REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF LAMU

FOR THE YEAR ENDED 30 JUNE 2016

COUNTY ASSEMBLY OF LAMU

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 of Lamu is constituted as per the constitution of Kenya and is headed by the Speaker, who is responsible for the general policy and strategic direction of the County Assembly. The County Assembly of Lamu is managed by the Lamu County Assembly Service Board whose Chairperson is the Honourable Speaker and Clerk who is the secretary to the board implements all administrative directions as per the laws of Kenya and the policies approved.

(b) Key Management

The day-to-day management is under the following key organs:

- Office of the Speaker;
- Clerk's Chamber.

(c) Fiduciary Management

The key management personnel who held office during the financial year 2015/16 and had direct fiduciary responsibility were:

No.	Designation	Name
1.	Clerk	Mboche Wanyoike
2.	Deputy Clerk	Omar Ahmed Ali
3.	Director Finance &Planning	Kale Ahmed Ali
4.	Head Procurement	Susan Wambui Kamau

(d) Fiduciary Oversight Arrangements

- County Assembly Public Accounts Committee.
- Kenya National office.
- Office of the Controller of Budget.

(e) County Assembly of Lamu Headquarters

P.O. Box 374-80500
Kenyatta Road
Lamu

(f) Entity Contacts

Telephone: (+254) 723252849
E-mail: lamuassembly@gmail.com
Website: www.lamuassembly.com

(g) Entity Bankers

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

2. Kenya Commercial Bank
   Kenyatta Road
   P.O. Box 121-80500
   Lamu

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. FORWARD BY THE CLERK OF THE ASSEMBLY

As the first financial statement and report for the County Assembly of Lamu, we are pleased as an institution with our progress. The steady progress has seen the County Assembly perform its functions of oversight, legislation and representation properly. The recurrent funds absorption rate was around 97.3% indicating that the resources were allocated in efficiently in our budget.

The County Assembly is building its Chambers and offices at the County Headquarters in Mokowe and this is the major development project that is expected to have a positive impact in the performance of the house and access by the public, hence improving service delivery. In the financial year 2015/16 the County Assembly of Lamu published over 15 Bills which are in different stages of legislative procedures, several public outreaches and oversights were conducted.

Lastly the major challenge that we faced is the sharing of G-pay Central Bank account with the County Executive but the coming of Internet Banking in December 2015 helped us a lot and it improved our efficiency. Another critical challenge is the use of VPN through internet to access the IFMIS and the challenge is compounded due to lack of high speed internet in Lamu.

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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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF LAMU FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

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

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 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 Assembly'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.

Because of the matters described in the Basis of Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Inaccuracies in the Financial Statements

The figures in the financial statements for the year ended 30 June 2016 contained discrepancies amounting to Kshs.161,586,955 compared with IFMIS report as summarized below:

Details	Financial Statements Kshs. Amount	IFMIS report Kshs. Amounts	Variance Kshs.
Receipts	334,524,663	395,984,305	61,459,642
Recurrent expenditure	295,100,896	335,993,086	40,892,190
Development expenditure	0	59,235,123	59,235,123
Total	**629,625,559**	**791,212,514**	**161,586,955**

It was not clear why the expenditure in IFMIS varied from the expenditure presented in the financial statements. In view of the circumstances, the validity of the balances contained in the statement of receipts and payments for the year ended 30 June 2016 could not be ascertained.

2. Presentation of the Financial Statements

The financial statements for the year ended 30 June 2016 presented for audit had the following anomalies:

i). Statement of management responsibilities is missing from the table of contents contrary to IPSAS 1.

ii). Diamond Trust Bank Account with a balance of Kshs.40,067,941 as at 30 June 2016 as per Note.13.A to the financial statements was not shown as one of the County Assembly's banks in line with IPSAS1.

iii). The Statement of management responsibilities has no opening paragraph on the enabling legislation for the preparation of the financial statement contrary to the Public Sector Accounting Standards Board guidelines.

In the circumstances, the financial statements for the year ended 30 June 2016 presented for audit do not conform to IPSAS 1 on the presentation of financial statements.

3. Unsupported Payments

The statement of receipts and payments reflected total payments of Kshs.295,100,896 and whose supporting schedules were not availed for audit review as summarized below:

Item	Amount Kshs
Compensation of employees	147,288,985
Use of goods and services	135,925,327
Other grants and transfers	294,955
Acquisition of assets	11,591,629
Total	**295,100,896**

In the circumstances, it was not possible to confirm the accuracy and completeness of the expenses totalling Kshs.295,100.896 as reported in the financial statements for the year ended 30 June 2016.

4. Bank Balances

The statement of financial assets as at 30 June 2016 reflects a bank balance of Kshs.49,492,379. According to Note. 13A to the financial statements, the balance includes a sum of Kshs.40,067,941.80 in respect of Diamond Trust Bank account. However, information available indicates that the balance relates to the County Car Loans deposit fund of Kshs.40,000,000 which was held by the bank as collateral security for car loans issued to members of the County Assembly and includes interest earned of Kshs.67,941. However, the cashbook for the Account was not availed for audit review. In addition, the bank certificate for the recurrent account in Central Bank of Kenya was not availed for audit verification to confirm the balance of Kshs.8,924,503 as at 30 June 2016.

In the circumstances, the accuracy, validity and completeness of the bank balance of Kshs.49,492,379 as at 30 June 2016 could not be confirmed.

5. Accounts Receivables

5.1 Outstanding Imprest

The statement of financial assets as at 30 June 2016 reflects a nil balance in respect of accounts receivables – outstanding imprest. However, audit verification of imprest payments revealed that an imprest of Kshs.200,000 issued to the project manager during the year for the construction of the County Assembly chambers had not been surrendered as at 30 June 2016. It was not clear how the imprest was accounted for in the financial statements. In addition, according to the project's bills of quantities, Kshs.2,000,000 was provided for as provisional costs for project management. Therefore, it was not clear why an imprest was issued to the project manager for supervision while the project had set aside funds for project supervision.

Further, it was observed that staff of the County Assembly were issued with imprests on behalf of members of the county assembly contrary to the Section 91

of the Public Finance Management Regulations, 2015 which states, "that the officer authorized to hold and operate imprest shall make a formal application for imprest through an imprest warrant". It was not clear why members of the County Assembly could not take responsibility for their imprests. It was further noted that there were no clear security arrangements while carrying such large amounts of cash as stipulated in Section 89 of the Public Finance Management Regulations, 2015 on security for cash in transit.

5.2 Advance Payment to a Contractor

As reported in the audit report for the year 2014/2015 financial year, the County Assembly paid Kshs.21,426,477 irregularly as advance to a contractor for the construction of the County Assembly chambers contrary to Section 56 (1) of the Public Procurement and Disposal Act, 2005 which requires that tender security be provided with bid documents. However, as at 30 June 2016, the project had not been completed and the final project accounts had not been prepared. It is not clear how the advance payment to the contractor was accounted for in these financial statements.

Consequently, the accuracy, regularity and completeness of the use of goods and services balance of Kshs.135,925,327 for the year ended 30 June 2016 could not be confirmed.

6. Accounts Payables

The statement of financial assets as at 30 June 2016 reflects nil balance in respect of accounts payable-deposits and retentions. However, information presented for audit indicates that the County Assembly retained a total of Kshs.4,216,519 from payments made to the contractor for the construction of the County Assembly chambers. However, as at 30 June 2016, the project had not been completed and the final project accounts had not been prepared. It is not clear how the retention monies were accounted for in these financial statements.

In the circumstance, the accuracy and completeness of the accounts payable nil balance as at 30 June 2016 could not be confirmed.

7. Transfers from County Treasury / Exchequer

7.1 Unreconciled Variance

The statement of receipts and payments reflects a balance of Kshs.344,524,663 in respect of transfers from the County treasury/exchequer for the year ended 30 June 2016. Audit verification revealed that the balance of Kshs.344,524,663 relates to transfer of recurrent funds from both the County treasury and County revenue fund account. However, the report by the Controller of Budget show a total of Kshs.375.98 million as exchequer issues to the County Assembly of Lamu during the period under audit thus resulting in a variance of Kshs.31.46 million which represents development vote exchequer issues as reflected in the same report. It's not clear how the funds were accounted for in these financial statements.

In the circumstances, the accuracy and completeness of transfers from the County treasury / exchequer balance of Kshs.344,524,663 for the year ended 30 June 2016 could not be ascertained.

7.2 Development Expenditure

The report by the Controller of Budget indicates that a total of Kshs.31.46 million was released to the County Assembly of Lamu during the year under review for development vote. However, this was not reported in these financial statements.

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

8. Compensation to Employees

8.1 Personal Allowances Paid as Part of Salary

The statement of receipts and payments reflects a balance of Kshs.147,288,985 in respect of compensation to employees for the year ended 30 June 2016. According to Note 4 to the financial statements, compensation to employees' balance of Kshs.147,288,985 includes personal allowances paid as part of salary amounting to Kshs.63,549,651. Audit verification revealed the following irregularities in respect to the payments:

8.1.1 Committee Meetings Held Outside Lamu County

Included in personal allowances balance of Kshs.63,549,651 as per Note 4 to the financial statements is an expenditure of Kshs.8,502,200 incurred on nine (9) sittings of committees of the County Assembly held outside Lamu County Assembly Chambers. However, there was no proper justification for holding the meetings outside the County Assembly chambers and further, there was no evidence of how the venues were identified and selected. Thus, the County Assembly incurred unnecessary expenditure on travel, venue and subsistence allowance amounting to Kshs.8,502,200 at the expense of service delivery to the residents of Lamu.

As a result, the propriety of the expenditure of Kshs.8,502,200 incurred on compensation to employees for the year ended 30 June 2016 could not be ascertained.

8.1.2 Irregular Sitting Allowance

Included in the amount of personal allowances paid as part of salary of Kshs.63,549,651 as per Note 4 to the financial statements is expenditure on sitting allowance amounting to Kshs.5,920,150. The expenditure includes Kshs.4,709,700 incurred on house-sitting allowances paid to members of County Assembly and Kshs.1,210,450 paid to members of a select committee on conflict resolution between farmers and pastoralist in Lamu County. However, audit verification revealed that the amount was paid to twenty (20) members of the County Assembly in excess of the actual sittings as per attendance registers. Also the basis of computing the sitting allowance was not clear. In addition, audit verification of sitting allowance paid to members of a select committee revealed that the

committee continued to sit upto 17 April 2016 after the lapse of the official deadline of 15 December 2015 without evidence of approval for extension and as a result incurred additional costs amounting to Kshs.660,000.

In consequence, the propriety of expenditure of Kshs.6,580,150 on personal allowances for the year ended 30 June 2016 could not be confirmed.

8.1.3 Hardship Allowance

Included in the balance of personal allowances paid as part of salary of Kshs.63,549,651 as per Note 4 to the financial statements are hardship allowances totaling to Kshs.7,626,769 paid to staff during the period under audit. However, audit examination revealed that the rates used for the hardship allowance were higher than the rates recommended by the Salaries and Remunerations Commission's Circular SRC/ADM/CIR/1/13/Vol.III (126) of 10 December 2014 resulting in an excess payment of Kshs.716,428. The excess payment of hardship allowance was in breach of the law.

In the circumstances, the accuracy, regularity and completeness of the hardship allowance of the Kshs.7,626,769 for the year ended 30 June 2016 could not be confirmed.

8.2 Compulsory National Social Security Scheme

Note 4 to the financial statements, reflects compensation to employees of Kshs.147,288,985 for the year ended 30 June 2016 and which includes compulsory national social security scheme balance of Kshs.9,859,523. Included in the balance was a payment of Kshs.1,528,800 to a law firm for legal services. It was not clear why the expenditure was charged to compulsory national social security vote contrary to Section 154 (2) of the Public Finance Management Act, 2012 which provides guidance on reallocation of funds between votes.

In the circumstance, the accuracy, regularity and completeness of compensation to employees' balance of Kshs.147,288,985 for the year ended 30 June 2016 could not be confirmed.

9. Use of Goods and Services

9.1 Transfer to Ward Offices

The statement of receipts and payments for the year ended 30 June 2016 reflects use of goods and services balance of Kshs.135,925,327. Included in the balance are transfers to Ward offices balance of Kshs.10,647,424. The transfers were to cater for; office rent, staff salaries and general office expenses. However, there was no evidence that the transfers were accounted for with supporting documents such as receipts for rent, salary vouchers and receipts for other expenses. It's not clear why the surrenders were accepted without proper supporting documents contrary to Section 71 (3) of Public Finance Management Act, 2012 which states that, "A public officer to whom cash advance has been made under subsection (1), shall return the balance of the cash advanced together with signed supporting

documents for the expenditure incurred in accordance with any requirement set out".

Consequently, the accuracy, regularity and completeness of expenditure of Kshs.10,647,424 incurred on use of goods and services for the year ended 30 June 2016 could not be ascertained.

9.2 Domestic Travel and Subsistence

Note 5 to the financial statements for the year ended 30 June 2016, reflects use of goods and services balance of Kshs.135,925,327 which includes domestic travel and subsistence of Kshs.71,324,012. Audit verification of the expenditure on domestic travel and subsistence revealed the following anomalies:

9.2.1 Excess Expenditure

Note 5 to the financial statements reflects expenditure on domestic travel and subsistence amounted to Kshs.71,324,012 for the year ended 30 June 2016. However, audit verification revealed an additional expenditure on domestic travel and subsistence amounting to Kshs.13,084,560 was irregularly recorded under foreign travel and subsistence vote resulting in total expenditure of Kshs.84,408,572 on domestic travel and subsistence. However, according to the County Assembly's approved budget estimates for the 2015/2016 financial year, Kshs.72,787,400 was allocated to domestic travel and subsistence vote.

As a consequence, the County Assembly over-spent the Kshs.11,621,172 domestic travel and subsistence vote by Kshs.11,621,172. It was not clear why the budget was over-spent without approval as required by the Public Finance Management Act, 2012.

9.2.2 Travel Claims

Included in the domestic travel and subsistence balance of Kshs.71,324,012 were claims amounting to Kshs.11,319,250. The claims included subsistence allowance amounting of Kshs.5,787,173 claimed by twenty one (21) officers for training courses and seminars held outside Lamu county. However, audit verification revealed that the same officers attended committee meetings held at the County Assembly chambers during the same period. It is therefore not clear how the officers could concurrently attend two events happening in two different geographical locations. Therefore the validity of the expenditure is doubtful.

In the circumstance, the accuracy and propriety of the expenditure on domestic travel and subsistence of Kshs.5,787,173 for the year ended 30 June 2016 could not be ascertained.

9.3 Foreign Travel and Subsistence

Note 5 to the financial statements indicates use of goods and services balance of Kshs.135,925,327 and which includes foreign travel and subsistence of Kshs.16,130,170. Included in the balance of foreign travel and subsistence of Kshs.16,130,170 is an expenditure of Kshs.15,615,632 for trips to Tanzania and

the United Arab Emirates. However, audit verification revealed that the trips were made without evidence of approval by the Ministry of Planning and Devolution as per Code of Regulations, 2006. Further, it was observed that the three trips had delegations of ten (10) or more persons contrary to Section 1.16 (2) of the County Human Resource Manual, 2013, which requires that the number of participants in a retreat should not be more than ten (10) people. In addition, there was no evidence that back to office reports on the lessons learnt from the trips were prepared and tabled before the County Assembly. Therefore, it was not clear how the residents of Lamu County benefited from the trips.

In the circumstances, the accuracy, propriety and completeness of the expenditure on foreign travel and subsistence of Kshs.16,130,170 for the year ended 30 June 2016 could not be ascertained.

9.4 Training Expenses

Note 5 to the financial statements indicates a balance of Kshs.135,925,327 for use of goods and services out of which sum of Kshs.6,449,879 relates to training expenses. However, audit examination of the training expenses revealed the following anomalies:

9.4.1 Locally Available Training Held Abroad

Note 5 to financial statements indicates that the use of goods and services balance of Kshs.135,925,327 includes training expenses balance of Kshs.6,449,879 and domestic travel and subsistence balance of Kshs.71,324,012 for the year ended 30 June 2016. Audit verification revealed total expenditure of Kshs.22,209,190 which include Kshs.6,398,000 paid to three (3) training firms and Kshs.15,811,190 paid to various officers as subsistence allowance:

No.	Training	Country	Trainers	Number of participants	Trainer's Fee Kshs.	Imprest Kshs.	Total Kshs.
1	Governance and leadership	Dubai	Mosi & Co. Advocates	10	1,400,000	2,586,018	3,986,018
2	Infrastructure and Environmental Studies	Malaysia	Trainconsult Ltd	6	1,479,000	1,872,108	3,351,108
3	Ethics, Financial and Results Oriented Management	Dubai	Esami	6	765,000	2,654,400	3,419,400
4	Competency recruitment	Dubai	Esami	10	1,530,000	5,352,024	6,882,024
5	Leadership and good governance	Tanzania	Esami	34	1,224,000	3,346,640	4,570,640
	Total				**6,398,000**	**15,811,190**	**22,209,190**

However, the audit examination revealed that the consultants were local firms as detailed above:

It was not clear why the training could not be offered locally either at the trainers' premises or the County Assembly. In addition, there was no evidence of any training need assessment done to identify the type of training and persons to be trained contrary to Section 1.3 of the County Human Resource Manual, 2013 which states that, "Training in the County Public Service shall be based on training needs assessment which shall be conducted every two years in each County Department".

Further, there was no evidence of how the consultants were identified and selected. It was further observed that the certificates of attendance for governance and leadership and infrastructure and environmental studies were issued in the name of a different firm not the paid consultant. Therefore, it was not clear who actually carried out the training.

In the circumstances, the propriety and regularity of the expenditure totaling to Kshs.22,209,190 incurred on use of goods and services to could not be ascertained.

9.4.2 Training in Tanzania

Included in the training expenses balance of Kshs.6,449,879 for the year ended 30 June 2016 is an expenditure of Kshs.1,224,000 paid to a local based firm for a training on leadership and good governance held in Arusha, Tanzania. Audit examination of the payment revealed that a total of thirty four (34) officers including all the fifteen (15) members of the County Assembly were sponsored to attend the two day training at a total cost of Kshs.4,570,640 contrary to section 1.16 (2) of the County Human Resource Manual, 2013, which states that, "the number of participants in a retreat should not be more than ten (10) excluding the secretariat staff". In addition, the journey to Tanzania involved two nights spent in Mombasa at a total cost of Kshs.341,600. It was not clear why the firm which also conducts training courses in Mombasa was not invited to train the officers there.

Further, it was observed that out of the seven officers who attended the training on leadership and good governance held in Tanzania, five (5) officers also attended a similar training course conducted by the same firm in Dubai at a total cost of Kshs.2,254,374. It was not clear why a similar training was offered to the same officers at an extra cost of Kshs.2,254,374. It was also noted that the participants did not submit back-to-office reports on the lessons learnt. Therefore it is not clear how the residents of Lamu County benefitted from the training courses.

In the circumstances, the accuracy, propriety and completeness for use of goods and services balance of Kshs.135,925,327 for the year ended 30 June 2016 could not be confirmed.

10. Insurance

Note 5 to the financial statements reflects use of goods and services balance of Kshs.135,925,327 out of which expenditure of Kshs.14,698,128 is in respect of insurance for the year ended 30 June 2016. However, audit verification revealed that the balance of Kshs.14,698,128 varied from the expenditure of Kshs.13,698,929 as per the IFMIS report leading to unreconciled or explained

variance of Kshs.999,199. In addition, the County Assembly renewed the medical cover contract with the existing service provider at a premium of Kshs.12,982,081 compared to the previous premium of Kshs.10,870,060 without any evidence of competitive sourcing contrary to section 74 (1) of the Public Procurement and Disposal Act, 2005 which states that, "A procuring entity may use direct procurement as allowed under subsection (2) or (3) as long as the purpose is not to avoid competition". Although the management has indicated that the renewal was based on a policy contract clause which provided for renewal based on quality of service, there was however no documentary evidence showing how the service was assessed and ranked. Therefore, the County Assembly of Lamu may not have received value for money.

In the circumstance, the propriety of expenditure on insurance of Kshs.14,698,128 for year ended 30 June 2016 could not be confirmed.

11. Other Operating Expenses

Note 5 to the financial statements reflects use of goods and services balance of Kshs.135,925,327 out of which expenditure of Kshs.3,268,055 was incurred in respect of other operating expenses for the year under review. However, audit verification revealed that the balance of Kshs.3,268,055 included expenditure amounting to Kshs.1,500,000 being payment of Kshs.500,000 to the County Assembly Forum and Kshs.1,000,000 to Society of Clerks at the Table (SOCATT) both recorded in the books under memberships and subscriptions. It was not clear why membership subscriptions to a private association other than a professional body was paid using public funds.

Consequently, the propriety of expenditure on other operating expenses of Kshs.3,268,055 for year ended 30 June 2016 could not be confirmed.

11.1 Deposit for Car loans

The statement of financial assets as at 30 June 2016 reflects nil balance in respect of accounts receivables. However, audit verification of expenditure revealed that during the year under review, the County Assembly deposited Kshs.40,000,000 in Diamond Trust Bank as a security for car loans for members of the County Assembly which had not been settled as at 30 June 2016. The deposit was erroneously presented as bank balance under Note. 8A to the financial statements instead of being presented as a deposit. Therefore, the accuracy and completeness of accounts receivables nil balance could not be confirmed.

11.2 Transfers to Other Government Entities - Mortgage and Car Loan

The statement of receipts and payments reflects nil balance in respect of transfers to other government entities for the year ended 30 June 2016. However, records presented for audit indicate that during the financial year under review, County Assembly of Lamu transferred Kshs.40,000,000 into a Diamond Trust Bank account as security for the car loans issued to members of the County Assembly as per the established mortgage and car loan scheme regulations. Audit verification revealed that the payment had been erroneously presented as an inter-bank account transfer instead of a payment. In addition, there was no documentary

evidence maintained by the Fund Administrator on the day-to-day running of the scheme and neither were there records of the loans management committee minutes on the evaluation of loan applications. It was not possible to confirm the operations of the scheme, repayment schedule, outstanding loan balance and whether all beneficiaries met all the conditions as per the scheme's regulations. Further, copies of motor vehicle log books were not presented for audit verification and it was therefore not possible to confirm whether the same were held in lien in case of loan default.

Also, financial statements for the Fund were not submitted to the Auditor-General for audit contrary to Section 167 (1) of the Public Finance Management Act, 2012 which requires the administrators of Funds to prepare financial statements for each financial year and submit the same to the Auditor-General.

Consequently, the accuracy, regularity and completeness of nil balance for transfers to other government entities for the year ended 30 June 2016 could not be confirmed.

12. Other Grants and Transfers

The statement of receipts and payments reflects a sum of Kshs.294,955 in respect of other grants and transfers for the year ended 30 June 2016. According to records made available for audit, expenditure of Kshs.294,955 relates to purchase of revision books for secondary schools. However, audit verification revealed that the books were not included in the 2015/2016 procurement plan and there was no evidence of how the need assessment was carried out contrary to Section 26 (3) of the Public Procurement and Disposal Act, 2005 which requires a procuring entity to plan for procurement through an annual procurement plan. In addition, as at the time of this audit, the books were still lying idle in stores. It was not clear why the books were purchased and how value-for-money was realized by the residents of Lamu County.

In the circumstance, the regularity other grants and transfers balance of Kshs.294,955 for the year ended 30 June 2016 could not be confirmed.

13. Acquisition of Assets

Note 10 to the financial statements reflects a balance of Kshs.11,591,629 on acquisition of assets which relates to purchase of office and general use equipment. However, audit verification revealed that during the period under audit, a total of Kshs.42,165,197 was paid to the contractor for the construction of the County Assembly chambers. It was not clear how the expenditure of Kshs.42,165,197 was accounted for in these financial statements.

Further, review of the assets register maintained by the County Assembly did not reveal evidence of approval of the register as the official asset register of the County Assembly of Lamu. In addition, the asset register did not show the location, serial number of electronic equipment and the custodian of the assets. It was also noted that land and buildings were not reflected in the asset register. Therefore the asset register was incomplete, contrary to Section 149 (2) (0) of the Public Finance

Management Act, 2012 which requires the Accounting Officer to maintain an accurate register of the entity's assets.

Consequently, the accuracy, regularity and completeness of acquisition of asset balance of Kshs.11,591,629 and the asset register for the year ended 30 June 2016 could not be confirmed.

14. Budget Controls and Performance

14.1 Budget Absorption

The County Assembly of Lamu had a total budget of Kshs.450,703,947 comprising of Kshs.344,784,663 for recurrent expenditure and Kshs.105,919,284 for development expenditure.

The budget absorption was as follows:

Item	Budgeted Allocation 2015/2016 Kshs.	Actual 2015/2016 Kshs.	Under Absorption Kshs.	Under Absorption %	As % of Total Expenditure
Recurrent	344,784,663	335,993,086	8,791,577	2.5	85
Development	105,919,284	59,235,123	46,684,161	44	15
Total	**450,703,947**	**395,228,209**	**55,475,738**		

The Assembly's overall under-utilization of the budget amounted to Kshs.55,475,738 (12%) thus affecting goods and services delivered to the residents of Lamu.

14.2 Development Vote

Records presented for audit review indicated that out of Kshs.105,919,284 allocated for development vote, only Kshs.59,235,123 or 56% had been spent as at 30 June 2016 thus leaving a balance of Kshs.46,684,161 unutilized as analyzed below:

Budget line	Approved Estimates Kshs.	Expenditure As At 30-06-2016 Kshs.	Balance As At 30-06-2016 Kshs.	Under Absorption In %
Construction of buildings	92,419,264	48,636,853	43,782,431	47%
Refurbishment of residential buildings	1,500,000	996,208	503,792	33%
Refurbishment of non- residential buildings	11,000,000	8,642,062	2,357,938	21%
Purchase of Household Furniture	1,000,000	960,000	40,000	10%
Total	**105,919,264**	**59,235,123**	**46,684,161**	**44%**

The analysis indicates that the County Assembly of Lamu did not utilize a total of Kshs.46,684,161 voted for development projects which anomaly affected service delivery to the residents of Lamu County.

14.3 Recurrent Vote

The budget performance analysis for the recurrent budget of Kshs.344,784,663 for the year under review is shown below:

Item	Budget (Kshs.)	Actuals (Kshs.)	% of total Expenditure
Compensation of Employees	152,317,587	147,288,985	97%
Use of Goods and Services	140,539,392	135,925,327	96%
Other Grants and Transfers	300,000	294,955	98%
Transfers to Other Government Entities	40,000,000	0	0
Acquisition of assets	11,627,684	11,591,629	99%
Total	**344,784,663**	**295,100,896**	**86%**

Overall, the County Assembly spent Kshs.295,100,896 or 85.6% of the budgeted recurrent vote. The management has not explained the underutilization of allocated funds. Further, a detailed review of the Vote Book revealed that expenditure incurred on the following items equaled the budget:

Vote	Approved Estimated Kshs.	Total Expenditure Kshs.	Balance Kshs.
Travel Costs (airlines, bus, railway, etc.)	1,000,000	1,000,000	0
Daily Subsistence Allowance	1,500,000	1,500,000	0
Travel Allowance	1,200,000	1,200,000	0
Accommodation Allowance	1,000,000	1,000,000	0
Maintenance of Plant, Machinery and Equipment (including lifts)	200,000	200,000	0
Maintenance of Computers, Software, and Networks	100,000	100,000	0
Purchase of Air conditioners, Fans and Heating Appliances	400,000	400,000	0
Purchase of Exchanges and other Communications Equipment	162,000	162,000	0
Purchase of Weights and Measures Equipment	200,000	200,000	0
Telephone Allowance	1,020,000	1,020,000	0
Employer Contributions to National Social Security Fund	40,000	40,000	0
Payment of Rents and Rates – Residential	1,200,000	1,200,000	0
Travel Allowance	400,000	400,000	0
Membership Fees, Dues and Subscriptions to Professional and Trade	1,000,000	1,000,000	0
Legal Dues/fees, Arbitration and Compensation Payments	25,000	25,000	0

Contracted Technical Services	1,000,000	1,000,000	0
Maintenance of Communications Equipment	26,000	26,000	0

It is not clear how expenditures matched the respective budget for each of the 17 items.

15. Project Inspection

During the year under audit, the County Assembly of Lamu allocated Kshs.92,419,264 for the completion of the on-going construction of the County Assembly chambers. However the following observations were noted during the project inspection visit:

i). Site inspection done on 5 October 2016 revealed that construction of Assembly chambers was lagging behind and information available indicated that plans, drawings and specifications for the Assembly Chambers had not been presented to the contractor. There was also evidence of poor workmanship on the columns, beams and the floor with visible cracks. This is an indication of poor project supervision and wastage of public funds on substandard works. The residents of Lamu County may take long to realize value-for-money due to delayed project completion.

ii). As reported in the 2014/2015 audit report, the County Assembly of Lamu had not acquired the title deed for the land on which the chambers is being built. This may lead to costly legal disputes over the ownership of land in future.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

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	344,524,663	-
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	67,942	-
TOTAL RECEIPTS		**344,592,605**	-
PAYMENTS			
Compensation of Employees	4	147,288,985	-
Use of goods and services	5	135,925,327	-
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	294,955	-
ocial Security Benefits	9	-	-
Acquisition of Assets	10	11,591,629	-
Finance Costs	11	-	-
Other Payments	12	-	-
TOTAL PAYMENTS		**295,100,896**	-
SURPLUS/DEFICIT		**49,491,709**	-

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

Chief Finance Officer – County Assembly

IV. STATEMENT OF FINANCIAL ASSETS

	Note	2015/2016 Kshs	2014/2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	13A	49,492,379	-
Cash Balances	13B	-	-
Total Cash and cash equivalents		-	-
Accounts receivables – Outstanding Imprests	14	-	-
TOTAL FINANCIAL ASSETS		**49,492,379**	-
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	-	-
NET FINANCIAL ASSETS		49,492,379	-
REPRESENTED BY			
Fund balance b/fwd	16	671	-
Surplus/Defict for the year		49,491,709	-
NET FINANCIAL POSITION		**49,492,379**	-

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

Chief Finance Officer – County Assembly

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	344,524,663	-
Other Receipts	3	67,942	-
Payments for operating expenses			
Compensation of Employees	4	(147,288,985)	-
Use of goods and services	5	(135,925,327)	-
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	(294,955)	-
Social Security Benefits	9	-	-
Finance Costs	11	-	-
Other Payments	12	-	-
Adjusted for:			
Adjustments during the year		-	-
Net cash flows from operating activities		**61,083,338**	-
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	(11,591,629)	-
Net cash flows from investing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		**49,491,709**	-
Cash and cash equivalent at BEGINNING of the year		**671**	-
Cash and cash equivalent at END of the year		**49,492,379**	-
As per statement of assets		**49,492,379**	-
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

Chief Finance Officer – County Assembly

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

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	344,784,663	-	344,784,663	344,524,663	100%
Proceeds from Sale of Assets					
Other Receipts					
TOTAL	**344,784,663**	**-**	**344,784,663**	**344,524,663**	**100%**
PAYMENTS					
Compensation of Employees	170,483,587	(18,166,000)	152,317,587	147,288,985	97%
Use of goods and services	124,778,392	15,761,000	140,539,392	135,925 327	97%
Subsidies			-		
Transfers to Other Government Entities	100,000,000	(60,000,000)	40,000,000		0%
Other grants and transfers	300,000	-	300,000	294,955	98%
Social Security Benefits			-		
Acquisition of Assets	9,222,684	2,405,000	11,627,684	11,591,629	100%
Finance Costs					
Other Payments					
TOTAL	**404,784,663**	**(60,000,000)**	**344,784,663**	**295,100,896**	**86%**

The County Assembly of Lamu financial statements were approved on **September** 27, 2016 and signed by:

Clerk of the Assembly

Chief 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	344,784,663	-	344,784,663	344,524,663	100%
Proceeds from Sale of Assets					
Other Receipts					
TOTAL	**344,784,663**	-	**344,784,663**	**344,524,663**	**100%**
PAYMENTS					
Compensation of Employees	170,483,587	(18,166,000)	152,317,587	147,288,985	97%
Use of goods and services	124,778,392	15,761,000	140,539,392	135,925,327	97%
Subsidies			-		
Transfers to Other Government Entities	100,000,000	(60,000,000)	40,000,000		0%
Other grants and transfers	300,000	-	300,000	294,955	98%
Social Security Benefits			-		
Acquisition of Assets	9,222,684	2,405,000	11,627,684	11,591,629	100%
Finance Costs					
Other Payments					
TOTAL	**404,784,663**	**(60,000,000)**	**344,784,663**	**295,100,896**	**86%**

The County Assembly of Lamu financial statements were approved on **September 27, 2016** and signed by:

Clerk of the Assembly

Chief 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 County Assembly of Lamu financial statements were approved on **September 27, 2016** and signed by:

Clerk of the Assembly

Chief 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 County Assembly of Lamu. 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 County Assembly of Lamu recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the County Assembly. In addition, the County Assembly of Lamu recognises all payments when the event occurs and the related cash has actually been paid out by the County Assembly of Lamu.

3. **In-kind contributions**
In-kind contributions are donations that are made to the County Assembly of Lamu 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 County Assembly of Lamu 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 County Assembly of Lamu 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 County Assembly of Lamu budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the County Assembly 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	2014/2015
	Kshs	Kshs
Total Exchequer Releases for quarter 1	80,696,166	-
Total Exchequer Releases for quarter 2	111,371,166	-
Total Exchequer Releases for quarter 3	72,457,331	-
Total Exchequer Releases for quarter 4	80,000,000	-
Total	**344,524,663**	-

2 PROCEEDS FROM SALE OF ASSETS

Description	2015/2016	2014/2015
	Kshs	Kshs
Receipts from the Sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Receipts from Sale of Certified Seeds and Breeding Stock	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Receipts from the Sale of Inventories, Stocks and Commodities	-	-
Disposal and Sales of Non-Produced Assets	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 OTHER RECEIPTS

Description	2015/2016 Kshs	2014/2015 Kshs
Interest from Bank-Car Loan/Mortgage Account	67,942	
Other Receipts II		
Other Receipts III		
Other Receipts IV		
Other Receipts XXXX		
Total	**67,942**	-

4 COMPENSATION OF EMPLOYEES

Description	2015/2016 Kshs	2014/20.. Kshs
Basic salaries of permanent employees	63,294,616	-
Basic wages of temporary employees	7,877,395	-
Personal allowances paid as part of salary	63,549,651	-
Personal allowances paid as reimbursements	2,707,800	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	-
Compulsory national social security schemes	9,859,523	-
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	-
Other personnel payments	-	-
Total	**147,288,985**	-

5 USE OF GOODS AND SERVICES

Description	2015/2016 Kshs	2014/2015 Kshs
Utilities, supplies and services	742,567	-
Communication, supplies and services	1,221,034	-
Domestic travel and subsistence	71,324,012	-
Foreign travel and subsistence	16,130,170	-
Printing, advertising and information supplies & services	2,809,951	-
Rentals of produced assets	2,744,377	-
Training expenses	6,449,879	-
Hospitality supplies and services	3,887,718	-
Insurance costs	14,698,128	-
Specialized materials and services	844,529	-
Fuel Oil and Lubricant	3,486,255	-

Description	2015/2016 Kshs	2014/2015 Kshs
Office and general supplies and services	4,450,816	-
Other operating expenses	3,268,055	-
Routine maintenance – vehicles and other transport equipment	2,243,811	-
Routine maintenance – other assets	1,624,025	-
Total	**135,925,327**	-

6 SUBSIDIES

Description	2015/2016 Kshs	2014/2015 Kshs
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	2014/2015 Kshs
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	2014/2015 Kshs
Scholarships and other educational benefits	-	-
Emergency relief and refugee assistance	-	-
Subsidies to small businesses, cooperatives, and self employed	-	-
Other current transfers, grants	294,955	-
Other capital grants and transfers	-	-
Total	**294,955**	-

9 SOCIAL SECURITY BENEFITS

Description	2015/2016 Kshs	2014/2015 Kshs
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	2014/2015 Kshs
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	11,591,629	-
Purchase of ICT Equipment, Software and Other ICT Assets	-	-
Purchase of Specialised Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-

Description	2015/2016 Kshs	2014/2015 Kshs
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	**11,591,629**	-

11 FINANCE COSTS

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

12 OTHER PAYMENTS

Description	2015/2016 Kshs	2014/2015 Kshs
Budget Reserves	-	-
Civil Contingency Reserves	-	-
Capital Transfers to Non-Financial Public Enterprises	-	-
Capital Transfer to Public Financial Institutions and Enterprises	-	-
Capital Transfer to Private Non-Financial Enterprises	-	-
Other expenses	-	-
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
Central Bank of Kenya, Account No.1000210303 Kshs recurrent acc	Recurrent	8,924,503.30	-
Kenya Commercial Bank, Account No.1150833025 Kshs Imprest acc	Recurrent	499,934.21	-
Diamond Trust Bank, Account No.0148172001 Kshs car loan acc	Recurrent	40,067,941.89	-
Total		**49,492,379.40**	-

13B CASH IN HAND

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

14 ACCOUNTS RECEIVABLE

Description	2015/2016	2014/2015
	Kshs	Kshs
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	671	
Cash in hand		
Accounts Receivables		
Accounts Payables		
Total	671	-

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

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (*specify*)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost FY2015/2016 KShs	Historical Cost FY2015/2016 KShs
Land	-	-
Buildings and structures	-	-
Transport equipment	-	-
Office equipment, furniture and fittings	11,591,629	-
ICT Equipment, Software and Other ICT Assets	-	-
Other Machinery and Equipment	-	-
Heritage and cultural assets	-	-
Intangible assets	-	-
Total	11,591,629	-

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*
		-	-	-
Total		-	-	-

ANNEX 6 – BANK RECONCILIATION

CENTRAL BANK ACCOUNT NO.1000210303

F.O. 30

REPUBLIC OF KENYA

BANK RECONCILIATION

as at 30 July 2016

Station LAMU COUNTY ASSEMBLY

		Sh.	cts	Sh.	cts	Sh.	cts
	Balance as per bank certificate:					8,924,503.	30
less:-	1. Payments in Cash not yet recorded in Bank Statement (Unpresented Cheques) ..			0.00			
	2. Receipts in Bank Statement not yet recorded in Cash Book ..			0.00		0.00	
Add:-	3. Payments in Bank Statement not yet recorded in Cash Book ..			0.00			
	4. Receipts in Cash Book not yet recorded in Bank Statement ..			0.00		0.00	
	Bank Balance as per cash book					8,924,503.30	

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and the above reconciliation is correct.

COUNTY ASSEMBLY OF LAMU
Box 374-80500
Lamu
30 JUL 2016

DIR. FINANCE — *Designation*

30/7/2016 — *Date*

Signature

DIRECTOR FINANCE & ECONOMIC PLANNING

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED CHEQUES)			2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK	
CHEQUE No.	Date / PAYEE	AMOUNT	DETAILS	AMOUNT
		0.00		0.00

3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT	
DETAILS	AMOUNT	DETAILS	AMOUNT
	0.00		0.00

GK/L

CENTRAL BANK ACCOUNT NO.1000210303

F.O. 30

REPUBLIC OF KENYA

BANK RECONCILIATION

as at 30 June 2016

Station LAMU COUNTY ASSEMBLY

	Sh.	cts	Sh.	cts	Sh.	cts
less:-					13,825,569	50
			4,901,066	20		
			0	00	4,901,066	20
Add:-			0	00		
			0	00	0	00
					8,924,503.30	

Bank Balance as per cash book

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and that the reconciliation is correct.

DIR. FINANCE — 30/6/2016

Designation — *Date*

COUNTY ASSEMBLY OF LAMU
Box 374-80500
Lamu

DIRECTOR FINANCE & ECONOMIC PLANNING

1. PAYMENTS NOT YET RECORDED IN BANK STATEMENT	AMOUNT	2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK	
		DETAILS	AMOUNT
	49,327.00		
	1,745,900.00		
	149,600.00		
	6,000.00		
	230,059.55		
	162,712.70		
	2,100.00		
	928,570.70		
	123,785.10		
	10,500.00		
	4,500.00		
	16,600.00		
	199,000.00		
	222,844.85		
	139,755.00		
	147,092.00		
	729,698.30		
	33,021.00		
	4,901,066.20		0.00

3. PAYMENT NOT YET RECORDED IN CASH BOOK	AMOUNT	4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT	
		DETAILS	AMOUNT
	0.00		0.00

KENYA COMMERCIAL BANK ACCOUNT NO.1150833025

F.O. 30

REPUBLIC OF KENYA

BANK RECONCILIATION

as at 30 June 2016

Station LAMU COUNTY ASSEMBLY

	Sh.	cts	Sh.		Sh.	cts
Balance as per bank certificate:					499,934	00
1. Payments in Cash not yet recorded in Bank Statement (Unpresented Cheques) ..				0.00		
2. Receipts in Bank Statement not yet recorded in Cash Book ..				0.00		0.00
3. Payments in Bank Statement not yet recorded in Cash Book ..				0.21		
4. Receipts in Cash Book not yet Recorded in Bank Statement ..				0.00		0.21
Bank Balance as per cash book						499,934.21

COUNTY ASSEMBLY OF LAMU
Box 374 - 80500
Lamu
30 JUN 2016
DIRECTOR FINANCE & ECONOMIC PLANNING

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and the above reconciliation is correct.

Signature *Designation* *Date*

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED CHEQUES)				2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK	
CHEQUE No.	Date	PAYEE	AMOUNT	DETAILS	AMOUNT
			0.00		**0.00**

3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT	
DETAILS	AMOUNT	DETAILS	AMOUNT
Rounding off the Decimal at the Bank	0.21		
	0.21		**0.00**

DIAMOND TRUST BANK ACCOUNT NO.0148172001

F.O. 30

REPUBLIC OF KENYA

BANK RECONCILIATION

as at 30 June 2016

Station LAMU COUNTY ASSEMBLY

	Sh.	cts	Sh.	cts	Sh.	cts
Balance as per bank certificate:					40,067,941	89
Less: 1. Payments in Cash not yet recorded in Bank Statement (Unpresented Cheques) ..			0.00			
2. Receipts in Bank Statement not yet recorded in Cash Book ..			0.00		0.00	
Add: 3. Payments in Bank Statement not yet recorded in Cash Book ..			0.00			
4. Receipts in Cash Book not yet Recorded in Bank Statement ..			0.00		0.00	
Bank Balance as per cash book					40,067,941.89	

COUNTY ASSEMBLY OF LAMU
P. O. Box 374-80500
Lamu

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and the above reconciliation is correct.

DIRECTOR FINANCE & ECONOMIC PLANNING

Designation *Date*

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED CHEQUES)				2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK	
CHEQUE No.	Date	PAYEE	AMOUNT	DETAILS	AMOUNT
			0.00		0.00

3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT	
DETAILS	AMOUNT	DETAILS	AMOUNT
	0.00		0.00