Default Value (Non- Departmental)	0	0
4018- Ministry of Health and Sanitation	Default Value (Non- Departmental)	0	12,057,514
4021 - Ministry of Agro - Marketing and Cooperatives	Default Value (Non- Departmental)	0	0
4022-Ministry of Youth, Culture and Social Services	Default Value (Non- Departmental)	0	4,252,530
Total			**31,421,061**

The management did not give justifications for failure to align the County's budget and accounts with the standard chart of accounts and the approved budget.

3.3. Irregular Use of Development Vote Funds

A comparative analysis of schedules of expenditure for the year ended 30 June 2018 revealed that expenditure amounting to Kshs.26,638,558 in respect of recurrent vote/items was irregularly expended and charged on development vote contrary to regulation 47 of the Public Finance Management (County Government) Regulations, 2015 which prohibit reallocations of voted provisions from wage to non-wage expenditure or from capital to recurrent expenditure. The management was therefore in breach of the law.

4. Serialization of Payment Vouchers

A review of IFMIS reports for the year ended 30 June 2018 revealed that the numbering of payment vouchers in IFMIS was not sequential. There were gaps in serialization of payment voucher numbers in IFMIS, thereby exposing the County Executive to possible loss of public funds in case skipped payment voucher numbers were utilized without detection. This is contrary to the provision of regulation 104 (1) of the Public Finance Management (County Government) Regulations, 2015 which requires that all receipts and payments of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Audit Committee

As previously reported, Murang'a County Executive has not established an audit committee as required by regulation 42(1) (e) of the Public Finance Management (County Government) Regulations, 2015. No justification was provided for the prolonged delay in establishment of the committee. Failure to establish an independent audit committee may

lead to loss of public funds or ineffective County Executive operations since the management's activities are not adequately monitored.

2. Purchase of Pharmaceutical Drugs, Non-Pharmaceuticals, Dressings and Lab Reagents

A review of the procurement process for purchase of pharmaceutical drugs, non-pharmaceuticals, dressings and Lab reagents revealed the following weaknesses in internal controls in the year under review:

i. In most cases, inspection and acceptance committee reports for purchase of pharmaceutical drugs, non-pharmaceuticals, dressings and Lab reagents were raised long after goods had been supplied, recorded in stores, and issued to the user departments with some coming six months after delivery.

ii. It was observed that the renal unit at the Murang'a County Referral Hospital did not maintain ledgers showing non–pharmaceuticals issued to the department from the main stores in bulk, utilization and the balance thereof making it impossible to confirm that such supplies paid for were actually delivered.

iii. A follow-up on drugs issued to Murang'a County Referral Hospital Pharmacy department from the hospital main store revealed little or no linkage between counter receipt and issue vouchers (S11) supporting the issues and the ledgers maintained by the pharmacy leading to loss of audit trail and possible loss of drugs and other items.

iv. A check on the requisition of goods from the Muranga County Referral Hospital main store and issuance to the user department revealed that the hospital did not make use of pre-numbered counter receipt and issue vouchers (S11). The issue notes were printed from A4 papers and serial numbers manually inserted on them. No set criteria were provided for the serialization, creating room for inclusion of non-genuine records.

v. A review of the supporting documentation to payment vouchers for supplies to Murang'a County Referral Hospital revealed that counter receipt vouchers (S13) / goods received notes, although pre-numbered, were in some cases not issued sequentially. This means that the Counter Receipt Vouchers were not issued as at the time the goods were received in the stores, but only be used as a formality to support a payment.

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 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 ability of Muranga County Executive to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends 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 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 County Executive 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 Murang`a County Executive`s ability 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 Executive to cease sustaining 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 County Executive of Murang'a 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

I. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017-2018 Kshs	2016-2017 Kshs
RECEIPTS			
Exchequer releases	1	6,191,000,000	5,779,189,434
Proceeds from Domestic and Foreign Grants	2	422,083,894	12,405,000
Transfers from Other Government Entities	3		336,776,235
Proceeds from Domestic Borrowings	4	-	-
Proceeds from Foreign Borrowings	5	-	-
Proceeds from Sale of Assets	6	-	-
Fuel Levy Allocation	7		-
Returns of Equity Holdings	8	-	-
County Own Generated Receipts	9	423,996,982	535,583,977
Returned CRF issues	10	16,616,907	-
TOTAL RECEIPTS		**7,053,697,783**	**6,663,954,646**
PAYMENTS			
Compensation of Employees	11	3,326,870,489	2,532,431,406
Use of goods and services	12	1,597,445,503	1,651,194,325
Subsidies	13	7,769,519	42,620,649
Transfers to Other Government Units	14	501,971,452	650,000,000
Other grants and transfers	15	203,630,631	296,540,771
Social Security Benefits	16	2,080,184	4,084,515
Acquisition of Assets	17	839,596,195	1,317,918,171
Finance Costs, including Loan Interest	18	33,461,978	-
Repayment of principal on Domestic and Foreign borrowing	19		
Other Payments	20	94,699,089	117,514,737
TOTAL PAYMENTS		**6,607,525,039**	**6,612,304,574**
SURPLUS/DEFICIT		**446,172,744**	**51,650,072**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28/11 2019 and signed by:

Chief Office Revenue& County Financial Operation
Name: EDWIN K. KIMUYU
ICPAK Member Number: 8181

Chief Officer Finance
Name: PETER G. KAHORA
ICPAK Member Number:

II. STATEMENT OF ASSETS

	Note	2017-2018 Kshs	2016-2017 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	21A	757,868,229	573,204,840
Cash Balances	21B	612,094	976,033
Total Cash and cash equivalent		**758,480,323**	**565,211,070**
Accounts receivables – Outstanding Imprests	22	-	-
TOTAL FINANCIAL ASSETS		**758,480,323**	**565,211,070**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	23	7,524,164	-
NET FINANCIAL ASSETS		**750,956,159**	**565,211,070**
REPRESENTED BY			
Fund balance b/fwd	24	565,211,070	513,560,998
Prior year adjustments	25	(260,427,656)	-
Surplus/Deficit for the year		446,172,744	51,650,072
NET FINANCIAL POSITION		**750,956,159**	**565,211,070**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28/01/ 2019 and signed by:

Chief Office Revenue& County Financial Operation
Name: EDWIN K. KIMUYU
ICPAK Member Number: 8181

Chief Officer Finance
Name: PETER G. KAHORA
ICPAK Member Number: 7944

III. STATEMENT OF CASHFLOWS

		2017-2018 Kshs	2016-2017 Kshs
Receipts from operating income			
Exchequer Releases	1	**6,191,000,000**	5,779,189,434
Proceeds from Domestic and Foreign Grants	2	422,083,894	12,405,000
Transfers from Other Government Entities	3		336,776,235
Reimbursements and Refunds	7	-	-
Returns of Equity Holdings	8	-	-
County Own Generated Receipts	9	423,996,982	535,583,977
Returned CRF issues	10	16,616,907	-
Payments for operating expenses			
Compensation of Employees	11	(3,326,870,489)	(2,532,431,406)
Use of goods and services	12	(1,597,445,503)	(1,651,194,325)
Subsidies	13	(7,769,519)	(42,620,649)
Transfers to Other Government Units	14	(501,971,452)	(650,000,000)
Other grants and transfers	15	(203,630,631)	-
Social Security Benefits	16	(2,080,184)	(4,084,515)
Finance Costs, including Loan Interest	18	(33,461,978)	-
Other Payments	20	(94,699,089)	(117,514,737)
Adjusted for:			
Adjustments during the year	25	-	(35,179,108)
Net cash flow from operating activities		**1,030,050,340**	**1,334,389,135**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	6	-	-
Acquisition of Assets	17	(839,596,195)	(1,317,918,171)
Net cash flows from Investing Activities		**194,120,840**	**(1,317,918,171)**
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	4	-	-
Proceeds from Foreign Borrowings	5	-	-
Repayment of principal on Domestic and Foreign borrowing	19	-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		**194,120,840**	**51,650,072**
Cash and cash equivalent at BEGINNING of the year	21	**565,211,070**	**513,560,998**
Cash and cash equivalent at END of the year	24	**759,331,910**	**565,211,070**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28/11 2019 and signed by:

Chief Office Revenue& County Financial Operation
Name: EDWIN K. KIMUYU
ICPAK Member Number: 8181

Chief Officer Finance
Name: PETER G. KAHORA
ICPAK Member Number:

IV. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	6,191,000,000		6,191,000,000	6,191,000,000		100%
Proceeds from Domestic and Foreign Grants	462,064,873		462,064,873	422,083,884	(39,980,989)	91%
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Reimbursements and Refunds						
Returns of Equity Holdings						
County Own Generated Receipts	850,000,000		850,000,000	423,996,982	(426,003,018)	50%
Return CRF issues				16,616,907	16,616,907.00	
TOTAL	**7,503,750,819**		**7,503,064,873**	**7,053,697,773**	**-449,367,100**	
PAYMENTS						
Compensation of Employees	3,264,883,662		3,264,883,662	3,326,870,489	61,986,827	102%
Use of goods and services	2,480,012,744	-21,313,155	2,458,699,589	1,597,445,503	-861,254,086	65%
Subsidies	10,000,000		10,000,000	7,769,519	-2,230,481	78%
Transfers to Other Government Units				501,971,452		1
Other grants and transfers	270,000,000	12,000,000	282,000,000	203,630,631	-78,369,369	72%
Social Security Benefits	51,158,986		51,158,986	2,080,184	-49,078,802	4%
Acquisition of Assets	1,425,678,000	32,000,000	1,457,678,000	839,596,195	-618,081,805	58%
Finance Costs, including Loan Interest	41,000,000		41,000,000			
Repayment of principal on Domestic and Foreign borrowing	30,000,000		30,000,0000	33,461,978	3,461,978	112%
Other Payments	104,017,427		104,017,427	94,699,089	-9,318,338	91%
TOTAL	**7,676,750,819**	**22,686,845**	**7,699,437,664**	**6,607,525,039**	**-1,091,912,625**	86%

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
SURPLUS/(DEFICIT)						

[*Provide below a commentary on significant underutilization (below 50% of utilization) and any overutilization]*

(a) Transfers to Other Government Units refers to the funds that were transferred to the County Assembly during the year. This had not been anticipated at the beginning of the year.

(b) Own generated revenue target was less by 50% due to the prolonged draught during the year hence the county lost revenue from cess and farm produce in the markets.

(c) The county didn't receive the whole allocation from the RMFL .The balance of kshs.40, 591,435 was credited in our CRF on 21st November 2018.

(Explain *whether the changes between the original and final are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23The total of actual on comparable basis should tie with the totals under receipts and payments where this is not the case, a reconciliation should between the two statements should be prepared and disclosed.)*

V. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	D	e=c-d	f=d/c %
Tax Revenues						
Social Security Contributions						
Proceeds from Domestic and Foreign Grants	233,862,301		233,862,301	234,472,756	610,455	100%
Exchequer releases	3,174,073,644		3,174,073,644	4,311,700,471	1,137,626,827	136%
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Returns to CRF						
Other Receipts	850,000,000		850,000,000	16,616,907	16,616,907	
TOTAL	**4,257,935,945**		**4,257,935,945**	423,996,982	-426,003,018	50%
Compensation of Employees	3,264,883,662		3,264,883,662	**4,986,787,116**	**728,851,171**	
Use of goods and services	1,016,823,327	-21,313,155	995,510,172	3,326,480,489	61,596,827	102%
Subsidies	10,000,000		10,000,000	468,577,039	-526,933,133	47%
Transfers to Other Government Units				7,769,519	-2,230,481	78%
Other grants and transfers	28,000,000	12,000,000	40,000,000	501,971,452	501,97,452	
Social Security Benefits	41,158,986		41,158,986	36,979,475	-3,020,525	92%
Acquisition of Assets	9,000,000	105,000,000	114,000,000	694,597	-40,464,389	2%
Finance Costs, including Loan Interest	41,000,000		41,000,000	8,518,842	-105,481,158	7%
Repayment of principal on Domestic and Foreign borrowing					-41,000,00	0%
Other Payments	104,017,427		104,017,427	16,490,091	16,490,091	
TOTAL	**4,514,883,402**	**95,686,845**	**4,610,570,247**	90,392,028	-13,625,399	87%
SURPLUS/(DEFICIT)				**4,457,873,532**	**-152,696,716**	

VI. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	D	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	3,016,926,356		3,016,926,356	1,879,299,529	-1,137,626,827	62%
Proceeds from Domestic and Foreign Grants	228,202,572		228,202,572	187,611,138	(40,591,434)	82%
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Reimbursements and Refunds						
Returns of Equity Holdings						
County Own Generated receipts						
Fuel Levy Allocation						
TOTAL	**3,245,128,928**		**3,245,128,928**	**2,066,910,657**	**1,178,218,271**	
PAYMENTS						
Compensation of Employees				390,000	390,000	
Use of goods and services	1,463,189,417		1,463,189,417	1,128,868,464	-334,320,953	77%
Subsidies			-			
Transfers to Other Government Units				3,885,695	-3,885,695	
Other grants and transfers	242,000,000		242,000,000	166,651,156	-75,348,844	69%
Social Security Benefits	10,000,000		10,000,000	1,385,587	-8,614,413	14%
Acquisition of Assets	1,416,678,000	(73,000,000)	1,343,678,000	831,077,353	-512,600,647	62%
Finance Costs, including Loan Interest	30,000,000		30,000,000	16,289,953	-13,710,047	54%
Repayment of principal on Domestic and Foreign borrowing						
Other Payments				1,103,300	1,103,300	
TOTALS	**3,161,867,417**	**-73,000,000**	**3,088,867,417**	**2,149,651,508**	**-939,215,909**	**70%**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	D	e=c-d	f=d/c %
SURPLUS/(DEFICIT)						

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

(a) The county didn't receive the whole allocation from the RMFL .The balance of kshs.40, 591,435 was credited in our CRF on 21st November 2018.

(Explain whether the changes between the original and final are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23. The total figures on the recurrent budget execution statement and development budget execution should add up to the totals of the combined statement.)

VII. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	20xx		20xx	Date, 20xx	
	Kshs	Kshs	Kshs	Kshs	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)

VIII. 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 receivables and payables are disclosed in the Statement of Assets and Liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entityall 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 Murang'a County Government. The financial statements encompass the reporting entity as specified under section 164 of the PFM Act 2012.

3. Recognition of receipts and payments

a) Recognition of receipts

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

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

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.

External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the County Government may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

County Own Generated Receipts

These include Appropriation-in-Aid and relates to receipts such as trade licences, cess, fees, property income among others generated by the County Government from its citizenry. These are recognised in the financial statements the time associated cash is received.

Returns to CRF Issues

These relate to unspent balances in the development, recurrent and deposit accounts at the end of the year which are returned to the County Revenue Fund (CRF) and appropriated through a supplementary budget to enable the County to spend funds. These funds are recognised once appropriated through a supplementary budget process.

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.

Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the County consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES (Continued

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.

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, the County did not operate a deposit account and hence did not have any money maintained in the deposit account.

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued

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.

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 developed 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 and as detailed in the County Revenue Allocation Act. The original budget was approved by the County Assembly on April for the period 1st July 2016 to 30 June 2018 as required by law. There was one number of supplementary budgets passed in the year.

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 the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National 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.

IX. NOTES TO THE FINANCIAL STATEMENTS

1 EXCHQUER RELEASES

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Total Exchequer Releases for quarter 1	843,370,000	1,444,797,359
Total Exchequer Releases for quarter 2	1,168,705,000	1,473,693,306
Total Exchequer Releases for quarter 3	2,166,850,000	1,444,797,359
Total Exchequer Releases for quarter 4	2,012,075,000	1,415,901,410
Total	**6,191,000,000**	**5,779,189,434**

2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2017 - 2018	2016 – 2017
			Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
Grants Received from Multilateral Donors (International Organisations)				
Health Sector Programme Support	-	-	-	-
Health Sector Support Project (HSSP)-DANIDA			23,969,045	12,405,000
Grants Received from other levels of government				
Conditional Allocations for free Maternal health care Allocation			10,000,000	79,582,500
Conditional Allocations for Compensation of user fees foregone			20,749,146	20,749,146
Ministry of transport – Coffee Cess Allocation			-	12,629,381
Ministry of Health –Staff allowances (doctors,nurses,clinical officers and health staff)			-	135,018,000
Fuel Levy Allocation			187,611,138	88,797,208
Kenya Development Support Program-KDSP			45,056,255	
National Agricultural and Rural Inclusive Growth Project -NARIGP			50,609,855	
Transfers from Central government entities-YOUTH POLY			84,088,455	
Total			**422,083,894**	**349,181,235**

3 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2017 - 2018	2016 - 2017
TOTAL		

4 PROCEEDS FROM DOMESTIC BORROWINGS

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Borrowing within General Government	-	-
Borrowing from Monetary Authorities (Central Bank)	-	-
Other Domestic Depository Corporations (Commercial Banks)	-	-
Borrowing from Other Domestic Financial Institutions	-	-
Borrowing from Other Domestic Creditors	-	-
Domestic Currency and Domestic Deposits	-	-
Total	-	-

5 PROCEEDS FROM FOREIGN BORROWINGS

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Foreign Borrowing -- Draw-downs Through Exchequer	-	-
Foreign Borrowing - Direct Payments	-	-
Foreign Currency and Foreign Deposits	-	-
Total	-	-

6 PROCEEDS FROM SALE OF ASSETS

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Receipts from the Sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Receipts from Sale of Certified Seeds and Breeding Stock	-	-

Receipts from the Sale of Strategic Reserves Stocks	-	-
Receipts from the Sale of Inventories, Stocks and Commodities	-	-
Disposal and Sales of Non-Produced Assets	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Total	-	-

7 REIMBURSEMENTS AND REFUNDS

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Refund from World Food Programme (WFP)	-	-
Reimbursement of Audit Fees	-	-
Reimbursement on Messing Charges (UNICEF)	-	-
Reimbursement from World Bank – ECD	-	-
Reimbursement from Individuals and Private Organisations	-	-
Reimbursement from Local Government Authorities	-	-
Reimbursement from Statutory Organisations	-	-
Reimbursement within Central Government	-	-
Reimbursement Using Bonds	-	-
Total	-	-

8 RETURNS OF EQUITY HOLDINGS

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Returns of Equity Holdings in Domestic Organisations	-	-
Returns of Equity Holdings in International Organisations	-	-
	-	-
Total	-	-

9 COUNTY OWN GENERATED RECEIPTS

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Interest Received	-	42,678,095
Profits and Dividends	-	-
Rents	-	-
Other Property Income	-	-
Sales of Market Establishments	-	-
Receipts from Administrative Fees and Charges	-	-
Receipts from Administrative Fees and Charges - Collected as AIA	-	-
Receipts from Incidental Sales by Non-Market Establishments	-	-
Receipts from Sales by Non-Market Establishments	-	-
Receipts from Sale of Incidental Goods	-	-
Fines Penalties and Forfeitures	2,754,723	4,737,270
Receipts from Voluntary transfers other than grants	-	-
Business permits	128,086,418	134,186,130
Cesses	43,349,539	58,862,801
Poll rates	37,867,127	44,569,292
Plot rents	-	-
Other local levies	-	-
Administrative services fees	1,609,265	1,716,867
Various fees	27,259,778	25,734,623
Council's natural resources	-	-
Exploitation	-	-
Sales of council assets	-	-
Lease / rental of council's	5,573,804	-
Infrastructure assets	-	5,655,000
Other miscellaneous receipts	1,806,377	20,825,989
Other miscellaneous receipts	-	-
Insurance claims recovery	-	-
Medium term loans (1-3 yr repayment)	-	-
Long term loans (over 3 repayment)	-	-
Transfers from reserve funds	-	-
Donations	-	-

Fund raising events	-	-
Other receipts from financial assets loan	-	-
Market/trade centre fee	25,372,855	34,331,593
Vehicle parking fees	34,279,107	49,496,115
Housing	-	-
Social premises use charges	-	-
School fees	-	-
Other education-related	134,307	150,101
Other education receipts	-	-
Public health services	-	-
Public health facilities operations	-	88,487,868
Environment & conservancy	10,784,830	11,832,266
Administration	-	-
Slaughter houses administration	435,424	578,661
Water supply administration	-	237,490
Sewerage administration	-	-
Other health & sanitation	88,130,197	10,000
Technical services fees	6,542,911	11,493,816
External services fees	10,010,320	-
TOTAL	**423,996,982**	**535,583,977**

10 RETURNED CRF ISSUES

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Recurrent account-assembly	7,194,694.75	-
Recurrent account-assembly	9,180,896.30	-
Development -executive	22,316.00	-
RMFL	219,000.00	-
Total	**16,616,907**	

11 COMPENSATION OF EMPLOYEES

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Basic salaries of permanent employees	3,110,671,214	2,532,431,406
Basic wages of temporary employees	214,287,306	-
Personal allowances paid as part of salary	1,837,269	-
Personal allowances paid as reimbursements	74,700	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	-
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	-
Other personnel payments	-	-
Total	**3,326,870,489**	**2,532,431,406**

12 USE OF GOODS AND SERVICES

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Utilities, supplies and services	53,024,058	63,934,755
Communication, supplies and services	11,210,069	-
Domestic travel and subsistence	82,891,247	138,340,800
Foreign travel and subsistence	5,580,682	1,065,870
Printing, advertising and information supplies & services	15,059,515	150,170,042
Rentals of produced assets	18,220,605	34,197,797
Training expenses	51,041,951	50,693,375
Hospitality supplies and services	46,592,100	61,307,720
Insurance costs	25,415,295	13,189,384
Specialized materials and services	911,742,236	721,474,804
Office and general supplies and services	16,669,420	32,639,345
Other operating expenses	105,863,366	153,778,151
Routine maintenance – vehicles and other transport equipment	117,245,807	50,601,708
Routine maintenance – other assets	101,368,455	129,890,063
Fuel	35,304,697	49,910,511
Members subscription fees	216,000	
Total	**1,597,445,503**	**1,651,194,325**

13 SUBSIDIES

Description	2017 – 2018	2016 – 2017
	Kshs	Kshs
Subsidies to Public Corporations		
Subsidies to Public Corporations	7,769,519	42,620,649
	-	-
Subsidies to Private Enterprises		
	-	-
(insert name)	-	-
TOTAL	**7,769,519**	**42,620,649**

14 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2017 – 2018	2016 - 2017
	Kshs	Kshs
Transfers to Central government entities		
	-	-
Transfers to Other Counties		
County Assembly	501,971,452	650,000,000
Other Transfers		
TOTAL	**501,971,452**	**650,000,000**

15 OTHER GRANTS AND OTHER PAYMENTS

	2017 – 2018	2016 - 2017
	Kshs	Kshs
Scholarships and other educational benefits	-	175,160,065
Emergency relief and refugee assistance	-	-
Subsidies to small businesses, cooperatives, and self employed	65,147,445	50,388,278
Other Current transfers, grants	39,562,478	35,341,695
Other Capital Grants and Transfers	98,920,708	35,650,733
Membership fees and subscriptions	-	-
Total	**203,630,631**	**296,540,771**

16 SOCIAL SECURITY BENEFITS

	017 – 2018	016 - 2017
	Kshs	Kshs
Government pension and retirement benefits	694,597	-
Social security benefits in cash and in kind	1,385,587	4,084,515
Employer Social Benefits in cash and in kind	-	-
Total	**2,080,184**	**4,084,515**

17 ACQUISITION OF ASSETS

Non Financial Assets	2017–2018	2016–2017
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	9,802,675
Refurbishment of Buildings	-	2,963,191
Construction of Roads	35,514,590	637,530,301
Construction and Civil Works	509,765,207	458,452,354
Overhaul and Refurbishment of Construction and Civil Works	-	-
Purchase of Vehicles and Other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	-	4,557,783
Purchase of ICT Equipment	-	-
Purchase of Specialized Plant, Equipment and Machinery	8,342,358	56,262,977
Rehabilitation and Renovation of Plant, Machinery and Equip.	1,000,000	-
Purchase of Certified Seeds, Breeding Stock and Live Animals	146,449,110	148,348,890
Research, Studies, Project Preparation, Design & Supervision	6,439,041	-
Rehabilitation of Civil Works	60,826,752	-
Acquisition of Strategic Stocks and commodities	71,259,137	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Financial Assets		
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
Foreign Payables - From Previous Years	-	-
Total	**839,596,195**	**1,317,918,171**

18 FINANCE COSTS, INCLUDING LOAN INTEREST

	017 - 2018	016 - 2017
	Kshs	**Kshs**
Exchange Rate Losses	-	-
Interest Payments on Foreign Borrowings	-	-
Interest Payments on Guaranteed Debt Taken over by Govt	-	-
Interest on Domestic Borrowings (Non-Govt)	704,000	-
Interest on Borrowings from Other Government Units	32,757,978	-
Total	**33,461,978**	-

19 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING

	2017 - 2018	2016 - 2017
	Kshs	**Kshs**
Repayments on Borrowings from Domestic	-	-
Principal Repayments on Guaranteed Debt Taken over by Government	-	-
Repayments on Borrowings from Other Domestic Creditors	-	-
Repayment of Principal from Foreign Lending & On – Lending	-	-
Total	-	-

20 OTHER PAYMENTS

	2017 - 2018	2016 - 2017
	Kshs	**Kshs**
Budget Reserves	71,155,635	117,514,737
Domestic Account		-
Civil Contingency Reserves	-	-
Other expenses	23,543,454	-
	94,699,089	**117,514,737**

21A: Bank Accounts

Name of Bank, Account No. & currency			REMARKS	2017–2018	2016–2017
				Kshs.	Kshs.
County Revenue Fund A/C No.1000171553				666,682,646	379,419,218.05
CBK-County Development A/C No.1000170988				658,450	22,361
CBK-County recurrent A/C No. 1000171073				22,112,724	175,844,247
CBK-County RMLF A/C No.1000252798				5,028,809	219,863
KCB-Operations A/C No. 1140746464			CLOSED		191,138
KCB –Revenue A/C No. 1140745859				419,980	921,449
Jamii Bora Bank Limited A/C No.303173364001			CLOSED		-
KCB –Imprest A/C No. 1141114828			CLOSED		68,497
Co-Operative Account –Health A/C No.					50,245
Kenya Commercial Bank HealthA/c 114761931					514,290
Kenya commercial bank infrastructure account 1147877130			CLOSED		7,607
Co-operative bank imprest A/C No.01141422417900			CLOSED		204,361
Co-operative bank Operations A/C No.01141422417800			CLOSED		91,839
Co-operative bank Agromarketing A/C No.01141573086800			CLOSED		4,298
KCB –payment A/C No.1149363819				2,582,917	7,211,811.21
Murata sacco- Muranga Coffee A/C No.002070622315			CLOSED		-
Murata sacco- Muranga Tea development A/C No.002060622315			CLOSED		8,529
Murata sacco- Muranga Coffee A/C No.001101000010095					408,931
Co-Operative account-Agriculture A/C No.01141573074000			CLOSED		1,336,934
Co-Operative account –Trade A/C No.01141573092600			CLOSED		4,070
Co-Operative account-education A/C No.01141573102800			CLOSED		31,898
Family Bank PSB a/c No.006000020536			CLOSED		29,198
Family Bank Public Service a/c No. 006000020154			CLOSED		-
Family Bank Land & Housing a/c No.006000023400			CLOSED		134
Consolidated Bank-Youth a/c No.100512030000100			CLOSED		72,603
KCB-Kahuro Sub County A/C No. 1174984864			CLOSED		2,355
KCB-Kiharu Sub County A/C No.11469664811			CLOSED		29,709
KCB-Kandara Sub County A/C No.1147280886			CLOSED		351,565
KCB –Kangema Sub County			CLOSED		126
KCB-Kigumo Sub County a/c no. 1147318395			CLOSED		2,700,542
KCB-Mathioya Sub County			CLOSED		151
KCB –Maragua Sub County a/c			CLOSED		-
KCB-Gatanga Sub County a/c no.1147279861			CLOSED		1,359
KCB-Town Management a/c no. 114694447			CLOSED		417
Family Bank-Muranga County Govt. bursary a/c no.006000024352				2,042,577	3,418,652

Family Bank-Muranga county govt. education recurrent A/C No.006000023401			CLOSED		36,443
EQUITY-MURANGA C. REVENUE A/C 0220273464893				3,196,226	
NARGIP A/C NO.1000368845				50,000,000	
Special Purpose a/c no.1000346485				5,143,900	
Total				**757,868,229**	**564,235,037**

21B: CASH IN HAND

	2017–2018	2016–2017
	Kshs	**Kshs**
Cash in Hand – Held in domestic currency	**612,094**	976,033
Cash in Hand – Held in foreign currency	-	-
Total	**612,094**	976,033

Cash in hand should also be analysed as follows:

	2017–2018	2016–2017
	Kshs	**Kshs**
Gatanga sub-county revenue office	34,390	23,430
Kandara sub-county revenue office	140,940	132,380
Maragua sub-county revenue office	150,900	54,050
Town management sub-county revenue office	161,230	158,933
Kiharusubcounty revenue office	73,510	77,620
Mathioya sub-county revenue office		26,240
Kangema sub-county revenue office		13,060
Kahuro sub-county revenue office		437,310
Kigumo sub-County revenue office	51,124	53,010
HQ revenue office		
Total	**612,094**	**976,033**

22: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	2017–2018	2016–2017
	Kshs	Kshs
Government Imprests	-	-
Clearance accounts	-	-
Outstanding imprest-staff	-	0
Total	-	-

Name of Officer or Institution	*Date Imprest Taken*	*Amount Taken*	*Amount Surrendered*	*Balance*
		Kshs	*Kshs*	*Kshs*
				-
				-
				-
				-
Total				-

23. ACCOUNTS PAYABLE

	2017–2018	2016–2017
	Kshs	Kshs
Retention Ajibika Irrigation project	2,010,729	
Retention amount renovation of milk cooling sites	311,145	-
Retention fee (various construction works)	597,427	
Retention fee release	1,718,109	-
Retention fee various construction works	2,886,754	
	7,524,164	

24. FUND BALANCE BROUGHT FORWARD

	2017–2018	2016–2017
	Kshs	Kshs
Bank accounts	757,868,229	564,235,037
Cash in hand	612,094	976,033
Accounts Receivables		-
Accounts Payables		-
Total	758,480,323	565,211,070

25: PRIOR YEAR ADJUSTMENTS

Description of the error	2017–2018	2016–2017
	Kshs	Kshs
Adjustments on bank account balances		-
Adjustments on cash in hand		-
Adjustments on payables	-	-
Adjustments on receivables		
Others (*specify*)	260,427,656	-
	260,427,656	

OTHER IMPORTANT DISCLOSURES

26.1:PENDING ACCOUNTS PAYABLE (See Annex 1)

	2017–2018	2016–2017
	Kshs	Kshs
Construction of buildings		94,090,753
Construction of civil works	285,770,478	385,495,583
Supply of goods	1,555,560,434	744,266,014
Supply of services		123,648,811
	1,841,330,912	**1,347,501,161**

26.2: PENDING STAFF PAYABLES (See Annex 2)

	2017–2018	2016–2017
	Kshs	Kshs
Unpaid Staff Deductions	-	64,677,968
Unpaid Staff Arrears	-	112,297,241
	-	-
	-	-
Total	-	**176,975,209**

26.3: OTHER PENDING PAYABLES (See Annex 3)

	2017–2018	2016–2017
	Kshs	Kshs
Amounts due to National Government entities	-	-
Amounts due to County Government entities	-	-
Amounts due to third parties	-	-
Others (*specify*)	-	-
	-	-

27 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 Government:

- Key management personnel that include the Governor, the Deputy Governor Members of the County Assembly, CECs and Chief Officers for various County Ministries and Departments;
- County Ministries and Departments;
- The National Government;
- Other County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2017–2018	2016/2017
	Kshs	Kshs
Key Management compensation	-	-
	======	======
Transfers to the County Assembly	501,971,452	650,000,000
Transfers to other County Government entities	-	-
Transfers to County Ministries and Departments	-	-
Transfers from other County Government Entities	-	-
	501,971,452	**650,000,000**
	======	======

28 ESTABLISHMENT OF OTHER COUNTY GOVERNMENT ENTITIES

The PFM Act, 2012 section 182 enables the County Government to establish and resolve County Corporations/ entities. For purposes of follow up on financial reporting, audit and disclosure, outlined below is a list of entities established by the County Government since inception.

Entity	Date Established	Location	Accounting Officer responsible
Xxx Corporation			
Xxx fund			
Xxx Board			
Xxx project			
XXX Scheme			

X. 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)***

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.

CEC, County Treasury

Sign.....

Date.....

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	A	B	c	d=a-c		
Construction of buildings						
1.						
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.						
11.						
12.						
Sub-Total						
Grand Total						

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (*specify*)							
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	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to CountyGovt 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 Costb/f (Kshs) 2016/2017	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2017/2018
Land	541,934,014			541,934,014
Buildings and structures	837,673,200.2	-		837,673,200.2
Transport equipment	614,759,388			614,759,388
Office equipment, furniture and fittings	69,266,240	-	-	69,266,240
ICT Equipment, Software and Other ICT Assets	19,672,500			19,672,500
Other Machinery and Equipment	363,781,863	-		363,781,863
Heritage and cultural assets				
Intangible assets	42,454,701			42,454,701
Total	2,489,541,906.20	-		2,489,541,906.20

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the County Government. Additions during the year should tie to note 17on acquisition of assets during the year.

ANNEX 5: INTER- ENTITY TRANSFERS

Ref	Entity	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Amount transferred Kshs	Amount Confirmed as received Kshs	difference	explanation
1	County Assembly								
2	Xxx fund								
3	Xxx project								
4	Xxx board								
5	Xxx corporation								
6	Xxx								
7	Xxx								
8	Xxx								
9	**Total**								

Director of Finance
County Executive

Director of Finance
County Assembly/fund/project

(NB: This appendix must be agreed and signed by the issuing and receiving party)

ANNEXES

ANNEX 1 – ANALYSIS OF TRANSFERS FROM THE EXCHEQUER

Period	Equitable Share	UNSPENT	LOCAL REVENUE	DANIDA	Health Care Program	KDSP	NARGIP	RMFL	YOUTH POLY	USER FEE
Exchequer Releases for quarter 1	843,370,000	16,616,907	63,900,208					106,428,267		
Exchequer Releases for quarter 2	1,168,705,000		53,104,698	15,463,900	10,000,000					
Exchequer Releases for quarter 3	2,166,850,000		135,407,915			29,535,323	50,609,855			10,374,573
Exchequer Releases for quarter 4	2,012,075,000		171,584,160	8,505,145		15,520,932		81,182,871	84,088,455	
Total	**6,191,000,000**	**16,616,907**	**423,996,982**	**23,969,045**	**10,000,000**	**45,056,255**	**50,609,855**	**187,611,138**	**84,088,455**	**20,749,146**

ANNEX 6–BANK RECONCILIATION/FO 30 REPORT

(Attach FO 30Report from IFMIS)