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 2017

OFFICE OF THE AUDITOR GENERAL
19 MAR 2018
RECEIVED
COAST HUB

COUNTY ASSEMBLY OF LAMU

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)

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 2016/17 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 Audit 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

3. Diamond Trust Bank
   P.O. Box 120-80500
   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 second 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 94% indicating that the resources were allocated in efficiently in our budget, although we faced a lot of challenges with IFMIS, where it was not working most of the time hence affecting our operations.

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 2016/17 the County Assembly of Lamu published over 10 Bills which are in different stages of legislative procedures, several public outreaches and oversights were conducted.

Our performance was good considering that a general election was held in August, 2017 and politics was taking shape and campaigns for party nominations affected the performance of the Members.

Finally, we faced a major challenge in IFMIS in the use of VPN through internet to access the IFMIS and the challenge is compounded due to lack of high speed internet in Lamu. The IFMIS department at the National Treasury introduced very many changes and unnecessary restrictions without consultation thus affecting our performance.

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, 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 the County Assembly's transactions for the year ended June 30, 2017 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 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. As a going concern the Clerk confirms that the County Assembly will continue to provide services and sustain its operations as there are no plans cease operations or liquidating and that this 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 Assembly of Lamu financial statements were approved and signed by the Clerk of the County Assembly on **September 20, 2017.**

Clerk of the County Assembly

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Lamu County Assembly set out on pages 1 to 22, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

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

Basis for Disclaimer of Opinion

1. Variance Between Financial Statements and Integrated Financial Management Information System (IFMIS)

The financial statements reflected a total expenditure of Kshs.371,522,305 while the Integrated Financial Management Information System report reflected a total expenditure of Kshs.413,661,171 resulting to unexplained nor reconciled variance of Kshs.42,138,866.

Consequently, the accuracy and validity of the total payments balance of Kshs.371,522,305 contained in the statement of receipts and payments for the year ended 30 June 2017 could not be ascertained.

2. Unsupported Payments

The statement of receipts and payments reflected total payments of Kshs.371,522,305 out of which payments amounting to Kshs.230,729,738 had no supporting schedules as summarized below:

Item	Amount Kshs.
Compensation of employees	150,054,095
Use of goods and services	13,734,150
Acquisition of assets	66,921,493
Other grants and transfers	20,000
Total	**230,729,738**

In the circumstances, the accuracy and completeness of the payments totaling to Kshs.230,729,738 as reported in the financial statements could not be confirmed.

3.0 Cash and Cash Equivalents

3.1 Bank Balances

The statement of financial assets as at 30 June 2017 reflects a bank balance of Kshs.53, 074,039.80 as detailed in Note.13A to the financial statements. The balance includes Kshs.40,000,000 in respect of Diamond Trust Bank account. 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. However, the financial statements of the fund have not been submitted for audit review contrary to Section 47(1) of the Public Audit Act, 2015 which provides that the financial statements of a public entity shall be submitted to the Auditor-General within three (3) months after the financial year to which the accounts relate.

Consequently, the accuracy, validity and completeness of the bank balance of Kshs.53, 074,039.80 could not be confirmed.

3.2 Payment from Imprest Account

Note 13A to the financial statements reflects imprest account balance of Kshs.330,764.55. This balance has been arrived at after payments of Kshs.4,712,670 from imprest account to various suppliers contrary to section 82 (1b) of Public Finance Management (County Government) Regulations, 2015 which states that the imprest account should only be used for payments of petty cash. The payments made from imprest account are as shown below:

Date	Payee	Vote	Cheque No.	Amount (Kshs)
4/4/2017	ESAMI	2210303	230	2,111,400
7/4/2017	Mani Books & stationery	2210201	231	207,000
13/4/2017	Kiztra Enterprises ltd	22110603	232	600,000
12/5/2017	ESAMI		239	1,081,500
18/5/2017	ESAMI		246	712,770
Total				**4,712,670**

Consequently, the County Assembly is in breach of the law and the propriety of payments amounting to Kshs.4,712,670 could not be ascertained

4.0 Accounts Payables

The statement of financial assets as at 30 June 2017 reflects nil balance in respect of accounts payable-deposits and retentions. However, the financial statements under Note 10 indicate that Kshs.66,921,493 was paid on acquisition of assets out of which Kshs.58,595,744 was for construction of office building but retention money of 10% was not deducted as required by law. The management has indicated that the retention monies should be disclosed by the County Executive since they make direct payments for the building on behalf of the County Assembly. Audit review of the County Executives' financial statements for the period ended 30 June 2017 revealed that the retention money was not accounted for.

In the circumstance, the accuracy and completeness of the accounts payable nil balance could not be confirmed.

5.0 Compensation of Employees

5.1 Committee Meetings Held Outside Lamu County

Note 4 to the financial statements reflects personal allowances paid as part of salary balance of Kshs.61,637,649 out of which an amount of Kshs.8,718,600 was 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.8,718,600 at the expense of service delivery to the residents of Lamu.

Consequently, the propriety of the expenditure of Kshs.8,718,600 incurred on sitting allowance could not be ascertained.

5.2 Basic Wages on Temporary Employees

Included in compensation of employees amount of Kshs.150,054,095 is basic wages of temporary employees amounting to Kshs.9,022,200. However, evidence of advertisement of these positions was not availed for audit review.

In the circumstance, the propriety of the casual wages of Kshs.9,022,200 for the year ended 30 June 2017 could not be confirmed.

6.0 Use of Goods and Services

6.1 Transfer to Ward Offices

The statements of receipts and payments for the year ended 30 June 2017 includes an amount of Kshs.9,620,000 in respect to transfer to ward offices as summarized in the table below:

Item	Amount (Kshs)
General official ward	153,500
Contractual employees	8,645,000
Office Rent	821,500
Total	**9,620,000**

Audit review of the surrender documents availed in support of the transfer to ward offices revealed that the supporting documents such as receipts for rent, salary vouchers and receipts for other expenses were missing. 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 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.371,522,305 could not be ascertained.

6.2 Foreign Travel and Subsistence

Included in the use of goods and services as disclosed in Note 5 to the financial statements for the year ended 30 June 2017 is foreign travel and subsistence balance of Kshs.31,579,243. However, audit review indicated that the expenditure was incurred for payment of accommodation and subsistence allowance to senior County Assembly officers while attending trainings abroad.

The management did not avail for audit review, evidence of attending the trainings in form of reports and certificates issued to show the value of the training in enhancing efficiency and service delivery to the residents of Lamu. Further, the management has not availed for audit review a training policy and training need assessment report of the employees.

Consequently, the propriety and completeness of the foreign travel and subsistence of Kshs.31,579,243 could not be confirmed.

6.3 Locally Available Training held Abroad

Note 5 to the financial statements for the year ended 30 June 2017 reflects training expenses of Kshs.13,416,150 out of which Kshs.10,297,011 was incurred on locally available trainings held abroad as shown below:

Training	Trainers	Country	Amount Kshs.
Public sector governance and budgetary reform program	Esami	Dubai	2,111,400,00
Advanced public sector financial management training	Esami	Dubai	887,874.00
Capacity building workshop and training	Esami	Dubai	6,882,024.00
Pre-retirement training	Esami	Dubai	415,713.00
Total			**10,297,011.00**

Consequently, the propriety of training expenses of Kshs.10,297,011 2017 could not be confirmed.

6.4 Integrated Payroll and Personnel Database System Training in Mombasa

Note 5 to the financial statements for the year ended 30 June 2017 reflects training expenses of Kshs.13,416,150 out of which Kshs.580,600 was spent on Integrated Payroll and Personnel Database system training held in Mombasa. However, the boat travel facilitation between the County Assembly office and Mukowe of Kshs.9,000 per officer appears inflated considering that the prevailing market rate is Kshs.2,000 from Jetty to Mukowe. Further, the management did not avail a certificate of attendance issued by the trainers as evidence that the officers attended the training.

In the circumstances, propriety and accuracy of training expenses of Kshs.580,600 could not be confirmed.

6.5 Pre-retirement Training in Dubai

Note 5 to the financial statements for the year ended 30 June 2017 reflects training expenses of Kshs.13,416,150 out of which Kshs.415,713 was spent in respect of pre-retirement training for the Deputy clerk and the Director of legal services in Dubai. However, the two officers have seven (7) years before they attain the retirement age. Further, there was no evidence to show that the officers indeed attended the training. Consequently, the propriety and value for money of the training expenses of Kshs.415,713 could not be confirmed.

6.6 Expenditure on Meeting with County Assembly Lawyer

Note 5 to the financial statements for the year ended 30 June 2017 reflects domestic travel and subsistence expenses of Kshs.59,251,559 out of which Kshs.895,900 was spent by Power and Privilege Committee while meeting with the Assembly Lawyer in Mombasa. However, no budget, work plan and approval for the activity was availed for audit review. It is not clear why the committee had to travel to Mombasa instead of the lawyer meeting the client in Lamu. The Lamu county residents may not have gotten the value for the funds used in this exercise.

Consequently, the propriety and completeness of the domestic travel and subsistence of Kshs.895,900 for the year ended 30 June 2017 could not be confirmed.

7.0 Fund Balance Brought Forward

Note 16 of the financial statement as at 30 June 2017 reflects a comparative closing fund balance for 2015/2016 of Kshs.671. However, the audited financial statements for the year ended 30 June 2016 reflected Kshs.49,491,709 as balance carried forward. Further, the opening fund balance for the year 2016/2017 is reflected as Kshs.40,000,000 as at 1 July 2017.

Consequently, the accuracy and completeness of the opening fund balance of Kshs.40,000,000 could not be confirmed.

8.0 Summary of Fixed Assets Register

Annex 4 to the financial statements for the period ended 30 June 2017 reflects a summary of fixed assets register with a total balance of Kshs.8,325,749. However, Note 10 to the financial statements for the year ended 30 June 2017 on acquisition for assets reflects construction of buildings amounting to Kshs.58,595,744.

In the circumstance, the accuracy and completeness of summary of fixed assets register balance of Kshs.8,325,749 could not be confirmed.

9.0 Statement of Cash flow

The statement of cash flow for the year ended 30 June 2017 reflects net cash flow from operating activities of Kshs.80,252,591. However, on casting the balances, the resultant amount of cash flow from net operating activities is Kshs.79,994,93 resulting to unreconciled or explained variance of Kshs.257,659. Further, the opening cash and cash equivalent at the beginning of the year of Kshs.40,000,000 is different from the closing balance of the previous year of Kshs.49,491,709 resulting to un explained and unreconciled variance of Kshs.9,491,709.

In the circumstance, the accuracy and completeness of cash flow statement could not be confirmed.

10.0 Budgetary Control and Performance

10.1 Budget Absorption

The County Assembly of Lamu had a total budget of Kshs.415,200,000 voted for the financial year 2016/2017, comprising Kshs.82,000,000 for development and Kshs.333,200,000 for recurrent expenditure. Actual expenditure amounted to Kshs.371,522,305, as summarized below:

Item	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption in (Kshs.)	Under Absorption (%)
Development Vote	82,000,000	58,595,744	23,404,256	28.5
Recurrent Vote	333,200,000	312,926,561	20,273,439	6
Total	**415,200,000**	**371,522,305**	**43,677,695**	**10.5**

The County Assembly's overall under-utilization of the budget amounted to Kshs.43,677,695 or 10.5% thus affecting goods and services delivered to the residents of Lamu.

10.2 Development Budget

During the year, under review, the County Assembly of Lamu allocated Kshs.82,000,000 for development projects and spent Kshs.58,595,744, resulting to net under expenditure of Kshs.23,404,256 or 28.5%. The under-utilization of the budget by 28.5% affected service delivery to the residents of Lamu County.

10.3 Recurrent Budget

During the year under review, the County Assembly of Lamu allocated Kshs.176,733,086 for recurrent expenditure and spent a total of Kshs.162,810,553.20, resulting to an overall under expenditure of Kshs.13,978,667.80 or 8% of the budget as summarized below:

Expenditure item	Budget Amount Kshs.	Actual Expenditure Kshs.	Under-absorption	Over-absorption Kshs.	% Under-absorption
Utilities and supplies	780,000.00	756,945.00	23,055.00		2.95%
Communication, supplies and services	3,170,000.00	2,872,733.20	297,266.80		9.3%
Domestic travel and subsistence	60,920,000.00	60,976,135.00		56,135	
Foreign travel and subsistence allowance	31,900,000.00	31,579,243.00	320,757.00		1%
Printing, advertising and information	4,200,000.00	3,126,199.00	1,073,801.00		25.6%
Rentals of produced assets	3,190,000.00	2,558,000.00	632,000.00		19.8%
Training expense	14,522,000.00	12,850,436.00	1,671,564.00		11.5%
Hospitality supplies and services	5,430,000.00	5,257,710.00	172,290.00		3.2%
Insurance costs	13,600,000.00	10,150,118.00	3,449,882.00		25%
Specialised materials	420,000.00	396,399.80	23,600.20		5.6%
Fuel oil and lubricants	5,100,000.00	4,519,220.00	580,780.00		11.3%
Other operating expenses	12,356,000.00	9,931,097.00	2,424,903.00		19.6%
Office and general supplies and services	2,509,000.00	2,367,172.30	141,827.70		5.6%
Routine maintenance Vehicles and other transport equipment	8,900,000.00	6,536,748.00	2,363,252.00		26.5%
Routine maintenance of other assets	770,079.00	636,660.00	133,419.00		17%
Purchase of office furniture and general supplies	8,966,007.00	8,295,736.90	670,270.10		7%
Total	**176,733,086**	**162,810,543.20**	**13,978,667.80**	**56,135**	

The County Assembly's under-utilization of the budget by 8% affected service delivery to the residents of Lamu County.

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 County Assembly's ability to continue sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those 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

My responsibility is to conduct an audit of the County Assembly's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of Lamu County Assembly in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

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

Nairobi

16 July 2018

III. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016/2017 Kshs	2015/2016 Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	384,595,744	344,524,663
Proceeds from Sale of Assets	2	-	-
Other Receipts	3		67,942
TOTAL RECEIPTS		**384,595,744**	**344,592,605**
PAYMENTS			
Compensation of Employees	4	150,054,095	147,288,985
Use of goods and services	5	154,526,717	135,925,327
Subsidies	6	-	-
Transfers to Other Government Entities	7		-
Other grants and transfers	8	20,000	294,955
Social Security Benefits	9	-	-
Acquisition of Assets	10	66,921,493	11,591,629
Finance Costs	11	-	-
Other Payments	12	-	-
TOTAL PAYMENTS		**371,522,305**	**295,100,896**
SURPLUS/DEFICIT		**13,073,439**	**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 20, 2017** and signed by:

Clerk of the Assembly

Chief Finance Officer – County Assembly

IV. STATEMENT OF FINANCIAL ASSETS

	Note	2016/2017 Kshs	2015/2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	13A	53,074,039	49,492,379
Cash Balances	13B	-	-
Total Cash and cash equivalents		-	-
Accounts receivables – Outstanding Imprests	14	-	-
TOTAL FINANCIAL ASSETS		**53,074,039**	**49,692,379**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15		
NET FINANCIAL ASSETS		**53,074,039**	**49,692,379**
REPRESENTED BY			
Fund balance b/fwd	16	40,000,600	671
Surplus/Deficit for the year		13,073,439	49,491,709
NET FINANCIAL POSITION		**53,074,039**	**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 20, 2017** and signed by:

Clerk of the Assembly

Chief Finance Officer – County Assembly

V. STATEMENT OF CASHFLOW

	Note	2016/2017 Kshs	2015/2016 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	384,595,744	344,524,663
Other Receipts	3		67,942
Payments for operating expenses			
Compensation of Employees	4	(150,054,095)	(147,288,985)
Use of goods and services	5	(154,526,717)	(135,925,327)
Subsidies	6	-	-
Transfers to Other Government Entities	7		-
Other grants and transfers	8	(20,000)	(294,955)
Social Security Benefits	9	-	-
Finance Costs	11	-	-
Other Payments	12	-	-
Adjusted for:			
Adjustments during the year		-	-
Net cash flows from operating activities		**80,252,591**	**61,083,338**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	(66,921,493)	(11,591,629)
Net cash flows from investing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		**13,073,439**	**49,491,709**
Cash and cash equivalent at BEGINNING of the year		**40,000,600**	**671**
Cash and cash equivalent at END of the year		**53.074,039**	**49,492,379**
As per statement of assets		**53,074,039**	**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 20, 2017** 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	415,200,000	-	415,200,000	384,595,744	93%
Proceeds from Sale of Assets					
Other Receipts					
TOTAL	**415,200,000**	**-**	**415,200,000**	**384,595,744**	**93%**
PAYMENTS					
Compensation of Employees	156,466,914		156,466,914	150,054,095	96%
Use of goods and services	167,737,079		167,737,079	154,526,717	92%
Subsidies					
Transfers to Other Government Entities					
Other grants and transfers	30,000		30,000	20,000	67%
Social Security Benefits					
Acquisition of Assets	90,966,007		90,966,007	66,921,493	74%
Finance Costs					
Other Payments					
TOTAL	**415,200,000**		**415,200,000**	**371,522,305**	**89%**

The County Assembly of Lamu financial statements were approved on **September 20, 2017** 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	333,200,000		333,200,000	326,000,000	98%
Proceeds from Sale of Assets					
Other Receipts					
TOTAL	**333,200,000**		**333,200,000**	**326,000,000**	**98%**
PAYMENTS					
Compensation of Employees	156,466,914		156,466,914	150,054,095	96%
Use of goods and services	167,737,079		167,737,079	154,526,717	92%
Subsidies					
Transfers to Other Government Entities					
Other grants and transfers	30,000		30,000	20,000	67%
Social Security Benefits					
Acquisition of Assets	8,966,007		8,966,007	8,325,749	93%
Finance Costs					
Other Payments					
TOTAL	**333,200,000**		**333,200,000**	**312,926,561**	**94%**

The County Assembly of Lamu financial statements were approved on **September 20, 2017** 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	82,000,000	-	82,000,000	58,595,744	71%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-		-
TOTAL	**82,000,000**	-	**82,000,000**	**58,595,744**	**71%**
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	82,000,000	-	82,000,000	58,595,744	71%
Finance Costs	-	-	-	-	-
Other Payments					
TOTAL	**82,000,000**	-	**82,000,000**	**58,595,744**	**71%**

The County Assembly of Lamu financial statements were approved on **September 20, 2017** 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 Lamu County Government 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 second time the County Assembly is preparing its full year financial statements. Therefore, comparative amounts for the previous year are included.

11. Subsequent events

Events subsequent to submission of the financial statements for the year ending June 2017 to the County Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of the County Treasury.

X. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from the County Treasury/Exchequer Releases

Description	2016/2017	2015/2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	166,595,744	80,696,166
Total Exchequer Releases for quarter 2	60,000,000	111,371,166
Total Exchequer Releases for quarter 3	80,000,000	72,457,331
Total Exchequer Releases for quarter 4	78,000,000	80,000,000
Total	**384,595,744**	**344,524,663**

2 PROCEEDS FROM SALE OF ASSETS

Description	2016/2017	2015/2016
	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	2016/2017 Kshs	2015/2016 Kshs
Interest from Bank-Car Loan/Mortgage Account		67,942
Other Receipts II		
Other Receipts III		
Total		**67,942**

4 COMPENSATION OF EMPLOYEES

Description	2016/2017 Kshs	2015/2016 Kshs
Basic salaries of permanent employees	68,123,482	63,294,616
Basic wages of temporary employees	9,022,200	7,877,395
Personal allowances paid as part of salary	61,637,649	63,549,651
Personal allowances paid as reimbursements	1,210,000	2,707,800
Pension and other social security contributions	6,195,127	-
Compulsory national social security schemes	3,865,637	9,859,523
Other personnel payments		-
Total	**150,054,095**	**147,288,985**

5 USE OF GOODS AND SERVICES

Description	2016/2017 Kshs	2015/2016 Kshs
Utilities, supplies and services	766,945	742,567
Communication, supplies and services	2,872,733	1,221,034
Domestic travel and subsistence	59,251,559	71,324,012
Foreign travel and subsistence	31,579,243	16,130,170
Printing, advertising and information supplies & services	3,415,099	2,809,951
Rentals of produced assets	3,178,000	2,744,377
Training expenses	13,416,150	6,449,879
Hospitality supplies and services	5,282,710	3,887,718
Insurance costs	10,150,118	14,698,128
Specialized materials and services	396,400	844,529
Fuel Oil and Lubricant	4,519,220	3,486,255
Office and general supplies and services	2,387,172	4,450,816
Other operating expenses	9,876,195	3,268,055
Routine maintenance – vehicles and other transport equipment	6,758,513	2,243,811
Routine maintenance – other assets	676,660	1,624,025
Total	**154,526,717**	**135,925,327**

6 SUBSIDIES

Description	2016/2017 Kshs	2015/2016 Kshs
Subsidies to Public Corporations		
	-	-
Subsidies to Private Enterprises		
TOTAL	-	-

7 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016/2017 Kshs	2015/2016 Kshs
Transfers to National Government entities		
Transfers to Counties		
County Assembly Car Loan Fund Account		-
TOTAL		-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER GRANTS AND TRANSFERS

Description	2016/2017 Kshs	2015/2016 Kshs
Scholarships and other educational benefits	-	-
Other current transfers, grants	20,000	294,955
Other capital grants and transfers	-	-
Total	**20,000**	**294,955**

9 SOCIAL SECURITY BENEFITS

Description	2016/2017 Kshs	2015/2016 Kshs
Government pension and retirement benefits	-	-
Social security benefits in cash and in kind	-	-
Total	-	-

10 ACQUISITION OF ASSETS

Description	2016/2017 Kshs	2015/2016 Kshs
Non financial assets		
Purchase of Buildings		
Construction of Buildings	58,595,744	-
Refurbishment of Buildings	-	-
Construction of Roads	-	-
Construction and Civil Works	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	6,880,627	11,591,629
Purchase of ICT Equipment, Software and Other ICT Assets	1,445,122	-
Purchase of Specialised Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Acquisition of Intangible Assets	-	-
Financial Assets		
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Foreign Payables - From Previous Years	-	-
Total	**66,921,493**	**11,591,629**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13A BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2016/2017	2015/2016
		Kshs	Kshs
Central Bank of Kenya, Account No.1000210303 Kshs recurrent acc	Recurrent	12,743,274.25	8,924,503.30
Kenya Commercial Bank, Account No.1150833025 Kshs Imprest acc	Recurrent	330,764.55	499,934.21
Diamond Trust Bank, Account No.0148172001 Kshs car loan acc	Recurrent	40,000,000	40,067,941.89
Total		**53,074,039.80**	**49,492,379.40**

13B CASH IN HAND

Description	2016/2017	2015/2016
	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	2016/2017	2015/2016
	Kshs	Kshs
Location 1	-	-
Location 2	-	-
Total	-	-

14 ACCOUNTS RECEIVABLE

Description	2016/2017	2015/2016
	Kshs	Kshs
Government Imprests -Development Imprest	-	-
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	2016/2017 Kshs	2015/2016 Kshs
Deposits and Retentions		
Total		

16 FUND BALANCE BROUGHT FORWARD

Description	2016/2017 Kshs	2015/2016 Kshs
Bank accounts	40,000, 600	671
Cash in hand		
Accounts Receivables		
Accounts Payables		
Total	40,000,600	671

17 OTHER IMPORTANT DISCLOSURES

17.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2016/2017 Kshs	2015/2016 Kshs
Construction of buildings	96,937,628.50	-
Construction of civil works	-	-
Supply of goods	1,764,800.00	-
Supply of services	9,436,794.45	-
Total	**108,157,222.95**	**-**

17.2: PENDING STAFF PAYABLES (See Annex 2)

Description / Name of Staff	2016/2017 Kshs	2015/2016 Kshs
Total		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17.3: OTHER PENDING PAYABLES (See Annex 3)

Description	2016/2017 Kshs	2015/2016 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 30th June 2017	Comments
	a	b	c	d=a-c	
Construction of buildings					
1. Tawfiq Mohamed Salim & Co Ltd	214,624,476.45		117,686,847.95	96,937,628.50	
2.					
3.					
Sub-Total	**214,624,476.45**		**117,686,847.95**	**96,937,628.50**	
Construction of civil works					
4.					
5.					
6.					
Sub-Total					
Supply of goods					
7. Mani Books & Stationery	351,400.00			351,400.00	
8. An Noor Hardware	553,500.00			553,500.00	
9. Central Fuel	200,000.00			200,000.00	
10. Saary General Suppliers Ltd	60,000.00			60,000.00	
Sub-Total	**1,164,900.00**			**1,164,900.00**	
Supply of services					
11. A.A Said &Company Advocates	4,000,000.00		3,120,000.00	880,000.00	
12. Balala & Abed Advocates	5,960,000.00		4,960,000.00	1,000,000.00	
13. Shimasy Travel Co. Ltd	492,200.00			492,200.00	
14. National Media Group Ltd	182,700.00			182,700.00	
15. Kenya Safari Lodges and Hotels	301,360.00			301,360.00	
16. AAR Insurance	2,499,633.45			2,499,633.45	
17. Lapfund	2,021,009.00			2,021,009.00	
18. GB Security Services Ltd	72,000.00			72,000.00	
19. Care Auto Ltd	2,005,892.00			2,005,892.00	
20. Burac Business Insight	599,900.00			599,900.00	
Sub-Total	**18,134,694.45**		**8,080,000.00**	**10,054,694.45**	
Grand Total	**233,924,070.90**		**125,766,847.95**	**108,157,222.95**	

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*
Eng J. N. Githui	***06/03/2016***	200,000	-	200,000
Total		**200,000**	-	**200,000**

CENTRAL BANK ACCOUNT NO.1000210303

F.O. 30

REPUBLIC OF KENYA

BANK RECONCILIATION

as at 30 June 2017

Station LAMU COUNTY ASSEMBLY

		Sh.	cts	Sh.	cts	Sh.	cts
	Balance as per bank certificate:					12,783,379	.25
less:-	1. Payments in Cash not yet recorded in Bank Statement (Unpresented Cheques) ..			40,105	.00		
	2. Receipts in Bank Statement not yet recorded in Cash Book ..			0	.00	40,105	.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					**12,743,274.25**	

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

Signature — DIRECTOR FINANCE *Designation* — 05/07/17 *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.	CHEQUE Date	PAYEE	AMOUNT	DETAILS	AMOUNT
	30/06/2017	British American Insurance Company	10,355.00		
	30/06/2017	Madison Insurance Company Kenya Ltd	29,750.00		
			40,105.00		**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**

GKP(L)

DIAMOND TRUST BANK ACCOUNT NO.0148172001

F.O. 30

REPUBLIC OF KENYA

BANK RECONCILIATION

as at 30 June 2017

Station LAMU COUNTY ASSEMBLY

		Sh.	cts	Sh.		Sh.	cts
	Balance as per bank certificate:					39,999,967	.01
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 ..				33.00		
	4. Receipts in Cash Book not yet Recorded in Bank Statement ..				0.00	33	.00
	Bank Balance as per cash book					**40,000,000.01**	

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

Signature — DIRECTOR FINANCE *Designation* — 04/07/2017 *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.	CHEQUE 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
Bank Charges(Ledger Fees)	30.00		
Bank Charges(Excise Duty)	3.00		
	33.00		**0.00**