

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COUNTY ASSEMBLY OF HOMA BAY**

**FOR THE YEAR ENDED
30 JUNE 2017**



COUNTY ASSEMBLY OF HOMA BAY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017

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

Table of Content

	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	3
II. FORWARD BY THE CLERK OF ASSEMBLY.....	5
III. STATEMENT OF MANAGEMENT RESPONSIBILITIES	6
IV. REPORT OF THE INDEPENDENT AUDITORS ON THE HOMA BAY COUNTY ASSEMBLY..	7
V. STATEMENT OF RECEIPTS AND PAYMENTS	8
VI. STATEMENT OF FINANCIAL ASSETS.....	9
VII. STATEMENT OF CASHFLOW.....	10
VIII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED.....	11
IX. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT.....	12
X. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT....	13
XI. SIGNIFICANT ACCOUNTING POLICIES.....	14
XII. NOTES TO THE FINANCIAL STATEMENTS.....	17
XIII. ANNEXES	22

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County Assembly of Homa Bay 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.

Vision

“A modern County assembly that offers excellence in service delivery and leadership for the people of Homa Bay County”

Mission

To ensure that the Assembly exercises its legislative oversight, representation and outreach function effectively within the framework of the Kenyan Constitution and working with all those committed to building productive and prosperous Homa Bay County.

Strategic Objectives

- To develop and sustain the Homa Bay County assembly institutional capacity to better discharge its constitutional mandate
- To improve the legislative process at Homa Bay County assembly
- To improve the capacity of Homa Bay County assembly and to provide effective oversight to county government
- To fully develop the representation and outreach work of the members of county assembly

(b) Key Management

The County Assembly of Homa Bay's day-to-day management is under the following key organs:

- County Assembly Service Board
- and
- Clerk of the County Assembly

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	County Assembly Clerk	- Mr. Otieno Bob Kephass
2.	Principal Finance Officer	- CPA Caroline C. Sang ICPAK No. 12060
3.	Senior accounts controller	- Mr. Maurice Amek

(d) Fiduciary Oversight Arrangements

Audit Committee

- The Audit Committee was set up during the financial year 2015/2016 to help the Assembly in the effective discharge of their responsibilities by measuring, evaluating and reporting on the effectiveness of the internal control systems.

(e) Headquarters

Homa Bay County Assembly
P.O. Box 20-40300
County Assembly Building
Homa Bay, Kenya

(f) Contacts

Telephone: (254)
E-mail: info@assembly.homabay.go.ke
Website: www.assembly.homabay.go.ke

(g) Bankers

1. Co-operative Bank of Kenya
Homa Bay Branch
P. O. Box 406-40300
Homa Bay.
2. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

(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

Budget performance
The county Assembly of Homa Bay was able to utilize over 87% of the budgeted amount. However funds were not received in time hence led to delays in implementing the objectives.
Performance of key development projects
The county assembly of Homa Bay was able to construct three blocks: conference hall, abolition block and three additional offices.
Comment on value-for-money achievements
The reorganization of the IFMIS system has improved the financial efficiency and timely processing of payments.
Challenges and Recommended Way Forward
Delayed disbursement of funds caused delays in paying for the suppliers hence weakening supplier's confidence.

In general the Assembly performed above average based on the budget allocation for the financial year.



Clerk
County Assembly of Homa Bay

III. 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, 2017. 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 County Assembly's transactions for the year ended June 30, 2017, and of the entity's 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 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 and the PFM Act and Regulations.

Approval of the financial statements

The County Assembly of Homa Bay's financial statements were approved and signed by the Clerk of the County Assembly on 29th Sept 2017.



Clerk of the County Assembly

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF HOMA BAY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of the County Assembly of Homa Bay set out on pages 8 to 23, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation 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 and Section 35 of the Public Audit Act, 2015.

In my opinion, because of the significance of the matters discussed 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.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate evidence to confirm that public money has been applied lawfully and in an effective way.

Basis of Disclaimer of Opinion

1. Inaccuracies in Financial Statements

1.1. Receipts

Included in the statement of receipts and payments under Note 1 is are exchequer releases totalling Kshs.840million made to the County Assembly but the financial statements reflect Kshs.820 million under the account. Further, analysis of IFMIS records indicate that a total of Kshs.840 million was transferred to the County Treasury in the year under review and therefore the amount disbursed to the County Assembly is less than the annual allocation of Kshs.955,145,660 by Kshs.115,145,660.

The reasons for the underfunding that constrained the County Assembly from implementing all its budgeted programmes have not been explained.

1.2. Statement of Comparison of Budget

The statement of comparison of budget and actual amounts reflects varying figures with supporting documents and schedules as analysed below:

Item	Final Budget 30 June 2017 Kshs.	Supported Schedules Balance 30 June 2017 Kshs.	Difference Kshs.
Development Expenditure	18,000,000	20,461,535	(2,461,535)
Recurrent Expenditures	937,145,660	935,259,340	1,886,320

Consequently, the accuracy and validity of the statement of comparison of budget and actual amounts for the year ended 30 June 2017 cannot be confirmed.

1.3. Prior Year Adjustments

Included under Note 8 to the financial statements, under Fund Balance brought forward is a prior-year adjustment of Kshs.1,222,700 being change in receivables. However, no supporting documents have been availed for audit to explain the adjustment.

Consequently, the accuracy and validity of prior-year adjustment figure cannot be confirmed.

1.4. Cash Flow Statement

The statement of cash flow reflects an opening cash and cash equivalents balance of Kshs.13,835,252 instead of Kshs.26,534,114. Further, the net increase in cash and cash equivalents of Kshs.(12,433,285) differs from a statement of receipts and payments deficit of Kshs.13,655,985. Consequently, the accuracy and validity of the cash flow statement cannot be confirmed.

2. Cash and Cash Equivalents Balance

Included under Note 6 to the financial statements under bank accounts is an amount of Kshs.4,549,786 held in Co-operative Bank Account No.01141456870100 as at 30 June 2017. However, the bank reconciliation statement as at 30 June 2017 reflected verified receipts in cash book not yet recorded in bank statement totaling Kshs.53,077,800 supported with, but the financial statements reflect a cash book balance of Kshs.1,401,966.97.

Consequently, it has not been possible to confirm that the cash and equivalents balance of Kshs.1,401,966.97 as at 30 June 2017 is fairly stated.

3. Acquisition of Assets

3.1. Purchase of Motor Vehicle and Generator

Included in acquisition of assets balance of Kshs.31,112,895 is a purchase of motor vehicle expenditure balance of Kshs.4,200,000. However, the supporting documents for vehicle purchases amounting to Kshs.1,500,000 out of the balance of Kshs.4,200,000 were not availed for audit verification.

Consequently, the accuracy and propriety of the expenditure of Kshs.1,500,000 cannot be confirmed.

3.2. Unsupported Expenditure

Included under Note 4 to the financial statements is acquisition of assets balance of Kshs.31,112,895 which includes purchase of computers and printers of Kshs.2,353,698 which in turn includes Kshs.1,657,722 for printers and Kshs.202,345 for installation of CCTV whose payment documentation were not availed for audit verification.

Consequently, the propriety of the expenditure of Kshs.1,860,067 cannot be confirmed.

3.3. Construction Works

Included in acquisition of assets balance of Kshs.31,112,895 is expenditure on construction works for – conference halls(Wing A) Kshs.7,400,000, Wing B-ablution block(Wing B) Kshs.4,900,000 and three offices(Wing C) Kshs.4,640,433. However, tender evaluation minutes, contract agreement, bills of quantities, certificates of completion, site meeting minutes and payment vouchers relating to construction of Wings A, B and C of the County Assembly and other minor construction works were not made available for audit review as the documents were said to have been taken by the Ethics and Anti-Corruption Commission. In addition, the project status report was also not provided for audit verification. Physical verification conducted in February 2018, revealed that some crucial works had not been completed.

Consequently, the propriety of the expenditure totaling Kshs.16,940,433 cannot be confirmed.

4. Compensation of Employees

4.1. Unsupported Payments

Compensation of employees reflects Kshs.471,290,158 while the respective payment schedules reflect Kshs.442,244,397 comprised of manual payroll's Kshs.11,344,032; (IPPD) payrolls of Kshs.333,306,564; gratuity contributions Kshs.22,571,892; casual payroll Kshs.5,888,600; and other payment schedules availed Kshs.69,133,309 resulting to an unexplained difference of Kshs.29,045,760.

Consequently, the propriety of the expenditure of Kshs.29,045,760 for the year ended 30 June 2017 cannot be confirmed.

4.2. Sitting Allowances for Members of County Assembly (MCAs)

Included in compensation of employees balance of Kshs.471,290,158 are sitting allowance for MCAs of Kshs.96,331,220. However, the committee registers and a summary of sittings for each member per month were not provided for audit review.

Consequently, the accuracy, validity and propriety of the expenditure of Kshs.96,331,220 for the year ended 30 June 2017 cannot be confirmed.

4.3. Unsupported Material Variance on Basic Wages of Temporary Employees

Included under compensation of employees balance of Kshs.471,290,158 are basic wages of temporary employees of Kshs.34,647,513. However, it was observed that basic wages of temporary employees in the year 2015/16 were Kshs.4,012,803 resulting to an unexplained increase by Kshs.30,634,710 (763%) in the year under review. In addition, the wages were not supported by payroll schedules, muster roll register, bank statements and cash book to account for the balance of Kshs.34,647,513.

Consequently, the accuracy and the propriety of the expenditure of Kshs.34,647,513 for the year ended 30 June 2017 cannot be confirmed.

5. Use of Goods and Services

5.1. Unsupported Utilities Expenses

Included in Use of Goods and Services balance of Kshs.206,663,387 is utilities, supplies and services expenditure of Kshs.9,684,605 which in turn includes utilities expenditure totalling to Kshs.5,347,000 but whose supporting documents were not availed for audit review.

Consequently, the propriety of the expenditure of Kshs.5,347,000 cannot be confirmed.

5.2. Domestic & Foreign Travel

Also included in Use of Goods and Services figure of Kshs.206,663,387 is domestic travel and subsistence expenditure totalling Kshs.40,120,550. However, payment documents for domestic travel expenditure amounting to Kshs.8,554,600 were not provided for audit review.

Consequently, the accuracy and propriety of the domestic travel expenses totalling Kshs.8,554,600 as at 30 June 2017 cannot be confirmed.

5.3. Unauthorized Reallocation of Travel and Salary Payments

Included in the use of goods and services figure of Kshs.206,663,387 is hospitality, supplies and services expenditure of Kshs.24,131,877. However, supporting schedules availed for audit review revealed payments totaling Kshs.8,316,600 related to salary arrears and travelling allowances which were incurred without authority for re-

allocation. In addition, payment for salary arrears did not have details of the months or days they related to or authority for payment.

Consequently, the Assembly breached the law by contravening Section 47(1) e and 2 of the Public Finance Management County Government (PFMCG) Regulation, 2015.

5.4. Unsupported Expenditures

Included in the use of goods and services balance of Kshs.206,663,387 is hospitality supplies and services expenditure of Kshs.5,506,768, training expenses of Kshs.5,718,090, contracted guards expenditure of Kshs.2,924,959 and other operating expenses of Kshs.2,036,100 whose supporting schedules and payment documents were however not availed for audit verification.

Consequently, the accuracy and propriety of the expenditure of Kshs.16,185,917 cannot be confirmed.

5.5. Unsupported Payments Foreign Travel to Mwanza by Members of the County Assembly (MCAs)

Also included in use of goods and services balance of Kshs.206,663,387 is foreign travel and subsistence of Kshs.16,744,266 which in turn includes Kshs.14,448,360 paid to MCAs to attend a strategic leadership and public private partnership workshop from 28 August to 2 September 2016 in Mwanza Tanzania. The workshop was organized by Lake Victoria Region Local Authorities and Counties Co-operation (LVRLACC) in partnership with Uongozi Institute to accelerate implementation of socio economic development and environmental projects in LVRLACC member counties. Payments were made through voucher No.4449 of 06 September 2016 for Kshs.7,772,560 and No.4510 of 7 September 2016 for Kshs.6,675,800 all totalling Kshs.14,448,360. However, the surrender claim vouchers availed for audit review totaled Kshs.13,140,280 resulting to an unexplained difference of Kshs.1,308,080 not accounted for. The details of the environmental projects under implementation in the County and how the workshop accelerated their execution were not provided for audit review.

In addition, approval by the Speaker and attendance register as evidence for participation were not made available and the committees findings were not tabled in the County Assembly.

Consequently, propriety and value-for-money on the expenditure incurred at the workshop and the unaccounted for of the balance of Kshs.1,308,080 cannot be confirmed.

5.6. Unsupported Consultancy Services

Included in the use of goods and services balance of Kshs.206,663,387 are consultancy services of Kshs.6,587,800 which in turn include legal services of Kshs.3,652,979 paid to a local legal firm. However, procurement documents were not made available to show how the firm was identified and awarded the contract to provide the legal services.

Consequently, the propriety of the expenditure of Kshs.3,652,979 cannot be confirmed and the Assembly may not have got value –for- money on this contract.

6. Other Payments

6.1. Unsupported Expenditure-Extra Claim on Mileage

Included in other payments of Kshs.144,589,545 is an expenditure on extra mileage claim of Kshs.4,214,913. However, a register has not been maintained to reflect how the claim was computed and incurred.

Consequently, the propriety of the expenditure of Kshs.4,214,913 cannot be confirmed.

6.2. Legislative Development Services

Included in other payments balance of Kshs.144,598,545 is legislative development services expenditure of Kshs.43,157,800 but supporting documents for expenditure totalling Kshs.6,966,000 were not availed for audit review.

Consequently, the accuracy and propriety of the expenditure of Kshs.6,966,000 for the year ended 30 June 2017 cannot be confirmed.

6.3. Understatements of Fringe Benefits and Withholding Taxes

Included in other payments of Kshs.144,589,545 are fringe benefits and withholding tax expenses of Kshs.17,070,690 which in turn include Kshs.5,278,815 that is not reconciled nor supported with journal entries.

Consequently, the accuracy and the validity of the withholding taxes of Kshs.5,278,815 cannot be confirmed.

6.4. Unsupported Balances in the Financial Statements

Included in other payments balance of Kshs.144,589,545 are staff car loan and mortgages of Kshs.65,170,142 out of which a balance of Kshs.15,170,142 is unsupported expenditure that lacks journal entries and supporting schedules.

Consequently, the propriety of the expenditure of Kshs.15,170,142 for the year ended 30 June 2017 cannot be confirmed.

7. Failure to Remit Pay as You Earn (PAYE) Deductions

Annex 1 to the financial statements reflects an accounts payable balance totaling Kshs.9,710,832. However, the balance does not include Integrated Payroll and Personal Data (IPPD) payroll deduction of Kshs.85,675,274 before deduction of Pay-As-You-Earn (PAYE) payment of Kshs.35,780,774, resulting to unremitted PAYE totalling Kshs.49,894,500 which has not been paid and is not included among the pending bills as at 30 June 2017

Consequently, the correctness and validity of pending bills balance is in doubt and further, the outstanding Pay-As-You-Earn (PAYE) of Kshs.49,894,500 is likely to attract penalties and interest costs that are nugatory.

8. Unsupported Pending Bills

Included under Note 9.1 to the financial statements are pending bills amounting to Kshs.9,710,832. However, the management y did not avail for audit verification supporting documents namely, tender evaluation minutes, contract agreement, bills of quantities, certificates of completion, site meeting minutes, payment vouchers, invoices and ledger, for pending bills amounting to Kshs.7,912,279 out of the total balance of Kshs.9,710,832. . Consequently, the accuracy and propriety of the pending bills of Kshs.7,912,279 cannot be confirmed.

9. Budget Performance

9.1. Budget Analysis

During the year under review, the approved final budget for the County Assembly was Kshs.955,720,835 with Kshs.935,259,340 (98%) allocated to recurrent expenditure and Kshs.20,461,535 (2%) to development expenditures out of which pending bills (refurbishment of offices and Assembly hall) were allocated Kshs.7,999,573. However, management did not provide documentary evidence to show how the development funds were utilized, and as a result, the propriety of the expenditure cannot be confirmed.

In addition, the approved supplementary budget for the Assembly amounting to Kshs.955,720,835 differs with the financial statements' summary of comparison of budget and actual amounts recurrent and development combined where the final budget figure was Kshs.955,145,660 resulting to understatement of the budget by Kshs.575,275. . As a result, the accuracy of the budget balance reflected in the financial statements cannot be confirmed.

9.2. Development Expenditure

Comparison of budgeted and actual expenditure for the development vote in the year under review is shown below:

Item	Budget Kshs.	Actual Kshs.	Over Expenditure Kshs.	Under Expenditure Kshs.	Performance %
Construction of Wing A- Conference Halls	4,093,867	4,640,433	(546,566)		113
Construction of	4,271,584	4,900,000	(628,416)		115

Wing B- Ablution Block					
Construction of Wing C- Three offices	4,096,511	7,400,000	(3,303,489)		181
Pending bills (refurbishment of offices and Assembly hall)	7,999,573	0		7,999,573	
Total	20,461,535	16,940,433	4,478,471	7,999,573	83

As the data shows, the Assembly over-spent on three budget items namely Wing A - conference halls, Construction of Wing B- Ablution Block and Construction of Wing C - three offices, without approval.

9.3. Recurrent Expenditure

The comparison of budget to actual expenditure for the recurrent vote is shown below:

Item	Budget Kshs.	Actual Kshs.	Over Expenditure Kshs.	Under Expenditure Kshs.	Level of Absorption %
Basic Salaries of Permanent Employees	126,939,144	122,998,106		3,941,038	97
Basic Wages of Temporary Employees	33,875,080	34,647,513	(772,433)		102
Personal Allowance paid as part of Salary/ Leave Allowance	126,536,308	125,197,490		1,338,818	99
Personal Allowance Paid as Reimbursements	126,313,600	96,331,220		29,982,380	76
Pension And other Social Security Contribution	98,392,629	92,115,829		6,276,800	93
Utilities, Supplies and Services	0	9,684,605	(9,684,605)		
Communication, Supplies and	0	3,636,259	(3,636,259)		

Services					
Domestic Travel and Subsistence	40,200,000	40,120,550		79,450	100
Foreign Travel and Subsistence	22,125,024	16,744,266		5,380,758	76
Training Expenses	18,000,000	17,656,545		343,455	98
Hospitality Supplies and Services	25,200,000	24,131,877		1,068,123	96
Specialized Materials And Supplies	1,500,000	1,264,003		235,997	84
Insurance Costs	11,988,832	3,567,668		8,421,164	30
Public Participation/Report Writing	31,000,000	30,937,825		62,175	100
Other Operating Expenses	3,500,000	2,036,100		1,463,900	58
Medical Scheme	28,000,000	45,684,609	(17,684,609)		163
Consultancy Services (Legal, Research And Policy Services)	7,000,000	6,587,800		412,200	94
Contracted Guards	2,450,000	4,611,280	(2,161,280)		188
Purchase of Computer And Printers	2,500,000	2,353,698		146,302	94
Purchase of Exchange and Other Communication Equipment	2,000,000	1,271,024		728,976	64
Purchase of Vehicles and Other Transport Equipment	5,000,000	4,200,000		800,000	84
Purchase of Office Furniture and General Equipment	3,000,000	3,647,740	(647,740)		122
Purchase of Generator	3,000,000	2,200,000		800,000	73

Purchase of Household Furniture and Equipment	500,000	500,000	0		100
Staff Car Loan/Mortgage(Transfer To Mortgage Account	112,325,661	50,000,000		62,325,661	45
Legislative Development Services	44,538,465	43,157,800		1,380,665	97
Cash Expenses	4,416,000	4,416,000	0		100
Ward Offices Operation Expenses	10,560,000	10,560,000	0		100
Extra Claim On Mileage	4,775,719	4,214,913		560,806	88
Fringe Benefits /Withholding Taxes	23,901,283	11,791,875		12,109,408	49
Financial Management Services	13,721,595	0	(13,721,595)		
Fuel Oil And Lubricants	1,000,000	0	(1,000,000)		
Assets Renewal Costs	500,000	0	(500,000)		
Speaker's Panel	500,000	0	(500,000)		
Total	935,259,340	816,266,595	50,308,521	137,858,076	

Analysis of the Assembly's recurrent budget against the actual expenditure revealed that the Assembly over spent on four budget items namely, basic wages of temporary employees, medical scheme, contracted guards, purchase of office furniture and general equipment without approval. No proper explanation was provided by management for the over-expenditures. In addition, the absorption rate for three budgeted items was below 50% and four budgeted items were nil, hence the Assembly over-budgeted or the correct information for the items were not received. Further, two items were not budgeted for namely; utilities, supplies and services and communication, supplies and services is contrary to Section 41(4) of Public Financial Management County Government Regulation, 2015.

In addition, the approved recurrent vote (supplementary) budget balance of Kshs.935,259,340 differs with the financial statements' comparison of budget and actual amounts final budget figure of Kshs.934,684,125 resulting to understating of the budget

figure by Kshs.575,215. The statement of comparison of budget and actual amounts is Kshs.836,715,552 while the analysis figure is 816,266,595 resulting to a difference of Kshs.20,448,957

Consequently, the accuracy of the recurrent budget figure in the financial statements cannot be confirmed.

10. Fixed Assets Register

The Assembly failed to maintain an updated fixed assets register to show fixed assets held in each class and itemized in each location. Note 4 to the financial statements reflects an increase in acquired assets (excluding non-moving assets) of Kshs.14,172,462. However, annex 2 to the financial statements includes the summary of fixed assets register which reflects Kshs.28,319,174 for 2015/2016 and Kshs.31,112,395 or 2016/2017 being equivalent to an increase of Kshs.2,793,721 which however has not been explained. or

Consequently, the accuracy and validity of fixed assets register summary cannot be confirmed and the accountability for the assets may not be guaranteed.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the ability of the County Assembly to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern accounting assumption.

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.

The charged with governance are responsible for overseeing the County Assembly's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level

of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Assembly's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Assembly's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

16 July 2018

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Transfers from county treasury/Exchequer releases	1	810,000,000	849,803,085
Proceeds from Sales of Assets		-	-
Other Receipts		-	-
TOTAL RECEIPTS		810,000,000	849,803,085
PAYMENTS			
Compensation of Employees	2	471,290,158	388,406,557
Use of goods and services	3	206,663,387	314,718,601
Acquisition of Assets	4	31,112,895	28,319,174
Other Payments	5	124,140,588	92,030,759
TOTAL PAYMENTS		833,207,028	823,475,091
SURPLUS/DEFICIT		(23,207,028)	26,327,994

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29th Sept 2017 and signed by:



Clerk of the Assembly


Principal Finance Officer

VI. STATEMENT OF FINANCIAL ASSETS

	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	4,549,786	26,534,114
Cash Balances	7	-	-
Total Cash and Cash Equivalents		4,549,786	26,534,114
Accounts Receivable- Outstanding Imprests		-	1,222,700
Total Financial Assets		4,549,786	27,756,814
FINANCIAL LIABILITIES			
Accounts Payables-Deposits and Retentions		-	-
NET FINANCIAL ASSETS		4,549,786	27,756,814
REPRESENTED BY			
Outstanding Imprests		-	1,222,700
Fund balance b/fwd	8	27,756,814	206,120
Surplus/Deficit for the year		(23,207,028)	26,327,994
Prior Year adjustment		-	-
NET FINANCIAL POSITION		4,549,786	27,756,814

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29th Sept 2017 and signed by:



Clerk of the Assembly


Principal Finance Officer

VII. STATEMENT OF CASHFLOW

	Note	2016-2017 Kshs.	2015-2016 Kshs.
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating income			
Exchequer Releases	1	810,000,000	849,803,085
Payments for operating expenses			
Compensation of Employees	2	(471,290,158)	(388,406,557)
Use of goods and services	3	(206,663,387)	(314,718,601)
Other Payment	5	(124,140,588)	(92,030,759)
Adjusted for:			
Change in receivables		1,222,700	-
Net cash flow from operating activities		9,128,567	54,647,168
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	4	(31,112,895)	(28,319,174)
Net cash flows from Investing Activities		(29,890,195)	(28,319,174)
NET INCREASE IN CASH AND CASH EQUIVALENT		(21,984,328)	26,327,994
Cash and cash equivalent at BEGINNING of the year	8	26,534,114	206,120
Cash and cash equivalent at END of the year		4,549,786	26,534,114
As per statement of assets		4,549,786	26,534,114

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29th Sept 2017 and signed by:


 Clerk of the Assembly

 For
 Principal Finance Officer

VIII. SUMMARY OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Exchequer releases	955,145,660	-	955,145,660	810,000,000	145,145,660	84%
Proceeds from Sales of Assets	-	-	-	-	-	0%
Other Receipts	-	-	-	-	-	0%
TOTAL	955,145,660	-	955,145,660	810,000,000	145,145,660	84%
PAYMENTS						
Compensation of Employees	512,659,005	1,177,459	511,481,546	471,290,158	40,191,388	92%
Use of goods and services	208,233,024	1,547,573	206,685,451	207,663,387	22,064	100%
Acquisition of Assets	35,000,000	(1,461,535)	36,461,535	31,112,895	5,348,640	85%
Other Payments	199,253,631	(1,263,497)	200,517,128	124,140,588	76,376,540	62%
TOTAL	955,145,660		955,145,660	833,207,028	121,938,632	87%

The entity financial statements were approved on 29th Sept 2017 and signed by:


Clerk of the Assembly

 For
Principal Finance Officer

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Exchequer releases	937,145,660	-	937,145,660	792,000,000	145,145,660	85%
Proceeds from Sale of Assets	-	-	-	-	-	0%
Other Receipts	-	-	-	-	-	0%
TOTAL	937,145,660	-	937,145,660	792,000,000		85%
PAYMENTS						
Compensation of Employees	512,659,005	-	512,659,005	471,290,158	40,191,388	92%
Use of goods and services	208,233,024	-	208,233,024	207,663,387	22,064	100%
Acquisition of Assets	17,000,000	-	17,000,000	14,172,462	1,827,538	89%
Other Payments	199,253,631	-	199,253,631	124,140,588	76,376,540	62%
TOTAL	937,145,660	-	937,145,660	815,043,895	118,417,530	87%

The entity financial statements were approved on 29th Sept 2017 and signed by:


Clerk of the Assembly

 
Principal Finance Officer

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Treasury/Exchequer Releases	18,000,000	-	18,000,000	18,000,000	-	100%
Proceeds from Sale of Assets					-	0%
Other Receipts						0%
TOTAL	18,000,000	-	18,000,000	18,000,000	-	100%
PAYMENTS						
Construction of Wing A- Conference halls	5,000,000	-	5,000,000	4,640,433	359,567	98%
Construction of wing B-Abolition block	5,000,000	-	5,000,000	4,900,000	100,000	99%
Construction of wing C- Three offices	8,000,000	-	8,000,000	7,400,000	600,000	100%
TOTAL	18,000,000		18,000,000	16,940,433	1,059,567	94.11%

The entity financial statements were approved on 29th Sept 2017 and signed by:


Clerk of the Assembly

 for
Principal Finance Officer

XI. 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. 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. 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 revenue and expenses

The *County Assembly* 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* recognises all payments when the event occurs and the related cash has actually been paid out by the *County Assembly*.

3. In-kind contributions

In-kind contributions are donations that are made to the *County Assembly* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *County Assembly* 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 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'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 *County Assembly'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

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

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.

XII. NOTES TO THE FINANCIAL STATEMENTS

1 EXCHEQUER RELEASES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	160,000,000	70,908,214
Total Exchequer Releases for quarter 2	210,000,000	318,894,871
Total Exchequer Releases for quarter 3	210,000,000	220,000,000
Total Exchequer Releases for quarter 4	230,000,000	240,000,000
Total	810,000,000	849,803,085

2 COMPENSATION OF EMPLOYEES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Basic salaries of permanent employees(staff/MCAs)	122,998,106	168,868,104
Basic wages of temporary employees	34,647,513	4,012,803
Personal allowances paid as part of salary/leave allowance	125,197,490	69,756,756
Personal allowances paid as reimbursements	96,331,220	116,313,600
Pension and other social security contributions	92,115,829	29,455,294
Total	471,290,158	388,406,557

COUNTY ASSEMBLY OF HOMA BAY
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 USE OF GOODS AND SERVICES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Utilities, supplies and services	9,684,605	38,489,672
Communication, supplies and services	3,636,259	2,002,000
Domestic travel and subsistence	40,120,550	72,940,703
Foreign travel and subsistence	16,744,266	-
Training expenses	17,656,545	68,527,493
Hospitality supplies and services	24,131,877	15,307,971
Specialized materials and supplies	1,264,003	5,979,545
Insurance costs	3,567,668	8,476,266
Public participation/Report writing	30,937,825	49,297,705
Other operating expenses	2,036,100	6,232,442
Medical scheme	45,684,609	36,363,684
Consultancy services(Legal, Research and policy services)	6,587,800	11,101,120
Contracted guards	4,611,280	-
Total	206,663,387	314,718,601

4. ACQUISITION OF ASSETS

<u>Non-Financial Assets</u>	2016 - 2017	2015 - 2016
	Kshs	Kshs
Purchase of computer and printers	2,353,698	7,128,912
Purchase of exchange and other communication equipment	1,271,024	-
Purchase of Vehicles and Other Transport Equipment	4,200,000	-
Purchase of Office Furniture and General Equipment	3,647,740	3,190,262
Purchase of generator	2,200,000	-
Purchase of household furniture and equipment	500,000	-
Construction of Wing A- Conference halls	7,400,000	-
Construction of wing B-Abolition block	4,900,000	-
Construction of wing C- Three offices	4,640,433	-
Renovation of committee rooms and stair cases	-	10,000,000
Construction of Parking area and Sewerage system installation	-	8,000,000
Total	28,890,195	28,319,174

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OTHER PAYMENTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Staff Car Loan/Mortgage (Transfer to Mortgage account)	50,000,000	45,004,929
Legislative Development services	43,157,800	-
CASB Expenses	4,416,000	3,812,000
Ward offices operation expenses	10,560,000	39,373,488
Extra claim on mileage	4,214,913	3,840,342
Fringe benefits/withholding taxes	11,791,875	-
	124,140,588	92,030,759

6: BANK ACCOUNTS

Name of Bank, Account No. & currency	Type of Bank Account	2016 - 2017	2015 - 2016
		Kshs	Kshs
<i>Cooperative Bank of Kenya</i> <i>Account No. 01141456870100</i> <i>Currency: Kshs</i>	Commercial	4,549,786	26,534,114
<i>Central Bank of Kenya</i> <i>Account No. 1000239379</i> <i>Currency: Kshs</i>	Recurrent	0.55	-
<i>Central Bank OF Kenya</i> <i>Account No.1000309482</i> <i>Currency:kshs</i>	Development	0.00	-
Total		4,549,786	26,534,114

COUNTY ASSEMBLY OF HOMA BAY**Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)****7: CASH IN HAND**

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Location 1. Homa Bay County Assembly Office	-	-
Total	<u>-</u>	<u>-</u>

8. FUND BALANCE BROUGHT FORWARD

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bank accounts	26,534,114	206,120
Cash in hand	-	-
Prior year adjustment	1,222,700	-
Total	<u>27,756,814</u>	<u>206,120</u>

COUNTY ASSEMBLY OF HOMA BAY**Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)****9. OTHER IMPORTANT DISCLOSURES****9.1: PENDING ACCOUNTS PAYABLE (See Annex 1)**

	2016-2017	2015-2016
	Kshs	Kshs
Construction of buildings	5,600,700	4,222,153
Supply of goods	1,161,600	9,399,741
Supply of services	2,948,532	34,674,693
Construction of civil works	-	540,789
	9,710,832	48,837,376

9.2: PENDING STAFF PAYABLES

	2016-2017	2015-2016
	Kshs	Kshs
Members of County Assembly	-	2,890,022
Staff Other than MCAs	-	4,873,758
	-	7,763,780

9.3: OTHER PENDING PAYABLES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Lapfund/Gratuity	-	28,807,495
	0	28,807,495

COUNTY ASSEMBLY OF HOMA BAY
Reports and Financial Statements
For the year ended June 30, 2017

XIII. ANNEXES

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

SUPPLIER OF GOODS AND SERVICES	ORIGINAL AMOUNT	DATE CONTRACTED	AMOUNT PAID TO DATE	OUTSTANDING BALANCE 2016/2017	COMMENTS
Supply of goods	Kshs.			Kshs.	
DANI NYAKODERA	18,900			18,900	SUPPLY OF NEWSPAPERS
ROIKA ENTERPRICES	489,600			489,600	SUPPLY OF WATER AND SODAS FOR JUNE 2017
Sub-Total				508,500	
Supply of services					
PLAN HOUSE	1,300,000			1,300,000	VALUATION OF BUILDING AND EQUIPMENTS
PRIDE KINGS SERVICES LIMITED	348,000			348,000	SECURITY SERVICES
NATIONAL YOUTH SERVICE	100,000			100,000	TRAINING FEES FOR HANSARD STAFF
SILVERLINE SERVICE LIMITED	225,604			225,604	SERVICE AND COST FOR VEHICLES
GRAVICO INSURANCE AGENCY	837,975		400,000	437,975	INSURANCE OF VEHICLES
HOMABAY COUNTY WATER AND SANITATION	12,000			12,000	WATER BILL
CATCHSPY LINKS AND SAFETY SYSTEMS	48,000			48,000	SECURITY FOR THE SPEAKERS HOUSE JUNE 2017
KPLC	17,786			17,786	ELECTRICITY BILL FOR MAY 2017
NATION MEDIA GROUP	215,807		50,000	165,807	ADVERTISEMENT COST
HOTEL HIPPO BUCK	90,900			90,900	HOSPITALITY SERVICES
THE STANDARD GROUP	162,640		100,000	62,640	ADVERTISEMENT COST
KANYACHOK ENTERPRICES	872,000		200,000	672,000	SUPPLY OF TYRES FOR VEHICLES
GREAT LAKES HOTEL	410,350		305,000	105,350	HOSPITALITY SERVICES
HOTEL TWIN TOWERS	15,570			15,570	HOSPITALITY SERVICES
Sub-Total				3,601,632	
Construction of Wing A,B and C				5,600,700	On going constructions
TOTAL	5,165,132		1,055,000	9,710,832	

COUNTY ASSEMBLY OF HOMA BAY
Reports and Financial Statements
For the year ended June 30, 2017

ANNEX 2– SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2016/17	Historical Cost (Kshs) 2015/16
Land	-	-
Buildings and structures	16,940,433	18,000,000
Transport equipment	4,200,000	-
Office equipment, furniture and fittings	4,147,740	3,190,262
ICT Equipment, Software and Other ICT Assets	3,624,222	7,128,912
Other Machinery and Equipment	2,200,000	-
Heritage and cultural assets	-	-
Intangible assets	-	-
Total	31,112,895	28,319,174