REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF KWALE

FOR THE YEAR ENDED 30 JUNE 2016

KENYA NATIONAL AUDIT OFFICE
RECEIVED
18 JAN 2017
P.O Box 95202-80104, MOMBASA

COUNTY ASSEMBLY OF KWALE

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016

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

Table of Contents

Page

I. KEY ENTITY INFORMATION AND MANAGEMENT.....iii

II. FORWARD BY THE CLERK OF THE ASSEMBLY.....v

III. STATEMENT OF RECEIPTS AND PAYMENTS.....1

IV. STATEMENT OF FINANCIAL ASSETS.....2

V. STATEMENT OF CASHFLOW.....3

VI. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED.....5

VII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT.....6

VIII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT.....8

IX. SIGNIFICANT ACCOUNTING POLICIES.....9

X. NOTES TO THE FINANCIAL STATEMENTS 12

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 County Assembly's day-to-day management is under the following key organs:

- Office of the Speaker
- Office of the Deputy Speaker
- Office of the Clerk
- ...

(c) Fiduciary Management

The key management personnel who held office during the quarter ended 2015/2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	County Ass. Clerk	**Mr. Denis Mutui**
2.	Principal F. Officer	**Mr. Philip Ziro**
3.	Deputy Clerk	**Mrs. Fatuma Mwalupa**
4.	Procu. Officer	**Mr. John Kalu**

(d) Fiduciary Oversight Arrangements

- Internal Audit Department
- Public Accounts and Investment Committee
- Office of the Controller of Budget
- Office of the Auditor General

(e) County Assembly Headquarters

P.O. Box 231 - 80403
Kwale County Headquarters
Kwale – Kinango Road
Kwale.

(f) County Assembly Contacts

Telephone: (254)
E-mail: Countyassemblyofkwale@gmail.com
Website: www.bungekwale.co.ke

(g) Entity Bankers

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

2. Equity Bank Limited
   P.O. Box 167-80403
   Kwale

(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 Legal Counsel
County Assembly of Kwale
P.O. Box 231 - 80403
Kwale

II. FORWARD BY THE CLERK OF THE ASSEMBLY

The Financial Statements reflects the department's Performance and position and have been prepared in Accordance to IPSAS as the Financial Report framework provided for by the Public Sector Accounting Standards Board.

The County Assembly of Kwale had total budget of Kshs 971,757,001 divided into a Recurrent Budget of Kshs 492,661,061 and Development Budget of Kshs 479,059,940 which include domestic payables from previous financial year of Kshs 267,951,200.
The actual exchequer releases amounted to Kshs 835,917,743 translating to 86% on actual comparable basis.

The absorption of the Assembly's recurrent budget was kshs 445,633,583 which translated to an absorption rate of 90%. Under development budget, an aggregate of Kshs 338,128,941 was used against a budget of Kshs 479,095,940. This represented an absorption rate of 71%. Generally, an average of 81% of total budget was absorbed during the financial year.

The Construction of the county Assembly is at advanced stage while construction of the official residence of the speaker kicked off during the year.

Several bills were passed into law; a number of committee reports tabled in the County Assembly were adopted.

Lack of enough office space continued to hamper the business of the Assembly. As the construction of Assembly complex is nearing completion, it is expected that this problem shall be put into rest and shift focus to service delivery to wananchi,

DENIS MUTUI,

CLERK OF THE COUNTY ASSEMBLY

COUNTY ASSEMBLY OF KWALE CLERK 29 DEC 2016

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 30th June 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Assembly; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended 30th June 2016, and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the County Assembly which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The Clerk confirms that the County Assembly has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Assembly's funds received during the quarter under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Assemblys' financial statements were approved and signed by the Clerk of the County Assembly on _____ 2016.

_____
Clerk of the County Assembly

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 ASSEMBLY OF KWALE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Assembly of Kwale set out on pages 1 to 28, which comprise the statement of financial assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am unable to obtain sufficient appropriate audit evidence to provide basis for an audit opinion.

Basis for Disclaimer Opinion

1.0 Budget Analysis and Performance

During the year under review, the County Assembly of Kwale had a budget of Kshs.971,757,000 comprising of development budget of Kshs.479,095,940 and recurrent budget of Kshs.492,661,060. Actual total expenditure was Kshs.793,762636,027 resulting to a net under expenditure of Kshs.178,120,973 or 19% as analyzed below:

Vote	Budget (Kshs)	Actual Expenditure (Kshs)	Under Expenditure Kshs	% Percentage
Development	479,095,940	348,002,444	131,093,496	27%
Recurrent	492,661,060	445,633,583	47,027,477	9.5%
Total	**971,757,000**	**793,636,027**	**178,120,973**	**19%**

As the analysis indicates, the County Assembly of Kwale did not utilize a total of Kshs.178,120,973. This may have affected the intended purpose of budget allocation and service delivery to the residents of Kwale County. The County Assembly management has not provided any plausible explanation for the anomaly.

1.1 Recurrent Budget

During the year under review, the County assembly of Kwale allocated Kshs.492,661,060 for recurrent expenditure but spent Kshs.445,633,583 thus resulting in under expenditure of Kshs.47,027,477 or 9.5% of its recurrent vote as detailed below:

Item	Budget (Kshs)	Actual (Kshs)	Under Utilization (Kshs)	%
Compensation of Employees	193,609,630	188,434,846	5,174,784	3%
Use of goods and services	252,161,809	239,243,292	12,918,517	5%
Social Security Benefits	18,860,445	12,296,495	6,563,950	35%
Acquisition of Assets	28,029,176	5,658,949	22,370,227	80%
TOTAL	**492,661,060**	**445,633,583**	**47,027,477**	

1.2 Development Budget

During the year under review, the County Assembly of Kwale allocated Kshs.479,095,940 for development expenditure and but spent Kshs.348,002,444 resulting in an under-expenditure of Kshs.131,093,496 or 27% of the development vote as detailed below:

Item	Budget Kshs.	Actual Kshs.	Under Kshs.	%
County assembly complex & administrative block	432,095,940	328,807,553	103,288,387	23
Speakers Residence	47,000,000	19,194,891	27,805,109	59
Total	**479,095,940**	**348,002,444**	**131,093,496**	

The management has not provided satisfactory explanation for the underutilization of the budget by Kshs.131,093,496 or 27%.

1.3 Budget Variance

Review of the approved supplementary budget for the year 2015/ 2016 revealed that balances for 14 expenditure items varied from the budgets captured in Integrated Financial Management Information Systems (IFMIS) vote book. The variances totalling to Kshs.26,998,000 resulted from reallocations/adjustments captured in IFMIS but not supported by the approved supplementary budget as detailed below:

No	Title / details	Approved Budget Kshs	Approved Supplementary Estimates Kshs	Final Approved Budget Kshs	IFMIS Presented budget Kshs	Variance Kshs
1.	Purchase of Office Furniture and Fittings	3,000,000	(2,568,202)	431,798	475,798	44,000
2.	Purchase of Computers, Printers and other IT Equipment	4,244,357	(2,958,248)	1,286,109	1,377,109	91,000
3.	Basic Salaries - County Assembly Service	29,797,126	-	29,797,126	26,247,126	3,550,000
4.	Personal Allowances paid - Other	6,000,000	(3,110,330)	2,889,670	3,043,670	154,000
5.	Basic Salaries - County Assembly Service	62,735,673	-	62,735,673	63,735,673	1,000,000
6.	Responsibility Allowance	9,972,000	-	9,972,000	10,393,000	421,000
7.	Transport Allowance	24,538,983	-	24,538,983	24,013,983	525,000

8.	Personal Allowances paid - Other	59,404,800	(22,500,000)	36,904,800	39,454,800	2,550,000
9.	Travel Costs (airlines, bus, railway, mileage allowances, etc.)	6,666,529	(1,997,049)	4,669,480	4,774,480	105,000
10.	Daily Subsistence Allowance	10,500,000	22,655,278	33,155,278	43,944,278	10,789,000
11.	Rents and Rates - Non-Residential	2,400,000	470,600	2,870,600	3,061,600	191,000
12.	Other Operating Expenses – Other	6,000,000	(1,304,751)	4,695,249	1,295,249	3,400,000
13.	Telephone, Telex, Facsimile and Mobile Phone Services	2,160,000	(92,382)	2,067,618	2,171,618	104,000
14.	Publishing & Printing Services	4,228,319	(340,906)	3,887,413	3,937,413	50,000
15.	Catering Services (receptions), Accommodation, Gifts, Food and Drinks	14,000,000	15,470,385	29,470,385	25,446,385	4,024,000
	Total	**245,647,787**	**15,318,358**	**249,372,182**	**253,372,182**	**26,998,000**

The County Assembly management have not provided a plausible explanation for the discrepancy.

2.0 Unsupported balances

The statement of financial assets as at 30 June 2016 reflect a balance of Kshs.3,758,264 under control variance whose supporting schedules were not availed for audit review. Further, scrutiny of the financial statements revealed that the balance was only included in the financial statements to balance the statement of financial assets.

In the circumstances, the validity and completeness of the financial statement for the year ended 30 June 2016 cannot be ascertained.

3.0 Transfers from the County Treasury/ Exchequer Releases

The statement of receipts and payments for the year ended 30 June 2016 reflects transfers from the County Treasury/ Exchequer Releases totaling to Kshs.835,917,738. However,

the report of the Controller of Budget indicates that the County Assembly received recurrent exchequer of Kshs.492,660,000 and development exchequer of Kshs.335,000,000 all totaling to Kshs.827,660,000 thus resulting to unexplained or reconciled variance of Kshs.8,257,738.

Consequently, the accuracy and completeness of the transfers from the County Treasury/Exchequer Releases totaling to Kshs.835,917,738 for the year ended 30 June 2016 cannot be confirmed.

4.0 Use of Goods and Services

4.1 Domestic Travel and Subsistence

Included in the use of goods and services expenditure balance of Kshs.239,243,292 in the statement of receipts and payments is domestic travel and subsistence expenditure amounting to Kshs.105,063,633 out of which Kshs.6,387,066 was paid out as mileage allowance to Members of the County Assembly. However, the mileage allowance was not supported by monthly claims as required by SRC circular SRC/TS/CGOVT/3/16 which states that claims will only be made based on the distance between the county headquarters and the members' home with the claims limited to one claim per week at applicable Automobile Association of Kenya (AA) rates based on the cubic capacity of the Members' vehicle.

In view of the anomaly, the propriety of domestic and subsistence allowances totaling to Kshs.6,387,066 for the year ended 30 June 2016 cannot be ascertained.

4.2 Training

Included in the use of goods and services balance of Kshs.239,243,292 reflected in the statement of receipts and payments are training expenses totaling to Kshs.17,175,749 incurred during the year under review. However, there was no evidence to confirm that the training needs assessment was done and that a plan was prepared and approved by the County Assembly Service Board in line with Section 1.3 of the County Public Service Human Resource Manual 2013 which requires that training in the county public service shall be based on training needs assessment which shall be conducted every 2 years.

Consequently, the propriety of training expenses balance of Kshs.17,175,749 for the year ended 30 June 2016 could not be ascertained.

4.3 Hospitality Supplies and Services

Included in the use of goods and services balance of Kshs.239,243,292 reflected in the statement of receipts and payments is expenditure totaling to Kshs.34,259,356 incurred on hospitality supplies and services. However, included in the balance are payments to hotels and conferences totalling to Kshs.14,989,341 which were not supported by documentary evidence such as requisition by the user department, list of persons served and duly signed attendance registers to confirm the number of officers catered for.

Consequently, and in light of the foregoing, it has not been possible to confirm the propriety of hospitality supplies and services balance of Kshs.14,989,341 for the year ended 30 June 2016.

5.0 Vote Book

The statement of comparison of budget and actual amounts - recurrent for the year ended 30 June 2016 indicates that the County Assembly of Kwale incurred total recurrent expenditure amounting to Kshs.445,633,583. Examination of the County Assembly vote book revealed that the Assembly made payments and commitments totaling to Kshs.314,891,465 for the 11 (eleven) months from July 2015 to May 2016. Expenditure of Kshs.130,742,118 was incurred in June 2016. This would have required written approval for the commitments by the Accounting Officer as required by Section 50 of the Public Finance Management (County Government) Regulations, 2015. The section states that all commitments be done not later than the 31 May of each year, except with express approval of the Accounting Officer in writing. The management failed to provide for audit review the written approval of the Accounting Officer for the commitment and expenditure totalling Kshs.130,742,118 incurred after 31 May 2016.

In absence of written approval from the Accounting Officer, it has not been possible to confirm the regularity of the expenditure totaling to Kshs.130,742,118 incurred in June 2016.

6.0 Acquisition of Assets

6.1 Unexplained Variance

The statement of receipt and payments for the year ended 30 June 2016 reflects a balance of Kshs.343,787,890 under acquisition of assets while the supporting schedules presented for audit review reflects a balance of Kshs.348,002,444 thus resulting to unexplained or reconciled variance of Kshs.4,214,554. As a result, the accuracy and completeness of the acquisition of assets balance of Kshs.343,787,890 for the year ended 30 June 2016 cannot be confirmed.

6.2 Land

The statement of receipts and payments for the year ended 30 June 2016 reflects a balance of Kshs.343,787,890 in respect of acquisition of assets. Out of this amount, Kshs.318,934,050 are payments to a local firm for constructing the Kwale County Assembly complex and the County Assembly administrative offices. However, ownership documents for the land on which the two buildings were built were not availed for audit verification.

6.3 Construction of the Speaker's Official Residence

The statement of receipt and payments for the year ended 30 June 2016 reflects an amount of Kshs.343,787,890 incurred on acquisition of assets. Records presented for audit review indicated that the County Assembly awarded the contract for construction of

had been paid as at 30 June 2016. However the following was noted in relation to the payment:

i. The contractor had been paid Kshs.80,000 to put up a signboard but upon verification on 14 November 2016, no signboard had been hoisted.

ii. The terms and conditions of the contract indicated that the project was to be completed by 8th December 2016. However the last certificate issued by the project engineer certified work valued at Kshs.19,194,891 thus indicating that the project was below 50% complete on the said date.

Consequently, the accuracy and propriety of acquisition of assets balance of Kshs.343,787,890 for the year ended 30 June 2016 could not be confirmed.

7.0 Pending Bills

Note 18.1 to the financial statements for the year ended 30 June 2016 on pending accounts payable reflects a balance of Kshs.153,655,464 whereas records presented for audit review indicated that the management of the County Assembly had made commitments totalling to Kshs.211,655,464 as at 30 June 2016 thus resulting to an unexplained or unreconciled balance of Kshs.58,000,000.

Further, the pending bills include a amount of Kshs.111,929,420 disclosed as supply of goods and which could not be traced in the budget for the year under review. In addition, the management failed to present for audit contracts, agreements and local purchase orders to confirm that the sum of pending bills committed.

Consequently, the propriety of the pending bills totalling Kshs.153,655,464 as at 30 June 2016 cannot be confirmed.

8.0 Car and Mortgage Fund

The County Assembly established a car and mortgage fund in line with the Salaries and Remuneration Commission circular SRC/TS/CGOVT/3/16 to finance members in purchase of motor vehicles and acquisition of houses. A review of the fund statement availed for audit for the year ended 30 June 2016 indicated that the fund had a balance of Kshs.110,761,041. However, the following observations were made:

- The County Assembly did not present for audit review the policy regulating the issuance and management of the car and mortgage fund as required by the Public Finance Management Act, 2012.

- Records presented for audit indicated that total loans disbursed amounted to Kshs.101,442,929. However, the management did not show the proportions of the car loans mortgages. It was therefore not possible to confirm that the management adhered to the car loan and mortgage facility limits of Kshs.2,000,000 and Kshs.3,000,000 respectively as provided in the circular issued by the Salary and Remuneration Commission.

- The Management failed to provide evidence that the motor vehicles and properties acquired were jointly owned by respective borrowers and the County Assembly in line with the scheme policy.

Consequently, it has not been possible to confirm the regularity of the car and mortgage fund and of the outstanding loans balance of Kshs.101,442,929 reflected in the Fund statement. Further, it has not been possible to confirm the recoverability of the loan balances before the end of the current County Assembly term.

9.0 Compensation of Employees

The statement of receipts and payments for the year ended 30 June 2016 reflects compensation of employees expenditure totaling to Kshs.188,434,846 against which the following observations were made:

9.1 Staff Establishment

During the year under review, the County Assembly recruited 5 (five) staff. However, the approved staff establishment, scheme of service and salary structure were not presented for audit review.

Consequently, it was not possible to confirm the number of authorized positions and the vacants ones to be filled under each cadre.

9.2 Ethnic Composition

The Human Resource Department failed to avail for audit review the data on ethnic composition of staff in the IPPD payroll and those employed in the wards.

Consequently, we could not confirm whether the County Public Service Board adheres to the provisions of the County Government Act, 2012 on equity in employment.

Disclaimer Opinion

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

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

Nairobi

15 August 2017

III. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015/16 Kshs	2014/15 Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	835,917,738	-
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		**835,917,738**	-
PAYMENTS			
Compensation of Employees	4	188,434,846	-
Use of goods and services	5	239,243,292	-
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	12,296,495	-
Acquisition of Assets	10	343,787,890	-
Finance Costs	11	-	-
Other Payments	12		-
TOTAL PAYMENTS		**783,762,523**	-
SURPLUS/DEFICIT		**52,155,215**	-

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

ASSEMBLY CLERK
29 DEC 2016
COUNTY ASSEMBLY OF KWALE

Clerk of the Assembly

29/12/2016

Principal Finance Office – County Assembly

IV. STATEMENT OF FINANCIAL ASSETS

	Note	2015/16 Kshs	2014/15 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	13A	77,425,810	-
Cash Balances	13B	-	-
Total Cash and cash equivalents		**77,425,810**	-
Accounts receivables – Outstanding Imprests	14	426,000	-
TOTAL FINANCIAL ASSETS		**77,851,810**	-
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	21,938,331	-
NET FINANCIAL ASSETS		**55,913,479**	-
REPRESENTED BY			
Fund balance b/fwd	16		-
Surplus/Deficit for the year		52,155,215	-
Control Variance		3,758,264.47	
NET FINANCIAL POSITION		**55,913,479**	-

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

ASSEMBLY CLERK * COUNTY ASSEMBLY OF KWALE * 29 DEC 2016

Clerk of the Assembly

29/12/2016

Principal Finance Officer – County Assembly

V. STATEMENT OF CASHFLOW

	Note	2015/16 Kshs	2014/15 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	835,917,738.15	-
Other Receipts	3	-	
Payments for operating expenses			
Compensation of Employees	4	-188,434,846	-
Use of goods and services	5	-239,243,292	-
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-12,296,495	-
Finance Costs	11	-	-
Other Payments	12		-
Adjusted for:			
Changes in Payables		21,938,331	
Changes in Receivables		-416,644	
Net cash flows from operating activities		**417,455,435.68**	-

CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	**2**	-	-
Acquisition of Assets	**10**	-343,787,890	-
Net cash flows from investing activities		**-343,787,890**	-
NET INCREASE IN CASH AND CASH EQUIVALENT		**73,667,545.68**	-
Cash and cash equivalent at BEGINNING of the quarter		-	-
Cash and cash equivalent at END of the quarter		**77,425,810.15**	-
As per statement of assets		**77,425,810.15**	-
Control		*3,758,264.47*	-

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

ASSEMBLY CLERK 29/12/2016
29 DEC 2016
COUNTY ASSEMBLY OF KWALE

Clerk of the Assembly

29/12/2016

Chief Finance Office – 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	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from C. Treasury/Exchequer Releases	971,757,001	-	971,757,001	835,917,743	86%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	-	-	-	-	-
PAYMENTS	**971,757,001**		**971,757,001**	**835,917,743**	**86%**
Compensation of Employees	220,085,322	-26,475,692	193,609,630	188,434,846	97%
Use of goods and services	219,886,517	32,275,292	252,161,809	239,243,292	95%
Subsidies	-	-	-	-	-
Transfers to Other Gov. Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	18,830,445	30,000	18,860,445	12,296,495.32	71%
Acquisition of Assets	512,954,717	-5829601	507,125,116	343,787,890	68%
Finance Costs	-	-	-	-	-
Other Payments					-
TOTAL	971,757,001	-1	971,757,000	783,762,523.32	81%

[Provide below a commentary on significant underutilization (below 50% of utilization) and any overutilization]

The entity financial statements were approved on _____ 2016 and signed by:

COUNTY ASSEMBLY OF KWALE CLERK 29 DEC 2016

29/12/2016

Clerk of the Assembly

29/12/2016

Principal Finance Office – 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	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	492,661,061	-	492,661,061	480,917,743	98%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	-	-	-	-	-
PAYMENTS	**492,661,061**		**492,661,061**	**480,917,743**	**98%**
Compensation of Employees	220,085,322	(26,475,692)	193,609,630	188,434,846	97%
Use of goods and services	219,886,517	32,275,292	252,161,809	239,243,292	95%
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	18,830,445	30,000	18,860,445	12,296,465	65%
Acquisition of Assets	33,858,777	(5,829,601)	28,029,176	5,658,949	20%
Finance Costs					
Other Payments					
TOTAL	**492,661,061**	**(1)**	**492,661,060**	**445,633,583**	**90%**

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	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury / Exchequer Releases	479,095,940		479,095,940	355,000,000	74%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts					
TOTAL					
PAYMENTS	**479,095,940**		**479,095,940**	**355,000,000**	**74%**
Compensation of Employees	-	-	-	-	-
Use of goods and services	-	-	-	-	-
Subsidies					
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	479,095,940	-	479,095,940	338,128,941	71%
Finance Costs					
Other Payments					
TOTAL	**479,095,940**	-	**479,095,940**	**338,128,941**	**71%**

The entity financial statements were approved on _____ 2016 and signed by:

ASSEMBLY CLERK
COUNTY ASSEMBLY OF KWALE
DEC 2016
2/12/16

Clerk of the Assembly

29/12/2016

Principal Finance Office – County Assembly

IX. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. **Statement of compliance and basis of preparation**
The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *County Assembly of Kwale*. 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 Kwale* recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the *Assembly*. In addition, the *Assembly* recognises all payments when the event occurs and the related cash has actually been paid out by the *Assembly*. Receipts and payments in respect of specific funds shall be treated separately under fund accounting.

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

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

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

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

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

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

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

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

11. Subsequent events

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.

X. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from the County Treasury/Exchequer Releases

	2015/16	2014/15
	Kshs	Kshs
Total Exchequer Releases for quarter 1	111,421,946.15	
Total Exchequer Releases for quarter 2	238,165,264.00	
Total Exchequer Releases for quarter 3	122,110,176.00	
Total Exchequer Releases for quarter 4	364,220,352.00	
Cumulative Amount	**835,917,738.00**	

2 PROCEEDS FROM SALE OF ASSETS

	2015/16	2014/15
	Kshs	Kshs
Receipts from the Sale of Buildings	xxx	Xxx
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**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 OTHER RECEIPTS

	2015/16	2014/15
	Kshs	Kshs
Other Receipts I	-	Xxx
Other Receipts II	-	Xxx
Other Receipts III	-	Xxx
Other Receipts IV	-	Xxx
Other Receipts XXXX	-	Xxx
Total	**-**	**Xxx**

4 COMPENSATION OF EMPLOYEES

	2015/16	2014/15
	Kshs	Kshs
Basic salaries of permanent employees	87,335,752	-
Basic wages of temporary employees	11,512,441	-
Personal allowances paid as part of salary	89,586,653	-
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	-
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	-
Other personnel payments	-	-
Total	**188,434,846**	**-**

5 USE OF GOODS AND SERVICES

	2015/16	2014/15
	Kshs	Kshs
Utilities, supplies and services	6,690	-
Communication, supplies and services	2,598,955	-
Domestic travel and subsistence	105,063,633	-
Foreign travel and subsistence	9,720,568	-
Printing, advertising and information supplies & services	19,972,697	-
Rentals of produced assets	3,826,600	-
Training expenses	17,175,749	-
Hospitality supplies and services	34,259,356	-
Insurance costs	16,505,842	-
Specialized materials and services	-	-
Office and general supplies and services	8,076,842	-
Other operating expenses	12,532,937	-
Fuel Oil and Lubricants	3,186,860	-
Routine maintenance – vehicles and other transport equipment	3,342,304	-
Routine maintenance – other assets	2,974,259	-
Total	**239,243,292**	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 SUBSIDIES

Description	**2015/16**	**2014/15**
	Kshs	**Kshs**
Subsidies to Public Corporations		
See list attached	xxx	Xxx
(insert name)	xxx	Xxx
Subsidies to Private Enterprises		
See list attached	xxx	xxx
(insert name)	xxx	xxx
TOTAL	**xxx**	**xxx**

7 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2015/16	2014/15
	Kshs	Kshs
Transfers to National Government entities		
See attached list	-	-
Transfers to Kwale CRF (01.07.2015)	-	
Transfers to Counties		
(insert name of budget agency)	-	-
(insert name of budget agency)	-	-
TOTAL	-	-

8 OTHER GRANTS AND TRANSFERS

	2015/16	2014/15
	Kshs	Kshs
Scholarships and other educational benefits	-	-
Emergency relief and refugee assistance	-	-
Subsidies to small businesses, cooperatives, and self employed	-	-
Other current transfers, grants	-	-
Other capital grants and transfers	-	-
Total	-	-

9 SOCIAL SECURITY BENEFITS

	2015/16	2014/15
	Kshs	Kshs
Government pension and retirement benefits	12,296,495	-
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	-	-
Total	**12,296,495**	**-**

10 ACQUISITION OF ASSETS

Non Financial Assets	2015/16	2014/15
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	338,128,941	-
Refurbishment of Buildings	-	-
Construction of Roads	-	-
Construction and Civil Works	-	-
Overhaul and Refurbishment of Construction and Civil Works	-	-
Purchase of Vehicles and Other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	304,500	-
Purchase of Office Furniture and General Equipment	5,354,449	-
Purchase of ICT Equipment, Software and Other ICT Assets	-	-
Purchase of Specialised Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Purchase of Certified Seeds, Breeding Stock and Live Animals	-	-
Research, Studies, Project Preparation, Design & Supervision	-	-
Rehabilitation of Civil Works	-	-

Non Financial Assets	**2015/16**	**2014/15**
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Financial Assets	-	-
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
Foreign Payables - From Previous Years	-	-
Total	**343,787,890**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 FINANCE COSTS

	2015/16	2014/15
	Kshs	Kshs
Bank Charges	-	-
Exchange Rate Losses	-	-
Other Finance costs	-	-
Total	-	-

12 OTHER PAYMENTS

	2015/16	2014/15
	Kshs	Kshs
Budget Reserves	xxx	Xxx
Civil Contingency Reserves	xxx	Xxx
Capital Transfers to Non-Financial Public Enterprises	xxx	Xxx
Capital Transfer to Public Financial Institutions and Enterprises	xxx	Xxx
Capital Transfer to Private Non-Financial Enterprises	xxx	Xxx
Other expenses	xxx	Xxx
Domestic Accounts	xxx	Xxx
Total	**xxx**	**Xxx**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13A BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2015/16	2014/15
		Kshs	Kshs
Family Bank - Car Loan and Mortgage Fund	LOAN		-
CBK Development - A/C 1000282568	Development	18,474,758.75	-
CBK Recurrent - A/C 1000241567	Recurrent	26,854,616.55	-
CBK Deposit - A/C 1000282557	Deposit	21,788,330.85	-
Kenya Commercial Bank - A/C NO. 1142128148	Recurrent	-	-
Equity Bank - A/C NO. 1580261591172	Development	-	-
Cash To CRF (30.06.2016)	**Reccurent**	**10,308,104**	
Total		**77,425,810**	-

13B CASH IN HAND

	2015/16	2014/15
	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:

	2015/16	2014/15
	Kshs	Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Total	-	-

14 ACCOUNTS RECEIVABLE

	2015/16	2014/15
	Kshs	Kshs
Government Imprests	-	-
Clearance Accounts	-	-
Staff Advances – see annex 5;	426,000.00	-
Other Advances	-	-
Total	**426,000.00-**	-

**See Annex 6 for a detailed analysis of the outstanding imprests.*

15 ACCOUNTS PAYABLE

	2015/16	2014/15
	Kshs	Kshs
Deposits	150,000	-
Deposits and Retentions	21,788,331	
Total	**21,938,331**	-

16 FUND BALANCE BROUGHT FORWARD

	2015/16	2014/15
	Kshs	Kshs
Bank accounts	-	-
Cash in hand	-	-
Accounts Receivables	-	-
Accounts Payables		-
Total	-	-

18 OTHER IMPORTANT DISCLOSURES

18.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2015/16	2014/15
	Kshs	Kshs
Construction of buildings	38,249,039.27	-
Construction of civil works	-	-
Supply of goods	111,929,420.00	-
Supply of services	3,477,005.46	-
Total	**153,655,464.73**	-

18.2: PENDING STAFF PAYABLES (See Annex 2)

	2015/16	2014/15
Name of Staff	Kshs	Kshs
	-	-
	-	-
Total	-	-

18.3: OTHER PENDING PAYABLES (See Annex 3)

	2015/16	2014/15
	Kshs	Kshs
Amounts due to National Government entities	Xxx	xxx
Amounts due to County Government entities	Xxx	xxx
Amounts due to third parties	Xxx	xxx
Total	**Xxx**	**xxx**

18.4: CAR LOAN AND MORTGAGE FUND BANK BALANCES INTREST RECEIVED

The fund has an amount of bank balance of kshs 110,761,041 held at family bank. This bank balance has not been included in the body of this financial statement since the fund has a separate accounts.

Consequently, the amount of intrest totalling to kshs 3,331,041 received in respect of the loans disbursed is recognised as revenue for the fund in the Fund account statement

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

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

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Q1	Q2	Q3	Q4
Land				
Buildings and structures				338,128,941
Transport equipment				
Office equipment, furniture and fittings				5,658,949
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
Total				**343,787,890**

ANNEX 5 – ANALYSIS OF OUTSTANDING IMPREST

Government Imprest Holders (Advance Salaries)

Name of Officer or Institution	*Date Advance/Imprest Taken*	*Amount Taken*	*Amount Repaid/Surrendered*	*Balance*
		Kshs	*Kshs*	*Kshs*
JUMA ATHMAN MAONE	2015/2016			30,000.00
JOSEPH RUWA ZECHA	2015/2016			9,000.00
HAMISI OMARI MWASHEE	2015/2016			10,000.00
DANIEL MUIA MBINDA	2015/2016			150,000.00
WILLIAM LUGWE MJAPE	2015/2016			146,000.00
MICHAEL MUTUA MULWA	2015/2016			36000
MOHAMED HATIBU DZUGWEH	2015/2016			40000
JUMA MASUDI NGANDO	2015/2016			5000
JUMA ATHMAN MAONE	2015/2016			30,000.00
Total				**426,000.00**