REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF KITUI

FOR THE YEAR ENDED 30 JUNE 2017

AMENDED COPY

NATIONAL AUDIT OFFICE
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COUNTY ASSEMBLY OF KITUI

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County Assembly is constituted as per the constitution of Kenya and is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes 54 Members of County Assembly (MCAs) elected to represent members of the public from their respective wards. The MCAs are responsible for making any laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Executive.

(b) Key Management

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

1. Hon. George Ndotto Speaker- Chairman of the Board
2. Hon. Jacob Maundu Leader of Majority
3. Hon.Alex Nganga Leader of Minority
4. Elijah Mutambuki Secretary to the Board

(c) Fiduciary Management

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

No.	Designation	Name
1.	Clerk of Assembly	**Elijah Mutambuki**
2.	Deputy Clerk	**Lucy Waema**
3.	Finance Officer	**Algustus Musyoka**

(d) Fiduciary Oversight Arrangements

- *Kitui County Assembly Public Investment and Accounts Committee*
- *Kitui County Assembly Budget and Appropriation Committee*
- *Controller of Budget*
- *National Treasury*

(e) Kitui County Assembly Offices

Mutomo-Kibwezi Road
P.O Box 694-90200
Kitui, Kenya

(f) County Assembly Contacts

Telephone: 044-22914
E-mail: Kituiassembly@gmail.com
Website: www.Kituicountyassembly.org

(g) County Assembly Bankers

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

2. Kenya Commercial Bank
   P.O Box 683-90200
   Kitui, Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

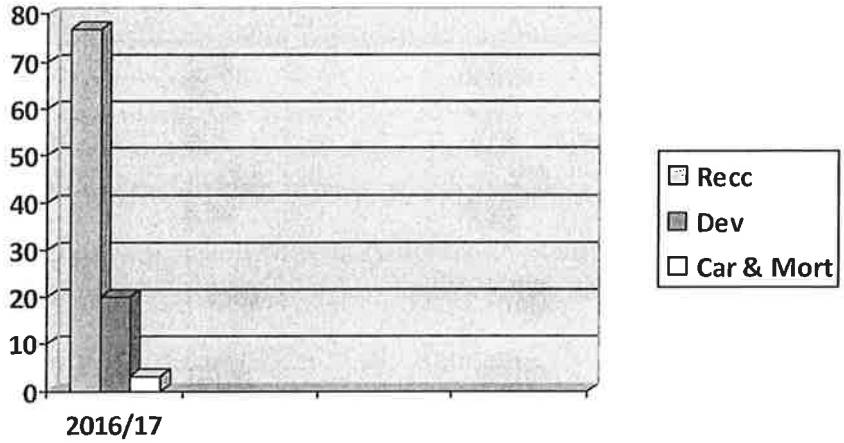
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II. FORWARD BY THE CLERK OF THE ASSEMBLY

Budget performance

The County Assembly had an approved budget of Kshs 914,512,167 for the FY 2016/2017 comprising of Kshs 701,498,172 for recurrent expenditure, Kshs 27,632,522 for Car and Mortgage loans and Kshs 185,381,473 for development as shown below.

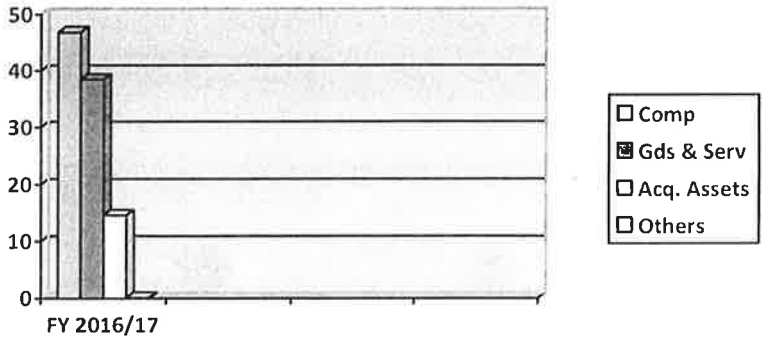
Budget for FY 2016/17



Source: County Assembly Budget FY 2016/17

The Assembly received Kshs 781,749,766 as transfers from County Treasury. The total expenditure for the FY 16/17 amounts to Kshs 748,500,187 which was 82.50% of the total budget. The County Assembly spent Kshs 351,518,713 (46.86%) on employees of compensation, Kshs 286,752,987 (37.44%) on use of goods and services, Kshs109, 427,301 (14.59%) on acquisition of assets and Kshs 775,118 (0.10%) on other payments as presented below.

Expenditure FY 2016/17



Source: County Assembly Financial statements FY 2016/17

Operational Performance

In exercise of Assembly's legislative powers enshrined in Article 185 of the Constitution (2010), the Assembly has performed as follows with regards to Bills, Motions, Statutory Reports, Statements, Messages and Petitions;

S/No	Document Name	Number considered
1.	Bills	27
2.	Motions	215
3.	Statutory reports	48
4.	Statements	21
5.	Messages	2
6.	Petitions	2
7.	Communications from the chair	14
8.	Regulations	13

Laws and policies passed by members of assembly provided clear guidelines in operations at Assembly and County Government as a whole.

The establishment and approval of Community level infrastructure development programme (CLIDP) by the assembly for instance was to promote equitable development across the county's 40 wards and 247 villages and thus play a significant part in the realization of the county's stated vision of "*Being a prosperous county with vibrant rural and urban economies whose people enjoy a high quality of life*."
This was in line with the objects and principles of devolution enshrined in Article 174 (d) and (f) of the Constitution which roots for "recognition of the right of communities to manage their own affairs and to further their development" and "promotion of social and economic development and provision of proximate, easily accessible services throughout Kenya" respectively.

The Assembly also approved for the investment of KES 440 million in the Pro Poor Support Programme in order to support scholarship activities in between FY2013/2014 and FY2016/2017. This program was established as a flagship initiative to ensure increased schools retention rate, and ultimately enhance education performance in the county. It was aimed at increasing the rate of access, transition and retention of learners from financially disadvantaged backgrounds and improving the education sector by supporting the provision of teaching and learning materials, equipment and facilities.

County Assembly Budget process

Date	Activity
12/05/16	Estimates forwarded for consideration by the Assembly.
25/05/16	Budget estimates committed to sectoral committees for their input.
2/06/16	Estimates subjected to public participation.
29/06/16	Budget estimates approved by the County Assembly
17/01/17	Kitui County supplementary Budget estimates approved by County

Assembly.

The Assembly Committees

In achieving its mandate, the County Assembly undertakes her business through the plenary and committee sittings as contained in the County Assembly Annual Calendar and a Schedule of Committee Sittings as adopted by the Assembly.
There are two accepted types of Committees of County Assembly: Committees of the Whole County Assembly and Select Committees which comprises of Standing, Ad hoc and Sectoral Committees. The Sectoral Committees conduct an oversight role over the County Executive Ministries while the Select Committees perform the role of housekeeping of the Assembly.
The First County Assembly of Kitui initially had seventeen (17) committees; *10 Sectoral Committees and 7 Standing Committees.* On 21st July 2015 four committees were additionally constituted (*3 Sectoral and 1 Standing Committee*) and thus forming at total of (twenty one) 21 committees comprising of nine (9) Select and twelve (12) Sectoral Committees.

Performance of key development projects

Infrastructural Renovations

1. The renovation of Assembly Offices which was partly complete when the Assembly began in 2013.
2. The renovation of the existing chamber which began in May 2015 to be able to accommodate eighty (80) members of county assembly and equip it with modern equipment to better facilitate its key role of legislation.
3. The laying of cabro blocks in the Assembly car park.
4. Erecting a main gate at the entrance into the Assembly.

Internet Connectivity

The county assembly is served with fibre optic link for fast and effective use of IFMIS and internet banking (IB). There is a reliable and operational Wi-Fi internet for easy access and internet connection. The network bandwidth has been increased from 2mbps to 4 mbps thus enabling a very efficient connectivity. The network technology has also been upgraded from WIMAX to microwave network technology for reliable, secure and stable connectivity.

ICT Equipment

A number of ICT tools of engagement such as PCs, laptops, smartphones and IPads for both members of county assembly and staff members has enhanced performance.

MINOR CIVIL WORKS

The Assembly has undertaken some important civil works continuously since inception which included;

a) Construction of a walkway heading to the chambers and toilets.
b) Completion of construction of the new toilet block
c) Renovation of the sentry house to beef up security

d) Installation of an elevated tank for sufficient supply of water to the compound

e) Installation of air-conditioning facilities/systems.

f) Upgrading electricity to three phase power load.

PURCHASE OF OFFICE VEHICLES

For proper coordination of work, quite a number of vehicles that has enhanced service delivery to the members have been purchased, most notably the ten (10) seater Nissan Urvan and twenty six (26) seater Toyota Coaster Bus that can traverse the terrain within Kitui County during public participation engagements and other official events.

Comment on value-for-money achievements

Renovation of Debating Chamber

This will offer Members a conducive environment in carrying out their main work which is, to scrutinize the county government policies and proposed legislations of the county government, consider committee reports and to monitor their implementation, representing the citizenry of Kitui and ensuring that they get the best quality that our county could offer equitably.

Purchase of Vehicles

Vehicles purchased have enhanced service delivery to the members. Most notably the ten (10) seater Nissan Urvan and twenty six (26) seater Toyota Coaster Bus that can traverse the terrain within Kitui County during public participation engagements and other official events.

Challenges and Recommended Way Forward

ASSEMBLY COMMITTEES TRAINING

Committees within an Assembly are very critical in processing of Assembly work. Each County Assembly committee has its role specified within the Standing Orders. In order to enable the Assembly undertake its legislative agenda the mandate of the committees should be adhered to. Lack of adequate training for the members of the Assembly to fully understand their legislative, representation and oversight as articulated in the Constitution and other laws hampers this. It is coupled by inadequate committee exposure and benchmarking from other assemblies.

BUDGETARY CONSTRAINTS

In order to effectively conduct its role of legislation, oversight and representation, the Assembly needs quite a substantive amount of budgetary allocation per fiscal year. Budget constraints to adequate to facilitate all County Assembly Committee operations as proposed by committee operation budgets hampered the same.

STAFFING CAPACITY IN THE ASSEMBLY SERVICE

The staffing levels especially in key departments within the Assembly Service leads to low levels of productivity, fatigue, stress and depression given the huge workload an Assembly has. There is need to enhance the same.

INFRASTRUCTURAL ISSUES

The Assembly's infrastructure lacks the capacity to handle the voluminous personnel for both the members and the staff. It lacks sufficient committee rooms that are well equipped with state of the art equipment for audio recording. The members also require offices; especially the Assembly leadership that is furnished with necessary equipment to enhance their legislative roles. The Assembly also lacks enough and designated parking space for the leadership of the Assembly MCA's and staff.

ASSEMBLY LIBRARY AND RESEARCH SERVICES

The Assembly does not have library services that can be used by members for their own review of periodicals and other issues. There are also low levels of awareness on the availability of Research Service to the members of parliament. This is compounded by the slow pace in setting up Research Services Section.

CONSTITUTIONAL OFFICES INTERFERANCE

The issue of fiscal ceilings that were fixed by the Commission on Revenue Allocation resulted to gross underfunding and the ensuing court case affected the operations of the Assembly in the Financial Year 2014/15 since the budget could not be implemented as was approved and had to be reviewed to comply with the ceilings. This delayed the implementation of the budget.

RECOMMENDATIONS

ASSEMBLY BROADCASTING OF PROCEEDINGS

Access to information and public communication should be integrated in all development activities. One of the objectives of county communications according to the County Governments Act is to create awareness on devolution and good governance. Section 95 of the CGA provides that a county government shall establish mechanisms to facilitate public communication and access to information in the form of media with the widest public outreach. This read along with the First Schedule of the Standing Order necessitates the establishment of an Assembly Broadcasting Unit to broadcast the proceedings and provide access to assembly information.

BIOMETRIC MEMBERS REGISTRATION

It is imperative to introduce use of biometric controls for the members of county assembly during plenary sessions and during the committee sittings to alleviate the hiccup of quorum, reduce the paperwork done through manual signing of registers and also deal with legitimacy issues in terms of record keeping.

ASSEMBLY SURVEILLANCE SYSTEMS

There is a need to improve on the security surveillance of the institution by installing CCTV monitors and other systems as this is a key institution within the county and may be prone to insecurity issues relating to crime. This has been an emerging issue to many commonwealth assemblies including Canada and the House of Commons following recent security breaches within the assemblies.

PARLIAMENTARY RESEARCH SERVICES

Parliamentarians need to have access to accurate, up-to-date, and well-researched information in order to be able to assess legislation and policies in an efficient and effective manner. To achieve this objective, the Assembly needs a fully-fledged Research Section. This shall assist

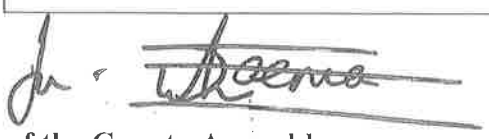
in providing Members with readily processed and factual information to enable them carry out their duties effectively, especially that they are too busy to do their own research given their numerous functions.

STAFF MEMBERS LEGISLATIVE CAPACITY BUILDING

In order to attain the best standards within the commonwealth parliamentary system there is need for frequent capacity building within the Assembly Service as there is no formal degree/diploma on parliamentary practice. Much of the training has been on the job and on need basis. With this in mind there is need to frequently collaborate with institutions, consultants and other bodies which offer such trainings so as to enable the members of staff bring out the required output and assist the assembly achieve its mandate within the committees and the plenary.

ASSEMBLY TEAM BUILDING EXERCISES

Poor interpersonal relations lead to low performance and mistrust. Trainings should be conducted with the sole aim of boosting this. Team building sessions for all members of staff should be held occasionally to boost the morale, improve on interpersonal skills and also realize the potentials hidden within.

Sign 

Clerk of the County Assembly

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 164 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of a County Government Entity to prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year ended on 30th June 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Assembly; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended 30th June 2017, and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the County Assembly which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The County Assembly's financial statements were approved and signed by the Clerk of the County Assembly on 8TH MARCH 2018.

Clerk of the County Assembly

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Kitui set out on pages 1 to 30, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and 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 and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit

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

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

Basis for Qualified Opinion

1.0 Accuracy and Completeness of the Financial Statements

The statement of financial assets and liabilities as at 30 June 2017 reflects a cash and cash equivalents balance of Kshs.25,287,067 which differs with the surplus of Ksh.31,549,579. reflected in the statement of receipts and payments by an unexplained variance of Kshs.6,262,513.

Further, the IFMIS ledger reflects total expenditure of Kshs.696,397,070 while the statement of receipts and payments for the year under review reflects an expenditure of Kshs.750,200,187 resulting to an unexplained variance of Kshs.53,803,118.

In the circumstances, the accuracy and completeness of the financial statement balances as at 30 June 2017 cannot be confirmed.

2.0 Ward Operating Expenses

The financial statements for the year under review indicate Use of Goods and Services balance of Kshs.288,452,987 which includes Other Operating Expenses balance of Kshs.37,583,458. Included in the later balance are ward operating expenses of Kshs.30,732,000 paid at Kshs.60,000 per month per ward. The initial monthly allocation to the wards was Kshs.15,000 which gradually increased to Kshs.25,000, then Kshs.40,000 and finally to the sum of Kshs.60,000 payable as at 30 June 2017. However, no documents or explanations have been made available by management to explain the increased monthly allocations.

Further, the County Assembly did not pass regulations for the management of the ward operations fund. In the absence of a regulatory framework the operations of the fund are irregular and prone to abuse.

An analysis of the major expenditures incurred in the wards in the year under review revealed that they related to hire of tents, chairs, public address systems, and purchase of milk, bread, beverages and newspapers. However, the cost of each of these items was found to be constant for each ward over the year which cast doubt as to the validity of the expenditures

In addition, the delivery receipts supporting the expenditures reflected consecutive serial numbers .which raised doubt on the authenticity of the payments.

In the circumstances, the propriety and value- for- money of the expenditure of Kshs.30,732,000 as at 30 June 2017 cannot be confirmed.

3.0 Renovation of County Assembly Chambers

The County Assembly of Kitui on 4 May 2015 contracted Centurion Engineers and Builders Ltd to renovate the County Assembly Chambers at a contract sum of Kshs.247,827,105 executable over a contract period of 281 days commencing 23 May 2015 to 27 February 2016. The County Assembly Public Service Board approved an extension of the contract period to 3 December 2016. However, as at 30 June 2017, the project had not been completed, meaning the contract period had been exceeded by over seven(7) months without any approval for an additional extension.

Further, certificates numbers 1-8 (eight certificates) totaling to Kshs234,145,075 were certified by the consultant, out of which those valued at Kshs.186,602,678 were paid to

the contractor leaving an unpaid balance of Kshs.39,026,742. Included in the outstanding payments in certificate No. 8 was Kshs.3,652,255 and Kshs16,497,000 both totaling Kshs.20,149,255 paid in respect of interest charges and losses due to stoppage of works respectively.. Management did not explain why the County Assembly delayed payments to the contractor resulting to the interest charges and the reason for the stoppage of work that resulted to the claim on related losses.

In the circumstances, the expenditure totaling Kshs.20,149,255 may have been avoided to prevent waste of public funds.

4.0 Irregularities in Domestic Travel and Subsistence Allowances

Note 5 to the financial statements reflects a balance of Kshs.128,335,538 in respect of domestic travel and subsistence as at 30 June 2017. Included in this amount were domestic travel and accommodation allowances totaling to Kshs.17,206,692 paid to Members of the County Assembly (MCAs) for official duties to various towns including Mombasa, Nairobi, Kilifi and Kwale. However, no supporting documents including work tickets, bus tickets, attendance registers, and imprest warrants were made available for audit verification. Further, the amounts were expensed without being accounted for through the imprest system as provided for in government financial regulations.

In addition, the County Assembly paid a total of Kshs.4,404,000 as transport allowances at a rate of Kshs.20,000 for Mombasa and Kshs.10,000 for Nairobi per member. However, no documents were provided to confirm the validity of the expenditure.

Under the circumstances, the propriety of the accommodation allowance and transport allowance both totaling to Kshs.21,610,692 cannot be confirmed.

5.0 Unsupported Payments to the County Assembly Forum

During the year under review, the County Assembly paid Kshs.2,700,000 to the County Assemblies Forum being subscriptions for the members of County Assembly for the year 2016/2017. However, no acknowledgement receipts for the payments made and evidence of attendance of the forum by the members of the County Assembly were availed for audit verification.

Consequently, the propriety of the Kshs.2,700,000 expenditure incurred on the subscriptions cannot be confirmed.

6.0 Human Resource Management

6.1 Staff Establishment

The County Assembly of Kitui Integrated Personnel and Payments Database (IPPD) for the Month of June 2017 reflected a total staff strength of 148. However, the County

Assembly did not have an approved staff establishment that would show the positions of employment in the Assembly, the numbers filled and under or over establishments, if any, and plans to address these. In view of these discrepancies, it was not possible to ascertain how the 148 staff were held accountable for their jobs and whether the staffing was optimal.

6.2 Ward Office Holders

During the year under review, the County Assembly paid Kshs.31,670,108 as salaries to various ward office holders who included ward assistants, personal assistants, and messengers with each of the 40 wards having one staff member in each of these categories of office holders. Further, each of the 14 nominated members of the County Assembly had a personal assistant and a messenger without operating offices. Included in the of Kshs.31,670,108 expenditure was Kshs.3,024,000 (Kshs.18,000X14 X 12 Months) paid to the messengers appointed to serve the 14 nominated members of County Assembly. However, the recruitment of these officers, could not be confirmed due to lack of recruitment documents including advertisement, shortlisting, and interview records which situation therefore cast doubt on the regularity of the recruitment process.
Further, the salaries paid to these employees could not be confirmed to have been appropriately approved as no Salaries Remuneration Commission circular or advice was made available to support the payments.

In the circumstances, it has not been possible to confirm that the salaries totaling Kshs.31,670,108 paid to the ward officers were regular.

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

Key Audit Matters

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

Other Matter

1.0 Budget and Budgetary Control

1.1 Over-expenditure

During the year under review, actual expenditure on six (6) items with an aggregate budget of Kshs.11,731,100 totaled Kshs.13,614,447 resulting to an over-expenditure of Kshs.1,883,347 as follows:

Component	Current year final budget figures Kshs.	Actual expenditure figures Kshs.	Variances Kshs	% Budget absorption
Maintenance of Office Furniture and Equipment	150,000	276,952	(126,952)	185
Membership Fees, Dues and Subscriptions to Professional and Trade Bodies	3,300,000	4,868,386	(1,568,386)	148
Building Insurance	100,000	124,318	(24,318)	124
Electricity	400,000	424,509	(24,509)	106
Hire of Training Facilities and Equipment	1,363,100	1,396,200	(33,100)	102
Telephone, Telex, Facsimile and Mobile Phone Services	6,418,000	6,524,082	(106,082)	102
	11,731,100	**13,614,447**	**(1,883,347)**	

No supplementary budget covering the over expenditure was provided for audit review.

In the circumstances, the County Assembly did not contain its expenditure within the approved budget contrary to the Section 53 of the Public Finance Management (County Government) Regulations, 2015.

1.2 Unutilized Funds

The combined statement of comparison of budget and actual amounts for the year under review reflected payments totaling to Kshs.750,200,187 as at 30 June 2017 against budgeted expenditure of Kshs.914,512,167 resulting into an under-expenditure of Kshs.164,311,980 representing 18% of the total budget. Further, the combined statement

of comparison of budget and actual amounts reflected budgeted receipts of Kshs.914,572,167 and actual receipts of Kshs.781,749,766 resulting to a revenue shortfall of Kshs.132,762,401. In addition, out of the Kshs.781,749,766 received during the year, only Kshs.750,200,187 was spent resulting into an under-expenditure of Kshs.31,549,579.

As a result, the residents of Kitui County did not obtain expected services equivalent to the revenue shortfall and under-expenditure of Kshs.132,762,401 and Kshs.31,549,579 respectively both totaling to Kshs.164,311,980 during the year under review.

Management's Responsibility for the Financial Statements

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

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for

my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the County Assembly's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern assumption and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Assembly's ability to continue offering services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Assembly to cease to continue offering services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the County Assembly to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the financial statements.

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

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

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

Nairobi

16 July 2018

III. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016/17 Kshs	2015/16 Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	781,749,766	723,227,021
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		**781,749,766**	**723,227,021**
PAYMENTS			
Compensation of Employees	4	351,518,713	339,181,928
Use of goods and services	5	286,752,987	284,199,620
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Acquisition of Assets	10	109,427,301	166,395,696
Finance Costs	11	26,068	28,210
Other Payments	12	775,118	34,851,639
TOTAL PAYMENTS		**748,500,187**	**824,657,093**
SURPLUS/DEFICIT		**33,249,579**	**(6,34,369)**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 5TH MARCH 2018 and signed by:

Clerk of the Assembly
Name:

Principal Finance Officer – County Assembly
Name:
ICPAK Member Number:

IV. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

	Note	2016/17 Kshs	2015/16 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalent			
Bank Balances	13A	19,222,243	6,274,085
Cash Balances	13B	1,342	11,573
Total Cash and cash equivalents		-	-
Accounts receivables – Outstanding Imprests	14	-	-
TOTAL FINANCIAL ASSETS		**19,223,585**	**(6,262,512)**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	-	-
NET FINANCIAL ASSETS		**19,223,585**	**(6,262,512)**
REPRESENTED BY			
Fund balance b/fwd	16	(6,262,512)	83,857
Surplus/Deficit for the year		33,249,579	(6,346,369)
NET FINANCIAL POSITION		**26,987,067**	**(6,262,512)**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 8TH MARCH 2018 and signed by:

Clerk of the Assembly
Name:

Principal Finance Officer – County Assembly
Name:
ICPAK Member Number:

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilization difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	914,512,167	-	914,512,167	781,749,766	14.52%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**914,512,167**	-	**914,512,167**	**781,749,766**	**14.52%**
PAYMENTS					
Compensation of Employees	409,555,876	(15,037,400)	359,142,476	351,518,713	2.12%
Use of goods and services	277,409,296	50,637,000	328,046,296	286,752,987	12.07%
Research	500,000	(300,000)	200,000	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	195,014,473	3,376,400	198,390,873	109,427,301	44.88%
Finance Costs	100,000	-	100,000	26,068	73.93%
Car and Mortgage	27,632,522		27,632,522	-	-
Other Payments	4,300,000	(3,300,000)	1,000,000	775,118	22.49%
TOTAL	**914,512,167**	-	**914,512,167**	**748,500,187**	**17.50%**
SURPLUS/ DEFICIT				**33,249,579**	

The changes between the original and final budget are as a result of reallocations within the budget.
The entity financial statements were approved on 8TH March 2018 and signed by:

Clerk of the Assembly
Name:

Principal Finance Officer –County Assembly
Name:
ICPAK Member Number:

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilisation difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	729,130,694	-	729,130,694	664,233,663	8.90%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**729,130,694**	-	**729,130,694**	**664,233,663**	**8.90%**
PAYMENTS					
Compensation of Employees	409,555,876	(50,413,400)	359,142,476	351,518,713	2.12%
Use of goods and services	277,409,296	50,637,000	328,046,296	286,752,987	10.78%
Research	500.000	(300,000)	200,000	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	9,633,000	3,376,400	13,009,400	4,484,109	65.53%
Finance Costs	100,000	-	100,000	26,068	73.93 %
Car and Mortgage	27,632,522		27,632,522	-	-
Other Payments	4,300,000	(3,300,000)	1,000,000	775,118	22.49%
TOTAL Surplus/ Deficit	**729,130,694**	-	**729,130,694**	**643,556,995**	**10.92%**

The changes between the original and final budget are as a result of reallocations within the budget.
The entity financial statements were approved on 8TH March 2018 and signed by:

Clerk of the Assembly
Name:

Principal Finance Officer – County Assembly
Name:
ICPAK Member Number:

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilisation difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	185,381,473	-	185,381,473	117,516,103	36.61%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	**185,381,473**	-	**185,381,473**	**117,516,103**	**36.61%**
PAYMENTS					
Compensation of Employees	-	-	-	-	-
Use of goods and services	-	-	-	-	-
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	185,381,473	-	185,381,473	104,943,192	43.40%
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	**185,381,473**	-	**185,381,473**	**104,943,192**	**43.40%**
SURPLUS/ DEFICIT				**12,572,911**	

The changes between the original and final budget are as a result of reallocations within the budget.

The entity financial statements were approved on 8TH MARCH 2018 and signed by:

Clerk of the Assembly
Name:

Principal Finance Officer – County Assembly
Name:
ICPAK Member Number:

IX. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparal basis
	20xx		20xx	
	Kshs	Kshs	Kshs	
Programme 1				
Sub-programme 1				
Sub-programme 2				
Sub-programme 3				
Programme 2				
Sub-programme 1				
Sub-programme 2				
Sub-programme 3				

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the County budgets which are programmatic)

X. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The statement of assets and liabilities, although not a requirement of the IPSAS Cash Standard, has been included to disclose information on receivables and payables.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

The financial statements are for the Kitui County Assembly. The financial statements encompass the reporting entity as specified in section 164 of PFM Act 2012.

3. Recognition of receipts and payments

a) Recognition of receipts

The County Assembly recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Assembly.

Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

Transfers from the Exchequer/ County Treasury

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

Other Receipts

Other receipts relate to receipts such as tender fees among others. These are recognised in the financial statements when the associated cash is received.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Recognition of payments
The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

Compensation of employees
Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

Use of goods and services
Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

Acquisition of fixed assets
The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.
A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

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

5. **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)

6. 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 payments 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.

7. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have 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 and prescribed by the Public Sector Accounting Standards Board. Other liabilities including pending bills are disclosed in the financial statements.

8. Non-current assets

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

9. Pending bills

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

10. Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *County Assembly's* budget was approved as required by Law .The original budget was approved by the County Assembly on 29th June 2016 for the period 1st July 2016 to 30 June 2017 as required by law. There was two number of supplementary budgets passed in the year. A high-level assessment of the *County Assembly's* actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Comparative figures

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

12. Subsequent events

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

13. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

14. Related party transactions

Related party transactions involve cash and in kind transactions with the National Government, National Government entities and County Government entities. Specific information with regards to related party transactions is included in the disclosure notes.

XI. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from the County Treasury/Exchequer Releases

	2016/17	2015/16
	Kshs	Kshs
Transfers from the County Treasury for July 2016	54,556,265	28,196,170
Transfers from the County Treasury for August 2016	62,773,766	51,056,603
Transfers from the County Treasury for September	131,131,503	119,283,560
Transfers from the County Treasury for October 2016	103,352,135	70,289,053
Transfers from the County Treasury for November 2016	65,164,891	48,301,879
Transfers from the County Treasury for December 2016	65,164,890	48,523,303
Transfers from the County Treasury for January 2017	55,000,000	73,478,180
Transfers from the County Treasury for February 2017	58,050,043	118,687,954
Transfers from the County Treasury for March 2017	56,556,273	48,384,863
Transfers from the County Treasury for April 2017	40,000,000	161,595,239
Transfers from the County Treasury for May 2017	30,000,000	10,000,000
Transfers from the County Treasury for June 2017	60,000,000	40,496,112
Cumulative Amount	**781,749,766**	**818,288,724**

2 PROCEEDS FROM SALE OF ASSETS

	2016/17	2015/16
	Kshs	Kshs
Receipts from the Sale of Buildings	Xxx	Xxx
Receipts from the Sale of Vehicles and Transport Equipment	Xxx	Xxx
Receipts from the Sale Plant Machinery and Equipment	Xxx	Xxx
Receipts from Sale of Certified Seeds and Breeding Stock	Xxx	Xxx
Receipts from the Sale of Strategic Reserves Stocks	Xxx	Xxx
Receipts from the Sale of Inventories, Stocks and Commodities	Xxx	Xxx
Disposal and Sales of Non-Produced Assets	Xxx	Xxx
Receipts from the Sale of Strategic Reserves Stocks	Xxx	Xxx
Total	**Xxx**	**Xxx**

3 OTHER RECEIPTS

	2016/17	2015/16
	Kshs	Kshs
Tender fees received	-	22,000
Other Receipts II	-	-
Other Receipts III	-	-
Other Receipts IV	-	-
Other Receipts XXXX	-	-
Total	-	**22,000**

(Provide a detailed explanation of what other receipts relate to, who they were received from and whether they had been budgeted for)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 COMPENSATION OF EMPLOYEES

	2016/17	2015/16
	Kshs	Kshs
Basic salaries of permanent employees	240,792,125	227,714,143
Basic wages of temporary employees	31,670,108	18,440,000
Personal allowances paid as part of salary	58,327,613	55,945,810
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	20,728,867	37,081,975
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	-
Other personnel payments	-	-
Total	**351,518,713**	**339,181,928**

During the year under review, the county assembly of kitui had a total of ninety two employees

5 USE OF GOODS AND SERVICES

	2016/17	2015/16
	Kshs	Kshs
Utilities, supplies and services	857,185	780,836
Communication, supplies and services	6,593,131	5,821,200
Domestic travel and subsistence	128,335,538	125,666,625
Foreign travel and subsistence	17,651,715	25,147,315
Printing, advertising and information supplies & services	4,774,476	5,196,553
Rentals of produced assets	1,440,000	1,440,000
Training expenses	3,218,668	5,379,469
Hospitality supplies and services	54,549,088	51,457,423
Insurance costs	21,899,578	16,984,961
Specialized materials and services	454,300	365,500
Office and general supplies and services	5,583,977	5,740,932
Other operating expenses	35,883,458	32,200,007
Routine maintenance – vehicles and other transport equipment	2,211,299	3,389,126
Routine maintenance – other assets	651,108	1,158,070
Fuel, Oil and Lubricants	2,649,466	3,471,603
Total	**286,752,987**	**284,199,620**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 SUBSIDIES

Description	2016/17	2015/16
	Kshs	Kshs
Subsidies to County Corporations		
See list attached	xxx	Xxx
(insert name)	xxx	Xxx
Subsidies to Private Enterprises		
See list attached	xxx	xxx
(insert name)	xxx	xxx
TOTAL	**xxx**	**xxx**

(Provide explanations as to what subsidies relate to)

7 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016/17	2015/16
	Kshs	Kshs
Transfers to National Government entities		
See attached list	xxx	xxx
Transfers to Counties		
(insert name of budget agency)	xxx	xxx
(insert name of budget agency)	xxx	xxx
TOTAL	**xxx**	**xxx**

(Explain what the transfers relate to and whether they are to be refunded by the institution referred to)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER GRANTS AND TRANSFERS

	2016/17	2015/16
	Kshs	**Kshs**
Scholarships and other educational benefits	xxx	xxx
Emergency relief and refugee assistance	xxx	xxx
Subsidies to small businesses, cooperatives, and self employed	xxx	xxx
Other current transfers, grants	xxx	xxx
Other capital grants and transfers	xxx	xxx
Total	**xxx**	**xxx**

(Give explanations on what other grants and transfers relate to and who the beneficiaries are)

9 SOCIAL SECURITY BENEFITS

	2016/17	2015/16
	Kshs	**Kshs**
Government pension and retirement benefits	Xxx	xxx
Social security benefits in cash and in kind	Xxx	xxx
Employer Social Benefits in cash and in kind	Xxx	xxx
Total	**xxx**	**xxx**

(Give explanations and distinguish between NSSF benefits and contributions made to other entities on behalf of staff.)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 ACQUISITION OF ASSETS

Non Financial Assets	**2016/17**	**2015/16**
	Kshs	**Kshs**
Purchase of Buildings	-	-
Construction of Buildings	103,591,319	150,105,543
Refurbishment of Buildings	1,351,873	1,612,674
Construction of Roads	-	-
Construction and Civil Works	-	-
Overhaul and Refurbishment of Construction and Civil Works	-	-
Purchase of Vehicles and Other Transport Equipment	3,358,889	6,000,000
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	189,655	8,677,479
Purchase of ICT Equipment, Software and Other ICT Assets	935,565	-
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Purchase of Certified Seeds, Breeding Stock and Live Animals	-	-
Research, Studies, Project Preparation, Design & Supervision	-	-
Rehabilitation of Civil Works	-	-
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Financial Assets		
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
Foreign Payables - From Previous Years	-	-
Total	**109,427,301**	**166,395,696**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 FINANCE COSTS

	2016/17	2015/16
	Kshs	Kshs
Bank Charges	26,068	28,210
Exchange Rate Losses	-	-
Other Finance costs	-	-
Interest on borrowings	-	
Total	**26,068**	**28,210**

Finance costs relate to normal operating charges for the Assembly's petty cash account held at Kenya Commercial Bank of Kenya.

12 OTHER PAYMENTS

	2016/17	2015/16
	Kshs	Kshs
Car and Mortgage	-	34,367,478
Fringe benefit Tax	775,118	484,161
Capital Transfers to Non-Financial Public Enterprises	-	-
Capital Transfer to Public Financial Institutions and Enterprises	-	-
Capital Transfer to Private Non-Financial Enterprises	-	-
Other expenses	-	-
Domestic Accounts	-	-
Total	**775,118**	**34,851,639**

Other payments relate to Fringe benefit tax borne by employer on behalf of employees who have benefited from Car and Mortgage loans facility.

13 A BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2016/17	2015/16
		Kshs	Kshs
Central Bank of Kenya, Kitui County Assembly Recurrent Acc. No. 1000197919	Recurrent	25,287,067	403,035
Central Bank of Kenya, Kitui County Assembly Development Acc. No. 1000197927	Development Acc	-	-
Kenya Commercial Bank, Kitui County Assembly operations Acc. No.1143459695	Commercial Bank Accs	(6,064,824)	(7,390,894.61)
Kenya Commercial Bank, Kitui County Assembly Salaries Acc. No.1177864460	Commercial Bank Accs	-	713,775
Total		**19,222,243**	**(6,274,085)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 B CASH IN HAND

	2016/17	2015/16
	Kshs	Kshs
Cash in Hand – Held in domestic currency	1,342	11,573
Cash in Hand – Held in foreign currency	-	-
Total	**1,342**	**11,573**

13 C Cash in hand should be analysed as follows:

	2016/17	2015/16
	Kshs	Kshs
County Assembly Cash office	1,342	81,065
Location 2	-	-
Location 3	-	-
Total	**1,342**	**81,065**

14 ACCOUNTS RECEIVABLE

	2016/17	2016/17
	Kshs	Kshs
Government Imprests	Xxx	Xxx
Clearance Accounts	Xxx	Xxx
Staff Advances	Xxx	Xxx
Other Advances	Xxx	Xxx
Total	**Xxx**	**Xxx**

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

13 ACCOUNTS PAYABLE

	2016/17	2015/16
	Kshs	Kshs
Deposits and Retentions	Xxx	Xxx
Total	**Xxx**	**Xxx**

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 FUND BALANCE BROUGHT FORWARD

	2016/17	2015/16
	Kshs	Kshs
Bank accounts	(6,346,369)	2,792
Cash in hand	83,857	81,065
Accounts Receivables	-	-
Accounts Payables	-	-
Total	**(6,262,512)**	**83,857**

15 PRIOR YEAR ADJUSTMENT

Description of the adjustment	**2016/17**	**2015/16**
Adjustments on bank account balances		-
Adjustments on cash in hand		-
Adjustments on payables	-	-
Adjustments on receivables	-	-
Others (*specify*)		-
Total		-

(Explain whether the prior year relates to errors noted in prior year, changes in estimates or accounting policy.)

DISCLOSURE NOTES

18.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016/17	2015/16
	Kshs	Kshs
Construction of buildings	Xxx	xxx
Construction of civil works	Xxx	xxx
Supply of goods	Xxx	xxx
Supply of services	Xxx	xxx
Total	**Xxx**	**xxx**

18.2: PENDING STAFF PAYABLES (See Annex 2)

	2016/17	2015/16
Name of Staff	**Kshs**	**Kshs**
Xxx	Xxx	xxx
Xxx	Xxx	xxx
Total	**Xxx**	**xxx**

18.3: OTHER PENDING PAYABLES (See Annex 3)

	2016/17	2015/16
	Kshs	Kshs
Amounts due to National Government entities	Xxx	xxx
Amounts due to County Government entities	Xxx	xxx
Amounts due to third parties	Xxx	xxx
Total	**Xxx**	**xxx**

19 RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the County Assembly.

- Members of County Assembly;
- Key management personnel that include the Clerk of the Assembly and heads of departments;
- The County Executive;
- County Ministries and Departments;
- Other County Government entities including corporations, funds and boards;
- The National Government;
- Other County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2016/2017	2015/2016
	Kshs	**Kshs**
Compensation to the MCAs	xxx	xxx
Key Management compensation	xxx	xxx
Transfers from the County Treasury	xxx	xxx
Transfers to/ from other County Government entities	xxx	xxx
Transfers to/ from County Ministries and Departments	xxx	xxx
Payments made in favour of other related parties	xxx	xxx
Payments made by related parties on behalf of Assembly	xxx	xxx

XII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
KIT/CA/2015 /2016	Financial statements not presented with detailed disclosures		Dennis Maluli	Resolved	
KIT/CA/2015 /2016	Inherited assets from the defunct local authorities not incorporated in the fixed asset register.	It was the mandate of the Transition Authority to carry out the exercise of assets and liabilities transfer for county Governments. However the county assembly is waiting for transfer of ownership of these assets so that they can be included in the fixed asset register.		Not resolved	
KIT/CA/2015 /2016	The weekly set limit of four committee sittings was not observed hence members were paid in excess of the set limit	The amount paid in excess to members was recovered in full	Dennis Maluli	Resolved	
KIT/CA/2015 /2016	No supplementary budget covering	The completion period of chamber	Dennis Maluli	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	the over-expenditure incurred during renovation of county assembly chamber.	was delayed for seven months by a court case. For this reason, and in an endeavour to accomplish timely completion, the assembly had to stretch a mile further this resulting to utilization of recurrent budget on development project.			
KIT/CA/2015 /2016	Non- submission of Car and Mortgage loan fund financial statements	Submission was done but in a different template other than the one in use currently.	Dennis Maluli	Resolved	

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Clerk of the County Assembly

Sign. .....

Date. 8th March 2018.

XIII. ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
	A	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

XIV. ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

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

XV. ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

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

XVI. ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Land	-	-	-	-
Buildings and structures	151,718,217	104,943,192	-	256,661,409
Transport equipment	6,000,000	3,358,889	-	9,358,889
Office equipment, furniture and fittings	8,677,479	189,655	-	8,867,134
ICT Equipment, Software and Other ICT Assets	-	935,565	-	935,565
Other Machinery and Equipment	-	-	-	-
Heritage and cultural assets	-	-	-	-
Intangible assets	-	-	-	-
Total	166,395,696	109,427,301	-	275,822,997

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the County Assembly since its inception. Additions during the year should tie to note 10 on acquisition of assets during the year and subsequently the statement of receipts and payments

XVII. ANNEX 5 – ANALYSIS OF OUTSTANDING IMPREST

Government Imprest Holders

Name of Officer or Institution	*Date Imprest Taken*	*Amount Taken*	*Amount Surrendered*	*Balance*
		Kshs	*Kshs*	*Kshs*
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Name of Officer or Institution	dd/mm/yy	xxx	xxx	Xxx
Total				**Xxx**

XVIII. ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT

(Attach FO 30 Report from IFMIS)