REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF TAITA TAVETA

FOR THE YEAR ENDED 30 JUNE 2016

30-June -2016

OFFICE OF THE AUDITOR GENERAL
KENYA NATIONAL AUDIT OFFICE
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COUNTY GOVERNMENT OF TAITA TAVETA

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2016

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

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II. KEY COUNTY GOVERNMENT 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's* day-to-day management is under the following key persons:

NAME DESIGNATION

H.E. ENG. JOHN MRUTTUH.E.The Governor

H.E.MARY NDIGHAH.E.The Deputy Governor& CECM Lands and Mining.

HON.LINET MAVUCECM- Administration and Devolution

HON.GIFTON MKAYA CECM-Health Services

HON.BEN MGHANACECM-Agriculture, Livestock and Fisheries

HON.ALEXANDER MWANGEKACECM- Tourism, Environment and Natural Resources

HON. FLORAH MTUWETACECM-Community Affairs, Trade and Industries

HON.STEPHEN MASAMOCECM-Water and Irrigation

HON.ELIJAH MWANDOEAG.CECM-Public Works and Infrastructure

HON.DR.VINCENT MASAWICECM-Member-Finance and Planning

HON.JEMIMA TUJACECM-Education and Livestock

HON.ELIJA MWANDOECECM-ICT,Industralization,Energy& Research

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibilities were:

NO.	NAME	DESIGNATION
1.	Peter Njumwa	County Secretary
2.	Bonaventure F.M. Mwakio	County Chief Officer-Finance and Planning

3. Catherine Mwamuzi	County Chief Officer-Health services
4. Efestus P. Njenga	County Chief Officer-Livestock and Fisheries
5. Marley Dingiria	County Chief Officer-Environment & Natural Resources
6. Janet C. Mbwana	County Chief Officer-Water and Irrigation
7. Philemon Kachila	County Chief Officer-Public Works and Irrigation
8. Philomena Kirote	County Chief Officer-Education and libraries
9. Evan Mbinga	County Chief Officer-Agriculture
10. Pamela Dio	County Chief Officer-Trade and community affairs
11. Kenneth M.Mwaita	County Chief Officer-Lands& Mining
12. Michael Ngala	Clerk Assembly
13. ElpidaMwakamba	Secretary of the County Public Service Board

14. The following Provided Key fiduciary oversight arrangement:

1. *County Assembly Public Accounts Committee*
2. *Office of The Controller of Budget*

(d) County Headquarters Physical address

P.O. Box 1066-80304
Wundanyi

(e) Entity Contacts

Telephone: 0788186436/0718988717
E-mail: governortaitataveta@yahoo.com
Website: www.taitataveat.go.ke

(f) Entity Bankers

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

2. Kenya Commercial Bank
Wundanyi Branch
P.O. Box 1067-80304
Wundanyi

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

III. FOREWORD BY THE CEC FINANCE AND PLANNING

The fiscal performance in 2015/16was generally satisfactory, despite the challenges with dwindling revenue collection in the 1st and 2nd quarters and mounting expenditure pressure. Significant improvement in revenue collection was realized in the 3rd and 4th quarters, after deliberate measures by the County Treasury to reinforce and ensure compliance in revenue collection.

On the expenditure side, the County Government had to incur higher expenses on the recurrent vote lines in terms of salaries and cost of operationalizing the various departments and agencies.

Despite the pressing recurrent needs occasioned by the fact that some staff and recurrent costs of the devolved functions had not been factored in the TaitaTaveta Budget 2015/2016, we managed to invest 22.94% of the total county expenditure in development.

Revenue

During the period under review the expected county revenue base was KES **4,137,574,742**comprising of KES3,309,568,191equitable share from the National Government, KES352,805,992internally generated revenue, KES63,790,743. Proceeds from domestic and foreign grants, KES42,042,522 from Roads maintenance levy and KES 14,183,406.45 and KES20,847,581.50 as balance brought forward from the 2014/15 financial year among others as per the budget. The equitable share of revenue received from the National Government by the end of the financial year was KES 3,309,568,191.During the period under review the County received proceeds from domestic and foreign grants amounting to KES 63,790,743to finance its budget and KES 42,042,522 from roads maintenance levy.

The total cumulative internal revenue collection for the period under review amounted to KES179,110,661.This shortfall in revenue generation can be attributed to administrative and structural challenges such as delay in passage of the 2015/16 County Finance Bill, inadequate staff for revenue collection and enforcement and other revenue collection system malfunctioning. During the period under review, the leading sources of internal revenue were:Cesses(KES49,350,242); single business permits (KES47,613,598); bus park fees (KES17,889,285) and market fees (KES12,800,346). The total revenue generated from devolved functions was KES31,537,957.

Expenditure

The total actual expenditure for 2015/2016 amounted to KES3,571,991,938whichrepresents an absorption rate of **86%.**

Recurrent expenditure for the period amounted to KES 2,978,038,622representing 111% of the total expenditure. The largest proportion of recurrent expenditure comprised of wages and salaries, which accounted for 52 % of the total expenditure. On the other hand, development expenditure incurred during the period amounted to KES 517,777,208 accounting for 25.8% of the total expenditure. Although the county had

budgeted to spend KES 1,251,953,555 on development. In addition projects worth KES42,958,485were rolled over to the current financial year (2015/16) due to a number of factors including lengthy procurement processes and delays in disbursement of funds from the national government.

The county Government has made tremendous investments in the productive sectors which include Agriculture, Livestock and Fisheries Trade, Tourism and Mining. Some of the investment Agriculture includes construction and rehabilitation of irrigation facilities, purchase of tractors for the purpose of increasing acreage for food crop production. The county has also rehabilitated the Bachuma Multiplication Centre, scaling -up of Artificial Insemination services and embarked on a programme of re-stocking fish ponds.
The county government has also embarked on an intensive programme of revitalizing the trade and tourism sub- sectors. Programmes which have been initiated include construction of market facilities, promotion of tourism opportunities in the county and strengthening of co-operative organizations. To streamline the mining sector, the county government has embarked on a process of developing a county policy. The policy is meant to ensure that both local people and county government reap maximum benefits from the minerals.
A lot has been achieved in creating an enabling environment and making the county economy competitive. Key to this, is improvement of infrastructure.The county government has purchase road maintenance machines which will be used to improve roads and other public facilities. The county government has also witnessed initiation of key national government infrastructure projects which include the commencement of construction of Taveta-Mwatate Road, Standard Gauge railway facilities and allocation of funds for expansion of Ikanga Airstrip.

The county government has also been in the forefront in addressing issues of poverty and employment. Priority initiatives in these areas include rolling –up of DATU fund to benefit Women, Youth and People with disability and County Education Bursary funds. A lot has been achieved in the social service sector which mainly consists of health, education and water. The allocation on health was 28%per cent oftotal budget, while education and water had 12% per cent and 8 %per cent respectively. Main outlets of health funds included provision of medical equipment in hospital, purchase of drugs and rehabilitation of health facilities. In education, the county government provided funds for construction of Early Childhood Development facilities, remuneration of teachers and rejuvenating the youth training programme through improvement of training and learning facilities. The Water sector had a fair share of investment which was mainly in construction and rehabilitation of water facilities, and purchase of a water boozerwhich will also go a long way in improving water trekking during the dry periods.

Commitment towards strengthening devolved institutions is reflected in the amount set aside for County Assembly (CA) and Administration and Devolution county department. The CA budget was 13%per cent of total county budget while the funds for administration and devolution which also incorporated the management and service delivery in our urban areas was3% percent of the county budget.

Vhile the national macroeconomic environment has improved significantly since March 2013, there are still :hallenges that limited the achievement of set targets at the county level. These challenges include:

- High and unsustainable public sector wage bill.
- Rigidities and bureaucracies that limit the attainment of a favorable investment climate
- Inadequate laws to spur growth in the productive sector
- Poor road infrastructure
- Irregular flow of funds from National Government
- Inadequate office space
- Inadequate skilled personnel
- Delay in the enactment of bills

To overcome these challenges the following measures are recommended while some are being implemented.

- ✓ The county is employing more staff man power in all sectors to improve its capacity interms of human resource to ensure satisfactory service delivery is achieved.
- ✓ The county will attract and encourage investors by creating enabling business environment through enactment of necessary bills and provision of infrastructures as well as devolving services to the sub-county level.
- ✓ To enhance local revenue collection during the FY 2016/17 the county is employing 77 permanent revenue collectors and 40 additional enforcement officers to enhance revenue collection among other revenue system upgrade.
- ✓ To overcome the challenge of office space the county has opted to lease offices as it embarks on the long term measure of building its own premises currently the Mwatate sub county office construction is almost complete.
- ✓ The county has embarked on recruitment of skilled personnel. For example the County treasury is employing more additional accountants to strengthen its capacity.

CEC FINANCE AND PLANNING
TAITA TAVETA COUNTY GOVERNMENT

V. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 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 for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County 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 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 is of the opinion that the County Government's financial statements give a true and fair view of the state of County Government's transactions during the financial year ended June 30, 2016, and of its financial position as at that date. The CEC 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 in charge of the finance confirms that the County Government has fully complied 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 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's* financial statements were approved and signed by the CEC member on 16.02. 2017.

County Executive Committee Member, Finance and Planning

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 TAITA TAVETA FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Executive of Taita Taveta set out on pages 10 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, 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 Responsibilty 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 of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County Executive'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 not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Presentation of the Financial Statements

Annextures on accounts payable and the fixed assets register prescribed by the Public Sector Accounting Standards Board were omitted from the financial statements. It was further noted that details on outstanding imprests were not annexed to the financial statements as prescribed in the standards.

In the circumstances, the financial statements presented for audit for the year ended 30 June 2016 do not comply with International Public Sector Accounting Standards prescribed by the Public Sector Accounting Standards Board.

2.0 Inaccuracies in the Financial Statements

The financial statements presented for audit contained the following inaccuracies:

2.1 The opening balances reflected in the statements and the audited balances for the 2014/2015 financial year contained variances as detailed below:

Item	Opening Balance as Per Financial Statements for 2015/2016 (Kshs.)	Opening Balance as Per Financial Statements for 2014/2015 (Kshs.)	Variance (Kshs)
Use of Goods and Services	810,665,349	810,665,345	4
Adjustments During the Year	12,638,343	11,286,504	1,351,839
Transfers to Other Government Units – Statement of Cash Flows	174,658,712	144,237,687	30,421,025
Other Grants and Transfers – Statement of Cash Flows	61,237,710	100,899,953	(39,662,243)

2.2 Further, account balances reflected in the financial statements presented for audit varied from the respective supporting schedules as detailed below:

Component	Balance as Per Financial Statements (Kshs.)	Balance as Per Schedule (Kshs.)	Variance (Kshs)
Proceeds from Domestic and Foreign Grants	63,790,743	-	63,790,743
Social security contribution	27,976,111	-	27,976,111
Other Receipts			
Rents	6,372,976	7,281,750	(908,774)
Single Business Permits	47,613,598	23,700,050	23,913,548
Cesses	49,350,242	14,548,178	34,802,064
Other Local levies	1,478,010	3,245,450	(1,767,440)
Natural Resources Exploitation	3,429,582	6,667,695	(3,238,113)
Market/Trade Centre Fee	12,800,346	15,325,026	(2,524,680)
Vehicle Parking Fee	17,889,285	6,037,930	11,851,355
Health Hospitals	31,537,957	52,310,555	(20,772,598)
Slaughterhouse Administration	6,493,118	1,724,870	4,768,248
Dry Maize Cess	227,150	-	227,150
Livestock Charges	588,962	-	588,962
Social Premises Use Charges	1,329,435	-	1,329,435
Total Receipts	**270,877,515**	**130,841,504**	**140,036,011**
Payments			
Compensation of Employees			
National Health Insurance Scheme and Maternity Costs	5,014,420	-	5,014,420
Salaries and Wages	2,040,989	776,722	1,264,267
	7,055,409	**776,722**	**6,278,687**
Use of Goods and Services			
Domestic Travel and Subsistence Allowances	187,238,233	184,508,983	2,729,250
Printing, Advertising & information Supplies & Services	28,055,507	27,290,979	764,528
NHIF and Maternity Costs	15,558,188	-	15,558,188
	230,851,928	**211,799,962**	**19,051,966**
Social security benefits	**51,160,469**	-	**51,160,469**
Acquisition of Assets			
Construction of Buildings – Non-Residential	113,803,186	113,303,186	500,000
Construction and Civil Works	124,353,022	122,509,102	1,843,920

Research Studies, Project preparation, Design and Supervision	4,894,800	-	4,894,800
Purchase of Specialized Plant and Machinery	7,066,757	7,126,255	(59,498)
NHIF and Maternity Costs	2,670,445	-	2,670,445
	252,788,210	**242,938,543**	**9,849,667**
Other Payments			
Fixed Deposit Account	10,000,000	-	10,000,000
NHIF & Maternity (Specialised Goods & Services)	10,940,447	-	10,940,447
	20,940,447		**20,940,447**
Transfer to other government units- grants and subsidies	**62,342,294**	**-**	**62,342,294**
Accounts payable - Deposits	**23,148,875**	**-**	**23,148,875**
Total Payments	**648,287,632**	**455,515,227**	**192,772,405**

2.3 The total budget reflected in the statement of comparative budget and actual expenditure balances for recurrent and development votes amounts to Kshs.4,137,574,760 while the approved budget totalled Kshs.4,155,768,514, thus resulting in a variance of Kshs.18,193,754 which, however has not been explained.

2.4 The statement of receipts and payments for the year ended 30 June 2016 reflects other receipts totaling to Kshs.197,351,805 while the statement of comparison of budgeted and actual amounts - recurrent and development combined - reflects receipts totaling to Kshs.197,110,661, thus resulting in a variance of Kshs.241,144 and which has not been explained.

2.5 Further, the statement of comparison of budget and actual amounts presented for audit contains casting errors in the final budget and in the actual balances as detailed below:

Item	Amount as per Statement of Comparison of Budget & Actual Amount -Recurrent & Development Combined (Kshs)	Recomputed Amount (Kshs)	Casting Error (Kshs)
Budget			
Proceeds from Domestic Borrowings	80,808,643	156,583,453	75,774,810
Transfers from Other Government Entities	42,042,522	59,941,510	17,898,988
Other Receipts	352,805,992	472,049,829	119,243,837
Total	**475,657,157**	**688,574,792**	**212,917,635**
Actual Amount			
Proceeds from Domestic & Foreign Grants	63,790,743	85,216,778	(21,426,035)
Other Receipts	197,110,661	239,270,350	(42,159,689)
Transfers to Other Government Units	150,342,294	79,587,125	70,755,169
Other Grants & Transfers	67,766,125	138,521,294	(70,755,169)
Total	**479,009,823**	**542,595,547**	**(63,585,724)**

2.6 The comparative statement of financial assets as at 30 June 2015 reflects a net assets balance of Kshs.123,711,724 which differs from the recomputed balance of Kshs.193,794,992. The variance of Kshs.70,083,268 between the two balances has not been explained.

2.7 The opening balances in the statement of receipts and payments for the year ended 30 June 2016 and the corresponding notes reflect variances totaling to Kshs.70,083,268 as detailed below:

Item	Notes	Balance Per Statement of Receipts and Payments for 2014/2015	Opening Balance as Per Note 2014/2015	Variance
		Kshs	Kshs	Kshs
Transfers to Other Government Units	15	174,658,712	144,237,687	30,421,025
Other Grants and Transfers	16	100,899,953	61,237,710	39,662,243
Total		**275,558,665**	**205,475,397**	**70,083,268**

Consequently, the accuracy, validity and completeness of the County Executive's financial statements for the year ended 30 June 2016 cannot be confirmed.

3.0 Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June, 2016 reflects payments totaling Kshs.245,694,894 but the respective supporting documents were not presented for audit review as detailed below:

Item	Amount (Kshs.)	Anomalies Noted
Use of Goods and Services		
Hospitality Supplies and Services	6,772,620	The lists of participants and reports on the benefits received were not availed for audit verification.
Routine Maintenance -Motor Vehicles and Other Transport Equipment	10,443,816	The expenditure was not supported with purchase requisitions, quotations, delivery notes and an inspection report from the Government Mechanical Engineer. Also the repairs were not entered in daily work tickets. There was no evidence to show approval of the garages by the Department of Public Works.
Domestic Travel and Subsistence Allowances	20,707,481	The management did not present for audit review work tickets, bus tickets, signed attendance register/ schedules, minutes of meetings attended, work seminar/workshop programs and reports in support of the expenditure.
Foreign Travel and Subsistence	4,498,762	The expenditure was not supported with boarding passes, air tickets and reports

Allowances		arising from the foreign trips.
Foreign Travel and Subsistence Allowances	878,570	The management did not avail purchase requisitions, quotations and Local Service Orders (LSOs) to support the expenditure.
Insurance Costs	44,909,090	Records presented for audit indicated that the expenditure included group personal insurance totaling to Kshs.19,702,974 and motor vehicle insurance totaling to Kshs.25,206,116. However, the list of all insured motor vehicles sums assured, the tender opening, evaluation and award minutes, insurance policy documents, request for quotations, and list of staff covered were not presented for audit verification.
Printing, Publishing, Advertising and Publicity Awareness Campaigns	5,843,488	The expenditure was not supported with payment vouchers
Communication Supplies and Services.	3,368,875	The expenditure related to air time which was paid as cash allowance and not as a contracted item on which tax is payable. Further, the airtime register was not presented for audit review.
Rentals of Procured Assets	8,235,936	The management did not present the supporting payment vouchers for audit review.
Office and General Supplies and Services	6,425,130	The purchase requisitions, quotations, counter receipt vouchers, stores ledger cards, the inspection and acceptance committee report, delivery notes, Local Purchase Orders were not availed for audit verification.
Other Operating Expenses - Legal Dues/Fees, Arbitration and Compensation Payments	3,243,000	The firm was not prequalified to provide the service. Further, quotations, court summons to support cases filed against the County Executive were not availed for audit verification.
Other Operating Services-Contracted Guards and Cleaning Services	3,905,385	The quotations submitted by other firms and tender analysis were not availed for audit review.
Other Operating Services-Contracted Guards and Cleaning Services	1,531,000	This was a transfer to Taita Taveta County Treasury Imprest Account from the Contracted Awards and Services. However, documentary evidence showing how the transfer was utilized was not availed for audit

		review.
Fuel, Oils and Lubricants	14,246,238	There was no evidence to show that the fuel was received, recorded and used for official purposes as fuel registers, work tickets and invoices were not presented for audit review.
Fuel, Oils and Lubricants	6,217,200	Payment Vouchers for fuel purpoted to have cost this amount were not availed for audit review.
Specialized Materials and Services – Food and Rations	3,147,900	This expenditure was not supported with purchase requisitions, quotations, Counter Receipt Vouchers (S.13), Ledger Cards (S.3), Counter Requisition and Issue Vouchers (S.11) or evidence of receipt by the beneficiaries and the Inspection and Acceptance Committee Report.
Specialized Materials and Services – Uniforms and Clothing	2,100,440	The expenditure was not supported with purchase requisitions, Counter Receipt Vouchers (S.13), Ledger Cards (S.3), Counter Requisition and Issue Vouchers (S.11) or evidence of receipt by the beneficiaries and Inspection and Acceptance Committee Report.
Board and Ward Allowances	14,266,583	The expenditure relates to Board and Ward allowance and subsistence allowance payments. Supporting Minutes of the Board meetings and attendance registers were not made available for audit verification.
NHIF and Maternity	15,558,188	Payment Vouchers for expenditure on NHIF and maternity expenses were not presented for audit verification.
Other Payments		
Other Expenses(System Required Expenses)	20,901,111	Payment Vouchers were not availed for audit verification.
Fixed Deposit Account	10,000,000	Payment Vouchers were not availed for audit verification.
Education Loans	15,615,700	Payment Vouchers were not availed for audit verification
NHIF and Maternity (Specialised Goods and Services)	10,940,447	Payment Vouchers were not availed for audit verification
Acquisition of Assets		
Construction and Civil	540,000	The payment was made before the said

Works		activity commenced and further, no documentary evidence of work done was presented for audit. Further, no reason was given as to why the payment was not made directly to the Kenya Bureau of Statistics.
Construction and Civil Works	425,952	Details of the trucks used and points of delivery were not specified.
Purchase of Motor Vehicles and Other Transport Equipment	7,559,653	Records presented for audit review indicated that a sum of Kshs.6,700,653 was paid for supply of one 4x4 Heavy Duty Land Cruiser pick-up with 8-seater conversion. However, the Inspection and Acceptance Committee Report was not availed for audit verification. Further, a firm was paid a sum of Kshs.675,000 for supply of 5 TVS motor bikes while another was paid Kshs.2,250,000 for supply of fifteen(15) motor bikes but similarly the Inspection and Acceptance Committee Reports and log books were not presented for audit verification. In addition, delivery notes, invoices and the Inspection and Acceptance Report in support of expenditure totaling to Kshs.9,150,600 paid for supply of two(2) Ford Ranger Double Cabin 4x4 vehicles procured in the previous year were not availed for audit review. Further, the expenditure (Kshs.9,150,600) has not been included in the financial statements.
Purchase of Office Furniture and Institutional Equipment	3,412,329	The purchase requisitions, quotations, local Purchase Orders, delivery notes, Counter Receipt Vouchers and Stores Ledger Cards were not presented for audit review.
Total	**245,694,894**	

In view of these anomalies, the propriety of expenditure totalling to Kshs.245,694,894 on use of goods and services and acquisition of assets for the year ended 30 June 2016 cannot be confirmed.

4.0 Cash and Cash Equivalents

4.1 Bank Reconciliations

The statement of financial assets as at 30 June 2016 reflects a bank balance of Kshs.170,611,814. However, the bank reconciliation statements for the following bank accounts were not presented for audit review:

Bank Name/Number	Type of Bank Account	Balance (Kshs.)
Taita Taveta Deposits CBK	Deposits	23,148,872
Taita Taveta Revenue Fund CBK KShs	Revenue	2
Taita Taveta Revenue Collection Account No.	Revenue	82,660,652
Roads maintenance levy Account -	Roads	27,445,912
KCB Emergency A/C No.	Recurrent	158,432
Kenya Commercial Bank A/C No. 1152801015(Education)	Recurrent	12,236,344
Co-Operative Bank AC No. 01141222222000	Recurrent	17,692,440
Kenya Commercial Bank A/CNo.1166131580(Datu Fund)	Recurrent	3,094,970
Moi Hospital Imprest A/C No. 1145667961	Recurrent	602,805
Mwatate Hosipital Imprest Account NO 1145668054	Recurrent	278,950
Tateta Hospital Imprets A/C No.	Recurrent	2,220,479
Wundanyi Hospital Imprets A/C No.	Recurrent	103,639
Wesu Hospital Imprest A/C No.	Recurrent	33,806
Total		**169,677,303**

In the circumstance, the validity of the balance of Kshs.170,611,814 cannot be confirmed.

4.2 Recurrent A/C No.1000170263

The bank reconciliation statement as at 30 June 2016 for the Recurrent Vote Bank Account No. 1000170263 at the Central Bank of Kenya reflects receipts in bank statement not yet recorded in cash book totaling to Kshs.9,190,704.55. However, details on receipts totaling to Kshs.5,986,196.60 have not been provided. Further, Note 22A to the financial statements reflects a balance of Kshs.933,055 against the bank account yet the bank reconciliation statement reflects a balance of Kshs.94,269,203.25, thus resulting in a variance of Kshs.93,336,148.25 which has, however, not been explained.

The bank reconciliation statement also reflects payments in cash book not in bank statement (un-presented cheques) totaling to Kshs.215,193,343.50, but payment dates and cheque numbers for expenditure totaling to Kshs.207,648,444.95 were not shown while payments totaling to Kshs.869,039 relate to stale cheques. Further, the bank reconciliation statement reflects payments in bank statement not in cash book totaling to Kshs.269,908,551.95 and receipts in cash book not in bank statement totaling to Kshs.5,749,333.35. However, no explanation has been given for the unbanked receipts and non-reversal of the stale cheques in the cash book.

4.3 Development A/C No.1000170228

The bank reconciliation statement as at 30 June 2016 for the development bank account at Central Bank of Kenya reflects payments in cash book not reflected in bank statement (Un-presented cheques) totaling to Kshs.14,197,720.70 and payments in bank statement not yet recorded in cash book totaling to Kshs.55,048,281.15. However, the dates when these reconciling items were subsequently cleared were not provided for audit review. Further, Note 22A to the financial statements reflects a balance of Kshs.1,456 for this bank account while the bank reconciliation statement reflects a balance of Kshs.50,744,071.50, thus resulting in a variance of Kshs.50,742,615.50 which has not been explained.

4.4 County Revenue Collection A/C No. 1140754017

The cash book for the County Revenue Collection A/C No. 1140754017 at Kenya Commercial Bank Ltd was not presented for audit review. However, the account had an opening bank balance of Kshs.2,333,688 as reflected in the previous year's audited financial statements and total collections of Kshs.197,351,681 during the year under review thus resulting in a total of Kshs.199,685,369. During the year under review, transfers to the County Revenue Fund account totalled to Kshs.172,765,505 and therefore the expected closing balance was Kshs.26,919,801 which differs from the balance of Kshs.82,660,652 reflected in Note 22A to the financial statements and the certificate of bank balance as at 30 June 2016. The difference of Kshs.55,740,851 between the two balances has not been explained.

4.5 Irregular Transfer of Funds from the Development Account to Recurrent Account

Records presented for audit review indicated that during the year under review, the County Executive transferred development vote funds totaling to Kshs.501,000,000 to the recurrent account, contrary to Section 154(b) of the Public Finance Management Act, 2012 which prohibits an Accounting Officer from authorizing transfer of amounts appropriated for capital expenditure, except to defray other capital expenditure. Further, out of the total amount transferred, a sum of Kshs.291,000,000 (58%) had not been refunded as at 30 June 2016.

4.6 Undisclosed Proceeds from Domestic Borrowings

The statement of financial assets as at 30 June 2016 reflects a cash and cash equivalents balance of Kshs.171,233,294. Excluded from this is a bank overdraft of Kshs.185,000,000 obtained by the County Executive during the year under review and processed through Operations Account No. 1140790064 at Kenya Commercial Bank Ltd, Wundanyi. Further, the cash book for this bank account reflected a negative balance of Kshs.302,177 as at 30 June 2016 which, however, has not been disclosed in the statement of financial assets of the same date nor its bank reconciliation statement presented for audit verification.

4.7 Cash Balance

The statement of financial assets as at 30 June 2016 reflects a cash balance of Kshs.621,480. However, the Board of Survey (cash) certificates were not presented for audit verification. Consequently, the accuracy, validity and completeness of cash and cash equivalents balance of Kshs.171,233,294 as at 30 June 2016 could not be confirmed.

5.0 Accounts Receivables

5.1 Outstanding Imprests

Note 23 to the financial statements reflects an outstanding imprests balance of Kshs.28,748,849 out of which imprests totaling to Kshs.10,060,348 were outstanding for more than six (6) months. Further, the outstanding imprests include Kshs.10,025,123 being multiple imprests issued to some employees of the County Executive, contrary to the Government Financial Regulations and Procedures Section 5.6.6 which requires officers to surrender or account for previous imprests before being issued with another one.

Further, the outstanding imprests balance of Kshs.28,748,849 differs from the sum of Kshs.22,918,827 captured in the Imprests Register. The difference of Kshs.5,830,022 between the two sets of records has not been explained.

In addition, reflected under Note 18 to the financial statements is other domestic accounts balance of Kshs.316,555,466. Included in the balance are standing imprests totaling to Kshs.30,209,420 expensed without surrender documents, contrary to Section 5.6.10 of the Government Financial Regulations and Procedures which requires the standing imprest holder to account for the imprests through original supporting payment vouchers that confirm that the expnditure was actually incurred, for the intended purposes and that there was no irregularity in the payment.

5.2 Loans

Note 23 to the financial statements reflects a loans balance of Kshs.15,615,700 but for which the respective supporting schedules and documents were not presented for audit review.

Consequently, the accuracy, completeness and propriety of accounts receivable balance of Kshs.44,364,549 as at 30 June 2016 cannot be confirmed.

6.0 Other Receipts

6.1 Unbanked Revenue Collections

The statement of receipts and payments for the year ended 30 June 2016 reflects other receipts totaling to Kshs.197,351,805, which is a decrease of Kshs.56,620,284 or 22% from the sum of Kshs.253,972,089 reported in the previous year. The decrease is mainly as a result of underperformance in public health facilities operations. Further, out of the total revenue collected totaling to Kshs.197,351,805, an amount of Kshs.24,586,113 was not banked in County Revenue Fund Account at Central Bank of Kenya, contrary to Section 109 (2) of the Public Finance Management Act, 2012 which requires the County Treasury for each County Executive to ensure that all money raised or received on behalf of the County Executive is paid into the County Revenue Fund.

6.2 Inconsistent Revenue Collection

In addition, revenue collection over the previous three financial years was inconsistent, as shown below:

	2015-2016	2014-2015	2013-2014
Particulars	**Kshs**	**Kshs**	**Kshs**
Refunds of loans to special groups (DATU Fund)	18,240,957	-	
Rents	6,372,976	13,028,273	
Receipts from Administrative Fees and Charges - Collected as AIA	-	-	150,111,327
Business Permits	47,613,598	45,865,182	
Cesses	49,350,242	33,428,866	
Poll Rates	-	18,350,359	
Plot Rents	-	386,370	
Other Local Levies	1,478,010	5,179,157	
Administrative Services Fees	-	345,363	
Various Fees	-	6,198,308	

Council's Natural Resources Exploitation	3,429,582	-	
Sales Of Council Assets	-	5,666,140	
Lease / Rental of Council's Infrastructure Assets	-	988,977	
Other Miscellaneous Revenues	-	8,973,762	
Dry Maize Cess	227,150	-	
Livestock	588,962	-	
Market/Trade Centre Fee	12,800,346	12,386,039	
Vehicle Parking Fees	17,889,285	15,372,280	
Housing	-	-	
Social Premises Use Charges	1,329,435	1,978,590	
Public Health Services	-	7,539,305	
Public Health Facilities Operations	31,537,957	67,679,968	
Environment & Conservancy Administration	-	1,463,600	
Slaughter Houses Administration	6,493,118	4,409,495	
Water Supply Administration	-	330	
Sewerage Administration	-	4,731,725	
Total	**197,351,618**	**253,972,089**	**150,111,327**

As the data shows, Kshs.150,111,327 was collected and recorded in 2013/2014. The collections increased to Kshs.253,972,089 in 2014/2015 but dropped to Kshs.197,351,618 or 41% in the year 2015/2016.

Further, whereas the statement of receipts and payments for the year ended 30 June 2016 reflects other receipts balance of Kshs.197,351,618, collections through the County Pro accounting system totalled Kshs.116,122,730, and collections through LAIFOMS totaled to Kshs.67,199,345 all totaling Kshs.183,322,075, thus resulting in unexplained variance of Kshs.14,029,543 between the balance reflected in the statement and the respective accounting records.

6.3 Receipt Books

Review of the Counterfoil Receipt Books Register revealed that 672 receipt books issued to various Cashiers within the County had not been accounted for as at 30 June 2016.

6.4 Land Rates not Disclosed in the Financial Statements

The statement of receipts and payments for the year ended 30 June 2016 reflects Other Receipts totaling to Kshs 197,351,805. Excluded from Other Receipts balance of

Kshs.197,351,618 are land rates of undetermined amount chargeable at the rate of 2% of the site value in accordance with the Taita Taveta Finance Act, 2014. Further, according to the Report of the Controller of Budget, land rates collected during the year under review totalled Kshs.14,346,412.

Consequently, the accuracy and completeness of the Other Receipts balance of Kshs.197,351,618 for the year ended 30 June 2016 cannot be confirmed.

7.0 Compensation of Employees

The statement of receipts and payment for the year ended 30 June 2016 reflects compensation of employees balance totaling to Kshs.1,839,175,096 against which the following observations were made:

7.1 Irregular Payment of Mileage Allowances

Included in the compensation of employees balance of Kshs.1,839,175,096 is Kshs.526,024.80 in respect of mileage allowance paid to a County Executive Committee Member who is, however, facilitated with Government transport. Section F.13 of the County Human Resource Manual, 2013 provides that all officers are eligible for commuter/transport allowance provided they are not facilitated with Government transport.

7.2 Casual Wages

Included in the compensation of employees balance of Kshs.1,839,175,096 are basic wages of temporary employees totaling to Kshs.267,345,443 but for which signed muster rolls to support casual wages totalling Kshs.29,736,741.15 were not availed for audit verification.

As a result, the accuracy, propriety and completeness of the compensation of employees expenditure balance totaling to Kshs.1,839,175,096 for the year ended 30 June 2016 could not be confirmed.

8.0 Acquisition of Assets

The statement of receipts and payments for the year ended 30 June 2016 reflects an acquisition of assets balance of Kshs.633,451,705. The following anomalies were observed in relation to the balance:

8.1 Construction of Buildings

8.1.1 Misallocated Expenditure

Note 18 to the financial statements reflects construction of buildings expenditure balance of Kshs.120,428,072, out of which Kshs.17,243,618.40 relates to domestic travel, accommodation and subsistance allowance, supply and services and utilities which, however, represent misallocated expenditure. This is contrary to Sections 147 and 149 of the Public Finance Management Act, 2012 which provides that expenditure is limited to the item for which such expenses were budgeted for.

8.1.2 Proposed Alteration of Existing Theatre at Moi County Referral Hospital, Voi

Included in the construction of buildings expenditure balance of Kshs.120,428,072 is Kshs. 2,255,562 paid for work done on the proposed alteration of the theatre at Moi County Referral Hospital, Voi at a contract sum of Kshs.4,818,843. However, the Bill of Quantities, Tender Committtee minutes and the Inspection and Acceptance Committee Report were not availed for audit verification.

8.1.3 Proposed Construction of Administration and Devolution Offices at Chawia, Mwatate Sub-County

Also, included in the construction of buildings balance of Kshs.120,428,072 is Kshs.5,400,000 paid for construction of administration and devolution offices at Chawia in Mwatate Sub-County at a contract sum of Kshs 23,660,147.64. However, the title deed or lease agreement and survey plan of the land on which the offices are situated, tender advertisement, site meeting minutes, and Report of the Committee of Inspection and Acceptance were not availed for audit verification. Further, although the project's expected completion date was 9 February 2016, during site inspection in December 2016, windows and doors had not been fixed nor work on the drainage system finished.

8.1.4 Proposed Fencing of County Headquarters at Mgeno

In addition, the construction of buildings balance of Kshs.120,428,072 includes a sum of Kshs.1,309,644 paid for construction of a chain link fence, security house and gate at County Headquarters at Mgeno at a contract sum of Kshs.3,819,740. However, records availed for audit review indicated that the fence was done by different construction firm at a certified value of Kshs.3,920,800. Further, during site inspection in December 2016, it was observed that some sections of the fence had been vandalized, while others were not done at all and in addition, no sign post was on the site to show that the construction works were on.

8.1.5 Proposed Construction of ECDE Classroom at Ngararu

Note 18 to the financial statements reflect construction of buildings balance of Kshs.120,428,072, out of which Kshs.1,200,000 was a transfer to Nguraru Early Childhood Development Education (ECDE) project account to facilitate the construction of a classroom and whose contract sum was Kshs.1,300,000. However, the title deed or lease agreement and survey plan of the land on which the classroom is situated, tender advertisement, site meeting minutes, and Report of the Committee of Inspection and Acceptance were not presented for audit verification.

Records availed for audit review indicated that construction work was expected to start on 21 April 2016 and end on 30 June 2016. However, by December 2016 when physical verification was done, electrical wiring and the floor had not been done and further, the site had not been handed over to the project committee to confirm completion of the project.

8.1.6 Completion of Marungu Dispensary

Note 18 to the financial statements reflects construction of buildings balance of Kshs.120,428,072, out of which Kshs.880,591 was paid for the proposed construction of a maternity block at Marungu Dispensary at a contract sum of Kshs.5,970,450. However, the Inspection and Acceptance Committee Report, tender advertisement, title deed or lease agreement for the land on which the dispensary sits and the Bills of Quantities were not presented for audit review. Further, a visit to the project site in December 2016, revealed that it had stalled at foundation level.

8.1.7 Proposed Construction of a Social Hall at Langateni

Included in the construction of buildings balance of Kshs.120,428,072 is a sum of Kshs.4,516,007.60 paid for the construction of a social hall at Langateni. However, the respective Inspection and Acceptance Committee Report was not availed for audit verification.

Consequently, the propriety and accuracy of expenditure totaling to Kshs.120,428,072 spent on the construction of buildings for the year ended 30 June 2016 could not be confirmed.

8.2 Construction and Civil Works

8.2.1 Construction of Pipeline Distribution for Mama Wajane

Note 18 to the financial statements reflects construction and civil works balance of Kshs.124,353,022, out of which Kshs.2,084,963 relates to construction of a water distribution pipeline for Mama Wajane. The works included installation of the pumping

system. However, during a site visit in December 2016, it was observed that the power supply had not been connected and the pump was not functional. Further, water test results to confirm that the water was suitable for human consumption were not availed for audit review.

8.2.2 Rehabilitation of Ngangu Water Project

Note 18 to the financial statements reflects construction and civil works balance of Kshs.124,353,022, out of which Kshs.1,501,928 relates to rehabilitation of Ngangu Water Project but the respective Bills of Quantities and certificates of completion were not availed for audit review.

8.2.3 Malkoriti Water Project

Note 18 to the financial statements for the year ended 30 June 2016 reflects construction and civil works balance of Kshs.124,353,022, out of which Kshs.1,192,610 relates to construction of a water distribution pipeline for Malkoriti Water Project. During a visit to the project site in December 2016, the project was not operational. An old borehole and a water tank allegedly funded by the National Government Taveta Constituency Development Fund, several years back was adjacent to the project.

8.2.4 Kisimenyi Borehole Water Project

Note 18 in to the financial statements reflects construction and civil works balance of Kshs.124,353,022, out of which Kshs.3,509,234 relates to Kisimenyi Borehole Water Project. However, the Water Resources Management Authority's Form WRMA 008 was not signed by an officer of the Authority. Further, during a visit to the project in December 2016, it was confirmed that the bore hole was drilled but not put to use due to alleged salinity and lack of power connectivity. In addition, although an old water kiosk was located at the site, a new one was constructed next to it. Also, the chain link to the power house was not anchored for stability.

8.2.5 Ngambenyi Borehole

Note 18 in the financial statements in addition, reflects construction and civil works balance of Kshs.124,353,022, out of which Kshs.2,500,000 relates to the Ngamenyi Borehole Water Project. The work entailed drilling, development, test pumping and water quality testing but the Water Resources Management Authority's borehole completion record Form WRMA 009A was not signed by an officer of the Authority. Further, according to the chemical analysis report prepared by the water quality section of the Coast Water Services Board, the water from the borehole was not fit for human consumption.

8.2.6 Construction of Kamleza Main Canal Water Project

Included in Note 18 to the financial statements for the year ended 30 June 2016 is Kshs.124,353,022 in respect of construction of civil works, out of which Kshs.1,499,652 is in respect of construction of Kamleza Main Canal Water Project of which the Bill of Quantities and certificates of completion were not presented for audit review. Further, at the time of project verification in December 2016, the canal had overgrown with vegetation, thus indicating that construction work had stalled.

8.2.7 Kaloleni Water Project

Included in Note 18 to the financial statements is an expenditure balance of Kshs.124,353,022 relating to construction of civil works, out of which a sum of Kshs.2,452,939.40 relates to Kaloleni Water Project whose contract sum was Kshs.14,907531.80. The works entailed pipeline installation and construction of a one hundred cubic meters (100m3) capacity water tank. However, the duration of the contract was not specified in the contract agreement. The project was verified in December 2016 and the pipeline found to have been damaged.

As a result of the cited irregularities and anomalies, the propriety and value-for-money for expenditure totaling to Kshs.14,741,326.40 spent on water projects for the year ended 30 June 2016 could not be confirmed.

8.3 Purchase of Office Furniture and General Equipment

Included in the acquisition of assets balance of Kshs.633,451,705 is Kshs.6,088,084 in respect of purchase of office furniture and general equipment, out of which Kshs.1,499,900 was paid to a furniture supplier for the Early Childhood Development and Education Centre for Sagalla Ward. However, quotations, the Inspection and Acceptance Committee Report, Counter Receipt and Issue Vouchers (S.13), Counter Requisition and Issue Vouchers (S.11), distribution list, evidence of receipt by the beneficiaries, were not presented for audit review.

Consequently, the propriety of expenditure totaling to Kshs.1,499,900 spent on office furniture for the year ended 30 June 2016 cannot be confirmed.

8.4 Purchase of Specialized Plant, Equipment and Machinery

8.4.1 Supply, Delivery, Installation and Commissioning of a CT Scan Machine at Moi Referral Hospital, Voi

Note 18 to the financial statements for the year ended 30 June 2016 reflects purchase of specialized plant, equipment and machinery at Kshs.7,066,757. However, the balance excludes Kshs.10,000,000, being part payment to a firm that supplied a CT

scan machine to Moi Referral Hospital, Voi in 2014/2015 at a contract sum of Kshs.43,240,542.80. Further, it was observed during a visit to the health facility that the equipment was partially installed and was therefore not in use. The management explained that some components of the equipment were yet to be received.

8.4.2 Supply, Delivery and Installation of Screen Walkthrough Machine

Note 18 to the financial statements reflects purchase of specialized plant, equipment and machinery expenditure totaling to Kshs.7,066,757. Included in the balance is Kshs.999,000 paid for supply, delivery and installation of two screen walk-through machines. Although the two machines were delivered, only one was installed, the other lay idle since delivery on 29 June 2015.

Consequently, the propriety and value-for-money on expenditure totaling to Kshs.10,999,000 spent on the CT scan machine and screen walk-through machine during the year under review cannot be confirmed.

8.5 Pending Bills

8.5.1 Note 18 to the financial statements reflects other domestic account balances totaling to Kshs.316,555,466 relating to paid pending bills for previous years. However, the sum exceeds the audited balance of pending bills totaling to Kshs.295,480,688 as at 30 June 2015 by Kshs.21,074,778 as detailed below:

VOTE	Amount Paid (Kshs)	Pending Bill Balance As At 30 June 2015 (Kshs.)	Excess Payment (Kshs.)
	Kshs	Kshs	Kshs
Recurrent	139,174,838	121,520,933	17,653,905
Development	177,380,628	173,959,755	3,420,873
Total	**316,555,466**	**295,480,688**	**21,074,778**

The excess pending bills totalling to Kshs.21,074,778 settled in the current financial year have not been explained. Further, included in the other domestic accounts balance of Kshs.316,555,467 is Kshs.79,386,381.40 comprised of Kshs.56,000,000 and Kshs.23,386,381.40 balances drawn from recurrent and development accounts repectively but for which the supporting documents were not presented for audit verification.

Further, included in the other domestic accounts of Kshs.316,555,466 is the sum of Kshs.5,599,955 paid to a supplier for delivery and installation of a standby generator at Moi Referral Hospital, Voi. However, despite the full payment having been made, the

equipment was delivered in June 2016 and was therefore not a pending bill as at 30 June 2015. In addition, it had not been installed at the time of the audit in December 2016.

8.5.2 Further, records presented for audit review indicated that the County Executive had pending bills totalling to Kshs.785,643,869.04 as at 30 June 2016. However, the balance differs by Kshs.48,176,075.20 from the cast balance of Kshs.737,467,793.30. The difference has not been reconciled. Further, the pending bills have not been separated into recurrent and development components nor disclosed as an appendix in the financial statements as per the Public Sector Accounting Standards template.

Consequently, the propriety and accuracy of the other domestic accounts balance of Kshs 316,555,466 as at 30 June 2016 could not be confirmed.

9.0 Assets and Liabilities from the Defunct Local Authorities

As in the previous year, the financial statements presented for audit review do not have disclosures on assets inherited from the defunct local authorities. Further, no handing over report of the assets and liabilities was presented for audit review.

Consequently, the validity and completeness of the assets and liabilities of the County Government as at 30 June 2016 cannot be confirmed.

10.0 Projects Verification

During audit verification on 18th and 19 January 2017, the following anomalies and irregularities on projects valued at Kshs.49,718,556 were observed:

Project Name	Amount paid/Project Estimated Cost at 30 June 2016(Kshs)	Irregularities/ Anomalies Noted
Department of Agriculture		
Drilling of a borehole including installation of pumping system at Boniface Mghanga Primary School, Mbololo.	2,005,000	The borehole was drilled but was not in use having been sealed after the water was tested and found unfit for human consumption. An additional one (on site) borehole was drilled but later abandoned after technical hitch was reportedly encountered.
Roads Department		

Kituri-Mbela Road	4,647,698.69	The contractor was on site but indicated that the project was complete. Formation works and the drainage system not done. Section measuring about 0.5km expanded to 4m in width instead of 6m due to alleged dispute with a neighbouring school and a private land owner.
Slabbing Sofia Bona and Birikani Road	922,586.28	Slab seen chipping off on both sides of the road. (Concrete slab was used instead of tarmac as it's more suitable for the soil structures of the area.)
Construction of two Mazeras box culverts in Voi Town.	1,598,801.69	Indicated as complete in status report yet the following was observed: • One culvert not constructed • Both ends of the culvert not filled with murram and compacted, hence not usable. • Contractor not on site, stalled project
Public Works Department		
Street Lights Project		
• Street Lights in Mganghe Dawida, Mghange Nyika,Lushangonyi ,Mwaroko, and Mwanda Markets and shopping centres	6,063,000	No street lights installed in Lushangoyi market.
• Bura market (10 Street Lights)	8,407,000	Only 6 power poles installed without lighting.
Fire Fighting Engine	13,750,000	Was involved in an accident and thus grounded. Tender and insurance documents not presented for audit review.
Health Department		
Construction of Twin Staff House at Bura Dispensary – Phase 1.	5,878,956.50	Indicated as complete although at roofing stage: Septic tank pit dug but floor plastering, glasses and ceiling board still undone.
Water Department		

Jora Rock Rain Harvest	3,215,649	• Metal structures used to anchor the pipeline but their bases appeared weak. • Pipeline used was of low quality. • The wash-out pipe not sealed • Constructed next to an existing spring water pipeline serving the residents and which should have been renovated and expanded • Not complete but the contractor not on site.
Construction of Marungu Water Project	737,414	• Stalled project with pipeline not reaching the water storage tank.
Rukanga Rock Catchment Pipeline	2,492,450	• Pipeline leaking • Some sections not anchored leading to distortion of the pipe. • Cracks on the pipeline-anchoring slab.
Total	49,718,556	

Consequently, the propriety and value-for-money for the sum of Kshs.49,718,556 spent on these projects during the year under review cannot be confirmed.

11.0 Budgetary Control and Performance

11.1 Budget Absorption

During the year under review, Taita Taveta County Executive had a total budget of Kshs.4,137,574,760 comprising recurrent budget of Kshs.2,889,733,880 and development budget of Kshs.1,247,840,880. Actual expenditure reflected net under-absorption of Kshs.565,582,822 or 17.7% of the budget as summarized below:

Vote	**Approved Budget for 2015/2016**	**Actual Expenditure for 205/2016**	**Over-Expenditure**	**Under-Absorption**	
	Kshs	**Kshs**	**Kshs**	**Kshs**	**%**
Recurrent Vote	2,889,733,880	3,058,361,643	168,627,763	-	5.8
Development Vote	1,247,840,880	513,630,295	-	734,210,585	58.8
Total	**4,137,574,760**	**3,571,991,938**	**168,627,763**	**734,210,585**	**17.7**

The under-absorption of the approved budget resulted from failure by the County Executive to implement some recurrent activities planned for the year. The failure had a negative effect on service delivery to the residents of Taita Taveta County.

11.2 Development Budget

During the year under review, Taita Taveta County Executive allocated Kshs.1,247,840,880 for development expenditure but spent Kshs.513,630,295, thus resulting to under-expenditure of Kshs.734,210,585 or 58.8% of the budget as shown below:

Item	Approved Budget 2015/2016	Actual Expenditure 2015/2016	Under Absorption	%
	Kshs	Kshs	Kshs.	
Compensation of Employees	9,550,000	3,055,000	6,495,000	68.0
Use of Goods and Services	135,170,864	34,884,777	100,286,087	74.2
Other Grants and Transfers	11,700,000	11,179,000	521,000	4.5
Acquisition of Assets	1,065,420,016	441,511,518	623,908,498	58.6
Total	**1,247,840,880**	**513,630,295**	**734,210,585**	**58.8**

Thus the County Executive failed to implement or complete some projects. As such, the intended objectives of the annual budget were not achieved.

11.3 Governor's Budget

The Office of the Governor total budgetary allocation amounted to Kshs.163,867,788 out of which the recurrent budget was Kshs.134,588,800 while the development budget was Kshs.29,278,988. The actual expenditure was Kshs.148,722,929 and Kshs.30,963,399 for recurrent and Development respectively. This translated to overall over-expenditure of Kshs.15,818,541 or 9.7%. The development vote was spent as follows:

Item Description	Budget Kshs.	Actual Amount (Kshs)	Variance Kshs.
Non-Residential Buildings	0	789,402	789,402
Payables from previous financial year	26,278,988	28,072,785	1,793,797
Research Allowances	3,000,000	2,101,212	(898,788)
Totals	**29,278,988**	**30,963,399**	**1,684,411**

In addition, out of the development expenditure allocation amounting to Kshs.30,963,399, a sum of Kshs.13,846,150 was transferred to the County Treasury Imprest Account apparently for non-capital expenditure. However, documents showing how the funds were utilized were not presented for audit.

The Office of Governor's recurrent budget of Kshs.134,588,800 was spent as detailed below:

Item Description	Recurrent Budget	Expenditure	Variance
	Kshs.	Kshs.	Kshs.
Compensation of Employees	45,218,659	49,670,436	(4,451,777)
Sub-Total	**45,218,659**	**49,670,436**	(4,451,777)
Use of Goods and Services			
Utilities, Suplies and Services	491,135	422,294	68,841
Communication, Supplies and services	4,585,000	2,908,413	1,676,587
Domestic Travel and Subsistence	29,140,000	27,132,118	2,007,882
Foreign Travel and Subsistence	7,798,671	9,331,677	(1,533,006)
Printing, advertising and information supplies & Services	2,413,828	4,677,156	(2,263,328)
Rentals of Produced assets	4,031,612	488,300	3,543,312
Training Expenses	764,920	4,542,380	(3,777,460)
Hospitality supplies and Services	6,474,687	8,454,000	(1,979,313)
Fungicides, Insecticides and Sprays	50,000	48,000	2,000
Office and General supplies and services	672,000	888,496	(216,496)
Fuel Oil and Lubricants	4,580,000	12,653,500	(8,073,500)
Routine Maintenance- Other Assets	2,612,845	2,300,000	312,845
Refurbishment of Buildings	272,990	256,430	16,560

Purchase of Computers, Photocopiers & IT Equipment	370,000	350,000	20,000
Other Operating Expenses	23,812,453	24,599,730	(787,277)
Sub Total	**88,070,141**	**99,052,494**	**(10,982,353)**
Other Payments			
Donations	1,300,000	-	1,300,000
Sub-Total	**1,300,000**	**-**	**1,300,000**
Total	**134,588,800**	**148,722,929**	**(14,134,129)**

The approval by the County Assembly of Taita Taveta for the aggregate recurrent and development votes over-expenditure amounting to Kshs.15,818,541 (as required under Section 131 of the Public Finance Management Act, 2012) was not presented for audit review.

11.4 Recurrent Budget

During the year under review, Taita Taveta County Executive allocated a budget of Kshs.2,889,733,880 for recurrent expenditure against actual expenditure of Kshs.3,058,361,643, resulting to net over-expenditure of Kshs.168,627,763 or 5.8% comprising over expenditure of Kshs.273,489,959 or 9.5% and under-expenditure of Kshs.104,862,196 or 3.6% as detailed below:

Component	**Approved Budget for 2015/2016**	**Actual Expenditure for 2015/2016**	**Over**	**Under**	**%**
	Kshs	**Kshs**	**Kshs**	**Kshs**	
PAYMENTS					
Compensation of Employees	1,642,994,847	1,836,120,096	193,125,249	-	11.8
Use of Goods and Services	770,430,161	737,709,369	-	32,720,792	4.2
Transfers to Other Government Units	80,430,798	56,587,125	-	23,843,673	29.6
Other Grants and Transfers	113,840,000	127,342,294	13,502,294	-	11.9

Social Security Benefits	41,800,156	51,160,469	9,360,313	-	22
Acquisition of Assets	240,237,918	191,940,187	-	48,297,731	20.1
Repayment of Principal on Domestic and Foreign Borrowing	-	44,845	44,845	-	100
Other Expenses	-	57,457,258	57,457,258	-	100
Total	**2,889,733,880**	**3,058,361,643**	**273,489,959**	**104,862,196**	**5.8**

Approval by the County Assembly of the over-expenditure of Kshs.273,489,959 was not presented for audit review.

11.5 Revenue Budget

The statements of receipts and payments for the year ended 30 June, 2016 indicates that the County Executive collected other revenue totalling Kshs.197,351,805 against a budget of Kshs.352,805,992, resulting to a shortfall of Kshs.155,454,187 or 44%. The management did not provide satisfactory explanation for the huge revenue shortfall. The under-collection indicates possible weaknesses in revenue management in such aspects as recording of revenue and enforcement of control systems. Under-collection of revenue negatively constraints service delivery and implementation of planned programs.

12.0 Human Resources

Records presented for audit review indicated that during the year under review, the County Executive recruited one hundred and four (104) employees. The following irregularities were noted in regard to the appointments:

12.1 Recruitment of Nurses

Records presented for audit indicated that the County Public Service Board advertised three positions of Registered Nurses who were required to possess among other qualifications, a Diploma in Nursing. However, contrary to this requirement, the Board shortlisted, interviewed and appointed three applicants with certificates in nursing.

12.2 Nutrition and Dietetics Officers

Records presented for audit review indicated that the County Public Service Board appointed two candidates who ranked positions in five (5) and nine (9) out of the

eleven (11) interviewed for the position of Dietetics Officer. No satisfactory explanation was given why the better candidates were disregarded.

12.3 Medical Laboratory Technologists

Records presented for audit review indicated that the County Public Service Board employed twelve (12) Medical Laboratory Technologists, out of whom candidates who ranked 3rd and 4th in the interviews were dropped without satisfactory explanation.

12.4 Community Health Assistants

Available records indicated that the County Public Service Board appointed six officers who ranked 2nd, 4th, 5th, 6th, 10th and 15th to the position of Community Health Assistants, leaving out, without satisfactory explanation, candidates who ranked 1st and 3rd in the interviews.

12.5 Pharmaceutical Technologists III

The records further indicated that four (4) officers who ranked 1st, 2nd, 3rd, and 7th in the respective interview were appointed as Pharmaceutical Technologists III. However, no satisfactory explanation was given why the fourth ranked candidate was not employed.

12.6 Physiotherapists

The records indicated that three (3) officers who ranked 1st, 3rd, and 5th in the interview were appointed as Physiotherapists leaving out the 2nd ranked candidate. No satisfactory expalanation was given for the decision.

12.7 Public Health Officers

Records availed for audit review indicated that four officers were appointed to the position of Public Health Officers. However, one candidate was dropped without satisfactory explanation despite coming 2nd in the interviews.

As a result of these anomalies, the recruitment and appointment of staff to the above positions would be deemed as irregular.

13.0 Fixed Assets Register

Review of the fixed assets register maintained by the the County Executive of Taita Taveta revealed that dates of assets acquisition, asset codes, dates of disposal and costs were not indicated. This was contrary to Section 149 (o) of the Public Finance management Act, 2012 which requires the Accounting Officer designated to a County Executive to maintain an assets register that is current and accurate. In the

circumstance, it was not possible for the management to track details of all the fixed assets for informed decision on acquisition, retention, or disposal of the County Executive fixed assets.

Disclaimer of Opinion

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

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

Nairobi

15 August 2017

VI. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015-2016 Kshs	2014-2015 Kshs
RECEIPTS			
Tax Revenues	1	-	-
Social Security Contributions	2	27,976,111	-
Proceeds from Domestic and Foreign Grants	3	63,790,743	12,430,000
Transfers from National Treasury	4	3,309,568,191	2,887,455,925
Transfers from Other Government Entities	5	42,042,522	-
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	197,351,805	253,972,089
TOTAL RECEIPTS		**3,640,729,372**	**3,153,858,014**
PAYMENTS			
Compensation of Employees	12	1,839,175,096	1,505,875,728
Use of goods and services	13	772,594,146	810,665,349
Subsidies	14	-	-
Transfers to Other Government Units	15	150,342,294	174,658,712
Other grants and transfers	16	67,766,125	100,899,953
Social Security Benefits	17	51,160,469	21,816,574
Acquisition of Assets	18	633,451,705	885,669,505
Finance Costs, including Loan Interest	19	44,845	-
Repayment of principal on Domestic and Foreign borrowing	20	-	-
Other Expenses	21	57,457,258	8,123,450
TOTAL PAYMENTS		**3,571,991,938**	**3,507,709,271**
SURPLUS/(DEFICIT)		**68,737,247**	**(353,851,257)**

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 16.02. 2018 and signed by:

Chief Officer

Head of Treasury Accounting

VII. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2016

	Note	2015-2016	2014-2015 (Restated)
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	22A	170,611,814	124,132,175*
Cash Balances	22B	621,480	2,017,112
Total Cash And Cash Equivalents		**171,233,294**	**126,149,287**
	86		
Accounts Receivables - Outstanding Imprest and Clearance Accounts	23	44,364,549	6,319,172
TOTAL FINANCIAL ASSETS		**215,597,843**	**132,468,459**
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	24	23,148,872	8,756,735
NETFINANCIAL ASSETS		**192,448,971**	**123,711,724**
REPRESENTED BY			
Fund balance b/fwd	25	**123,711,724**	**407,479,713**
Surplus/(Deficit) for the year		**68,737,247**	**(283,767,989)**
Prior year adjustments	26A	**-**	**70,083,268**
NET FINANCIAL POSITION		**192,448,971**	**123,711,724**

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 _____ 2016 and signed by:

*Balance restated as explained in note 26A.

Chief Officer

Head of Treasury Accounting

VIII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015-2016 Kshs	2014-2015 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Tax Revenues	1	-	-
Social Security Contributions	2	27,976,111	
Proceeds from Domestic and Foreign Grants	3	63,790,743	12,430,000
Transfers from National Treasury	4	3,309,568,191	2,887,455,925
Transfers from Other Government Entities	5	42,042,522	-
Reimbursements and Refunds	9	-	-
Returns of Equity Holdings	10	-	-
Other Revenues	11	197,351,618	253,972,089
		3,640,729,185	**3,153,858,014**
Payments for operating expenses			
Compensation of Employees	12	1,839,175,096	1,505,875,728
Use of goods and services	13	772,594,146	810,665,349
Subsidies	14	-	-
Transfers to Other Government Units	15	150,342,294	144,237,687
Other grants and transfers	16	67,766,125	61,237,710
Social Security Benefits	17	51,160,469	21,816,574
Finance Costs, including Loan Interest	19	44,845	-
Other Expenses	21	57,457,258	8,123,450
		2,938,540,233	**2,551,956,498**
Adjusted for:			
Changes in receivables		44,364,549	6,319,172
Changes in payables		23,148,872	8,756,735
Adjustments during the year		(91,166,662)	(12,638,343)
Net cashflow from operating activities		**678,535,710**	**604,339,080**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	8	-	-
Acquisition of Assets	18	(633,451,705)	(885,669,505)
Net cash flows from Investing Activities		**(633,451,705)**	**(885,669,505)**
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	6	-	-
Proceeds from Foreign Borrowings	7	-	-
Repayment of principal on Domestic and Foreign borrowing	20	-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		**45,084,006**	**(281,330,425)**
Cash and cash equivalent at BEGINNING of the year	24	**126,149,288**	**407,479,713**
Cash and cash equivalent at END of the year	25	**171,233,293**	**126,149,288**

IX. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30TH JUNE 2016- RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Tax Receipts	-	-	-	-	-	
Social Security Contributions	-	-	-	27,976,111	(27,976,111)	
Proceeds from Domestic and Foreign Grants	80,808,643	-	80,808,643	63,790,743	17,017,900	
Exchequer releases	3,309,568,191	-	3,309,568,191	3,309,568,191	-	
Transfers from Other Government Entities	42,042,522	-	42,042,522	42,042,522	-	
Proceeds from Domestic Borrowings	-	-	-	-	-	
Proceeds from Sale of Assets	-	-	-	-	-	
Reimbursements and Refunds	-	-	-	-	-	
Other Receipts	352,805,992	-	352,805,992	197,110,661	155,695,331	
Total Receipts	**3,785,225,348**	**-**	**3,785,225,348**	**3,640,488,228**	**144,737,120**	
	-			-		
Payments	-			-		
Compensation of Employees	1,491,913,228	160,631,619	1,652,544,847	1,839,175,096	(186,630,249)	
Use of goods and services	931,489,606	(25,888,581)	905,601,025	772,594,146	133,006,879	
Subsidies	-	-	-	-	-	
Transfers to Other Government Units	132,473,297	(26,042,499)	106,430,798	150,342,294	(43,911,496)	
Other grants and transfers	133,438,440	(7,898,440)	125,540,000	67,766,125	57,773,875	
Social Security Benefits	30,000,000	11,800,156	41,800,156	51,160,469	(9,360,313)	
Acquisition of Assets	1,137,568,595	168,089,339	1,305,657,934	633,451,705	672,206,229	
Repayment of principal on Domestic and Foreign borrowing	-	-	-	44,845	(44,845)	
Other Expenses	-	-	-	57,457,258	(57,457,258)	
Grand Total	**3,856,883,166**	**280,691,594**	**4,137,574,760**	**3,571,991,938**	**565,582,822**	

X. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30TH JUNE 2016- RECCURENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Tax Receipts	-	-	-		-	
Social Security Contributions	-	-	-	27,976,111	(27,976,111)	
Proceeds from Domestic and Foreign Grants	80,808,643	-	80,808,643	63,790,743	17,017,900	
Exchequer releases	2,316,697,733	-	2,316,697,733	2,316,697,733	-	
Transfers from Other Government Entities	42,042,522	-	42,042,522	42,042,522	-	
Proceeds from Domestic Borrowings	-	-	-	-	-	
Proceeds from Foreign Borrowings	-	-	-	-	-	
Proceeds from Sale of Assets	-	-	-	-	-	
Reimbursements and Refunds	-	-	-	-	-	
Returns of Equity Holdings	-	-	-	-	-	
Other Receipts	352,805,992	-	352,805,992	179,110,661	173,695,331	
Total Receipts	**2,792,354,890**	**-**	**2,792,354,890**	**2,629,617,770**	**162,737,120**	
	-			-		
Payments	-			-		
	-			-		
Compensation of Employees	1,475,731,228	167,263,619	1,642,994,847	1,836,120,096	(193,125,249)	
Use of goods and services	810,552,935	(40,122,774)	770,430,161	737,709,369	32,720,792	
Subsidies	-	-	-	-	-	
Transfers to Other Government Units	92,773,297	(12,342,499)	80,430,798	56,587,125	23,843,673	
Other grants and transfers	75,338,440	38,501,560	113,840,000	127,342,294	(13,502,294)	
Social Security Benefits	30,000,000	11,800,156	41,800,156	51,160,469	(9,360,313)	
Acquisition of Assets	196,693,215	43,544,703	240,237,918	191,940,187	48,297,731	
Repayment of principal on Domestic and Foreign borrowing	-	-	-	44,845	(44,845)	
Other Expenses	-	-	-	57,457,258	(57,457,258)	
Total Payments	**2,681,089,115**	**208,644,765**	**2,889,733,880**	**3,058,361,643**	**(168,627,763)**	

XI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30TH JUNE 2016- DEVELOPMENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Tax Receipts	-	-	-	-	-	
Social Security Contributions	-	-	-	-	-	
Proceeds from Domestic and Foreign Grants	75,774,810	-	75,774,810	21,426,035	54,348,775	
Exchequer releases	992,870,457	-	992,870,457	992,870,457		
Transfers from Other Government Entities	59,941,510	-	59,941,510	-	59,941,510	
Proceeds from Domestic Borrowings	-	-	-	-	-	
Proceeds from Foreign Borrowings	-	-	-	-	-	
Proceeds from Sale of Assets	-	-	-	-	-	
Reimbursements and Refunds	-	-	-	-	-	
Returns of Equity Holdings	-	-	-	-	-	
Other Receipts	119,243,837	-	119,243,837	60,159,689	59,084,148	
Total Receipts	**1,247,830,614**	**-**	**1,247,830,614**	**1,074,456,181**	**173,374,433**	

Payments						
Compensation of Employees	16,182,000	(6,632,000)	9,550,000	3,055,000	6,495,000	
Use of goods and services	120,936,671	14,234,193	135,170,864	34,884,777	100,286,087	
Subsidies	-	-	-	-	-	
Transfers to Other Government Units	39,700,000	(13,700,000)	26,000,000	23,000,000	3,000,000	
Other grants and transfers	58,100,000	(46,400,000)	11,700,000	11,179,000	521,000	
Social Security Benefits	-	-	-	-	-	
Acquisition of Assets	940,875,380	124,544,636	1,065,420,016	441,511,518	623,908,498	
Repayment of principal on Domestic and Foreign borrowing	-	-	-	-	-	
Other Expenses	-	-	-	-	-	
Total Payments	**1,175,794,051**	**72,046,829**	**1,247,840,880**	**513,630,295**	**734,210,585**	

XII. SIGNIFICANT ACCOUNTING POLICIES

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

i. 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 TaitaTaveta County Assembly. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

ii. Recognition of receipts and payments

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

iii. In-kind contributions

In-kind contributions are donations that are made to the *TaitaTaveta County Assembly* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *TaitaTaveta County Assembly* includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded. There was no in-kind contributions during the year.

iv. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v. 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.

vi. 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.

vii. 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 TaitaTaveta County Assembly fixed asset register a summary of which is provided as a memorandum to these financial statements.

viii. 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 *TaitaTaveta County Assembly* at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

ix. 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 *TaitaTaveta County Assembly's* budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the *TaitaTaveta County Assembly's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

x. 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.

xi. 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.

XIII. NOTES TO THE FINANCIAL STATEMENTS

1 TAX RECEIPTS

	2015-2016 Kshs	2014-2015 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)	-	-
	-	-

2 SOCIAL SECURITY CONTRIBUTION

	2015-2016 Kshs	2014-2015 Kshs
Receipts for Health Insurance Contribution	-	-
Receipts to NHIF for Health Insurance Contributions	15,779,278	-
Receipts from Govt Employees to Social & Welfare Schemes in Govt	12,196,833	-
	27,976,111	-

3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	2015-2016 Kshs	2014-2015 Kshs
Grants Received from Bilateral Donors (Foreign Governments)		
DANIDA - (Health Services Department)	7,405,000	12,430,000
Grants Received from Multilateral Donors (International Organisations)		
World Bank(Result based funds)	17,242,898	-
Grants Received from other levels of government		
Conditional Allocation for free maternity	32,507,500	-
Conditional Allocation for user fees foregone	6,635,345	-
	63,790,743	**12,430,000**

NOTES TO THE FINANCIAL STATEMENTS

4 EXCHEQUER RELEASES

Description and reference of the transfer	2015-2016 Kshs	2014-2015 Kshs
1st quarter transfer	562,626,593	620,803,024
2nd quarter transfer	843,939,888	707,426,702
3rd quarter transfer	827,392,047	534,179,346
4th quarter transfer	1,075,609,663	1,025,046,853
	3,309,568,191	**2,887,455,925**

5 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2015-2016 Kshs	2014-2015 Kshs
Transfers from Central government entities		
Roads Maintenance Levy Fund	42,042,522	-
Transfers from Counties		
	-	-
	-	-
TOTAL	**42,042,522**	**-**

The amounts above have been reconciled with the sending Government entity.

6 PROCEEDS FROM DOMESTIC BORROWINGS

	2015-2016 Kshs	2014-2015 Kshs
Borrowing within General Government	-	-
Borrowing from Monetary Authorities (Central Bank)	-	-
Other Domestic Depository Corporations (Commercial Banks)	-	-
Borrowing from Other Domestic Financial Institutions	-	-
Borrowing from Other Domestic Creditors	-	-
Domestic Currency and Domestic Deposits	-	-
Domestic Accounts Payable	-	-
Total	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

7	PROCEEDS FROM FOREIGN BORROWINGS	2015-2016 Kshs	2014-2015 Kshs
	Foreign Borrowing – Draw-downs Through Exchequer	-	
	Foreign Borrowing - Direct Payments	-	-
	Foreign Currency and Foreign Deposits	-	-
	Total	-	-

8	PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS	2015-2016 Kshs	2014-2015 Kshs
	Receipts from the Sale of Buildings	-	-
	Receipts from the Sale of Vehicles and Transport Equipment	-	-
	Receipts from the Sale Plant Machinery and Equipment	-	-
	Receipts from Sale of Certified Seeds and Breeding Stock	-	-
	Receipts from the Sale of Strategic Reserves Stocks	-	-
	Receipts from the Sale of Inventories, Stocks and Commodities	-	-
	Disposal and Sales of Non-Produced Assets	-	-
	Receipts from the Sale of Strategic Reserves Stocks	-	-
	Total	-	-

9	REIMBURSEMENTS AND REFUNDS	2015-2016 Kshs	2014-2015 Kshs
	Refund from World Food Programme (WFP)	-	-
	Reimbursement of Audit Fees	-	-
	Reimbursement on Messing Charges (UNICEF)	-	-
	Reimbursement from World Bank – ECD	-	-
	Reimbursement from Individuals and Private Organisations		-
	Reimbursement from Local Government Authorities	-	-
	Reimbursement from Statutory Organisations	-	-
	Reimbursement within Central Government	-	-
	Reimbursement Using Bonds	-	-
	Total	-	-

NOTES TO THE FINANCIAL STATEMENTS

10	RETURNS OF EQUITY HOLDINGS	2015-2016 Kshs	2014-2015 Kshs
	Returns of Equity Holdings in Domestic Organisations	-	-
	Returns of Equity Holdings in International Organisations	-	-
	Total	-	-

11	OTHER REVENUES	2015-2016 Kshs	2014-2015 Kshs
	Interest Received	-	-
	Profits and Dividends	-	-
	Refunds of loans to special groups (DATU Fund)	18,240,957	-
	Rents	6,372,976	13,028,273
	Other Property Income	-	-
	Sales of Market Establishments	-	-
	Receipts from Administrative Fees and Charges	-	-
	Receipts from Administrative Fees and Charges - Collected as AIA	-	-
	Receipts from Incidental Sales by Non-Market Establishments	-	-
	Receipts from Sales by Non-Market Establishments	-	-
	Receipts from Sale of Incidental Goods	-	-
	Fines Penalties and Forfeitures	-	-
	Receipts from Voluntary transfers other than grants	-	-
	Other Receipts Not Classified Elsewhere	-	-
	Business Permits	47,613,598	45,865,182
	Cesses	49,350,242	33,428,866
	Poll Rates	-	18,350,359
	Plot Rents	-	386,370
	Other Local Levies	1,478,010	5,179,157
	Administrative Services Fees	-	345,363
	Various Fees	-	6,198,308
	Council'S Natural Resources Exploitation	3,429,582	-
	Sales Of Council Assets	-	5,666,140
	Lease / Rental Of Council'S Infrastructure Assets	-	988,977
	Other Miscellaneous Revenues	-	8,973,762
	Dry Maize cess	227,150	-
	Livestock	588,962	-
	Insurance Claims Recovery	-	-

NOTES TO THE FINANCIAL STATEMENTS

Medium Term Loans (1-3 Yr Repayment)	-	-
Long Term Loans (Over 3 YrRepayment)	-	-
Transfers From Reserve Funds	-	-
Donations	-	-
Fund Raising Events	-	-
Other Revenues From Financial Assets Loan	-	-
Market/Trade Centre Fee	12,800,346	12,386,039
Vehicle Parking Fees	17,889,285	15,372,280
Housing	-	-
Social Premises Use Charges	1,329,435	1,978,590
School Fees	-	-
Other Education-Related Fees	-	-
Other Education Revenues	-	-
Public Health Services	-	7,539,305
Public Health Facilities Operations	31,537,957	67,679,968
Environment & Conservancy Administration	-	1,463,600
Slaughter Houses Administration	6,493,118	4,409,495
Water Supply Administration	187	330
Sewerage Administration	-	4,731,725
Other Health & Sanitation Revenues	-	-
Technical Services Fees	-	-
External Services Fees	-	-
System Required Revenue A/cs	-	-
Total	**197,351,805**	**253,972,089**

12 COMPENSATION OF EMPLOYEES

	2015-2016 Kshs	2014-2015 Kshs
Basic salaries of permanent employees	1,032,444,940	1,061,010,037
Basic wages of temporary employees	267,345,443	105,143,122
Personal allowances paid as part of salary	457,380,547	320,525,486
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	76,213,024	19,197,083
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	-
Other personnel payments	-	-
Salaries & Wages	776,722	-
NHIF &Maternity	5,014,420	-
Total	**1,839,175,096**	**1,505,875,728**

NOTES TO THE FINANCIAL STATEMENTS

13 USE OF GOODS AND SERVICES	2015-2016 Kshs	2014-2015 Kshs
Utilities, supplies and services	28,661,002	22,043,527
Communication, supplies and services	11,104,007	11,174,779
Domestic travel and subsistence	187,238,233	197,171,396
Foreign travel and subsistence	75,731,907	82,770,042
Printing, advertising and information supplies & services	16,951,500	73,878,882
Rentals of produced assets	19,543,991	15,995,904
Training expenses	57,702,530	37,101,747
Hospitality supplies and services	47,592,955	57,419,316
Insurance costs	66,912,661	56,562,704
Specialised materials and services	97,475,895	117,587,540
Office and general supplies and services	12,849,896	23,895,131
Other operating expenses	54,569,429	49,315,857
Routine maintenance – vehicles and other transport equipment	18,649,616	20,570,858
Guards and cleaning services	-	-
Fuel Oil and Lubricants	31,055,512	32,428,315
Routine maintenance – other assets	16,730,429	12,749,351
Board & Ward Allowances and Subsistence	14,266,583	-
NHIF & Maternity	15,558,188	-
Total	**772,594,146**	**810,665,349**

14 SUBSIDIES

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Subsidies to Public Corporations		
	-	-
	-	-
Subsidies to Private Enterprises		
	-	-
	-	-
TOTAL	-	-

NOTES TO THE FINANCIAL STATEMENTS

15 TRANSFER TO OTHER GOVERNMENT UNITS

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Transfers to Central government entities		
See attached list	-	-
Transfers to Counties		
Transfer to County Assembly	80,000,000	
Current grants	8,000,000	
Other Capital grants and Transfers	-	76,146,327
DatuSawazisha	-	32,091,360
Other current transfers, grants and subsidies	62,342,294	36,000,000
Roads maintenance levy	-	
TOTAL	**150,342,294**	**144,237,687**

16 OTHER GRANTS AND OTHER TRANSFERS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Scholarships and other educational benefits	1,776,342	58,626,760
2014/2015 Education grants	65,723,083	-
Emergency relief and refugee assistance	266,700	2,610,950
Subsidies to small businesses, cooperatives, and self employed		-
Total	**67,766,125**	**61,237,710**

17 SOCIAL SECURITY BENEFITS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Government pension and retirement benefits	51,160,469	21,816,574
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	-	-
Total	**51,160,469**	**21,816,574**

NOTES TO THE FINANCIAL STATEMENTS

18 ACQUISITION OF ASSETS	2015 - 2016 Kshs	2014 - 2015 Kshs
Purchase of Buildings	-	-
Construction of Buildings	120,428,072	279,691,079
Refurbishment of Buildings	1,394,210	17,103,550
Construction of Roads	32,661,108	313,821
Construction and Civil Works	124,353,022	19,691,105
Overhaul and Refurbishment of Construction and Civil Works	6,126,289	55,136,724
Purchase of Vehicles and Other Transport Equipment	7,559,653	133,714,450
Overhaul of Vehicles and Other Transport Equipment	-	135,000
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	6,088,084	65,022,847
Purchase of Specialised Plant, Equipment and Machinery	7,066,757	74,603,361
Rehabilitation and Renovation of Plant, Machinery and Equip.	1,359,224	5,127,760
Purchase of Certified Seeds, Breeding Stock and Live Animals	228,425	31,793,821
Research, Studies, Project Preparation, Design & Supervision	4,894,800	9,674,139
Rehabilitation of Civil Works	2,066,150	193,661,848
Othe domestic accounts	316,555,466	-
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Purchase of ICT Equipment	-	-
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
Foreign Payables - From Previous Years	-	-
NHIF & Maternity	2,670,445	-
Total	**633,451,705**	**885,669,505**

19 FINANCE COSTS, INCLUDING LOAN INTEREST	2015 - 2016 Kshs	2014 - 2015 Kshs
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	-	-
Bank Charges	44,845	-
Total	**44,845**	**-**

NOTES TO THE FINANCIAL STATEMENTS

20 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING

	2015 - 2016 Kshs	2014 - 2015 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 PAYMENTS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Budget Reserves	-	-
Civil Contingency Reserves	-	-
Other expenses(System required expenses)	20,901,111	2,701,167
Domestic Accounts	-	-
Other expenses(donations)	-	5,422,283
Scholarships	-	-
Bursaries	-	-
Fixed deposit account	10,000,000	-
Education Loans	15,615,700	-
Loans	-	-
NHIF & Maternity(Specialisedgoods&services)	10,940,447	-
	57,457,258	**8,123,450**

22A BANK BALANCES

Name of Bank, Account No. & currency	Account currency	Type	2015 - 2016 Kshs	2014 – 2015 (Restated) Kshs
TaitaTaveta Recurrent CBK	KShs	Recurrent	933,055	20,847,582
TaitaTaveta Development CBK	KShs	Development	1,456	14,183,406
TaitaTaveta Deposits CBK	KShs	Deposits	23,148,872	8,756,735
TaitaTaveta Revenue Fund CBK	KShs	Revenue	2	7,927,497
TaitaTaveta Revenue Collection Account	KShs	Revenue	82,660,652	2,333,688
Roads maintenance levy	KShs	Roads	27,445,912	-
KCB EMERGENCY A/C NO.	KShs	Recurrent	158,432	9,000,000*
KENYA COMMERCIAL BANKAC No. 1152801015(EDUCATION FUND)	Ksh	Recurrent	12,236,344	30,662,243*
CO-OPERATIVE BANK AC No. 01141222222000 (DATU FUND)		Recurremt	17,692,440	28,570,540*

KENYA COMMERCIAL BANKAC No.1166131580(DATU FUND)	Ksh	Reccurent	3,094,970	-
MOI HOSPITAL IMPREST ACCT NO. 1145667961	Ksh	Reccurent	602,805	971,769*
MWATATE HOSIPITAL IMPREST ACCOUNT NO 1145668054	Ksh	Reccurent	278,950	830,597*
Taveta hospital imprest account	Ksh	Reccurent	2,220,479	48,119*
wundanyi hospital imprest account	Ksh	Reccurent	103,639	-
wesu hospital imprest account	Ksh	Reccurent	33,806	-
Total			**170,611,814**	**124,132,175***

*Restated as explained in note 26A.

22B CASH BALANCES

	2015 - 2016 Kshs	2014 - 2015 Kshs
Cash in Hand – Held in domestic currency	621,480	2,017,112
Cash in Hand – Held in foreign currency	-	-
Total	**621,480**	**2,017,112**

Cash in hand should is also analysed as follows:

	2015 - 2016 Kshs	2014 - 2015 Kshs
Taveta Sub-county (Revenue centers)	486,565	49,785
Voi Sub- county (Revenue centres)	78,015	138,996
Mwatate Sub-county (Revenue centers)	46,850	21,710
Wundanyi Sub-county (Revenue centers)	10,050	88,007
Health facilities	-	141,670
Adjustments(***see note 26B***)	-	1,576,944
Total	**621,480**	**2,017,112**

23 ACCOUNTS RECEIVABLES-Outstanding Imprest and Clearance Accounts

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Government Imprests	28,748,849	6,319,172
Clearance accounts	-	-
Loans	15,615,700	-
Total	**44,364,549**	**6,319,172**

NOTES TO THE FINANCIAL STATEMENTS

24 Accounts Payables

	2015 - 2016 Kshs	2014 - 2015 Kshs
Deposits	23,148,872	8,756,735
TOTAL	**23,148,872**	**8,756,735**

25 FUND BALANCES BROUGHT FORWARD

	2015 - 2016 Kshs	2014 - 2015 Kshs
Bank accounts	54,048,908	407,479,713
Cash in hand	2,017,112	-
Receivables- Outstanding Imprests	6,319,172	-
Payables - Deposits	(8,756,735)	-
Accounts Receivables		-
Total	**53,628,457**	**407,479,713**

26A PRIOR YEAR ADJUSTMENTS CLOSING BALANCES FOR THE FINANCIAL YEAR 2014-2015FOR VARIOUS FUNDS AND ACCOUNTS NOT CAPTUREDFOR PERIOD ENDING 30TH JUNE 2015 -

	2015-2016	2014-2015
EMERGENCY FUND	-	9,000,000
DATU FUND	-	28,570,540
EDUCATION FUND	-	30,662,243
MOI HOSPITAL ACCT	-	971,769
MWATATE HOSPITAL ACCT	-	830,597
TAVETA HOSPITAL ACCT	-	48,119
PRIOR YEAR ADUSTMENTS TOTAL	-	**70,083,268**

26B PRIOR YEAR ADJUSTMENTS CLOSING BALANCES FOR THE FINANCIAL YEAR 2014-2015 FOR CASH AT HAND AND IMPREST NOT CAPTURED IN THE PERIOD ENDING 30TH JUNE 2015. -

IMPRESTS TOTALLING TO KES1,576,944(LIST ATTACHED) WAS NOT INCLUDED IN THE LIST OF IMPRESTS IN FINANCIAL STATEMENTS OF 2014-2015 WHICH WERE ERRONEOUSLY INCLUDED AS PART 0F CASH (JOURNAL FOR THE SAME ATTACHED)