REPUBLIC OF KENYA

FICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF NYAMIRA

FOR THE YEAR ENDED 30 JUNE 2018

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
28 FEB 2019
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NYAMIRA COUNTY ASSEMBLY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2018

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

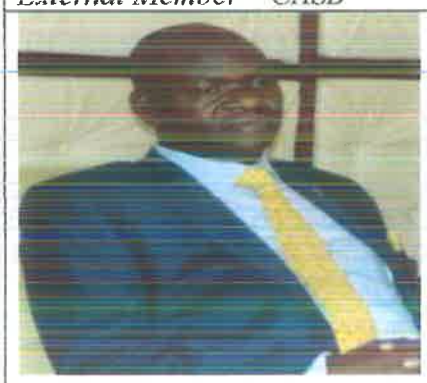
The County is constituted as per the constitution of Kenya is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes thirty-six Members of County Assembly (MCAs) elected to represent members of the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

(b) Key Management

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

County Assembly Service Board

 Hon. Moffat Machogu Teya *Chairman – CASB*	Hon. Moffat Machogu Teya is the Chairman of the County Assembly Service Board (CASB). He was elected as the third Speaker of Nyamira County Assembly on 7th September, 2017. Hon. Teya served as a branch manager of Heritage Insurance, Kisii Branch before his election as the Speaker of Nyamira County Assembly. He is the current and First Chairman of The Lake Region Economic Block Speakers' Caucus. He holds a Bachelor of Commerce degree from the University of Nairobi and he is pursuing MBA at Kisii University. He is also a Certified Public Accountant (CPAK) and Advanced Chartered Insurance Institute (ACII). Hon. Teya is a Church Elder and loves singing gospel music and enjoys playing soccer.
 Hon. Charles Keganda Nyarang'o	Hon. Charles Keganda Nyarango is the Vice chairman of the County Assembly Service Board. He also serves as the Elected Member of County Assembly of Bosamaro Ward. He has previously worked with the National Government under the Procurement Department.

Vice Chairman – CASB	
 Hon. Benson Sironga *Member of CASB*	**Hon. Benson Sironga is a Member of County** Assembly Service Board representing minority interest. He is currently serving his second term as a Member of County Assembly Service Board and a Member of County Assembly for Rigoma Ward. Hon. Sironga has also served as a Director of KTDA – Nyakoba Tea Factory, a position that he holds to date.
 Hon. Linet Maganda *External Member – CASB*	Hon. Linet Maganda is an External of the County Assembly Service Board. She is serving her first term in office as External Member of CASB **having been appointed as from November, 2018.** She is a Teacher by Profession and holds a Bachelor of Arts degree.
 *Hon. Leonard Mugaru* *External Member – CASB*	Hon. Leonard Mugaru is an External member of County Assembly Service Board. He is serving as an External Member of the County Assembly Service Board a position he was appointed to as from November, 2018. He holds a Bachelor and Master's degree

 Duke Simeon Onyari – Secretary to CASB	Mr. Duke Simeon Onyari is the Acting Clerk of Nyamira County Assembly. He has served as the Secretary to the County Assembly Service Board (CASB) as from 4th April, 2018. He is an Advocate of the High Court

(c) Fiduciary Management

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

 Mr. Duke Simeon Onyari *Ag. Clerk – County Assembly of Nyamira*	Mr. Duke Simeon Onyari is currently the Acting Clerk of Nyamira County Assembly and Secretary to CASB. He has served as the Deputy Clerk of the County Assembly as from 1st December 2013. As the Acting Clerk of the County Assembly Mr. Onyari is the Accounting officer responsible for the day to day operation of the County Assembly
 CPA. Leonard Kevin Nyamasege *Ag. Director Finance & Accounts*	Mr. Leonard Nyamasege was appointed as Acting Director Finance & Accounting Services on 5th February, 2018. Prior to the appointment he served as Principal Finance & Budget officer as from 1st December, 2013. Mr. Nyamasege holds a Bachelor of Commerce Degree and Master of Business Administration in Finance from the University of Nairobi. He is also a Certified Public Accountant (CPAK).

 CPA. Erastus Machoka *Director Internal Audit*	Mr. Erastus Machoka is currently serving as the Director Internal Auditor. Prior to the current position Mr. Machoka served as Principal Accountant as from 1st December 2013 and the Director Finance and Accounts as from March 2017 to 5th February 2018. He holds a Bachelor degree and Executive MBA. He is also a Certified Public Accountant (CPAK).
 Ms. Joyce Onyiego *Ag. Director Supply Chain Management*	Ms. Joyce Onyiego is currently serving as the Acting Director Supply Chain Management. Prior to the current position Ms.Onyiego served as the Principal Supply Chain Management Officer as from 1st December 2013. She holds a Bachelor Degree and MSC. Procurement from JKUAT. She is a member of KISM
 Mr. Justus Obwoge Onkundi *Director Human Resource & Administration*	Mr. Justus Onkundi is currently serving as the Director Human Resource and Administration. Prior to the current position Mr.Onkundi served as the Principal Human Resource Officer in the County Assembly. He holds a Bachelor Degree from Moi University.

(d) Fiduciary Oversight Arrangements

- ***County Assembly Audit Committee***

Responsible for oversight of the County Assembly transactions and internal control systems.

- ***Senate Public Accounts Committee***

The committee is responsible for examination of the accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and of such other accounts laid before the Senate.

(e) Entity Headquarters

P.O. Box 590 - 40500
Former Nyamira Town Council Building
Nyamira, Kenya.

(f) Entity Contacts

Telephone: (254) 0701967200
E-mail: info@nyamiraassembly.go.ke
Website: www.nyamiraassembly.go.ke

(g) Entity Bankers

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

2. Kenya Commercial Bank
   Nyamira Branch
   P.O Box 403 - 40500
   Nyamira, Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

2. FORWARD BY THE CLERK OF THE ASSEMBLY

Budget performance

During the financial year, the County Assembly was allocated Kshs.944,428,540, Being Kshs.485,084,188 appropriated for Recurrent Expenditure, Kshs.256,000,000 for Development Expenditure and Kshs.80,000,000 for Car and Mortgage funding. Kshs.123,344,352 for eight months compensation of Members of County Assembly and Honorable Speaker. Supplementary budget was done and the allocation for County Assembly was adjusted to Kshs.776,084,188, Kshs.485,084,188 for Recurrent Expenditure, Kshs.111,000,000 for Car & Mortgage fund, Kshs.180,000,000 for Development Expenditure.

The County Assembly received a total of Kshs.662,075,477 (85% of the total allocated budget estimates). Kshs.485,084,089 was received for Recurrent Expenditure and utilized; whereas Kshs.65,991,388 representing 37% of budgeted estimates for Development Expenditure was received and utilized. The budget estimate for car and Mortgage funding of Kshs.111,000,000 was received and accounted for under the Report of The Nyamira County Assembly Car & Mortgage Loan Scheme as at 30th June 2018.

Operational Performance

The County Assembly passed the following key legislation that aids the operations of the County during the financial year;

- *Nyamira County Appropriations Bill 2018*
- *Nyamira County Supplementary Appropriations Bill 2018*
- *Nyamira County Supplementary Appropriations (No.2) Bill 2018*
- *The Nyamira County Appropriations Act will help the County to utilize resources allocated to each County Departments in an efficient and effective manner.*
- *The County Budget Estimates and the First and Second Supplementary budget estimates were approved and passed by the County Assembly on 22nd June 2017; 14th February, 2018 and 13th June 2018 respectively.*

Assembly committees, their mandates and successes over the period.

- ***County Budget and Appropriations Committee***
- *investigate, inquire into and report on all matters related to coordination, control and monitoring of the of the county budget,*
- *discuss and review the estimates and make recommendations to the County Assembly;*
- *examine the County Budget Policy Statement presented to the County Assembly;*
- *examine Bills related to the national budget, including Appropriations Bills; and*
- *evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.*

The County Budget and Appropriations Committee passed key legislation; Appropriations Bills that helped the County in utilization of the allocated County resources.

- ***Committee on Implementation***
  The Committee shall scrutinize the resolutions of the County Assembly (including adopted reports), petitions and the undertakings given by the County Executive Committee.

- ***County Assembly Public Accounts Committee***
  The committee is responsible for examination of the accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and of such other accounts laid before the County Assembly.

- ***County Assembly Public Service Management Committee***
  Responsible for oversight of all matters related to public service, labour related issues.
- ***County Assembly Budget & Appropriations Committee***
  Investigate, inquire into and report on all matters related to coordination, control and monitoring of the of the budget estimates.

Performance of key development projects

The County Assembly had the following key development

- Installation and configuration of Local area network- completed
- Construction of perimeter wall, car park and gate house – estimated at 50%.
- Furnishing of County Assembly chambers – Completed
- Installation of Auditorium chairs and Hansard system – to be commissioned
- Construction of septic tank, Ablution block and water tower – 90% of work done
- Construction of modern office block for staff and Members of County Assembly – civil works just commenced
- Refurbishment of existing County Assembly offices & furnishings-work done awaiting commissioning and yet to be paid
- Installation of Air conditioning Indoor Unit-Completed but yet to be paid.

Comment on value-for-money achievements

The key projects mentioned above once completed will ensure that the county Assembly undertakes its core function of Legislation, Representation and oversight effectively.

Challenges and Recommended Way Forward

- Breakdown of Integrated Financial Management Information System (IFMIS) thus causing delays in payments especially to the suppliers. Stability of IFMIS.
- Inadequate offices and committee rooms thus affecting operations of departments and committees. Provision has been made for construction of offices.
- Delayed disbursement of funds from the National Treasury.
- Contingent liabilities arising from court cases that are likely to pose challenges to the available budget estimates.

Sign
Clerk of the County Assembly

3. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year ended June 30, 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 Assembly; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended June 30, 2018, and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the County Assembly which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The County Government's financial statements were approved and signed by the Clerk of the County Assembly on _____ 2018.

_____

Clerk of the County Assembly

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Nyamira set out on pages 1 to 24, which comprise the statement of financial assets and liabilities as at 30 June 2018 , and the statement of receipts and payments, statement of cash flows, statements of comparison of budget and actual amounts - recurrent, development and combined and budget execution by programmes and sub-programmes for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the County Assembly of Nyamira 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 comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unreconciled Variance and Unsupported Expenditure

i. The General Ledger provided for audit indicates that a contractor was paid an amount of Kshs.19,904,400 during the year under review while the IFMIS encumbrance report, payment voucher and bank statement shows that the same contractor was paid an amount of Kshs.5,033,319 leading to unreconciled variance of Kshs.14,871,081.

ii. Disclosed under Note 4.10 (1) to the financial statements are pending accounts payables of Kshs.5,515,452, made up of supply of goods of Kshs.2,144,016 and supply of services of Kshs.3,371,436 which however were not supported by any ledgers and other documentary evidence.

iii. Disclosed in Note 3 to the financial statements under use of goods and services is an expenditure of Kshs.3,189,671 in respect of office and general supplies,

out of which an amount of Kshs.2,871,471 was not supported by the relevant ledgers.

iv. Included in Note 3 to the financial statements is an expenditure on training of Kshs.4,070,680, out of which an amount of Kshs.1,912,180 was not supported by the relevant ledgers.

v. The County Assembly paid some suppliers a sum of Kshs.196,800 on 26 April 2018 but the amount was not captured as expenditure in the ledgers and financial statements.

2. Exchequer Releases

Examination of records relating to the County Revenue Fund Bank Account No. 1000170891 held at Central Bank of Kenya (CBK) revealed that an amount of Kshs.157,931,733 comprising of three exchequer releases of Kshs.61,681,927, Kshs.5,249,806 and Kshs.91,000,000 were paid on 3 July 2018 after the financial year end. However, Note 1 to the financial statements indicates that the amount of Kshs.157,931,733 was received in June 2018. This is contrary to IPSAS cash basis of accounting which recognizes income as and when cash is received.

Under the circumstances, the exchequer releases of Kshs.157,931,733 are not fairly stated in the financial statements for the year ended 30 June 2018.

3. Compensation of Employees

3.1 Payments Made Outside IPPD Payroll

Examination of compensation of employees records revealed that the County Assembly made payment of salaries and allowances amounting to Kshs.14,756,768 outside the Integrated Personnel and Payroll Database(IPPD) Management System. Consequently, the accuracy and completeness of compensation of employees' expenditure of 261,023,905 reflected in the financial statements for the year ended 30 June, 2018 cannot be ascertained.

4. Cash and Cash Equivalents Balance

The statement of financial assets and liabilities reflects bank balances of Kshs.730,363 as at 30 June 2018. The County Assembly operates a total of four bank accounts, two at Central Bank of Kenya (CBK) and two at the Kenya Commercial Bank (KCB). However, the following matters have been noted with regard to the cash and cash equivalents balance:

i. The bank reconciliation statements were not being updated on a monthly basis as is required.

ii. CBK Recurrent Account No. 100023975 balance of Kshs.526,421 disclosed under Note 8 to the financial statements cannot be ascertained because relevant

bank statements and cash book as 30 June 2018 have not been produced for audit review;

iii. In addition, the CBK Development Account No. 1000326905 balance of Kshs.202,744 under Note 8 to the financial statements was not supported by bank statements and cash book;

iv. The County Assembly did not provide a board of survey certificate for cash and bank balances as at 30 June 2018;

v. According to Note 6 on significant accounting policies, deposits and retention held on behalf of third parties have been recognized as accounts payables. Although, deposits and retentions amounting to Kshs.5,515,452 were outstanding as at 30 June 2018, the bank statements relating to the same were not provided for audit review.

In view of the above circumstances, it is not possible therefore to confirm the accuracy and completeness of the cash and cash equivalents balance of Kshs.730,363 as at 30 June ,2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Nyamira 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 qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Construction of Offices for Staff and Members of the County Assembly (MCAs)

Included in capital and development expenditure budget for the year ended 30 June 2018 of Kshs.180,000,000 was an amount of Kshs.57,703,650 in respect of construction of offices for staff and MCAs. The tender was advertised in the daily nation and the star on 13 April 2018. Twelve firms responded and after technical and financial evaluation, the tender was awarded to a contractor at a contract sum of Kshs.367,000,000. The contact period is for 156 weeks commencing on 13 June 2018 to 13 June 2021. However, the following anomalies have been noted:

i. The tender evaluation minutes indicated that only two bidders, that is, who quoted Kshs.367,000,000 and Kshs.336,812,604, respectively responded. However, the tender evaluation committee recommended award of the tender to the second lowest bidder at a tender sum of Kshs.367,000,000 and not the lowest responsive bidder with a tender sum of Kshs.336,812,604 which could have resulted in possible savings of Kshs.30,187,396.

ii. No payment had been made during the financial year under review, and thus it is not clear how the Kshs.57,703,650 budgeted for the project was utilized.

iii. Physical verification conducted on 19 Nov 2018 indicated that the construction work was at foundation level despite four months of the contract period having elapsed. This reflects slow progress of works that may occasion delay in completion of the project.

2. Implementation of Projects

i. During the year under review, the County Assembly had an approved budget for a total of twelve projects at an estimated cost of Kshs.180,000,000. However, a comparison of the budget and the status report, revealed that four projects valued at Kshs.72,711,600 had not started; six projects valued at Kshs.78,300,000 were ongoing; and two projects valued at Kshs.28,988,400 had been completed and certificate of completion issued. There is no evidence that the funds allocated for the unimplemented projects were re-voted at the closure of the financial year to ensure implementation in the following financial year.

ii. The total expenditure on the projects in the year 2017/2018 was Kshs.65,788,644 out of the total development budget of Kshs.180,000,000 occasioning underutilization of funds amounting to Kshs.114,211,356 or by 63%.

3. Erection and Completion of Water Tank Tower & Construction of Septic Tank and Ablution Block

A contract for the proposed erection and completion of the water tank tower was awarded to a contractor at a tender sum of Kshs.7,042,812. Amount paid so far to the contractor is Kshs.5,876,948, leaving a balance of Kshs.1,165,864.

Further, a contract for the construction of septic tank and ablution block was awarded to a contractor at a tender sum of Kshs.9,079,610. An amount of Kshs.7,766,142 has been disbursed to the contractor, leaving outstanding commitment of Kshs.1,313,468.

The two projects have delayed by six months and no explanations have been given for the delay. The contractors for both projects were not on site at the time of physical verification in the month of November 2018. This implies that the projects have either been abandoned or have stalled. The County Assembly may not have received value for money already spent.

4. Construction of the Car Park, Perimeter Fence, Gate Houses and Access Road

A contract for the construction of the car park, perimeter fence, gate houses and access road was awarded to a contractor at a contract sum of Kshs.27,625,516. However, bills of quantities (BQ) for the specific works for construction of the car park, perimeter fence, gate house and access road were not provided for audit hence making it impossible to ascertain how the contract amount of Kshs.27,625,516 is to be apportioned.

Physical verification of the project on 19 of November 2018 found the works incomplete. According to the status report, only 30% of the works involving a section of the walling, cabro car park and a section of the gate house had been completed. In addition, the completion of the project has been delayed by twenty-two months. No justification or explanation has been provided for delay in completion of the project.

5. Automation of Broadcasting and Hansard Recording

The automation of broadcasting and hansard recording functions contract was awarded to an engineer at a contract sum of Kshs.17,698,000. A review of the contract agreement documents revealed that the project has been delayed by twenty-five months. The total expenditure incurred on the project so far is Kshs.8,838,700. No explanation has been provided for delay in completion of the project.

6. Contract for Supply and Provision of Padding and Carpet for Debating Chambers

The contract for supply and provision of padding and carpet for the debating chambers was awarded to an investment company at a contract sum of Kshs.11,917,463. The project has not been inspected by the public works officials despite the contractor having requested for the final inspection on 3 August, 2018. Expenditure totalling Kshs.10,498,319 has been incurred on the project to date.

7. Legal Fees

The office of the Speaker of the County Assembly of Nyamira and County Assembly Service Board were sued by two petitioners for wrongful dismissal in two cases namely; Petition No. 33 of 2018 – Daniel Oginda Orina Vs the Speaker of the County

Assembly of Nyamira and two others and Petition No. 35 of 2018 – Vincent Mariita Omao Vs the Speaker of the County Assembly and two others.

A review of the County Assembly of Nyamira ad-hoc evaluation committee report on provision of legal services CAN/01/2017/2018 dated 2 May 2018 recommended that the legal services be offered by a law firm at instructions fee of Kshs.1,000,000, setting up fee of Kshs.100,000 and disbursements of Kshs.250,000. The bidder had quoted Kshs.1,516,666 for each case totalling Kshs.3,033,332. The bidder issued fee note for the same amount which has been recognized as a pending bill.

The above fee charged was not in line with the Advocates (Remuneration) (Amendment) Order, 2014 schedule 6 (b). The order sets the instruction fees where the value exceeds Kshs.1,000,000 but does not exceed Kshs.20,000,000 at Kshs.120,000 plus additional 2% which brings the instructions fees to Kshs.124,000 for each case. This therefore means that in the two cases, the total instruction fees should have been Kshs.248,000 as opposed to Kshs.3,033,332 invoiced.

8. Procurement on the Provision of Air Ticket Services

A contract for provision of air tickets services was awarded to a supplier at a cost of Kshs.1,561,100 in the year under review. However, the supplier was not in the list of prequalified suppliers. Further, quotations from other five service providers were not provided for audit review. The County Assembly under the circumstances may not have received value for money for the air ticket services.

9. Foreign Travel and Subsistence Expenses

During the year under review, the County Assembly spent an amount of Kshs.9,116,356 on foreign travel and subsistence as disclosed in Note 3 to the financial statements. The expenditure includes an amount of Kshs.4,368,260 spent by the County Assembly Service Board for training in Uganda. The officers who were being trained were paid subsistence allowances for seven days.

Examination of supporting documents including copies of passports of the staff who had travelled, however, revealed that the staff entered Uganda on 17 December 2017 and exited on 22 December 2017. This amounted to five (5) days spent in Uganda and not seven. Therefore, the officers were irregularly paid subsistence allowances of Kshs.1,042,386 for the extra two days and in consequence the propriety of that expenditure cannot be confirmed.

10. Domestic Travel and Subsistence Expenses

During the year under review, an amount of Kshs.133,157,486 was spent on domestic travel and subsistence as disclosed under Note 3 to the financial statements. However, expenditure records produced for audit review revealed instances where some committee members were facilitated to attend meetings and workshops but no documentary evidence were attached to support the actual attendance, leading to unaccounted for expenditure of Kshs.462,000.

11. Procurement of Hospitality Supplies and Services

The County Assembly procurement plan for the year ended 30 June, 2018 stated that both conference and catering services were to be procured by use of quotations. However, audit review revealed the following irregularities:

i. The assembly procured conference facilities amounting to Kshs.2,781,525 through direct procurement method contrary to the procurement plan of the entity.

ii. The Assembly also awarded another contract of Kshs.704,000 for provision of the services to second lowest bidder instead of the lowest responsive bidder. No explanation has been provided for the anomaly.

12. Employment of Ward Staff

A perusal of the personnel records maintained by the human resources department revealed that eighty (80) members of ward staff were recruited and appointed by the twenty Members of the County Assembly (MCAs) directly without regard to:

i. The provisions of the County Government Act which bestows such powers on the County Public Service Board and which requires the process to be open, transparent and fair; and

ii. The Commissioner of Revenue Allocation Circular Ref CRA/CSO/CGM/18/Vol. 8/ (1) of 11th May 2015 on County Governments' Budget ceilings on recurrent expenditure which limited the number of employees per ward to three as opposed to the four that the County Assembly engaged per ward.

13. Ward Expenses

Examination of payment vouchers and supporting documents in respect of ward expenses of Kshs.3,565,000 revealed that imprests advanced to ward employees were surrendered through cash sale receipts that were neither serialized nor ETR generated. Further, the management did not provide for audit review tenancy agreements between the County Assembly and the landlords for the various ward offices for which rent was paid.

As a result, the validity of the expenditure of Kshs.3,565,000 incurred on the ward offices cannot be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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 the County Assembly to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management 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 manner.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and 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 Assembly's policies and procedures may deteriorate.

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

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

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the County Assembly to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Assembly to cease 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 the County Assembly to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

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

Nairobi

18 February 2019

4. FINANCIAL STATEMENTS

4.1. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017/18 KSHs	2016/17 KSHs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	662,075,477	540,586,572
TOTAL RECEIPTS		**662,075,477**	**540,586,572**
PAYMENTS			
Compensation of Employees	2	261,023,905	269,061,493
Use of goods and services	3	191,210,827	204,144,759
Transfer to Car & Mortgage fund	4	125,500,000	-
Social Security Benefits	5	12,064,676	15,463,716
Acquisition of Assets	6	71,471,144	-
Finance Costs	7	49,562	28,775
TOTAL PAYMENTS		**661,320,114**	**488,698,743**
SURPLUS		**755,363**	**51,887,829**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27TH SEPTEMBER 2018 and signed by:

Ag. Clerk of the Assembly
Duke Simeon Onyari

COUNTY ASSEMBLY OF NYAMIRA
THE CLERK
27 SEP 2018
Sign.....
P.O. Box 580 - 40500 NYAMIRA

Ag. Director Finance – County Assembly
CPA. Leonard Nyamasege
ICPAK Member No:10008

4.2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS	Note	2017/2018 KSHS	2016/2017 KSHS
Cash and Cash Equivalents			
Bank Balances	8	730,363	51,887,829
Total Cash and cash equivalents		**730,363**	**51,887,829**
Accounts receivables	9	25,000	198,700
TOTAL FINANCIAL ASSETS		**755,363**	**52,086,529**
REPRESENTED BY;			
Fund balance b/fwd	10	-	198,700
Surplus for the year		755,363	51,887,829
NET FINANCIAL POSITION		**755,363**	**52,086,529**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27TH SEPT | 2018 and signed by:

Clerk of the Assembly
Duke Simeon Onyari

Ag. Director Finance – County Assembly
CPA. Leonard Nyamasege
ICPAK Member No: 10008

4.3. STATEMENT OF CASH FLOWS

	Note	2017/18 KSHs	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	662,075,477	540,
Payments for operating expenses			
Compensation of Employees	2	261,023,905	269,
Use of goods and services	3	191,210,827	204,
Transfer to Car & Mortgage Fund	4	125,500,000	
Social Security Benefits	5	12,064,676	15,
Finance Costs	7	49,562	
Adjusted for:			
Changes in Receivables		25,000	
Net cash flows from operating activities		**72,201,507**	**51,**
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	(71,471,144)	
Net cash flows from investing activities		**(71,471,144)**	
NET INCREASE IN CASH AND CASH EQUIVALENTS		**730,363**	**51**
Cash and cash equivalent at BEGINNING of the year		**51,887,829**	
Prior year Adjustment	11	**(51,887,829)**	
Cash and cash equivalent at END of the year		**730,363**	**51,**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27TH SEPT 2018 and signed by:

COUNTY ASSEMBLY OF NYAMIRA
CLERK
27 SEP 2018

Ag. Clerk of the Assembly
Duke Simeon Onyari

Ag. Director Finance – County Assembly
CPA Leonard Nyamasege

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

Receipts/Payments Items	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	% of Utilization difference
					Ksh
RECEIPTS					
Transfers from the County Treasury	944,428,540	(168,344,352)	776,084,188	662,075,477	85%
TOTAL	**944,428,540**	**(168,344,352)**	**776,084,188**	**662,075,477**	**85%**
PAYMENTS					
Compensation of Employees	270,107,424	-	270,107,424	261,023,905	97%
Use of goods and services	195,040,884	-	195,040,884	191,210,827	98%
Transfer to Car & Mortgage fund	80,000,000	31,000,000	111,000,000	125,500,000	113%
Social Security Benefits	135,746,732	(123,344,352)	12,402,380	12,064,676	97%
Acquisition of Assets	263,461,500	(76,000,000)	187,461,500	71,471,144	38%
Finance Costs	72,000	-	72,000	49,562	69%
TOTAL	**944,428,540**	**(168,344,352)**	**776,084,188**	**661,320,114**	**85%**
SURPLUS	-	-	-	**755,363**	

(i) The receipts received (Transfers from the County Treasury) were 85% of total amounts budgeted for, this was due to Kshs.114,008,711 being funds for development not received as at 30th June 2018.

(ii) Acquisition of Assets – Kshs.71,471,144 was spent as compared to Kshs.187,461,500 approved, this was due to delayed commencement of development projects such as construction office block, completion of perimeter wall and installation of broadcasting and automation of Hansard recording system.

(iii) The overutilization of 113% under Transfer to Car & Mortgage fund was due to Kshs.14.5Million owed to Car & Mortgage from the previous financial year (2016/2017). The County Assembly still owes Car & Mortgage fund Kshs.4,022,860.

The entity financial statements were approved on 27TH SEPTEMBER 2018 and signed by:

Ag. Clerk of the Assembly
Duke Simeon Onyari

Ag. Director Finance – County Assembly
CPA. Leonard Nyamasege
ICPAK Member No:10008

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

Receipt / Expenditure item	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilization difference
RECEIPTS					
Transfers from the County Treasury/ Exchequer Releases	688,428,540	(92,344,352)	596,084,188	596,084,089	100%
TOTAL	**688,428,540**	-	596,084,188	**596,084,089**	**100%**
PAYMENTS					
Compensation of Employees	270,107,424	-	270,107,424	261,023,905	97%
Use of goods and services	195,040,884	-	195,040,884	191,210,827	98%
Transfer to Car & Mortgage fund	80,000,000	31,000,000	111,000,000	125,500,000	113%
Social Security Benefits	135,746,732	(123,344,352)	12,402,380	12,064,676	97%
Acquisition of Assets	7,461,500	-	7,461,500	5,682,500	76%
Finance Costs	72,000	-	72,000	49,562	69%
TOTAL	**596,084,188**	**(92,344,352)**	**596,084,188**	**595,531,470**	**100%**
Surplus	-	-	-	**552,619**	

(i) The overutilization of 113% under Transfer to Car & Mortgage fund was due to Kshs.14.5Million owed to Car & Mortgage from the previous financial year (2016/2017). The County Assembly still owes Car & Mortgage fund Kshs.4,022,860.

(ii) Acquisition of Assets – Underutilization due to non-payment of supply of computers.

(iii) Adjustments of Kshs.92,344,352 is a reduction of Kshs.123,344,352 for social benefits and an addition of Kshs.31,000,000 to mortgage fund.

The entity financial statements were approved on 27TH SEPT 2018 and signed by:

Ag. Clerk of the Assembly
Duke Simeon Ongari

Ag. Director Finance – County Assembly
CPA. Leonard Nyamasege
ICPAK Member No:10008

TATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT

ipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilization difference
	KShs	KShs	c=a+b	e=d-c	KShs
CEIPTS					
sfers from the County Treasury	256,000,000	(76,000,000)	180,000,000	65,991,388	37%
AL	**256,000,000**	**(76,000,000)**	**180,000,000**	**65,991,388**	-
MENTS					
uisition of Assets	256,000,000	(76,000,000)	180,000,000	65,788,644	37%
r Payments	-	-	-	-	-
TAL	256,000,000	(76,000,000)	180,000,000	65,788,644	37%
PLUS	-	-	-	**202,744**	

Acquisition of Assets – Underutilization of 63%, that is Kshs.114,211,356. Kshs.65,788,644 was spent as compared to Kshs.180,000,000 budgeted for, this was due to delayed commencement of development projects such as construction of office block, completion of perimeter wall and installation of broadcasting and automation of Hansard recording system. Adjustments of Kshs.76,000,000 was a transfer of 31,000,000 to Mortgage Fund and Kshs.45,000,000 to Agriculture department.

entity financial statements were approved on 27th Sept 2018 and signed by:

Clerk of the Assembly
e Simeon Onyari

Ag. Director Finance – County Assembly
CPA. Leonard Nyamasege
ICPAK Member No:10008

BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMS

RAM	PROGRAMME NAME	ITEM	ITEM DESCRIPTION	APPROVED BUDGET	ACTUAL PAYMENTS	BUDGET UTILIZATION DIFFERENCE
	Policy planning, general administration and support services	2110000	Salaries & Wages	262,535,972	251,766,370	10,769,602
		2120000	Social Contributions	10,362,474	9,257,535	1,104,939
		2210000	Goods & Services	144,634,766	145,048,282	(413,516)
		2220000	Routine Maintenance	1,912,085	559,500	1,352,585
		2710000	Social Security Benefits (Gratuity)	12,402,380	12,064,676	337,704
		3110000	Acquisition of assets (Recurrent - Office Assets)	7,223,000	5,682,500	1,540,500
		3130000	Acquisition of Assets (Infrastructural development)	180,000,000	65,788,644	114,211,356
		4110000	Domestic-Car and Mortgage Fund	111,000,000	125,500,000	(14,500,000)
OTAL - POLICY PLANNING& GENERAL ADMINISTRATION				**730,070,677**	**615,667,507**	**114,403,170**
)000		2110000	Salaries & Wages	450,000	-	450,000
		2210000	Goods & Services	32,132,111	32,329,207	(197,096)
		2220000	Routine Maintenance	183,600	75,600	108,000
OTAL - OVERSIGHT (MONITORING & EVALUATION SERVICES				**32,765,711**	**32,404,807**	**360,904**
)000	Legislation and Representation	2220000	Routine Maintenance	21,900	21,900	-
		2210000	Goods & Services	13,225,900	13,225,900	-
OTAL -LEGISLATION & REPRESENTATION				**13,247,800**	**13,247,800**	**-**
D-TOTAL				**776,084,188**	**661,320,114**	**114,764,074**

4.8. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The statement of assets and liabilities, although not a requirement of the IPSAS Cash Standard, has been included to disclose information on receivables and payables.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

The financial statements are for Nyamira County Assembly. The financial statements encompass the reporting entity as specified in section 164 of PFM Act 2012.

3. Recognition of receipts and payments

a) Recognition of receipts

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

Tax receipts

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

Transfers from the County Treasury

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Receipts

Other receipts relate to receipts such as tender fees among others. These are recognised in the financial statements when the associated cash is received.

b) Recognition of payments

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. 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 account is restricted for use in refunding third party deposits.

5. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers which were not surrendered or accounted for at the end of the financial year are 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.

6. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted and prescribed by the Public Sector Accounting Standards Board. Other liabilities including pending bills are disclosed in the financial statements.

7. Non-current assets

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Pending bills

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

9. Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *entity's* budget was approved as required by Law. The original budget was approved by the County Assembly on 22nd June 2017 for the period 1st July 2017 to 30 June 2018 as required by law. There were two supplementary budgets passed in the year. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

10. Comparative figures

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

11. Errors

Material prior period errors have been corrected in the 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.

4.9. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from the County Treasury

	2017/18 Ksh	2016/17 Ksh
August	18,000,000	78,193,700
September	35,030,834	39,920,285
October	36,415,750	38,626,785
November	38,622,131	37,316,785
December	55,978,857	37,328,785
January	-	44,895,580
February	105,529,737	37,995,430
March	97,011,180	38,438,493
April	58,111,705	39,838,990
May	59,443,550	47,656,391
June	157,931,733	100,375,348
Cumulative Amount	**662,075,477**	**540,586,572**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. COMPENSATION OF EMPLOYEES

	2017/18 KSHS	2016/17 KSHS
Basic salaries of permanent employees	134,121,385	114,502,860
Basic wages of temporary employees	76,300	180,000
Personal allowances paid as part of salary	115,423,313	141,915,787
Personal allowances paid as reimbursements	2,145,372	2,421,000
Pension and other social security contributions	9,257,535	10,041,846
Total	**261,023,905**	**269,061,493**

3. USE OF GOODS AND SERVICES

	2017/18 KSHS	2016/17 KSHS
Utilities, supplies and services	120,000	8,595
Communication, supplies and services	280,300	240,799
Domestic travel and subsistence	133,157,486	131,377,169
Foreign travel and subsistence	9,116,356	9,517,250
Printing, advertising and information supplies & services	2,071,805	1,090,000
Rentals of produced assets	3,565,000	5,700,000
Training expenses	4,070,680	2,981,790
Hospitality supplies and services	8,789,075	19,504,932
Insurance costs	18,262,654	17,508,782
Specialized materials and services	260,000	681,489
Office and general supplies and services	3,189,671	1,302,580
Other operating expenses	7,115,700	11,426,151
Fuel, Oil & Lubricants	577,000	1,419,880
Routine maintenance – vehicles and other transport equipment	225,600	1,183,991
Routine maintenance – other assets	409,500	201,352
Total	**191,210,827**	**204,144,760**

4. TRANSFER TO CAR & MORTGAGE FUND

	2017/18	2016
	KShs	KS
Transfer to Car & Mortgage fund – October 2017	14,500,000	
Transfer to Car & Mortgage fund – March 2018	20,000,000	
Transfer to Car & Mortgage fund – June 2018	91,000,000	
Total	**125,500,000**	

The amounts of Kshs.91 Million for Car & Mortgage fund was received on 6th July 2(however it relates to the financial year 2017/2018.

Kshs.14.5Million was amounts owed by the County Assembly transferred to the Car & Mortg fund in October 2017.

5. SOCIAL SECURITY BENEFITS

Non-Financial Assets	2017/18	2016
	KShs	KS
Service Gratuity for Members of County Assembly	12,064,676	15,463,
Total	**12,064,676**	**15,463,**

(The amounts were for service gratuity for the Members of County Assembly transferred monthly basis to Laptrust)

6. ACQUISITION OF ASSETS

Non Financial Assets	2017/18	2016
	KShs	KS
Construction and Civil Works	65,788,644	
Purchase of Office Furniture and General Equipment	3,850,000	
Purchase of ICT Equipment, Software and Other ICT Assets	1,832,500	
Total	**71,471,144**	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. FINANCE COSTS

	2017/18	2016/17
	KShs	KShs
Bank Charges	49,562	28,775
Total	**49,562**	**28,775**

(The bank charges relate to commissions and charges that are charged on the KCB operations and KCB salaries holding account).

8. BANK BALANCES

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2017/18	2016/17
		KShs	KShs
CBK, A/cNo.100023975 – Kshs	Recurrent	526,421	5,233
CBK,A/cNo.1000326905 – Kshs	Development	202,744	51,875,947
CBK,A/cNo.1000343559 – Kshs	Deposit Account	-	-
KCB Operations A/c No.1145126987 – Kshs	Recurrent Operations A/c	718	-
KCB Salaries A/c No.1203826095 – Kshs	Salary holding A/c	480	6,649
Total		**730,363**	**51,887,829**

(**NB**: The County Assembly also operated Mortgage and Car Loan Accounts in KCB, Nyamira Branch (A/c No.1151865591) & operates another Account in Family Bank, Nyamira Branch (A/c No.026000019496)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. ACCOUNTS RECEIVABLE

	2017/18	2016/17
	KShs	KShs
Staff Advances	25,000	198,700
Total	**25,000**	**198,700**

10. FUND BALANCES B/FORWARD

Description of the adjustment	2017/18	2016/17
	KShs	KShs
Receivables	-	198,700
Total	**-**	**198,700**

11. PRIOR YEAR ADJUSTMENT

	2017/18	2016/17
Cash & cash equivalents Brought Forward	51,887,829	-
Adjustment – Refund to County Revenue Fund	(51,887,829)	-
Total	**-**	**-**

All the unutilized funds for financial year 2016/17 were refunded to the County Revenue Fund and therefore adjusted for in the current financial year

4.10. OTHER DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 1)

	2017/18	2016/17
	KShs	KShs
Construction of civil works	-	-
Supply of goods	2,144,016	-
Supply of services	3,371,436	-
Total	**5,515,452**	**-**

2. PENDING STAFF PAYABLES (See Annex 2)

Name of Staff	2017/18	2016/17
	KShs	KShs
i. Geoffrey Onchari	5,000	-
ii. Eric Ondari	20,000	-
iii. Outstanding Imprests	-	197,800
Total	**25,000**	**197,800**

3. BUDGET ADJUSTMENT (See Page 4)

Item	Original Amounts	Adjustment	Final Budget
	KShs	KShs	Kshs
1.Transfer to Car & Mortgage fund	80,000,000	31,000,000	111,000,000
2.Social Security Benefits	135,746,732	(123,344,352)	12,402,380
3.Acquisition of Assets	263,461,500	(76,000,000)	187,461,500

- *Kshs.31,000,000 was reallocated from Acquisition of Assets to Car & Mortgage fund to cater for loans to Members.*
- *Kshs.123,344,352 initially allocated for compensation of eight months to the members of County Assembly was removed from the budget estimates due to Court Ruling on the anticipatory compensation.*
- *Kshs.76,000,000 for Acquisition of Assets was reallocated to car & Mortgage to cater for issuance of loans whereas Kshs.45,000,000 was reallocated to Department of Agriculture in the Second Supplementary Budget passed by the County Assembly on 13th June, 2018.*

4. RECEIPTS FROM COUNTY TREASURY

Descriptions	2017/18 KShs	Date Received
Recurrent Expenditure disbursements	61,681,927	3rd July 2018
Development Expenditure disbursements	5,249,806	3rd July 2018
Car & Mortgage funds disbursement	91,000,000	6th July 2018
Total	157,931,733	

The amounts although received on 3rd July and 6th July 2018, the expenditure to which they relate to were as at 30th June 2018. The amounts have therefore been expensed for payment of salaries and bills of the financial year ended 30th June 2018.

5. RETENTIONS

Kshs.6,199,996 for retentions to the Contractors is held by the County Treasury Retention Account for payment of the Contractors upon full satisfaction of the works done.

6. CONTIGENT LIABILITIES

The County Assembly has contingent liabilities in the form of court cases that have not yet been concluded.

7. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
1.1	Difference between financial statements and Ledger Balances	The Journal Entries were posted to rectify the balances	Finance Director	Resolved	30th June, 2018
1.2	Variance between Financial Statements figures and supporting documents	The amounts of Kshs.1,090,000 for printing advertising and information supplies in the financial statements and ledger have been duly supported.	Clerk	Resolved	30th June, 2018
1.3	Statement of Assets	The Figure of Kshs.63,694,425 of Accounts Payable was adjusted for and disclosed appropriately.	Clerk	Resolved	30th June, 2018
2.0	Cash and Bank Balances	All relevant Bank statement were availed. The Board of Survey report not yet implemented	Clerk	Not resolved	30th June, 2019
3.0	Salaries paid outside the IPPD System	Staff not in IPPD are contractual staff hence not possible to have them in IPPD.	Clerk	Resolved	30th June, 2018
3.1	Compensation of Employees	Ledgers on basic salaries were availed for audit review	Clerk	Resolved	30th June, 2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
4.0	Re-allocation of funds without Authority	The amounts were reallocated during the year for operations.	Clerk	Resolved	30th June, 2018
5.0	Budget and Performance Analysis	The County Assembly had projected to undertake 18 projects in fy2016/17 at a cost of Kshs.180,000,000. However, there was delay in opening Development CBK Bank Account.	Clerk	Resolved	30th June, 2018
6.0	Unsupported Payments – Domestic Travel & Subsistence	The payments for domestic travels and subsistence were facilitative allowances and have been fully supported.	Clerk	Resolved	30th June, 2018
7.0	Recovery of Advance from Per diems	The Members' had outstanding claims as at the time of request. This has since been rectified	Clerk	Resolved	30th June, 2018
8.0	Mileage Allowance	The Extra-mileage allowance was treated as reimbursement and therefore not taxed. The same is now included in the payroll.	Clerk	Resolved	30th June, 2018
9.0	Irregular Payments	The payments were facilitation allowances and the amounts have been supported fully.	Clerk	Resolved	30th June, 2018
10.1	Non-Existence of Risk	The Assembly did not have risk Management framework. However,	Clerk	Not resolved	31st December, 2018.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: *(Resolved / Not Resolved)*	Timeframe:
	Management	the Assembly has planned to put the risk management framework in place to aid operations of the Assembly.			
10.2	Disaster Recovery Plan	The County Assembly has since prepared the Disaster Recovery Plan to deal with loss of data and information.	ICT Officer	Resolved	30th May, 2018
11.0	Procurement of Civil Works	All records for procurement of civil works were availed for verification.	Procurement Officer	Resolved	30th June, 2018
12.0	Pending Bills	The pending bills were as a result of ceiling constraints from fy2014/15 and contingent liabilities of legal fees	Clerk	Not resolved	30th June, 2018
13.0	Variances in the Balance brought forward	Balance brought forward for fy2016/17 as accounts payable has been amended accordingly	Clerk	Resolved	30th June, 2018

Clerk of the County Assembly

Sign.....

Date.....27th September 2018

ANNEXES

ANNEX 1 – ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
	A	B	C	D=A-C		
Supply of goods						
1. Supply of Laptops	880,800	14.02.2018	-	880,800	-	Laptops
2. Supply of Uniforms	814,500	21.02.2018	-	814,500	-	Uniforms
3. Supply of office stationery	448,716	14.02.2018	-	448,716	-	Office Stationery
Sub-Total	**2,144,016**			**2,144,016**	**-**	
Supply of services						
4. Advertisements	295,104	12.06.2018	-	142,680	1,969,693	Advertisements
5. Tickets	-	-	-	-	136,790	Supply of Air tickets
6. Conference package	43,000	15.06.2018	-	43,000	1,551,510	Catering services
7. Legal fees	3,033,332	02.05.2018	-	3,033,332	6,507,000	Legal fees – Contingent Liability
8. Motor vehicle repairs	-				50,000	Repair to motor vehicle
9. Insurance - WIBA	-				1,603,831	WIBA
Sub-Total	**3,371,436**			**3,371,436**	**11,818,824**	
Grand Total	**5,515,452**			**5,515,452**	**11,818,824**	

ANNEX 2 – ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
		a	B	c	d=a-c		
1. Eric Ondari	L	20,000	21.06.2018	-	20,000	-	
2. Geoffrey Onchari	K	5,000	26.06.2018	-	5,000	-	
3. *Linet Mokaya*	P	-	01/02/2017	-	-	12,000	
4. *Valarie Ogachi*	P	-	22/06/2017	-	-	20,500	
5. *Harron Mosomi*	K	-	11/05/2017	-	-	70,000	
6. *Harron Mosomi*	K	-	22/06/2017	-	-	33,000	
7. *George Nyakundi*	L	-	27/06/2017	-	-	63,200	
Sub-Total		**25,000**			**25,000**	**198,700**	
Grand Total		**25,000**			**25,000**	**198,700**	

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (KShs) 2016/2017	Additions during the year (KShs)	Disposals during the year (KShs)	Historical Cost c/f (KShs) 2017/2018
Buildings and structures	5,525,103	65,788,644	-	71,313,747
Office equipment, furniture & fittings	34,862,949	3,850,000	-	38,712,949
ICT Equipment, Software & Other ICT Assets	16,802,795	1,832,500	-	18,635,295
Other Machinery and Equipment	227,575	-	-	227,575
Total	**57,418,422**	**71,471,144**	-	**128,889,566**