

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

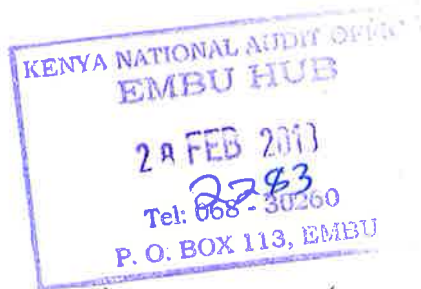
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COUNTY EXECUTIVE OF MARSABIT**

**FOR THE YEAR ENDED
30 JUNE 2017**



COUNTY GOVERNMENT OF MARSABIT-EXECUTIVE

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)**

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

Table of Content

Page

I. KEY ENTITY INFORMATION AND MANAGEMENT	1
II. FORWARD BY THE CEC.....	4
III. STATEMENT OF MANAGEMENT RESPONSIBILITIES	6
IV. REPORT OF THE INDEPENDENT AUDITORS	7
V. STATEMENT OF RECEIPTS AND PAYMENTS	8
VI. STATEMENT OF ASSETS.....	9
VII. STATEMENT OF CASHFLOW.....	10
VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED	12
IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT	14
X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT	16
XI. SIGNIFICANT ACCOUNTING POLICIES.....	18
XII. NOTES TO THE FINANCIAL STATEMENTS.....	20

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Key Management

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

No.	Designation	Name
1	Governor, Marsabit County	H.E. Amb Ukur Yatani
2	Dep. Governor, Marsabit County	H.E. Omar Abdi
3	County Secretary	Mr.Isacko Galgallo

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No	Designation	Name
1	CEC-Finance & Economic Planning	Mr. Guracha Adi Bidu
2	Chief Officer –Finance & Economic Planning	Mr. Hussein Alinoor Ibrahim
3	Director-Accounting services	CPA Dabasso Bonaya
4	Chief Finance Officer	CPA Shalle Ibrahim Shalle
5	Principal Accountant	CPA Paul Onyango Owaga
6	Head of County Budget	Mr. Wario Jirimo Harsama
7	All County Accounting Officers	

(d) Fiduciary Oversight Arrangements

Audit and finance committee activities

The county Government of Marsabit is yet to establish Audit and Finance Committee.

County Public Investment and Accounts Committee

- Examine accounts showing appropriation by the county Assembly to meet public expenditure.
- Examine reports, accounts & working of the county public investments.
- Examine whether the affairs of the county public investment are managed with sound financial or business principles.

COUNTY GOVERNMENT OF MARSABIT

Reports and Financial Statements

For the year ended June 30, 2017

County Budget and Appropriation Committee

- Investigate, Inquire in to and report all the matters related to budget
- Discuss and review the estimate and make recommendations to the County Assembly
- Examine the County Budget Policy Statements
- Examine Bills related to the County Budget, including appropriation bills
- Evaluate Tax Estimates
- Evaluate economic and budgetary policies and programmes with direct budget outlays.

(e) Entity Headquarters

P.O. Box 384 - 60500
PACIDA Building/House
Marsabit - Isiolo Highway
Marsabit, KENYA

(f) Entity Contacts

Telephone: (254)
E-mail: info@treasury.marsabit.go.ke
Website: www.marsabit.go.ke

(g) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Marsabit Branch
P.O Box 83 – 60500
Marsabit, Kenya
3. Co-operative Bank
Marsabit Branch
4. Equity Bank
Marsabit Branch

(h) Independent Auditors

Auditor General
Kenya National Audit Office

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

Anniversary Towers, University Way
P.O. Box 30084
G.P.O 00100
Nairobi, Kenya

(i) Principal Legal Adviser

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

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

II. FORWARD BY THE CEC

The reports and financial statements is prepared in accordance with Section 163 of the PFM Act. The law states that “at the end of each financial year, the County Treasury shall, for the county government, consolidate the annual financial statements in respect of all the county government entities in formats to be prescribed by the Accounting Standards Board”.

The essence of reporting on budget implementation is to create awareness among the County stakeholders and enable them to interrogate the usage of public resources and the underlying policy guidelines so as to meet specific priority needs. Further, the Constitution of Kenya Article 2010 requires openness, transparency and accountability on all aspects of Public finance. The ultimate goal is to ensure that public resources are used in a prudent and responsible way and ensure that they initiate projects and programmes that would improve the livelihoods of all the residents of Marsabit County.

The approved budget estimates for Marsabit County was Ksh. 6,819,178,302 comprising of Ksh. 3,609,180,281 (53 per cent) recurrent expenditure estimate and Ksh. 3,209,998,021 (47 per cent) development expenditure estimate. The budget complies with Sec.107 of the PFM Act which requires that over the medium term a minimum of thirty per cent of the county government’s budget shall be allocated to development expenditure.

The County spent a total of Kshs.6.277 billion during the financial year 2016/17. A total of Kshs. 3.44 billion was spent on recurrent activities and Kshs. 2.84 billion on development activities.

The key development projects under taken during the year under review include; special programme for drought mitigation that cushioned the residents of Marsabit from the adverse effects of the prolonged drought (the programme included distribution of relief food, water trucking & related support and animal off take programme), upgrading of Marsabit town roads to bitumen standards, installation of solar street lights within Marsabit and Moyale township, completion of the modern abattoir, modern market and the health complex and timely procurement & distribution of medical drugs, vaccines & other medical commodities. Additionally, the county disbursed Ksh. 45 million scholarship fund to the needy but bright students across the 20 wards. To support the growth of small and medium enterprises for economic development, the county further disbursed Ksh. 60 million that was allocated for the enterprise fund.

Budget implementation especially for the development expenditure is a recurring problem and there seems to be no significant traction by departments in resolving the causes of low absorption rates. Low absorption was also attributed to delay in the release of national shareable revenue to the County. With the improvement of exchequer releases expected in future, adequate focus on institutional capacity and systems at the County shall be put in place to improve budget implementation to the level that is consistent with desired outputs and goals. Further, the County Treasury will enhance the capacity of the departments to absorb development funds as well as striving to weed out unproductive expenditures to create fiscal space for financing priority areas such as water, the social sectors, agriculture and physical infrastructure which are essential to sustainable economic growth.

The County will also adopt an expenditure policy framework that will ensure efficiency and

COUNTY GOVERNMENT OF MARSABIT

Reports and Financial Statements

For the year ended June 30, 2017

effectiveness in the implementation of development policies. In this regard, more emphasis will be put on projects and programmes that will improve the livelihoods of the residents of Marsabit County. Also, efforts to link policy with budgeting reforms in expenditure and financial management will be deepened to ensure growth momentum is maintained.



County Executive Committee member – Finance

III. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of revenue and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.


The County Executive Committee (CEC) member for finance of the County Government is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the financial 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 Government; (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 Government; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The CEC member for finance accepts responsibility for the County Government'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 CEC member for finance is of the opinion that the County Government's financial statements give a true and fair view of the state of the County Government's transactions during the financial year ended June 30, 2017, and of its financial position as at that date. The CEC member for finance further confirms the completeness of the accounting records maintained for the County Government 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 CEC member for finance confirms that the County Government has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Government'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 CEC member for finance confirms that the County Government's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Government's financial statements were approved and signed by the CEC member for finance on 27th September 2017.



County Executive Committee member – Finance

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF MARSABIT FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Marsabit County Executive set out on pages 8 to 37, which comprise the statement of assets 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 of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Marsabit County Executive as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the County Government Act, 2012 and the Public Finance Management Act, 2012.

In addition, and as required by Article 229(6) of the Constitution, based on the audit procedures carried out, except for the matters described in the Basis for the Qualified Opinion and Other Matter sections of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Presentation and Disclosure of Financial Statements

The International Public Sector Accounting Standards (Cash Basis) reporting template prescribed by the Public Sector Accounting Standards Board requires that a report on the follow up of previous year's audit recommendations and summary of the fixed assets register be included as part of the annexures to the financial statements. However, the summary of fixed assets at annex 4 of the financial statements is just a template with no figures. While, a report on follow-up on previous year's and its recommendation has not been included on annex 3 to the financial statements as at 30 June 2017.

Further, page seven (7) of the financial statements for the year under review reflects an alleged unqualified report of the independent auditors which did not originate from the Auditor-General while table of contents page and the key entity information and management page have both been given the same page number. In addition, no entity contact information has been provided.

In the circumstances, the presentation and disclosure of the financial statements for the year ended 30 June 2017 did not comply with the prescribed format under the International Public Sector Accounting Standards (Cash Basis) as prescribed by the Public Sector Accounting Standards Board and the Public Finance Management Act, 2012.

2.0 Fixed Assets

2.1 Lack of Proper Controls in Asset Management

The statement of receipts and payments reflects acquisition of fixed assets worth Kshs.2,314,499,845 and Kshs.2,301,262,778 for the 2015/2016 and 2016/2017 financial years respectively. However, the amounts are not shown on the summary fixed assets register at annex 4 to the financial statements. Further, during the financial year under review, the County Government of Marsabit spent Kshs.25,797,400 on purchase of vehicles and other transport equipment. However, verification of the vehicles and equipment revealed that the asset register in place did not have sufficient information and had not been updated. Further, included in the Kshs.25,797,400 expenditures were Kshs.5,600,000 which was spent under administration on purchase of motorcycles. However, no logbooks relating to the purchase were made available for audit review. In addition, the inclusion of inherited fixed assets from the defunct local authorities could not be confirmed.

Consequently, the ownership, completeness, accuracy, security and location of the fixed assets worth Kshs.25,797,400 as at 30 June 2017 could not be confirmed.

2.2 Failure to Have an Asset Disposal Plan

During the year under review, the County Executive of Marsabit did not prepare and maintain an asset disposal plan as required by Section 53 (4) of the Public Procurement and Assets Disposal Act, 2015.

In the circumstances, the County Executive of Marsabit was in breach of the law.

3.0 Unacknowledged Scholarship Grants

During the year under review, the County scholarship fund got an allocation of Kshs.45,401,000. Available schedules showed that out of the Kshs.45,401,000, Kshs.38,578,100 was disbursed to beneficiaries through the various Higher Education Institutions while the bank had an undisbursed balance of Kshs.5,374,911 both totalling to Kshs.43,953,011 leading to an unexplained variance of Kshs.1,447,989. Further, as at the time of audit verification carried out in December 2017, it was revealed that included in the disbursements of Kshs.38,578,100 is Kshs.9,833,000 which had not

been acknowledged as received. In addition, a reconciliation of the bank statements revealed a bank balance of Kshs.5,474,965, while the actual balance as per the bank statement was Kshs.5,374,911 resulting to an unexplained variance of Kshs.100,053.

In view of the foregoing, the propriety of the expenditure of Kshs.45,401,000 as at 30 June 2017 could not be confirmed.

4.0 Equipping of Bongole Tourist Resort

During the year under review, the County Executive awarded a contract to Hyrise General Supplies to equip Bongole Tourist Resort at a contract sum of Kshs.7,679,300. However, no list of the procured equipment was made available for audit review. Further, the counter receipt voucher (S13) raised to confirm delivery of the supplies did not indicate the specific bin cards where the items were taken on charge. In addition, stores records were not maintained at the premises. A physical inspection carried out on 8 December 2017 revealed that the facility had only one casual worker who was acting as a store keeper and a caretaker at the same time and he was not able to identify the equipment worth Kshs.7,679,300 bought during the year as items were haphazardly stored.

In consequence, the propriety of the expenditure of Kshs.7,679,300 and the safety of the equipment and premises as at 30 June 2017 could not be ascertained.

5.0 Procurement of Drugs to Health Centres

Note 13 to the financial statements for the year under review reflected specialized materials and services expenditure of Kshs.223,234,369 which included Kshs.85,577,686 incurred by the County Executive for the procurement of drugs for various Health facilities as follows:

PV No,	Date	Payee	Institution	LPO	Amount (Kshs.)
272	-	Mission for essential drugs	Mbt County Health Facility	2650626	43,000,000
300	3/5/2017	Mbt Jamia medical service	Kalacha Medical Camp	2650637	2,577,686
070	19/10/2016	Mission for essential drugs and supplies	Mbt County Health Facility	2380617	40,000,000
TOTAL					85,577,689

However, these drugs were never taken to the central store for control and proper accounting of their issuance and it was also noted that the health centres that were supplied with the specialized items had not raised any requisition for the same. Further, the drugs and the specialized materials were not taken on charge on the stores records as the deliveries were made directly to the point of disposal (Health Centres). This was done by the suppliers without a responsible officer escorting them

to confirm the actual deliveries. There was no independent record which would confirm the actual deliveries such as certificate of inspection and acceptance committee.

In the circumstances, the propriety and validity of the expenditure of Kshs.85,577,689 as at 30 June 2017 could not be confirmed.

6.0 Procurement of Motor Vehicle Fuel

Note 13 to the financial statements on Use of Goods and Services for the year under review reflects an expenditure of Kshs.91,981,513 for fuel, oil and lubricants which includes Kshs.9,599,837 for fuel (Diesel) which was not taken on charge in the availed fuel registers as shown below;

DATE	PV. NO.	PAYEE	DEPT	LPO NO.	INVOICE NO.	FUEL IN (Litres)	AMOUNT (Kshs)
17/10/2016	616	M/S Saku Investment LTD	Water	2448943	12657	21874.4	2,000,000
08/10/2016	1639	Saku Investment	Health	2638958	14534	16465	1,499,962
08/03/2017	1638	Omar Salim Baslum	Health	2638957	135330	32930	2,999,923
Undated	1304	Omar Salim Baslum	Health	2650623	134717	17977	1,599,953
Undated	1526	Saku Investment LTD	Tourism	2619494	14526	16483.52	1,500,000
TOTAL							9,599,838

Further, fuel detail orders, vehicle work tickets and fuel consumption statements from the various petrol stations were not made available for audit review.

Under the circumstances, it has not been possible to confirm the propriety and value for money of the expenditure of Kshs.9,599,837 as at 30 June 2017.

7.0 Human Resource Management

7.1 Use of a Manual Payroll

The statement of receipts and payments for the year ended 30 June 2017 reflects an expenditure of Kshs.1,293,146,869 in respect to compensation of employees. However, the County Government of Marsabit operated two payroll systems namely the manual payroll system and the integrated personnel and payroll database (IPPD). Use of the manual system requires manual calculation of deductions and net pay by the human resource officers and constant monthly and/or annual updates of the data

which is subject to manipulation. It was not possible to establish why management introduced a manual system.

In the circumstances, the accuracy of the payroll and the compensation of Employees balance of Kshs.1,293,146,869 as at 30 June 2017 could not be confirmed.

7.2 Irregular Employment

A review of the recruitment process during the year under review revealed that the County Government of Marsabit recruited 424 officers out of which 206 were duly employed by the County Public Service Board in exercise of the powers granted by the County Government Act, 17 of 2012. However, the remaining 218 were recruited via delegated instrument by chief officers and other accounting officers of different departments. Scrutiny of the recruitment process and delegated instruments issued to the accounting officers revealed that the recruitment of the 218 employees did not involve notice to the County Public Service Board contrary to the provisions of delegated instrument issued by the County Public Service Board.

In the circumstances, management was in breach of the law and the cost of the irregularly recruited staff is not a proper charge to public funds.

8.0 Supply of Office Stationery

Included in the office and general supplies and services expenditure of Kshs.41,819,992 is Kshs.2,487,200 and Kshs.2,610,100 all totalling to Kshs.5,097,300 paid out for supply of office stationery to North Horr sub county and to the governor's office respectively. However, a review of the supporting documents revealed that procurement documents including requisition from the user department to the procurement office were not made available for audit scrutiny.

In the circumstances, the propriety of the expenditure of Kshs.5,097,300 as at 30 June 2017 could not be ascertained.

9.0 Transfer of Funds to Lake Turkana Festival Account

Note 13 to the financial statements for the year under review reflects printing, advertising and information supplies and services balance of Kshs.83,016,484 which included Kshs.18,136,100 incurred by the department of culture and social services under the County Government. A review of the supporting documents revealed that the Kshs.18,136,100 was transferred from the Central Bank of Kenya account to Lake Turkana cultural festival A/c, 1010262167434 Equity Bank, Marsabit Branch as per the letter written by the Chief Officer of culture and social services to the Chief Officer of Finance. The transfer was to facilitate the 2017 festival preparation held on 4th-6th May 2017. It was however noted that documents authorizing opening of the bank account and bank reconciliations relating to the bank account have not been provided for audit review.

Further, a review of the expenditure in the above bank account revealed that Kshs.1,200,000.00 was paid to Oasis Lodge for Catering and Accommodation of VIPs for 3 days. Review of the Supporting documents however revealed that LSO issued to

the service provider was not attached. The procurement documents relating to this expenditure have also not been provided for audit review.

Consequently, the propriety and validity of the expenditure of Kshs.18,136,100 as at 30 June 2017 could not be confirmed.

10.0 Unauthorized Bank Accounts

According to note 26.4 of the financial statements, the County Executive operated ten (10) other county bank accounts in commercial banks. However, this was contrary to Section 82 (1) (a) of the Public Finance Management County Government Regulations 2015 which stipulates that all county exchequer accounts shall be opened at the Central Bank of Kenya. No authority for operating these accounts was availed. Further, the bank accounts balances have been disclosed in the financial statements.

In the circumstances, management was in breach of the law and failed to disclose the bank accounts balances as required casting doubts on completeness of the financial statements as at 30 June 2017.

11.0 Irregular Hire of Transport

The financial statements for the year under review reflects rentals of produced assets balance of Kshs.50,695,062 which included an expenditure on hire of transport of Kshs.29,300,000. Further included was Kshs.13,601,000 paid out to various transporters who were not in the County Executive's list of service providers. In addition, user departments did not send requisition notes to the procurement department requesting for the services.

In the circumstances, management did not comply with the requirements of Section 57 (1) of the Public Procurement and Asset Disposal Act, 2015 and the expenditure of Kshs.13,601,000 as at 30 June 2017 was irregular.

12.0 Construction of Perimeter Fence at Moyale General Hospital

During the previous financial year, the County Government Executive contracted M/s Ujira construction co. Ltd to build a perimeter fence at Moyale General Hospital at a contract sum of Kshs.45,174,801. A physical inspection carried out on 19 December 2017 revealed that the wall had been completed but no provision was made for the control of storm waters and therefore the wall is likely to be destroyed by heavy rains as the storm waters has already deposited huge amounts of sand along the wall. Further, no advertisement for the open tender, project file and handing over reports were availed for audit review.

In the circumstances, the propriety and value for money for the expenditure of Kshs.45,174,801 as at 30 June 2017 could not be confirmed.

13.0 Construction of Marsabit Modern Market

During the year under review, the County Government awarded M/s Holale construction Ltd a contract to build a modern market at a cost of Kshs.247,794,948 in Marsabit town on 19 June 2015. However, no contract period was stipulated in the agreement. A physical inspection carried out on 11 December 2017 revealed that the project has been done up to first floor and it was nearing completion while second floor has not been started. It was also observed that there was no provision for septic and water tanks despite toilets having been done and therefore their drainage system could not be confirmed. Further, no project file was made available for audit review and therefore the exact amount paid to date could not be ascertained.

In the circumstances, the propriety of the expenditure of Kshs.247,794,948 and the value for money of the modern market as at 30 June 2017 could not be confirmed.

14.0 Construction of a Boardroom for the County Public Service Board

During the year under review, the County Government contracted M/s Nomads construction on 22 December 2016 to construct a boardroom at a contract sum of Kshs.3,995,000. The Bill of Quantities and the architectural design had provided for four toilets, two for each gender. However, a physical verification carried out on 13 December 2017 revealed that only two toilets were done instead of the four and there was no authority for the changes.

In the circumstances, the propriety of the expenditure of Kshs.3,995,000 and the value for money of the expenditure could not be confirmed as at 30 June 2017.

15.0 Construction of Pavilion

During the year under review, the County Government awarded a contract to M/s Arid Lands Construction Co. Ltd to construct a Stadium pavilion (phase I) in Marsabit at a contract sum of Kshs.30,542,653. The total cost of the pavilion was estimated at Kshs.77,051,120 as per the Bill of Quantities of the lowest evaluated bidder. However, a physical verification carried out on 13 December 2017 revealed that works have been done up to the foundation level and the contractor was not on site including the equipment and it was not known as to when he will be back. Further, no contract file was available to ascertain the terms of the contract including the start and end dates.

In the circumstances, the propriety of the expenditure of Kshs.30,542,653 and the value for money of the pavilion's total cost of Kshs.77,051,120 as at 30 June 2017 could not be confirmed.

16.0 Unexplained Recurrent Expenditure Budget Variance

The summary statement of appropriation reflects a recurrent expenditure final budget figure of Kshs.3,622,025,371 while the final approved budget reflected a balance of Kshs.3,609,180,281 in respect to the same item resulting in an unreconciled and unexplained variance of Kshs.12,845,090.

Consequently, the correctness of the approved budget for the recurrent expenditure could not be confirmed as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Marsabit County Executive in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters discussed in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there were no Key Audit Matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

During the year under review, the County Executive had an approved budget of Kshs.6,819,178,302 for both the County Executive and the County assembly which comprised of Kshs.3,609,180,281(53%) recurrent expenditure and development expenditure of Kshs 3,209,998,021(47%).

Included in the total approved budget of Kshs.6,819,178,302 was the County Executive budget of Kshs.6,258,870,161 which comprised of Kshs.3,109,180,281 (49.7%) for recurrent expenditure and Kshs.3,149,689,880(50.3%) for development expenditure as follows;

Item	Budget(Kshs)	Actual(Kshs)	Variance(Kshs)	Absorption rate
Recurrent	3,109,180,281	2,893,500,000	215,680,281	93%
Development	3,149,689,880	2,837,273,761	407,969,880	87%
Total	6,258,870,161	5,635,220,000	623,650,161	90%

1.1 Expenditure

1.1.1 Recurrent Expenditure

The actual total expenditure on recurrent activities amounted to Kshs.2,893,500,000 against a budget of Kshs.3,109,180,281 which represented an absorption rate of 93 % as follows;

Department	Budget (Kshs)	Actual (Kshs)	Variance (Kshs)	Absorption rate(%)
Office of the Governor/County Executive services	399,827,178.00	386,070,000.00	13,757,178.00	97
Finance and Economic planning	491,356,305.28	471,450,000.00	19,906,305.28	96
Agriculture,Livestock,Veterinary & Fisheries	160,589,965.00	148,240,000.00	12,349,965.00	92
Water environment and Natural resources	168,524,689.88	157,520,000.00	11,004,689.88	93
Education ,youth affairs & sports	159,151,879.84	146,840,000.00	12,311,879.84	92
County Health services	899,370,360.00	839,490,000.00	59,880,360.00	93
Lands,physical planning and urban development	96,606,760.94	89,820,000.00	6,786,760.94	93
County transport,public works and roads	269,668,964.08	240,000,000.00	29,668,964.08	89
Trade,tourism cooperatives and enterprise development	77,306,772.00	73,870,000.00	3,436,772.00	96
Culture social services and gender	41,572,483.02	31,890,000.00	9,682,483.02	77
County public service board	74,817,014.30	74,160,000.00	657,014.30	99
Administration,coordination & ICT	270,387,908.52	234,150,000.00	36,237,908.52	87
	3,109,180,280.86	2,893,500,000.00	215,680,280.86	93

The under absorption of Kshs.215,680,281 may be a pointer to unrealistic budgeting process. These unspent funds could have been budgeted to provide services in other critical areas like boreholes for the benefit of Marsabit county residents.

1.1.2 Development Expenditure

The total expenditure on development activities amounted to Kshs.2,741,720,000 against a budget of Kshs.3,149,689,880 which represented absorption rate of 87% and an under expenditure of Kshs.407,969,880 as follows:

Department	Budget (Kshs)	Actual (Kshs)	Variance (Kshs)	Absorption rate(%)
Office of the Governor/County Executive services	353,720,000.00	366,240,000.00	-	104
Finance and Economic planning	192,380,000.00	163,150,000.00	29,230,000.00	85
Agriculture,Livestock,Veterinary & Fisheries	136,550,000.00	133,330,000.00	3,220,000.00	98

Water environment and Natural resources	608,840,000.00	473,140,000.00	135,700,000.00	78
Education ,youth affairs & sports	366,530,000.00	317,110,000.00	49,420,000.00	87
County Health services	475,490,000.00	392,580,000.00	82,910,000.00	83
Lands,physical planning and urban development	257,860,000.00	228,240,000.00	29,620,000.00	89
County transport,public works and roads	337,860,000.00	324,000,000.00	13,860,000.00	96
Trade,tourism cooperatives and enterprise development	219,100,000.00	181,010,000.00	38,090,000.00	83
Culture social services and gender	144,220,000.00	107,360,000.00	36,860,000.00	74
County public service board	5,000,000.00	4,990,000.00	10,000.00	100
Administration,cordination & ICT	52,140,000.00	50,570,000.00	1,570,000.00	97
Total	3,149,690,000.00	2,741,720,000.00	407,970,000.00	87

The development under-expenditure of Kshs.407,970,000 renders the budget unrealistic and also translates to denial of equivalent and promised services to the County residents.

1.2 Revenue

During the year under review, the County Executive's total budgeted revenue amounted to Kshs.5,738,335,187 as follows;

Details	Amount budgeted (Kshs)	Amount received (Kshs)	Variance (Kshs)
Exchequer releases	5,603,124,204	5,599,495,638	3,628,566
Local revenue	120,000, 000	128,628,566	(8,628,566)
World bank (MOH)	34,627,134	24,712,500	9,914,634
Ministry of transport & infrastructure-Fuel levy	86,036,213	86,036,213	-
Ministry of health-use/maternal fees	6,872,636	6,872,636	-
Ministry of health-Medical allowance	-	40,812,000	(40,812,000)
DANIDA	7,675,000	7,675,000	-
Total	5,738,335,187	5,894,232,553	(155,897,366)

From the above, although the local revenue budget of Kshs.120,000,000 appears to have been surpassed by 7%, the County may have under-budgeted on the item considering that the 2015/2016 budget was Kshs.130,000,000.

Further, the actual exchequer releases of Kshs 5,599,495,638 fell short of the budget of Kshs.5,603,124,204 by Kshs.3,628,566.

In the circumstances, the residents of Marsabit County may not have received services amounting to Kshs.3,628,566.

2.0 Failure to Establish an Audit Committee

During the year under review, it was observed that the County Executive did not have an audit committee in place as required by Section 155 (5) of the Public Finance Management (PFM) Act, 2012 and Section 167 (1) of the Public Finance Management (County Governments) Regulations 2015.

Further, although the County Executive has established an internal audit department, the department was not fully functional.

The County Executive was therefore in breach of the law.

3.0 Information, Communication Technology (ICT) Environment

Audit of the ICT environment revealed that the County Executive did not have an approved ICT policy for management of business processes for the delivery of services to the public in an effective and efficient manner. The County also lacks a comprehensive ICT inventory.

Lack of an approved ICT policy may lead to:

- i. Loss of information
- ii. Irregular activities taking place/loss of electronic data
- iii. Access of confidential information by unauthorized persons
- iv. Unauthorized changes to information
- v. Inappropriate decisions regarding IT investments.
- vi. Loss of ICT assets without trace due to lack of a comprehensive ICT inventory

During the year under review the County spent Kshs.7,679,300 to purchase ICT equipment. Without an ICT policy, such investments are at risk where there are no defined structures.

4.0 Non-Operationalization of Completed Projects

A physical inspection carried out on 8 and 19 December 2017 on three projects namely Bongole Tourist Resort, Sololo Community Market and Sololo Slaughter House revealed that they had been completed earlier on undetermined dates but they were not operationalized as at the inspection date. The Resort is composed of two conference halls, a kitchen, eight cottages of two rooms each, swimming pool, septic tank and other facilities that are all fully furnished. The community market has equally been abandoned and it has a broken gate while the slaughter house has a connected

water tank with no water tap. Files for all the three projects were not made available for audit scrutiny and therefore the exact costs and dates of commencement and completion of the respective projects could not be confirmed.

In consequence, the value for money for the three projects of undetermined value as at 30 June 2017 could not be confirmed.

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 Executive's ability to 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.

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 Executive'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 of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement 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 conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

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

- 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 County Executive'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 County Executive/Assembly's ability to continue offering services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive/Assembly to cease to continue offering services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

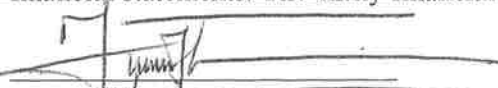
16 July 2018

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Tax Receipts	1	-	-
Social Security Contributions	2	-	-
Proceeds from Domestic and Foreign Grants	3	166,108,349	108,699,669
Exchequer releases	4	5,599,495,638	5,189,461,933
Transfers from Other Government Entities	5	-	-
Proceeds from Domestic Borrowings	6	-	-
Proceeds from Foreign Borrowings	7	-	-
Proceeds from Sale of Assets	8	-	-
Reimbursements and Refunds	9	-	-
Returns of Equity Holdings	10	-	-
Other Receipts	11	128,628,566	112,044,705
TOTAL RECEIPTS		5,894,232,553	5,410,206,307
PAYMENTS			
Compensation of Employees	12	1,293,146,869	1,061,011,222
Use of goods and services	13	1,216,331,172	1,028,112,620
Subsidies	14	-	-
Transfers to Other Government Units	15	889,139,106	802,025,220
Other grants and transfers	16	575,631,662	200,437,915
Social Security Benefits	17	1,633,500	15,165,143
Acquisition of Assets	18	2,301,262,778	2,314,499,845
Finance Costs, including Loan Interest	19	-	-
Repayment of principal on Domestic and Foreign borrowing	20	-	-
Other Payments	21	-	-
TOTAL PAYMENTS		6,277,145,087	5,421,251,965
SURPLUS/DEFICIT		- 382,912,534	11,045,658

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 27/09/2017 and signed by:


 Chief Officer


 Director-Accounting services

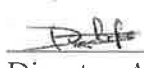
COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

VI. STATEMENT OF ASSETS

	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	22A	683,325,629	1,074,745,930
Cash Balances	22B	-	-
Total Cash and cash equivalent		683,325,629	1,074,745,930
Accounts receivables – Outstanding Imprests	23	-	-
TOTAL FINANCIAL ASSETS		683,325,629	1,074,745,930
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	24	131,416,144	139,923,911
NET FINANCIAL ASSETS		551,909,484	934,822,019
REPRESENTED BY			
Fund balance b/fwd	25	934,822,019	945,867,677
Surplus/Deficit for the year		-382,912,534	- 11,045,658
NET FINANCIAL POSITION		551,909,485	934,822,019

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 20/09/2017 and signed by:


Chief Officer


Director-Accounting services

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

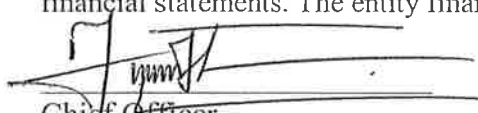
VII. STATEMENT OF CASHFLOW


		2016 - 2017	2015-2016
		Kshs	Kshs
Receipts for operating income			
Tax Revenues	1	xxx	xxx
Social Security Contributions	2	xxx	xxx
Proceeds from Domestic and Foreign Grants	3	166,108,349	108,699,669
Exchequer Releases	4	5,599,495,638	5,189,461,933
Transfers from Other Government Entities	5	-	-
Reimbursements and Refunds	9	-	-
Returns of Equity Holdings	10	-	-
Other Revenues	11	128,628,566	112,044,705
		5,894,232,553	5,410,206,307
Payments for operating expenses			
Compensation of Employees	12	1,293,146,869	1,061,011,222
Use of goods and services	13	1,216,331,172	1,028,112,620
Interest payments	14	-	-
Subsidies	15	-	-
Transfers to Other Government Units	16	889,139,106	802,025,220
Other grants and transfers	17	575,631,662	200,437,915
Social Security Benefits	18	1,633,500	15,165,143
Finance Costs, including Loan Interest	20	-	-
Other Expenses	22	-	-
		3,975,882,309	3,106,752,120
Adjusted for:			
Changes in payables		8,507,767	139,923,911
Net cash flow from operating activities		1,909,842,477	2,443,378,098
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	8	-	-
Acquisition of Assets	19	(2,301,262,778)	(2,314,499,845)

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

Net cash flows from Investing Activities		(2,301,262,778)	(2,314,499,845)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	6	-	-
Proceeds from Foreign Borrowings	7	-	-
Repayment of principal on Domestic and Foreign borrowing	21	-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		391,420,301	128,878,253
Cash and cash equivalent at BEGINNING of the year	24	1,074,745,930	945,867,677
Cash and cash equivalent at END of the year	25	683,325,629	1,074,745,930

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 27/09/ 2017 and signed by:


 Chief Officer


 Director-Accounting services


VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

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						
Tax Receipts	-	-	-	-	-	-
Social Security Contributions	-	-	-	-	-	-
Proceeds from Domestic and Foreign Grants	166,108,349		166,108,349	166,108,349		100%
Exchequer releases	5,603,124,204		5,603,124,204	5,599,495,638		100%
Transfers from Other Government Entities	-		-	-		-
Proceeds from Domestic Borrowings	-		-	-		-
Proceeds from Foreign Borrowings	-		-	-		-
Proceeds from Sale of Assets	-		-	-		-
Reimbursements and Refunds	-		-	-		-
Returns of Equity Holdings	-		-	-		-
Other Receipts	125,000,000		125,000,000	128,628,566		103%
TOTAL	5,894,232,553	-	5,894,232,553	5,894,232,553	-	100%
PAYMENTS						
Compensation of Employees	1,439,930,282	133,287,761	1,306,642,521	1,293,146,869	13,495,652	99%
Use of goods and services	1,211,644,040	55,365,070	1,267,009,110	1,216,331,172	50,677,938	96%

Reports and Financial Statements
For the year ended June 30, 2017

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 %
Subsidies	-	-	-	-	-	-
Transfers to Other Government Units	939,285,951	130,993,240	1,070,279,191	889,139,106	181,140,085	83%
Other grants and transfers	231,800,000	344,500,000	576,300,000	575,631,662	668,338	100%
Social Security Benefits	18,126,904	4,667,214	13,459,690	1,633,500	11,826,190	12%
Acquisition of Assets	2,781,965,172	183,632,292	2,598,332,880	2,301,262,765	297,070,115	89%
Finance Costs, including Loan Interest	-	-	-	-	-	-
Repayment of principal on Domestic and Foreign borrowing	-	-	-	-	-	-
Other Payments	-	-	-	-	-	-
TOTAL	6,622,752,349	209,271,043	6,832,023,392	6,277,145,074	554,878,318	92%

The entity financial statements were approved on 27/09/ 2017 and signed by:


 Chief Officer


 Director-Accounting services

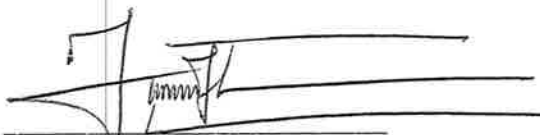
IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT


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						
Tax Receipts						
Social Security Contributions						
Proceeds from Domestic and Foreign Grants	166,108,349	-	166,108,349	166,108,349	-	100%
Exchequer releases	2,832,834,904	-	2,832,834,904	2,829,206,338	-	100%
Transfers from Other Government Entities	-	-	-	-	-	-
Proceeds from Domestic Borrowings	-	-	-	-	-	-
Proceeds from Foreign Borrowings	-	-	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-	-	-
Reimbursements and Refunds	-	-	-	-	-	-
Returns of Equity Holdings	-	-	-	-	-	-
Other Receipts	125,000,000		125,000,000	128,628,566		103%
TOTAL	3,123,943,253	-	3,123,943,253	3,123,943,253	-	100%
PAYMENTS						
Compensation of Employees	1,439,930,282	133,287,761	1,306,642,521	1,293,146,869	13,495,652	99%
Use of goods and services	1,050,537,040	59,865,070	1,110,402,110	1,067,407,177	42,994,933	96%

Reports and Financial Statements
For the year ended June 30, 2017

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 %
Subsidies			-		-	
Transfers to Other Government Units	788,785,951	78,685,099	867,471,050	759,868,995	107,602,055	88%
Other grants and transfers	231,800,000	44,500,000	276,300,000	275,663,330	636,670	100%
Social Security Benefits	18,126,904	4,667,214	13,459,690	1,633,500	11,826,190	12%
Acquisition of Assets	37,050,000	10,700,000	47,750,000	42,151,442	5,598,558	88%
Finance Costs, including Loan Interest			-		-	-
Repayment of principal on Domestic and Foreign borrowing						
Other Payments	-	-	-	-	-	-
TOTAL	3,566,230,177	55,795,194	3,622,025,371	3,439,871,313	182,154,058	95%

The entity financial statements were approved on 27/09 2017 and signed by:


 Chief Officer


 Director-Accounting services

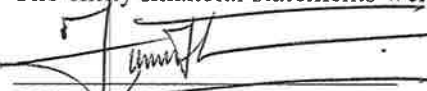
X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

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						
Tax Receipts						
Social Security Contributions						
Proceeds from Domestic and Foreign Grants						
Exchequer releases	2,770,289,300		2,770,289,300	2,770,289,300		100%
Transfers from Other Government Entities	-	-	-	-	-	-
Proceeds from Domestic Borrowings	-	-	-	-	-	-
Proceeds from Foreign Borrowings	-	-	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-	-	-
Reimbursements and Refunds	-	-	-	-	-	-
Returns of Equity Holdings	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-
TOTAL	2,770,289,300	-	2,770,289,300	2,770,289,300	-	100%
PAYMENTS						
Compensation of Employees	-	-	-	-	-	-
Use of goods and services	161,107,000	4,500,000	156,607,000	148,923,995	7,683,005	95%

Reports and Financial Statements
For the year ended June 30, 2017

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 %
Subsidies	-	-	-	-	-	-
Transfers to Other Government Units	150,500,000	52,308,141	202,808,141	129,270,111	73,538,030	64%
Other grants and transfers	-	300,000,000	300,000,000	299,968,332	31,668	100%
Social Security Benefits			-	-	-	-
Acquisition of Assets	2,744,915,172	194,332,292	2,550,582,880	2,259,111,323	291,471,557	89%
Finance Costs, including Loan Interest			-		-	-
Repayment of principal on Domestic and Foreign borrowing						
Other Payments	-	-	-	-	-	-
TOTALS	3,056,522,172	153,475,849	3,209,998,021	2,837,273,761	372,724,260	88%

The entity financial statements were approved on 27/09/ 2017 and signed by:


 Chief Officer


 Director-Accounting services

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 and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *entity* and all values are rounded to the nearest thousand (Kshs'000). 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 *entity* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *entity*. In addition, the *entity* recognises all expenses when the event occurs and the related cash has actually been paid out by the *entity*.

3. In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

5. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

6. Accounts Payable

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

7. Non-current assets

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

8. Pending bills

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

9. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *entity's* budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

10. Comparative figures

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

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

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 TAX REVENUES

	2016 - 2017 Kshs	2015-2016 Kshs
Taxes on Income, Profits and Capital Gains	-	-
Taxes on Property	-	-
Taxes on Goods and Services	-	-
Taxes on International Trade and Transactions	-	-
Other Taxes (not elsewhere classified)	-	-
Total	-	-

2 SOCIAL SECURITY CONTRIBUTIONS

	2016 - 2017 Kshs	2015-2016 Kshs
Receipts for Health Insurance Contribution	-	-
Receipts to NHIF for Health Insurance Contributions	-	-
Receipts from Govt Employees to Social & Welfare Schemes in Govt	-	-
Total	-	-

3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2016 - 2017 Kshs	2015-2016 Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
DANIDA			7,675,000	7,675,000
Grants Received from Multilateral Donors (International Organizations)				

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

World Bank(MOH)			24,712,500	10,086,676
Grants Received from other levels of government				
Ministry of Transport & Infrastructure/Kenya Roads Board-Fuel Levy			86,036,213	65,923,424
Ministry of Health-User Fees			6,872,636	25,014,569
Ministry of Health-Medical Allowances			40,812,000	-
Total			166,108,349	108,699,669

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 EXCHQUER RELEASES

	2016 - 2017	2015-2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	951,914,258	415,156,955
Total Exchequer Releases for quarter 2	923,916,780	1,323,312,793
Total Exchequer Releases for quarter 3	1,399,873,909	1,297,365,484
Total Exchequer Releases for quarter 4	2,323,790,691	2,153,626,701
Total	5,599,495,638	5,189,461,933

5 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015-2016
	Kshs	Kshs
Transfers from Central government entities (insert name of budget agency) (insert name of budget agency)	- xx	- xx
Transfers from Counties (insert name of budget agency) (insert name of budget agency)	xx xx	xx xx
TOTAL	xx	xx

6 PROCEEDS FROM DOMESTIC BORROWINGS

	2016 - 2017	2015-2016
	Kshs	Kshs
Borrowing within General Government	xxx	xxx
Borrowing from Monetary Authorities (Central Bank)	xxx	xxx
Domestic Currency and Domestic Deposits	xxx	xxx
Total	xxx	xxx

COUNTY GOVERNMENT OF MARSABIT**Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)****7 PROCEEDS FROM FOREIGN BORROWINGS**

	2016 - 2017	2015-2016
	Kshs	Kshs
Foreign Borrowing – Draw-downs Through Exchequer	xxx	xxx
Foreign Borrowing - Direct Payments	xxx	xxx
Foreign Currency and Foreign Deposits	xxx	xxx
Total	xxx	xxx

8 PROCEEDS FROM SALE OF ASSETS

	2016 - 2017	2015-2016
	Kshs	Kshs
Receipts from the Sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment	xxx	xxx
Receipts from the Sale Plant Machinery and Equipment	xxx	xxx
Receipts from Sale of Certified Seeds and Breeding Stock	xxx	xxx
Receipts from the Sale of Strategic Reserves Stocks	xxx	xxx
Receipts from the Sale of Inventories, Stocks and Commodities	xxx	xxx
Disposal and Sales of Non-Produced Assets	xxx	xxx
Receipts from the Sale of Strategic Reserves Stocks	xxx	xxx
Total	xxx	xxx

9 REIMBURSEMENTS AND REFUNDS

	2016 - 2017	2015-2016
	Kshs	Kshs
Refund from World Food Programme (WFP)	xxx	xxx
Reimbursement of Audit Fees	xxx	xxx
Reimbursement on Messing Charges (UNICEF)	xxx	xxx
Reimbursement from World Bank – ECD	xxx	xxx
Reimbursement from Individuals and Private Organisations	xxx	xxx
Reimbursement from Local Government Authorities	xxx	xxx
Reimbursement from Statutory Organisations	xxx	xxx
Reimbursement within Central Government	xxx	xxx
Reimbursement Using Bonds	xxx	xxx
Total	xxx	xxx

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 RETURNS OF EQUITY HOLDINGS

	2016 - 2017	2015-2016
	Kshs	Kshs
Returns of Equity Holdings in Domestic Organisations	xxx	xxx
Returns of Equity Holdings in International Organisations	xxx	xxx
	xxx	xxx
Total	xxx	xxx

11 OTHER REVENUES

	2016 - 2017	2015-2016
	Kshs	Kshs
Business Permits	13,087,861	17,354,370
Produce	49,386,102	18,651,730
Cesses	-	1,613,741
Lease / Rental Of Council'S Infrastructure Assets	4,079,000	3,010,500
Other Miscellaneous Revenues	2,378,907	1,639,093
Hiring of hall/stadium	43,000	40,000
Liquor Licence	52,000	1,915,200
Market/Trade Centre Fee	1,975,740	2,064,830
Livestock Charges	17,888,927	18,491,339
Land Transaction Charges	5,980,572	12,899,117
Royalties	8,352,602	7,130,885
Cess	-	-
Housing/Plan approval	-	73,000
Public Health Services	10,718,050	15,874,230
Public Health Facilities Operations	10,946,806	5,338,150
AMS	144,925	1,253,700
Veterinary -Meat Mnspection	431,060	355,800
Slaughter Houses Administration	332,960	341,310
Scrap Metal	543,319	36,000
Cement	1,125,450	1,275,150
Water Supply Administration	962,285	1,800,620
Sale of Tender Documents	199,000	721,000
Weight & Measure	-	164,940
Total	128,628,566	112,044,705

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 COMPENSATION OF EMPLOYEES

	2016 - 2017	2015-2016
	Kshs	Kshs
Basic salaries of permanent employees	1,201,172,780	1,055,749,526
Basic wages of temporary employees	18,483,410	5,261,696
Personal allowances paid as part of salary	57,948,876	-
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	15,541,803	-
Compulsory national social security schemes		
Compulsory national health insurance schemes		
Social benefit schemes outside government	-	-
Other personnel payments	-	-
Total	1,293,146,869	1,061,011,222

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 USE OF GOODS AND SERVICES

	2016 - 2017	2015-2016
	Kshs	Kshs
Utilities, supplies and services	19,083,454	29,840,083
Communication, supplies and services	13,744,765	19,299,671
Domestic travel and subsistence	122,466,046	140,510,860
Foreign travel and subsistence	20,975,078	16,641,530
Printing, advertising and information supplies & services	83,016,484	51,362,072
Rentals of produced assets	50,695,062	48,719,502
Training expenses	70,686,667	55,565,915
Hospitality supplies and services	61,160,983	73,491,173
Insurance costs	19,036,495	43,881,140
Specialised materials and services	223,234,369	112,509,975
Office and general supplies and services	41,819,992	73,893,009
Fuel Oil and Lubricants	91,981,513	120,973,433
Other operating expenses	244,686,142	99,542,416
Routine maintenance – vehicles and other transport equipment	58,237,397	38,305,876
Routine maintenance – other assets	95,506,725	103,575,965
Total	1,216,331,172	1,028,112,620

14 SUBSIDIES

Description	2016 - 2017	2015-2016
	Kshs	Kshs
Subsidies to Public Corporations		
<i>See list attached</i>	xx	xx
(insert name)	xx	xx
Subsidies to Private Enterprises		
<i>See list attached</i>	xx	xx
(insert name)	xx	xx
TOTAL	xx	xx

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015-2016
	Kshs	Kshs
Other Current Transfers	207,444,877	76,093,195
Housing Loans	-	65,000,000
Emergency Fund	61,193,615	67,655,890
Other Capital Grants & Transfers	108,229,186	46,710,165
Social Protection Fund	5,565,495	20,658,471
Car Grant to Members of County Assembly	-	-
Transfers to County Assembly	506,705,933	525,907,499
TOTAL	889,139,106	802,025,220

16 OTHER GRANTS AND OTHER PAYMENTS

	2016 - 2017	2015-2016
	Kshs	Kshs
Scholarships and other educational benefits	45,401,000	599,900
Emergency relief and refugee assistance	530,230,662	199,838,015
Subsidies to small businesses, cooperatives, and self employed	-	-
Total	575,631,662	200,437,915

17 SOCIAL SECURITY BENEFITS

	2016 - 2017	2015-2016
	Kshs	Kshs
Government pension and retirement benefits	1,633,500	15,165,143
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	-	-
Total	1,633,500	15,165,143

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 ACQUISITION OF ASSETS

Non Financial Assets

	2016 - 2017	2015-2016
	Kshs	Kshs
Purchase of Buildings	xx	xx
Construction of Buildings	475,212,320	595,803,835
Refurbishment of Buildings	5,219,550	4,035,246
Construction of Roads	280,854,565	128,308,783
Construction and Civil Works	687,185,876	907,317,847
Overhaul and Refurbishment of Construction and Civil Works		
Purchase of Vehicles and Other Transport Equipment	25,795,400	39,372,102
Overhaul of Vehicles and Other Transport Equipment		
Purchase of Household Furniture and Institutional Equipment	7,679,300	9,998,568
Purchase of Office Furniture and General Equipment	29,583,761	40,712,943
Purchase of ICT Equipment	17,992,136	20,985,449
Purchase of Specialised Plant, Equipment and Machinery	54,557,401	19,144,448
Rehabilitation and Renovation of Plant, Machinery and Equip.	4,295,344	13,393,150
Purchase of Certified Seeds, Breeding Stock and Live Animals	14,661,436	10,727,616
Research, Studies, Project Preparation, Design & Supervision	99,731,962	60,147,341
Rehabilitation of Civil Works		300,000
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Domestic Payables from previous financial Year	598,493,727	464,252,517

Financial Assets

Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
Foreign Payables - From Previous Years	-	-

Total

2,301,262,778 2,314,499,845

COUNTY GOVERNMENT OF MARSABIT**Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)****19 FINANCE COSTS, INCLUDING LOAN INTEREST**

	2016 - 2017	2015-2016
	Kshs	Kshs
Exchange Rate Losses	-	-
Interest Payments on Foreign Borrowings	-	-
Interest Payments on Guaranteed Debt Taken over by Govt	-	-
Interest on Domestic Borrowings (Non-Govt)	-	-
Interest on Borrowings from Other Government Units	-	-
Total	-	-

20 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING

	2016 - 2017	2015-2016
	Kshs	Kshs
Repayments on Borrowings from Domestic	-	-
Principal Repayments on Guaranteed Debt Taken over by Government	-	-
Repayments on Borrowings from Other Domestic Creditors	-	-
Repayment of Principal from Foreign Lending & On – Lending	-	-
Total	-	-

21 OTHER EXPENSES

	2016 - 2017	2015-2016
	Kshs	Kshs
Budget Reserves	-	-
Civil Contingency Reserves	-	-
Other expenses	-	-
	-	-

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

22A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Type of accounts	Exc rate (if in foreign currency)	2016 - 2017	2015-2016
				Kshs	Kshs
Central Bank of Kenya, County Revenue Fund Account no.1000170824	xxx	CRF		458,149,153.85	453,448,923.00
Central Bank Fuel Levy Account no.1000299134	xxx	Recurrent		63,050,568.25	49,300,000.00
Central Bank of Kenya, Development Account no.1000170514	xxx	Development		4,858,620.75	398,987,955.00
Central Bank of Kenya, Recurrent Account no.1000170492		Recurrent		6,759,234.00	17,395,434.00
Central Bank of Kenya, World Bank/Danida Account no.1000274328		Recurrent		7,676,231.25	-
Co-operative Bank, Marsabit Branch Account no.01141551311100		Deposit		131,416,144.46	139,923,911.00
Equity Bank Emergency Fund Account no.1010262209545		Recurrent		3,851,474.57	10,045,089.97
Kenya Commercial Bank-Local Revenue, Marsabit Branch Account no.1140751484		Revenue		6,130,503.00	51,400.00
Kenya Commercial Bank-Recurrent, Marsabit Branch Account no.1140789724		Recurrent		205,016.36	1,000.00
Kenya Commercial Bank-Development, Marsabit Branch Account no.1162178345		Development		1,202,648.13	687.64
Equity Bank Marsabit County Social Protection Fund-a/c no.1010264004095		Recurrent		26,034.20	5,591,529.20
Total				683,325,628.82	1,074,745,929.81

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22B: CASH IN HAND

	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 also be analysed as follows:

	2016 - 2017	2015-2016
	Kshs	Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other Locations (<i>specify</i>)	-	-
Total	-	-

[Provide cash count certificates for each]

23: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2016 - 2017	2015-2016
	Kshs	Kshs
Government Imprests	-	-
Clearance accounts	-	-
Total	-	-

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. ACCOUNTS PAYABLE

	2016 - 2017	2015-2016
	Kshs	Kshs
Deposits	131,416,144	139,923,911
Total	131,416,144	139,923,911

25. FUND BALANCE BROUGHT FORWARD

	2016 - 2017	2015-2016
	Kshs	Kshs
Bank accounts	1,074,745,930	1,053,116,688
Cash in hand	-	-
Accounts Receivables	-	-
Accounts Payables	139,923,911	-107,249,011
Total	934,822,019	945,867,677

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

26. OTHER IMPORTANT DISCLOSURES

26.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

2016 – 2017

2015 - 2016

	Kshs	Kshs
Construction of buildings	315,256,179.61	-
Construction of civil works	39,753,625.64	-
Supply of goods	24,586,864.50	-
Supply of services	2,000,000	-
Other Pending payables		696,020,761
	381,596,669.75	696,020,761

26.4: OTHER COUNTY BANK ACCOUNTS

S/NO.	Account Name	Account Number	Bank
1.	North Horr Operation a/c	1166737888	Kenya Commercial Bank, Marsabit
2.	Moyale Operation a/c	1167173546	Kenya Commercial Bank, Marsabit
3.	Saku Operation a/c	1166739309	Kenya Commercial Bank, Marsabit
4.	Marsabit Town Board Operation a/c	1168056535	Kenya Commercial Bank, Marsabit
5.	Moyale Sub-County Operation	1159061734	Kenya Commercial Bank, Marsabit
6.	Laisamis Operation a/c	1166736964	Kenya Commercial Bank, Marsabit
7.	Car Loan Scheme Fund a/c	101026814974	Equity Bank, Marsabit
8.	Mortgage Scheme Fund a/c	1010268149700	Equity Bank, Marsabit
9.	Marsabit County Scholarship Fund a/c	1010265975890	Equity Bank, Marsabit
10.	Marsabit County Enterprise Fund a/c	1176982540	Kenya Commercial Bank, Marsabit

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2014	Outstanding Balance 2013	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017 (Kshs'000)

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2014	Outstanding Balance 2013	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017 (Kshs'000)

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

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

COUNTY GOVERNMENT OF MARSABIT
Reports and Financial Statements
For the year ended June 30, 2017

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2016/2017	Historical Cost (Kshs) 2015/2016
Land		
Buildings and structures		
Transport equipment		
Office equipment, furniture and fittings		
ICT Equipment, Software and Other ICT Assets		
Other Machinery and Equipment		
Heritage and cultural assets		
Intangible assets		
Total		