REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF KISUMU

FOR THE YEAR ENDED 30 JUNE 2016

KENYA NATIONAL AUDIT OFFICE
RECEIVED
30 SEP 2016
P. O. Box 1188 - 40100,
KISUMU

COUNTY ASSEMBLY OF KISUMU

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016

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

(b) Key Management

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

- Legislation
- Administration

(c) Fiduciary Management

The key management personnel who held office during the quarter ended June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Speaker	Ann Atieno Adul
2.	Clerk	Philip Otiende Adundo
3.	Principal Finance officer	Aloyce Omboyo Obama
4.		

(d) Entity Headquarters

P.O. Box 86-40100
ADC Building
Uhuru Road
Kisumu, KENYA

(e) Entity Contacts

Telephone: (254) 796 17 33 14
E-mail: kisumuassembly@gmail.com
Website: www.kisumuassembly.go.ke

(f) Entity Bankers

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

2. Kenya Commercial Bank
   P.O Box
   Kisumu.
   Kenya

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

II. FORWARD BY THE CLERK OF THE ASSEMBLY

The Kisumu County Assembly Management submit its report and audited financial statements for the year ended 30th June 2016, which disclose the state of affairs of the assembly.

Budget Performance

The County Assembly of Kisumu has performed well in budget utilization of 91% of the budgeted funds. The Assembly has implemented programs that involve public participation at the ward levels with the Ward Administrators involvement. This has improved public involvement in the agenda of the assembly.

Challenges and Recommended Way Forward

The County Assembly of Kisumu experienced delays in exchequer releases and this led to delay in implementation of the programs as budgeted. It was not possible to achieve some planned activities on time due to funding delays. The assembly received transfers from the executive until December 2015 however this changed with the start to receive Exchequer releases through Central Bank of Kenya.

The Assembly is committed in future to request funds on time and implement all planned activities as per the calendar of activities.

Results

The unspent funds for the year of **Kshs 922,246** was returned to Exchequer.

Management

The Managers who held office during the year and to the date of this report are set out on page iii.

Sign

Clerk of the County Assembly

STATEMENT OF MANAGEMENT RESPONSIBILITIES

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 on June 30, 2016. 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, 2016 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 **September 27,2016.**

Clerk of the County Assembly

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF KISUMU FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Assembly of Kisumu set out on pages 1 to ~~22~~ 16, which comprise, statement of assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows, summary statement of comparison of budget and actual amounts for the year then ended, and the 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.

Management's Responsibility for the Financial Statements

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 such 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.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

Basis for Adverse Opinion

1. Inaccuracies of Financial Statements

1.1. Trial Balance

The trial balance presented for audit reflects actual total expenditure of Kshs.482,262,263 which sum differs from the balance of Kshs.487,457,080 reflected in the financial statements thus leading to an unexplained difference of Kshs.5,194,817.

1.2. Statement of Comparison of Budget and Actual

The statement of comparison of budget and actual amounts under recurrent expenditure reflects a balance of Kshs.487,457,079 in respect of acquisition of assets which includes a sum of Kshs.4,004,087 which should have been reflected under the development expenditure statement under Note VIII to the financial statements.

No plausible explanations have been provided for these discrepancies.

1.3 Use of Goods and Services

Note 5 to the financial statements reflects use of goods and services balance of Kshs.247,999,497. However, the correct balance should have been Kshs.248,002,421. The difference of Kshs.2,924 between the two balances has not been explained.

In the circumstance, the accuracy and completeness of financial statements for the year ended 30 June 2016 cannot be confirmed.

2. Transfers from the County Treasury/Exchequer

The statement of receipts and payments for the year ended 30 June 2016 reflects Exchequer Releases balance of Kshs.488,356,347 which differs from the balance of Kshs.533,820,000 reflected in the report of the Controller of Budget for the same period thus resulting to an unexplained variance of Kshs.45,463,653.

Consequently, the validity, accuracy and completeness of the Exchequer Releases balance of Kshs.488,356,347 for the year ended 30 June 2016 cannot be confirmed.

2.1. Receipts

Further, reported transfers from the County Treasur/Exchequer releases of Kshs.488,356,347 as at 30 June 2016 are however, not supported by any schedules. Audit review of County Executive records revealed a balance of Kshs.620,139,361 which again differs from the reported balance of Kshs.488,356,347 thus leading to an

unexplained difference of Kshs.131,783,014. Further, included in the exchequer receipts balance of Kshs.488,379,325 is a sum Kshs.22,978 whose source has not been supported or explained.

Under the circumstance, the accuracy and validity of the total receipts of Kshs.488,379,325 reflected in the statement of receipts and payments for the year ended 30 June 2016 cannot be confirmed.

3. Compensation to Employees

3.1. Unreconciled Differences

The compensation to employees balance at Kshs.235,453,572 reflected in the statement of receipts and payments as at 30 June 2016 is however differs from the payroll balance of Kshs.207,704,237 availed for audit review thus leading to an unreconciled difference of Kshs.27,749,335.

Consequently, the accuracy of the compensation of employees balance of Kshs.235,453,572 for the year ended 30 June 2016 cannot be confirmed.

3.2. Car Loan and Mortgage Fund

The Assembly enacted the County Car Loan Fund Scheme and County Mortgage Scheme Fund Regulations, 2014 through Legal Notice No.1 and No.2 of 27 October, 2014. The Scheme provides guidelines on the administration of the Fund with Kshs.250,000,000 having been provided as seed capital.

The following anomalies were however observed in the administration of the Fund:

i. The County Assembly did not prepare separate financial statements for its loans and Mortgages fund as required by Section 167(1) to (3) of the Public Finance Management Act, 2012 which states that the administrator of County public funds established by an Act of Parliament or County legislation shall prepare financial statements for the Fund for each financial year in a form prescribed by the Public Sector Accounting Standards Board and subsequently not later than three months after the end of each financial year, submit the financial statements to the Auditor-General for audit.

ii. The management did not make available documents for audit review such as complete bank statements for the period under review, contract documents, loan status reports (including outstanding balances) as well as signatories to the bank accounts as at the time of audit.

iii. The fringe benefit taxes applicable to these loans and payable by the employer were not calculated as required by the Income Tax Act.

iv. In the event of default in payment of the loans, the County Assembly is at risk of loss as the cars and land parcels were not registered as jointly owned by the Assembly, and the respective Members of County Assembly considering that the

loans should be repaid before the expiry of the term of the County Assembly and before the General Elections in August 2017.

Consequently, in the absence of separate financial statements and the risk associated with failing to provide for joint mortgage ownership, it is not possible to confirm the validity and status of the Fund as at 30 June 2016.

3.3. Irregular Payments of Committee Sitting Allowances

Included in the compensation to employees balance of Ksh.235,453,572 are committee sitting allowance payments of Kshs.79,297,706, out of which payments of Kshs.5,955,300 were not supported with relevant information as analysed below:

Committee	Number of meetings not supported with minutes	Amount paid per meeting Kshs.	Members in attendance	Amount Kshs.
Fisheries and Livestock	26	62,400	15	1,622,400
Children, Gender and Culture	13	50,700	12	659,100
Agriculture and Environment Management	21	62,400	15	1,310,400
Administration and Security	23	46,800	11	1,076,400
Early Childhood Development Vocational Training	22	58,500	14	1,287,000
Total				**5,955,300**

Consequently, the propriety and validity of the sitting allowance expenditure totalling Kshs.5,955,300 for the year ended 30 June 2016 cannot be confirmed.

4. Use of Goods and Services

4.1. Ward Expenditure

Included in the use of goods and services balance of Kshs.247,999,420 reflected in the statement of receipts and payments is the sum of Kshs.58,238,457 in respect of Ward Fund expenditure incurred during the year under review. However, the operations of the Ward Fund are not anchored on any regulation enacted by the Assembly. Further, lease agreements for setting up of Ward offices were signed between Members of the County Assembly and property owners in various places and not by the Clerk of County Assembly as regulations require.

Further, in the course of audit, discrepancies between the number of employees and salaries paid to Ward employees were noted thus indicating weak staffing structures and non-adherence to the Salaries and Remuneration Commission's (SRC) Circulars on hire of staff and County Public Service Board terms and conditions of service. As a result the Assembly therefore may not have appropriated the funds to optimal service delivery.

Consequently, it has not been possible to confirm the propriety and validity of the expenditure of Kshs.58,238,457 incurred under the Ward Fund Expenditure during the year under review.

4.2. Foreign Travel

Included in the use of goods and services balance of Kshs.247,999,420 is Kshs.10,169,212 incurred by Assembly staff and Members of the County Assembly on a trip to Kampala, Uganda to attend a Ward Development Fund meeting. However, no evidence was provided to show that the 29 members travelled to Uganda although expenditure amounting to Kshs.4,834,414 out of the total Kshs.10,169,212 relating to the trip was incurred. In addition, there was no after trip report availed for audit review or tabled in the County Assembly as the Standing Orders require. Besides, the members did not provide any documents to support their expenditures incurred in Uganda.

Consequently, the propriety and validity of the expenditure of Kshs.4,834,414 incurred on foreign travel by the 29 members during the year under review cannot be confirmed.

4.3. Procurement of Training Services

Included in the use of goods and services balance of Kshs.247,999,420 is the sum of Kshs.3,028,040 incurred on training services but for which documents on procurement of the respective venues were not made available for audit review. The County Assembly activities calendar for 2015/2016 was not adopted and was not used to guide choices on the nature and types of training offered. It was therefore difficult to determine how the trainers and training venues were identified and procured.

Consequently, the County Assembly flouted procurement laws and procedures and the public may not have received value-for-money on the expenditure of Kshs.3,028,040 incurred on training services during the year under review.

4.4. Procurement of Security Services

Included in the use of goods and services balance of Kshs.247,999,420 for the year under review is Kshs.2,745,696 incurred in respect of security services offered but for which no tender documents were presented for audit review.

Consequently, the propriety of the expenditure of Kshs.2,745,696 could not be confirmed.

4.5. Legal Fees

Included in the use of goods and services of Kshs.247,999,420 is Kshs.3,497,176 paid to four (4) law firms out of which Okongo Wandago & Company Advocates and Otieno Ragot & Company Advocates were not in the County Assembly's list of the prequalified providers of legal services. Further, tender documents such as bids, quotations, tender opening, evaluation and tender award Minutes for all the law firms were not made available for audit review.

Consequently, the propriety and validity of the expenditure of Kshs.3,497,176 incurred on legal fees during the year under review cannot be confirmed.

4.6. Medical Insurance

Included in the use of goods and services expenditure balance of Kshs.247,999,420 is the sum of Kshs.21,638,554 incurred in respect of medical cover for Assembly staff, Members of the County Assembly and their dependants through CIC Insurance Company. CIC letter reference Policy No.MED/03/002724/2015 dated 22 June 2016 indicated that the number of members on cover (beneficiaries) exceeded by forty nine (49) the initial list of 527 beneficiaries given to them at the time the cover was contracted.The additional forty nine (49) members attracted additional premiums costing Kshs.2,240,013 leading to total cover costs of Kshs.23,878,567. However, the cash book, payment vouchers and bank statements presented for audit, revealed that the County Assembly paid a total of Kshs.24,240,013 instead of Kshs.23,878,567 resulting to an unexplained overpayment of Kshs.361,446.

Consequently, the propriety of the medical insurance over-expenditure of Kshs.361,446 cannot be confirmed.

5. Acquisition of Assets and Fixed Assets Register

The acquisition of assets expenditure of Kshs.4,004,087 reflected in the statements of receipts and payments is not supported with requisite ledgers and schedules. Further, the fixed asset register shown under Note 10 to the financial statements was not updated and the management did not make any disclosures in the financial statements regarding the fixed assets inherited from the defunct County Council of Kisumu.

Consequently, it has not been possible to confirm the accuracy and completeness of the acquisition of assets expenditure of Kshs.4,004,087 for the year ended 30 June 2016.

6. Cash and Cash Equivalents

6.1. Bank Reconciliation

The statement of financial assets reflects net financial position of Kshs.922,246. However, the management did not avail for audit review bank reconciliation statements for KCB and Central Bank accounts which had balances of Kshs.1,111 and Kshs.921,134 respectively as at 30 June 2016. Further, bank balance confirmation certificates for all bank accounts operated by the Assembly as at 30 June 2016 were not presented for audit verification while the bank accounts register was not maintained.

Consequently, the accuracy and completeness of the bank balances of Kshs.922,246 as at 30 June 2016 cannot be confirmed.

6.2. Unaccounted for Cash Withdrawals

Review of bank statements and cash books reflected cash withdrawals totalling Kshs.10,601,000 which were not accounted for as at 30 June 2016. The withdrawals were posted in the cash book in the name of the officer who made them as shown below:

Transaction Date	Payee	Amount (Kshs.)
3 February 2016	Charles Kennedy Ochieng	1,653,400
31 March 2016	Charles Kennedy Ochieng	1,560,600
19 April 2016	Charles Kennedy Ochieng	4,187,000
13 June 2016	Charles Kennedy Ochieng	2,000,000
7 July 2016	Charles Kennedy Ochieng	1,200,000
Total		**10,601,000**

In the absence of proper accounting documentation, the propriety and validity of the cash withdrawals totalling Kshs.10,601,000 made by the officer during the year under review cannot be confirmed.

7. Pending Bills

Note 17.1 to the financial statements reflects nil balance against several pending bills. However, management provided for audit review a schedule of pending bills amounting to Kshs.1,943,150 but creditor's ledgers to support the bills were not presented for audit verification. Further, management did not disclose the bills under Annex 1 to the financial statements.

In view of these omissions the validity, accuracy and existence of the pending bills balance of Kshs.1,943,150 cannot be confirmed.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of County Assembly of Kisumu as at 30 June 2016, and of its financial performance and of its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with Public Finance Management Act, 2012.

Other Matter

1. Budget Analysis and Performance

1.1. Budget Absorption

During the year under review, the approved budget for the County Assembly of Kisumu was Kshs.533,898,797 out of which Kshs.12,873,000 (2%) was for development expenditure and Kshs.521,025,797 (98%) for recurrent expenditure as indicated below:

Vote	Approved Budget 2015/2016 Kshs.	Actual 2015/2016 Kshs.	Absorption rate %	% of Total Expenditure
Recurrent Expenditure	521,025,797	478,258,176	92%	99%

Development Expenditure	12,873,000	4,004,087	31%	1%
Total	**533,898,797**	**482,262,263**	90%	

Review of the budget performance shows that the County Assembly spent Kshs.4,004,087 or approximately 1% of total expenditure on development expenses and Kshs.478,258,176 or approximately 99% of total expenditure on recurrent expenses.

1.2. Under/ Over Expenditure

The aggregate recurrent and development actual expenditure was Kshs.482,262,263 against the budget of Kshs.533,898,787 as detailed below:

Items	Total Budget	Actuals	Over Expenses	Under Expenses	% Level of Absorption
	Kshs.	Kshs.	Kshs.	Kshs.	
Basic Salaries	94,499,695	68,908,225		25,591,470	73
House Allowances	1,419,600	1,395,321		24,279	98
Top Up Allowances	950,000	679,250		270,750	72
Airtime Allowances	3,611,000	3,322,078		288,922	92
Extraneous Allowances	1,100,000	1,855,707	755,707		169
Non Practising Allowances	160,000			160,000	0
Special Duty Allowances	10,872,000	9,608,842		1,263,158	88
MCA Sitting Allowances	110,888,102	79,297,706		31,590,396	72
Milleage Allowances	23,277,000	18,204,587		5,072,413	78
Personal Assistant Allowances	540,000			540,000	0
Electricity	300,000	110,072		189,928	37
Water	300,000	165,984		134,016	55
Hire of Transport	6,000,000	11,902,487	5,902,487		198
Foreign Travel	45,000,000	50,363,115	5,363,115		112
Domestic Travels	41,200,000	78,055,075	36,855,075		189
Printing and Stationery	113,600			113,600	0
Exgratia Payments	1,400,000	566,659		833,341	40
Refund Medical Expenses	1,500,000			1,500,000	0
Medical Insurance	12,000,000	12,000,000	-	-	100
Motor Vehicle Insurance	1,500,000	1,002,033		497,967	67
Tuition Fee	530,000	399,710		130,290	75
Accommodation	14,309,500	15,268,184	958,684		107
Courier and Postal	95,392			95,392	0
Newspaper	300,070	226,820		73,250	76
Advertising and Awareness	3,000,000	3,500,507	500,507		117

Trade Shows and Exhibition	4,500,000	2,586,124		1,913,876	57
Bank Charges	480,000	335,200		144,800	70
Budgetary Process	1,800,000			1,800,000	0
Hospitality	3,000,000	11,055,474	8,055,474		369
General Office Suppliers	4,960,000	4,905,201		54,799	99
Sanitary and Cleaning	310,400	339,649	29,249		109
Fuel Oil and Lubricant	1,210,000	1,428,497	218,497		118
Contracted Guards and Armed Security	6,000,000	6,075,340	75,340		101
Member Fees, Subscription	1,000,000	864,025		135,975	86
Contracted Professional	3,000,000	3,321,614	321,614		111
Pending Bills	10,390,000			10,390,000	0
Routine Maintenance - Motor Vehicle	1,000,000	1,303,147	303,147		130
Government Pension	17,778,428	1,460,637		16,317,791	8
Purchase of Computers, IT & Equipment	11,200,000	1,979,897		9,220,103	18
Purchase of Air Conditioners	200,000			200,000	0
Other Equipment	200,000	193,449		6,551	97
Generator	2,000,000	1,830,741		169,259	92
Sports Activities	10,000,000	477,710		9,522,290	5
Gender & Disability	1,500,000	295,000		1,205,000	20
Purchase of Uniforms	3,500,000	1,843,710		1,656,290	53
Rental of Produced Assets	1,104,000			1,104,000	0
Education and Library	4,000,000	3,999,000		1,000	100
Legal Dues	3,000,000	3,662,531	662,531		122
Maintenance of Furniture	400,000	364,511		35,489	91
Rent and Rates	63,000,000	62,924,700		75,300	100
Public Participation	3,500,000			3,500,000	0
Other Operating Expenses	-	14,183,744	14,183,744		100
Total	**533,898,787**	**482,262,263**	**74,185,171**	**125,821,695**	**90**

The analysis indicates that the Assembly under-spent by Kshs.125,821,695 on thirty seven (37) items and overspent by Kshs.75,185,171 on fourteen (14) items. Expenditures on extraneous allowances, hire of transport, foreign & domestic travel and hospitality recorded the highest over-expenditure. No plausible explanation was provided for the material variations and neither were reallocations regularized through the supplementary budget.

2. Governance Framework

2.1 High Staff Turn Over

The Office of the Clerk to the County Assembly has a high staff turn-over with four staff having exited between May 2013 and October 2016. Persistence wrangles reported between the Assembly Speaker and the Chief Officers have affected delivery of services and effective working of the Assembly management. Further, no official handing/ taking over records between the current and former clerks were provided for audit review.

2.2 Failure to Establish an Audit Committee

The County Assembly of Kisumu does not have an audit committee contrary to Section 167(1) of the Public Finance Management (County Government) Regulations, 2015 which require each County Government entity to establish an audit committee to oversee governance mechanisms and promote transparency and accountability in the management of the County Assembly's resources. However, the Assembly is operating against the law.

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

Nairobi

15 August 2017

III. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015/2016 Kshs	2014/2015 Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	488,356,347	-
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	22,978	-
TOTAL RECEIPTS		**488,379,325**	-
PAYMENTS			
Compensation of Employees	4	235,453,572	-
Use of goods and services	5	247,999,420	-
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Acquisition of Assets	10	4,004,087	-
Finance Costs	11	-	-
Other Payments	12	-	-
TOTAL PAYMENTS		**487,457,080**	-
SURPLUS/DEFICIT		**922,246**	-

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **September 27, 2016** and signed by:

Clerk of the Assembly
Assembly

Principal Finance Officer – County

IV. STATEMENT OF FINANCIAL ASSETS

	Note	2015/2016 Kshs	2014/2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	13A	922,246	-
Cash Balances	13B	-	-
Total Cash and cash equivalents		**922,246**	-
Accounts receivables – Outstanding Imprests	14	-	-
TOTAL FINANCIAL ASSETS		**922,246**	-
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	-	-
NET FINANCIAL ASSETS		**922,246**	-
REPRESENTED BY			
Fund balance b/fwd	16	-	-
Surplus/Defict for the year		922,246	-
NET FINANCIAL POSITION		**922,246**	-

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **September 27, 2016** and signed by:

Clerk of the Assembly
Assembly

Principal Finance Officer – County

V. STATEMENT OF CASHFLOW

	Note	2015/2016 Kshs	2014/2015 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	488,356,347	-
Other Receipts	3	22,978	-
Payments for operating expenses			
Compensation of Employees	4	235,453,572	-
Use of goods and services	5	247,999,420	-
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Finance Costs	11	-	-
Other Payments	12	-	-
Adjusted for:			
Adjustments during the year		-	-
Net cash flows from operating activities		**4,926,333**	-
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	4,004,087	-
Net cash flows from investing activities		**4,004,087**	-
NET INCREASE IN CASH AND CASH EQUIVALENT		-	-
Cash and cash equivalent at BEGINNING of the year		-	-
Cash and cash equivalent at END of the year		**922,246**	-
As per statement of assets		-	-
Control		-	-

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **September 27, 2016** and signed by:

Clerk of the Assembly
Assembly

Principal Finance Officer – County

VI. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINE

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	533,898,787		533,898,787	488,356,347	91
Proceeds from Sale of Assets					
Other Receipts	0			22,979	0
TOTAL					
PAYMENTS					
Compensation of Employees	270,420,535		270,420,535	235,453,572.05	87
Use of goods and services	250,605,252		250,605,252	247,999,420.10	99
Subsidies					
Transfers to Other Government Entities					
Other grants and transfers					
Social Security Benefits					
Acquisition of Assets	12,873,000		12,873,000	4,004,087.40	31
Finance Costs					
Other Payments					
TOTAL	**533,898,787**		**533,898,787**	**487,457,079.55**	**91**

The entity financial statements were approved on **September 23, 2016** and signed by:

Clerk of the Assembly

Principal Finance Officer – County Assembly

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	533,898,787		533,898,787	488,356,347	91
Proceeds from Sale of Assets					
Other Receipts	0			22,979	0
TOTAL					
PAYMENTS					
Compensation of Employees	270,420,535		270,420,535	235,453,572.05	87
Use of goods and services	250,605,252		250,605,252	247,999,420.10	99
Subsidies					
Transfers to Other Government Entities					
Other grants and transfers					
Social Security Benefits					
Acquisition of Assets	12,873,000		12,873,000	4,004,087.40	31
Finance Costs					
Other Payments					
TOTAL	**533,898,787**		**533,898,787**	**487,457,079.55**	**91**

The entity financial statements were approved on **September 27, 2016** and signed by:

Clerk of the Assembly

Principal Finance Office – County Assembly

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	-	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	-	-	-	-	-
PAYMENTS					
Compensation of Employees	-	-	-	-	-
Use of goods and services	-	-	-	-	-
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	-	-	-	-	-
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	-	-	-	-	-

The entity financial statements were approved on **September 27, 2016** and signed by:

Clerk of the Assembly

Principal Finance Office – County Assembly

IX. 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 and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

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

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

2. **Recognition of receipts and payments**
The *entity* recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the *entity*. In addition, the *entity* recognises all payments when the event occurs and the related cash has actually been paid out by the *entity*.

3. **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 revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. **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.

5. **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 expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

6. **Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties has 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 by National Government Ministries and agencies. 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.

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 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 Government of Kenya Budget Printed Estimates. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

10. **Comparative figures**

This is the first time the County Assembly is preparing its full year financial statements. Being a first time adopter, there are no comparative amounts for the previous year.

11. 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.

X. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from the County Treasury/Exchequer Releases

Description	2015/2016	2014/2
	Kshs	K
Total Exchequer Releases for quarter 1	37,727,753	
Total Exchequer Releases for quarter 2	157,875,582	
Total Exchequer Releases for quarter 3	161,147,012	
Total Exchequer Releases for quarter 4	131,606,000	
Total	**488,356,347**	

2 PROCEEDS FROM SALE OF ASSETS

Description	2015/2016	2014/2
	Kshs	K
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	-	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 OTHER RECEIPTS

Description	2015/2016 Kshs	2014/2015 Kshs
Interest from Bank-Car Loan/Mortgage Account		
Other Receipts II	22,978	
Other Receipts III		
Other Receipts IV		
Other Receipts XXXX		
Total	**22,978**	-

4 COMPENSATION OF EMPLOYEES

Description	2015/2016 Kshs	2014/2015 Kshs
Basic salaries of permanent employees	76,222,929.40	-
Basic wages of temporary employees	-	-
Personal allowances paid as part of salary	41,987,941.65	-
Personal allowances paid as reimbursements	115,215,405	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	2,027,296	-
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	-
Other personnel payments	-	-
Total	**235,453,572**	-

5 USE OF GOODS AND SERVICES

Description	2015/2016 Kshs	2014/2015 Kshs
Utilities, supplies and services	276,057	-
Communication, supplies and services	341,000	-
Domestic travel and subsistence	61,651,013	-
Foreign travel and subsistence	38,228,084	-
Printing, advertising and information supplies & services	9,726,820	-
Rentals of produced assets	62,924,700	-
Training expenses	399,710	-
Hospitality supplies and services	4,004,290	-
Insurance costs	19,402,110	-
Specialized materials and services		-
Fuel Oil and Lubricant	1,428,497	-

Description	2015/2016 Kshs	2014/ K
Office and general supplies and services	12,309,400	
Other operating expenses	35,993,541	
Routine maintenance – vehicles and other transport equipment	1,000,000	
Routine maintenance – other assets	317,199	
	-	
Total	**247,999,497**	

6 SUBSIDIES

Description	2015/2016 Kshs	2014/2 K
Subsidies to Public Corporations		
See list attached		
	-	
	-	
Subsidies to Private Enterprises		
See list attached		
	-	
	-	
TOTAL	-	

7 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2015/2016 Kshs	2014/201 Ksh
Transfers to National Government entities		
See attached list		
	-	
Transfers to Counties		
County Assembly Car Loan Fund Account		
(insert name of budget agency)	-	
	-	
TOTAL	-	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER GRANTS AND TRANSFERS

Description	2015/2016 Kshs	2014/
Scholarships and other educational benefits	-	
Emergency relief and refugee assistance	-	
Subsidies to small businesses, cooperatives, and self employed	-	
Other current transfers, grants	-	
Other capital grants and transfers	-	
Total	-	

9 SOCIAL SECURITY BENEFITS

Description	2015/2016 Kshs	2014/
Government pension and retirement benefits	-	
Social security benefits in cash and in kind	-	
Employer Social Benefits in cash and in kind	-	
Total	-	

10 ACQUISITION OF ASSETS

Description	2015/2016 Kshs	2014/2 K
Non financial assets		
Purchase of Buildings	-	
Construction of Buildings	-	
Refurbishment of Buildings	-	
Construction of Roads	-	
Construction and Civil Works	-	
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	193,449	
Purchase of ICT Equipment, Software and Other ICT Assets	1,979,897	
Purchase of Specialised Plant, Equipment and Machinery	1,830,741	
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	

Description	2015/2016 Kshs	2014/
Purchase of Certified Seeds, Breeding Stock and Live Animals	-	
Research, Studies, Project Preparation, Design & Supervision	-	
Rehabilitation of Civil Works	-	
Acquisition of Strategic Stocks and commodities	-	
Acquisition of Land	-	
Acquisition of Intangible Assets	-	
Financial Assets		
Domestic Public Non-Financial Enterprises	-	
Domestic Public Financial Institutions	-	
Foreign financial Institutions operating Abroad	-	
Other Foreign Enterprises	-	
Foreign Payables - From Previous Years	-	
Total	**4,004,087**	

11 FINANCE COSTS

Description	2015/2016 Kshs	2014/20 K
Bank Charges	-	
Exchange Rate Losses	-	
Other Finance Costs	-	
Total	-	

12 OTHER PAYMENTS

Description	2015/2016 Kshs	2014/20 Ks
Budget Reserves	-	
Civil Contingency Reserves	-	
Capital Transfers to Non-Financial Public Enterprises	-	
Capital Transfer to Public Financial Institutions and Enterprises	-	
Capital Transfer to Private Non-Financial Enterprises	-	
Other expenses	-	
Domestic Accounts	-	
Total	-	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13A BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2015/2016	2014/2015
		Kshs	Kshs
Kenya Commercial Bank	Recurrent	1,111.40	-
Central Bank of Kenya	Recurrent	921,134	-
			-
Total		**922,246**	-

13B CASH IN HAND

Description	2015/2016	2014/2
	Kshs	K
Cash in Hand – Held in domestic currency	-	
Cash in Hand – Held in foreign currency	-	
Total	-	

Cash in hand should be analysed as follows:

Description	2015/2016	2014/20
	Kshs	K
Location 1	-	
Location 2	-	
Location 3	-	
Total	-	

14 ACCOUNTS RECEIVABLE

Description	2015/2016	2014/20
	Kshs	K
Government Imprests	-	
Clearance Accounts	-	
Staff Advances	-	
Other Advances	-	
Total	-	

See Annex 5 for a detailed analysis of the outstanding imprests.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 ACCOUNTS PAYABLE

Description	2015/2016 Kshs	2014/2015 Kshs
Deposits and Retentions	-	-
Total	-	-

16 FUND BALANCE BROUGHT FORWARD

Description	2015/2016 Kshs	2014/2015 Kshs
Bank accounts	-	
Cash in hand	-	
Accounts Receivables	-	
Accounts Payables	-	
Total	-	-

17 OTHER IMPORTANT DISCLOSURES

17.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2015/2016 Kshs	2014/2015 Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
Total	-	-

17.2: PENDING STAFF PAYABLES (See Annex 2)

Description / Name of Staff	2015/2016 Kshs	2014/2015 Kshs
Total		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17.3: OTHER PENDING PAYABLES (See Annex 3)

Description	2015/2016 Kshs	2014/2015 Kshs
Amounts due to National Government entities	-	-
Amounts due to County Government entities	-	-
Amounts due to third parties	-	-
Total	-	-

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2015	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 2015	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

ıme	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Com
		a	b	c	d=a-c		
mounts due to National Govt Entities							
Sub-Total							
mounts due to County Govt Entities							
Sub-Total							
Amounts due to Third Parties							
Sub-Total							
thers (*specify*)							
0.							
Sub-Total							
Grand Total							

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost FY2015/2016 KShs	Historical Cost FY2015/2016 KShs
Land	-	-
Buildings and structures	-	-
Transport equipment	-	-
Office equipment, furniture and fittings	-	-
ICT Equipment, Software and Other ICT Assets	-	-
Other Machinery and Equipment	-	-
Heritage and cultural assets	-	-
Intangible assets	-	-
Total	-	-

ANNEX 5 – ANALYSIS OF OUTSTANDING IMPREST

Government Imprest Holders

Name of Officer or Institution	*Date Imprest Taken*	*Amount Taken*	*Amount Surrendered*	*Balance*
		Kshs	*Kshs*	*Kshs*
Name of Officer or Institution	dd/mm/yy	-	-	-
Name of Officer or Institution	dd/mm/yy	-	-	-
Name of Officer or Institution	dd/mm/yy	-	-	-
Name of Officer or Institution	dd/mm/yy	-	-	-
Name of Officer or Institution	dd/mm/yy	-	-	-
Name of Officer or Institution	dd/mm/yy	-	-	-
Total		-	-	-

ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT

(Attach FO 30 Report from IFMIS)