REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF KWALE

FOR THE YEAR ENDED 30 JUNE 2017

AUDITOR GENERAL - COAST HUB
28 FEB 2018
104, MOMBASA

COUNTY ASSEMBLY OF KWALE

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 is constituted as per the constitution. The County government is made up of two arms; The County Executive Arm and the County Assembly. The executive Arm is headed by the Governor and the CEC members. The County Assembly is headed by the Speaker. The Speaker is the chairman of the County Assembly Service Board. The Board is responsible of for the general policy and strategic direction of the County Assembly.

(b) Key Management

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

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

(c) Fiduciary Management

The key management personnel who held office during the quarter ended 2016/2017 and who had direct fiduciary responsibility were:

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

(d) Fiduciary Oversight Arrangements

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

(e) County Assembly Headquarters

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

(f) County Assembly Contacts

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

(g) Entity Bankers

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

2. Kenya Comercial Bank
   P.O. Box 43-80403
   Kwale

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. FORWARD BY THE CLERK OF THE ASSEMBLY

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

The County Assembly of Kwale had total budget of Kshs 828,162,680 divided into a Recurrent Budget of Kshs 609,913,641 and Development Budget of Kshs 218,249,039 which include domestic payables from previous financial year of Kshs 153,805,459
In real monitory the total budget for the year in consideration was Kshs 674,357,221 being 20% decrease from that of previous financial year of Ksh 839,880,962. The reduction was occasioned by reduced funding fo projects nearing completion.
The actual exchequer releases amounted to Kshs 762,918,438 translating to 92% on actual comparable basis.

The absorption of the Assembly's recurrent budget was kshs 577,326,318 which translated to an absorption rate of 95%. Under development budget, an aggregate of Kshs 117,765,651was used against a budget of Kshs218,249,039. This represented an absorption rate of 54%. Generally, an average of 84% of total budget was absorbed during the financial year, being 3% over and above that of previous financial year

The Construction of the county Assembly complex is on-going while construction of the official residence of the speaker is at its advanced stage. The Annexed office block at the County Assembly complex building are on there final touches and shall be ready for use in the year 2017/2018. Its Worth noting that the Assembly embarked on construction of 20 MCAs ward offices. Four ward offices were commissioned during the year at a total cost of kshs 23,654,882 in the first phase of the program. The beneficiary wards include Kinondo, Mkongani, Ponge Kikoneni and Puma.

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

This year too, lack of enough office space continued to hinder normal business of the Assembly staffers. This however will ease in the year 2017-2018 due to the completion of the Annexed office block

DENIS MUTUI,

CLERK OF THE COUNTY ASSEMBLY

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year ended on 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 quarter under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Assembly's' financial statements were approved and signed by the Clerk of the County Assembly on 26/2/2018.

Clerk of the County Assembly

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF KWALE 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 Kwale set out on pages 6 to 30 which comprise the statement of financial assets as at 30 June 2017, the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 section of my report, the financial statements present fairly, in all material respects, the financial position of County Assembly of Kwale 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.

In addition, as required by Article 229(6) of the Constitution, based on 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 Use of Goods and Services

The statement of receipts and payments for the year ended 30 June 2017 reflects use of goods and services balance of Kshs.259,331,684 as detailed in Note 5 to the financial statements. The following observations were made:

1.1 Rentals of Produced Assets

Included in the use of goods and services is rent paid for ward offices amounting to Kshs.3,175,000. However, records availed for audit indicated that during the month of July 2016 the Assembly overpaid the landlords by Kshs.196,000. Although the

management has explained that a letter has been written to the landlords with a view of recover the payments, they had not been recovered as at the time of the audit in the month of January 2018.

Consequently, it has not been possible to confirm the regularity and accuracy of Kshs.3,175,000 paid as rent for the year ended 30 June 2017.

1.2 Training Expenses

Included in the use of goods and services is training expenditure of Kshs.14,401,859. However, evidence was not availed for audit to confirm that need assessment was done and that a plan was prepared and approved by the County Assembly Service Board in line with Section 1.3 of the County Public Service Human Resource Manual, 2013 which requires that training needs assessment be conducted in every 2 years.

Consequently, the propriety and value-for-money on Kshs.14,401,859 incurred on training for the year ended 30 June 2017 cannot be confirmed.

1.3 Other Operating Expenses

Included in the use of goods and services are other operating expenses of Kshs.7,273,757 out of which Kshs.4,694,520 was incurred on legal fees. However, the payment voucher availed for audit was not signed by the Accounting Officer and further, contrary to procurement regulations, the fee note was raised on 19 January 2016 before the service order raised on 10 March 2017 In the circumstance, the propriety of the legal fees expenditure of Kshs.4,694,520 for the year ended 30 June 2017 cannot be confirmed.

2.0 Acquisition of Assets

2.1. Unexplained Variance

The statement of receipts and payments for the year ended 30 June 2017 reflects an amount of Kshs.120,643,721 in respect of acquisition of assets out of which Kshs.90,808,708 was spent on construction of buildings as detailed in Note 10 to the financial statements. However, vouchers availed for audit indicated that the amounts paid totalled Kshs.91,608,708 resulting to an unexplained variance of Kshs.800,000.

Consequently, the accuracy and completeness of construction of buildings expenditure balance of Kshs.90,808,708 as at 30 June 2017 cannot be confirmed.

2.2. Proposed Construction of Assembly Complex

Note 10 to the financial statements reflects acquisition of assets balance of Kshs.120,643,721. Included in this balance is construction of buildings expenditure totaling to Kshs.90,808,708 out of which Kshs.58,710,280 is a payment made to a construction company for construction of the County Assembly complex. The agreed

contract sum amounted to Kshs.466,892,170, and as at 30 June 2016,the contractor had been paid a total of Kshs.302,943,142.. However, the engineer's certificate for Kshs.58,710,280 availed for audit review did not show work done to match the payments made as at 30 June 2017. Further, the terms and conditions of the contract indicated that the project was to be completed by 22 June 2017. However, field inspection in the month of January 2018 revealed that the contractor was not on site and windows, doors and the roof were yet to be installed.

Consequently, it has not been possible to confirm the propriety of Kshs.58,710,280 paid for the construction of the County Assembly complex during the year under review. .

2.3. Construction of Speakers Residence

Note 10 to the financial statements reflects acquisition of assets balance of Kshs.120,643,721. Included in this balance is construction of buildings totalling to Kshs.90,808,708 out of which Kshs.7,929,500 was paid for construction of the Speaker's residence whose contract sum was Kshs.46,441,072. However, records availed for audit review indicated that the County Assembly has not been able to obtain ownership documents for a part of the construction site land measuring 0.41 hectares.

In the absence of ownership documents, it has not been possible to confirm ownership of the whole parcel of land and the building on which Kshs.7,929,500 of public funds had been spent as at 30 June 2017.

2.4. Construction of Ward Offices

Note 10 to the financial statements reflects acquisition of assets balance of Kshs.120,643,721. Included in this amount is Kshs.17,441,610 paid to four (4) local firms for constructing ward offices. However, ownership documents for the land occupied by these offices was not availed for audit verification.

Consequently, the valuation and ownership of the land on which works costing Kshs.17,441,610 were undertaken during for the year under review cannot be confirmed.

3.0 Outstanding Imprest

The statement of financial assets as at 30 June 2017 reflects a balance of Kshs.426,000 as outstanding imprests. These balance is comprised of staff advances amounting to Kshs.234,800 and imprest amounting Kshs.191,200. However records availed for audit review indicated that imprests totaling Kshs.191,200 had not been surrendered as at 30 June 2017 contrary to Section 93(5)5 of the Public Finance Management (County Governments) Regulations, 2015 which provides that a holder of temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

Consequently, the propriety of expenditures totaling Kshs.191,200 outstanding as imprest as at 30 June cannot be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly of Kwale 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 section, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1. Budgetary Control and Performance

1.1 Budget Absorption

During the year under review the financial budget of the County Assembly of Kwale totaled Kshs.828,162,680 comprised of development budget of Kshs.218,249,039 and recurrent budget of Kshs. 609,913,641. Actual total expenditure was Kshs.741,474,442 resulting to a net under-expenditure of Kshs.86,688,238 or 10% as analyzed below:

Item	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Under/over Absorption in (Kshs.)	Under/Over Absorption (%)
Development Vote	218,249,039	117,765,651	100,483,388	46
Recurrent Vote	609,913,641	624,508,791	(14,595,150)	102
Total	**828,162,680**	**742,274,442**	**85,888,238**	**10**

The County Assembly attributed the under-absorption to non-receipt of disbursements, which situation impacted service delivery by the County Assembly negatively.

1.2 Development Budget

During the year under review the County Assembly of Kwale allocated Kshs.218,249,039 to development projects but spent Kshs.117,765,651, resulting to net under - expenditure of Kshs.100,483,388 or 46 %.

The County Assembly did not utilize Kshs.100,483,388 or 46 % of its budget. This state of affairs may have impacted negatively on the County Assembly's delivery of services

to the residents of Kwale County. There is need, therefore, for the County Assembly to re-think on its budget formulation in order to make it as realistic as possible.

1.3 Recurrent Budget

During the year under review, the County Assembly of Kwale allocated Kshs.609,913,641 to recurrent expenditure but spent a total of Kshs.624,508,7905 resulting in over-expenditure of Kshs.14,595,149 or 2 % as summarized below:

Expenditure Item	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	% of utilization Difference to Budget
Compensation to Employees	225,704,669	224,316,564.40	1,388,105	99
Use of Goods	266,829,161	259,331,684	8,885,582	97
Transfer to other Government Entities		137,182,472	-137,182,472	
Acquisition of Assets	117,379,811	3,678,070	113,701,741	3
TOTAL	**609,913,641**	**624,508,790**	**14,595,149**	**2**

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the County Assembly's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting. 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) will always detect a material misstatement and weakness 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 basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Assembly's ability to continue as a going concern or to sustain its 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 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 to sustain its 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 and business activities of the County Assembly to express an opinion on the financial statements.

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

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

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and 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	762,918,438	835,917,738
Proceeds from Sale of Assets	2		-
Other Receipts	3		-
TOTAL RECEIPTS		**762,918,438**	**835,917,738**
PAYMENTS			
Compensation of Employees	4	224,316,564	188,434,846
Use of goods and services	5	259,331,684	239,243,292
Subsidies	6	-	-
Transfers to Other Government Entities	7	137,182,472	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	12,296,495
Acquisition of Assets	10	120,643,721	343,787,890
Finance Costs	11	-	-
Other Payments	12	-	
TOTAL PAYMENTS		**741,474,442**	**783,762,523**
SURPLUS/DEFICIT		**21,443,996**	**52,155,215**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26/9 2017 and signed by:

Denis Mutui
Clerk of the Assembly

CPA Ziro Philip, Director Finance & Accts.
CPA No. 20407

IV. STATEMENT OF FINANCIAL ASSETS

	Note	2016/17 Kshs	2015/16 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	13A	98,745,317	77,425,810
Cash Balances	13B	-	-
Total Cash and cash equivalents		**98,745,317**	**77,425,810**
Accounts receivables – Outstanding Imprests	14	426,000	426,000
TOTAL FINANCIAL ASSETS		**99,171,317**	**77,851,810**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	31,971,946	21,938,331
NET FINANCIAL ASSETS		**67,199,371**	**55,913,479**
REPRESENTED BY			
Fund balance b/fwd	16	45,755,375	-
Surplus/Deficit for the year		21,443,996	52,155,215
Control Variance		-	3,758,264.47
NET FINANCIAL POSITION		**67,199,372**	**55,913,479**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26/2/ 2018 and signed by:

Denis Mutui
Clerk of the Assembly

CPA Ziro Philip, Director Finance & Accts.
CPA No. 20407

V. STATEMENT OF CASHFLOW

	Note	2016/17 Kshs	2015/16 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	762,918,438	835,917,738.15
Other Receipts	3	-	-
Payments for operating expenses			
Compensation of Employees	4	-224,316,564	-188,434,846
Use of goods and services	5	-259,331,684	-239,243,292
Subsidies	6	-	-
Transfers to Other Government Entities	7	-137,182,472.30	-
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-12,296,495
Finance Costs	11	-	-
Other Payments	12	-	
Adjusted for:		-	
Changes in Payables		10,033,615	21,938,331
Changes in Receivables		-	-416,644
Net cash flows from operating activities		**152,121,333.25**	**417,455,435.68**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	-120,643,720.95	-343,787,890
Net cash flows from investing activities		**-120,643,720.95**	**-343,787,890**
NET INCREASE IN CASH AND CASH EQUIVALENT		**31,477,611**	**73,667,545.68**
Cash and cash equivalent at beginning of the year		**67,267,706.15**	-

Cash and cash equivalent at end of the year as Per Statement of Assets		**98,745,317**	**77,425,810.15**
Control		*0*	*3,758,264.47*

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29/9 2018 and signed by:

Denis Mutui

Clerk of the Assembly

CPA Ziro Philip, Director Finance & Accts.

CPA No. 20407

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilization difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from C. Treasury/Exchequer Releases	828,162,680		828,162,680	762,918,438	92%
Proceeds from Sale of Assets					
Other Receipts					
TOTAL	**828,162,680**		**828,162,680**	**762,918,438**	**92%**
PAYMENTS					
Compensation of Employees	226,052,332	(347,663)	225,704,669	224,316,564	99%
Use of goods and services	246,162,433	20,666,728	266,829,161	259,331,684	97%
Subsidies					
Transfers to Other Gov. Entities				137,182,472	
Other grants and transfers					
Social Security Benefits					
Acquisition of Assets	355,947,915	(20,319,065)	335,628,850	120,643,721	63%
Finance Costs					
Other Payments					
TOTAL	**828,162,680**		**828,162,680**	**741,474,442**	**90%**

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

a) *Compensation to Employees – There was neither no staff turnover nor recruitment of new staff during the year. The amount budgeted was proximate to actual cost hence the utilization of 99% of the budgeted amount.*

b) *Use of goods and Services – 97% of the amount budgeted for use of goods and services was utilized. This was occasioned by smooth flow of exchequer releases from national treasury thereby enabling the County Assembly deliver on its mandate as and when the activities fall due.*

c) *Acquisition of Assets – This cluster includes amount classified under domestic payables brought forward from previous financial years, otherwise commonly known as pending bills. A specific amount of kshs 90,000,000, equal to 27% was transferred to car loan and mortgage account held in KCB, kwale branch.*

The entity financial statements were approved on 26/9/2017 and signed by:

Denis Mutui
Clerk of the Assembly

CPA Ziro Philip, Director Finance & Accts.
CPA No. 20407

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilization difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	497,984,221	-111,929,420	609,913,641	582,918,438	96%
Proceeds from Sale of Assets					
Other Receipts					
TOTAL	**497,984,221**	**-111,929,420**	**609,913,641**	**582,918,438**	**96%**
PAYMENTS					
Compensation of Employees	226,052,332	-347,663	225,704,669	224,316,564	99%
Use of goods and services	246,162,433	20,666,728	266,829,161	259,331,684	97%
Subsidies					
Transfers to Other Government Entities				47,182,472	#DIV/0!
Other grants and transfers – Car loan and Mortgage		111,929,420	111,929,420	90,000,000	80%
Social Security Benefits					
Acquisition of Assets	25,769,456	-20,319,065	5,450,391	3,678,070	67%
Finance Costs					
Other Payments					
TOTAL	**497,984,221**	**111,929,420**	**609,913,641**	**624,508,791**	**102%**

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

(a) Compensation to Employees – There was neither no staff turnover nor recruitment of new staff during the year. The amount budgeted was proximate to actual cost hence the utilization of 99% of the budgeted amount.

(b) Use of goods and Services – 97% of the amount budgeted for use of goods and services were utilized. This was occasioned by smooth flow of exchequer releases from national treasury thereby enabling the County Assembly deliver on its mandate as and when the activities fall due.

(c) The total recurrent budget utilisation was 95%. However upon effecting the amount of Kshs 47,182,472.3 transferred to CRF, the utilisation increased to 102%.

(d) Car Loan and Mortgage – Under domestic payables from previous year include Kshs 111,929,420/= for car loan and mortgage. During the year a total of Kshs 90,000,000/= was received and transferred to Car loan and mortgage fund.

The entity financial statements were approved on 26/2/ 2017 and signed by:

Denis Mutui

Clerk of the Assembly

CPA Ziro Philip, Director Finance & Accts.

CPA No. 20407

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilization difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury / Exchequer Releases	330,178,459	(111,929,420)	218,249,039	180,000,000	82%
Proceeds from Sale of Assets					
Other Receipts					
TOTAL	**330,178,459**	**(111,929,420)**	**218,249,039**	**180,000,000**	**82%**
PAYMENTS					
Compensation of Employees					
Use of goods and services					
Subsidies					
Other grants and transfers					
Social Security Benefits					
Acquisition of Assets	330,178,459	(111,929,420)	218,249,039	117,765,651	54%
Finance Costs					
Other Payments					
TOTAL	**330,178,459**	**(111,929,420)**	**218,249,039**	**117,765,651**	**54%**

a) **Acquisition of Assets** – The original amount of development budget under acquisition of Assets included an amount of 111,929,420 meant for car loan and mortgage; This was moved to recurrent budget following an advice of the controller of budget that the item is recurrent in nature. The subsequent transfer of Kshs 90, 000,000/= to car loan and mortgage fund has now been classified under transfers to other government entities.

b) Consequently from the total expenditure of the development vote under acquisition of Assets, Kshs 17, 444,611 was incurred on the project of construction of ward offices for Members of the County Assembly of Kwale, on the initial phase of four ward offices of Kinondo,Mkongani,Pongwe Kikoneni and Puma Ward.

The entity financial statements were approved on 26/2/2018 2017 and signed by:

Denis Mutui
Clerk of the Assembly

CPA Ziro Philip, Director Finance & Accts.
CPA No. 20407

IX. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation+

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

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *County Assembly of Kwale*. The accounting policies adopted have been consistently applied to all the years presented.

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

2. Recognition of receipts and payments

The *County Assembly of Kwale* recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the *Assembly*. In addition, the *Assembly* recognises all payments when the event occurs and the related cash has actually been paid out by the *Assembly*. Receipts and payments in respect of specific funds shall be treated separately under fund accounting.

3. In-kind contributions

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

4. Cash and cash equivalents

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

5. Accounts Receivable

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

6. Accounts Payable

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

7. Non-current assets

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

8. Pending bills

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

9. Budget

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

10. Comparative figures

Comparative figures of the financial statements for the current year and those of preceding financial year have been given

11. Subsequent events

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

X. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from the County Treasury/Exchequer Releases

	2016/17	2015/16
	Kshs	Kshs
Total Exchequer Releases for quarter 1	283,341,052	111,421,946.15
Total Exchequer Releases for quarter 2	182,997,370	238,165,264.00
Total Exchequer Releases for quarter 3	157,518,555	122,110,176.00
Total Exchequer Releases for quarter 4	139,061,461	364,220,352.00
Cumulative Amount	**762,918,438**	**835,917,738.00**

2 PROCEEDS FROM SALE OF ASSETS - NIL

	2016/17	2015/16
	Kshs	Kshs

3 OTHER RECEIPTS - NIL

	2016/17	2015/16
	Kshs	Kshs

4 COMPENSATION OF EMPLOYEES

	2016/17	2015/16
	Kshs	Kshs
Basic salaries of permanent employees	100,312,999	87,335,752
Basic wages of temporary employees	10,220,500	11,512,441
Personal allowances paid as part of salary	95,686,437	89,586,653
Pension and other social security contributions	18,096,628	-
Total	**224,316,564**	**188,434,846**

5 USE OF GOODS AND SERVICES

	2016/17	2015/16
	Kshs	Kshs
Utilities, supplies and services	35,027	6,690
Communication, supplies and services	3,229,340	2,598,955
Domestic travel and subsistence	117,373,033	105,063,633
Foreign travel and subsistence	23,155,814	9,720,568
Printing, advertising and information supplies & services	20,890,077	19,972,697
Rentals of produced assets	3,175,000	3,826,600
Training expenses	14,401,859	17,175,749
Hospitality supplies and services	41,343,509	34,259,356
Insurance costs	15,122,547	16,505,842
Specialized materials and services	1,774,805	-
Office and general supplies and services	3,211,496	8,076,842
Other operating expenses	7,273,757	12,532,937
Fuel Oil and Lubricants	3,469,987	3,186,860
Routine maintenance – vehicles and other transport equipment	4,140,643	3,342,304
Routine maintenance – other assets	734,790	2,974,259
Total	**259,331,684**	**239,243,292**

6 SUBSIDIES - NIL

Description	2016/17	2015/16
	Kshs	Kshs
TOTAL	**xxx**	**xxx**

7 TRANSFERS TO OTHER GOVERNMENT ENTITIES - NIL

Description	2016/17	2015/16
	Kshs	Kshs
Transfers to National Government entities		
Transfers to Counties (CRF)03.07.2016	26,854,616.55	
Transfers to Counties (CRF)03.07.2016	18,474,758.75	
Transfers to Counties (CRF)30.06.2017	1,853,097.00	
Transfer to Car loan and Mortgage Fund Account	90,000,000.00	
TOTAL	**137,182,472**	**-**

8 OTHER GRANTS AND TRANSFERS - NIL

	2016/17	2015/16
	Kshs	Kshs
Scholarships and other educational benefits	-	-

Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 SOCIAL SECURITY BENEFITS

	2016/17	2015/16
	Kshs	**Kshs**
Government pension and retirement benefits		12,296,495
Total		**12,296,495**

10 ACQUISITION OF ASSETS

Non Financial Assets	2016/17	2015/16
	Kshs	**Kshs**
Purchase of Buildings		-
Construction of Buildings	90,808,708	338,128,941
Purchase of Household Furniture and Institutional Equipment	-	304,500
Purchase of Office Furniture and General Equipment	1,137,068	5,354,449
Acquisition of Strategic Stocks and commodities	-	-
Purchase of Specialised Plant, Equipment and Machinery	652,500	
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Financial Assets	-	-
Domestic Public Non-Financial Enterprises	-	-
Domestic Payables from previous financial year	28,045,445	
Total	**120,643,721**	**343,787,890**

NOTE. The item of domestic payables included an amount of 90 million for car loan and mortgage which initially had been clustered under Assets. However, given the nature of the item it has now been classified under transfers to other government entities.

11 FINANCE COSTS - NIL

	2016/17	2015/16
	Kshs	**Kshs**
Total	-	-

12 OTHER PAYMENTS - NIL

	2016/17	2015/16

	Kshs	Kshs
Budget Reserves	xxx	Xxx
Total	**xxx**	**Xxx**

13A BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated either recurrent or development	**2016/17**	**2015/16**
		Kshs	**Kshs**
CBK Development - A/C 1000282568	Development	63,034,349.00	18,474,758.75
CBK Recurrent - A/C 1000241567	Recurrent	3,737,922.45	26,854,616.55
CBK Deposit - A/C 1000282557	Deposit	31,971,945.90	21,788,330.85
KCB Imprest - A/C NO. 1142128148	Recurrent	1,100.00	-
Cash To CRF (30.06.2016)	**Reccurent**		**10,308,104**
Total		**98,745,317**	**77,425,810-**

13B CASH IN HAND

	2016/17	**2015/16**
	Kshs	**Kshs**
Cash in Hand – Held in domestic currency	-	-
Cash in Hand – Held in foreign currency	-	-
Total	-	-

Cash in hand should be analysed as follows:

	2016/17	**2015/16**
	Kshs	**Kshs**
Location 1	-	-
Total	-	-

14 ACCOUNTS RECEIVABLE

	2016/17	**2015/16**
	Kshs	**Kshs**
Staff Advances – see annex 5;	426,000	426,000.00-
Total		-

15 ACCOUNTS PAYABLE

DEPOSITS AND RETENTIONS	2016/17	2015/16
	Kshs	Kshs
- Deposit – Late Riziki Mwanyerere Estate		150,000
- Retention – Exchange Investments Limited	23,865,341	17,994,313
- Retention – Kawangi Builders	2.993,781	1,874,528
- Retention – Maka Builders	4,134,252	1,919,489
- Retention - Ahlimco	517,023	-
- Retention – Reenah Construction Limited	461,549	-
Total	**31,971,946**	**21,938,331**

16 FUND BALANCE BROUGHT FORWARD

	2016/17	2015/16
	Kshs	Kshs
Bank accounts	77,425,810	-
Prior year un-receipted insurance Compensation	150,000	-
Prior year Transfers to CRF	-10,308,104	
Sub Total	**67,267,706**	
Accounts Receivables	426,000	-
Accounts Payables	21,938,331	-
Total	**45,755,375**	-

1. Ksh 150,000 was received from resolution Insurance company in 2015/2016 being final expense for late Riziki Mwanyerere. This Income was never recognised as receipt.
2. The transfers to CRF of Kshs 10,308.104 was never shown in the statement of receipts and payments as transfer to other government entities. Instead it was shown as part of cash balances at end of 2015/2016. This has now been adjusted to reflect the actual opening cash balance

18 OTHER IMPORTANT DISCLOSURES

18.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016/17	2015/16
	Kshs	Kshs
Construction of buildings	108,007,705	38,249,039.27
Supply of goods	21,929,420	111,929,420.00
Supply of services	5,308,734	3,477,005.46
Total	**135,245,859**	**153,655,464.73**

18.2: PENDING STAFF PAYABLES (See Annex 2)

	2016/17	2015/16
Name of Staff	**Kshs**	**Kshs**
	-	-
	-	-
Total	-	-

18.3: OTHER PENDING PAYABLES NIL

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

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	a	b	c	d=a-c		
Construction of buildings						
MAKA BUILDINGS	27,805,108.73	12.05.2016	26,156,943.00	1,648,165.73	27,805,109	
KAWANGI BUILDING CONSTRUCTION LIMITED	554,299.03	22.06.2015		554,299.03	7,603,909	
GREEN COUNTY	2,285,722.00	08.05.2015		2,285,722.00	2,285,722	
EXCHANGE INVESTMENTS	7,603,909.24	13.05.2015		7,603,909.24	554,299.03	
EXCHANGE INVESTMENTS	156,345,117.84	13.05.2015	66,639,780.00	89,705,337.84		
			-			
				-		
AHLIMCO INTERANTIONAL CONSTRUCTION CO. LTD	6,682,820.60		5,170,228.00	1,512,592.60		
MAKA BUILDING AND CONSTRUCTION CO. LTD	6,520,081.00		3,990,684.00	2,529,397.00		
KAWANGI BUILDING CONSTRUCTION LIMITED	5,451,980.56		3,668,210.00	1,783,770.56		
REENAH K. LIMITED	5,000,000.00		4,615,489.00	384,511.00		
	-			-		
Sub-Total	218,249,039.00	-	110,241,334.00	108,007,705.00	38,249,039	
Construction of civil works						
				-		

Sub-Total	-	-	-	-		
Supply of goods						
Car loan and Mortgage	111,929,420.00	-	90,000,000.00	21,929,420.00	111,929,420.00	
Sub-Total	111,929,420.00	-	90,000,000.00	21,929,420.00	111,929,420.00	
Supply of services						
COMPLIANCE INSTITUTE	3,477,000.00	13.06.2016	1,738,500.00	1,738,500.00	3,477,000.00	
Resolution Insurance - 2016/17	1,648,331.00			1,648,331.00		
Resolution Insurance - 2016/17	231,740.00			231,740.00		
Resolution Insurance - 2016/17	50,000.00			50,000.00	-	
Sunrise	281,400.00			281,400.00		
Pride inn	308,850.00			308,850.00		
Brightways	1,049,913.00			1,049,913.00		
Sub-Total	7,047,234.00	-	1,738,500.00	5,308,734.00	3,477,000.00	
Grand Total	**337,225,693.00**	-	**201,979,834.00**	**135,245,859.00**	**153,655,459.27**	

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES - NIL

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
1.							
2.							
Sub-Total							
Grand Total							

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (*specify*)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/16	Additions during the year	Disposals during the year	Historical Cost (Kshs) 2016/17
Land	22,900,000	-	-	22,900,000
Buildings and structures	338,128,941	106,167,940		444,296,881
Transport equipment (M/Vehicles)	27,380,048	-	-	27,380,048
Office equipment, furniture and fittings	1,047,495	1,137,608		2,185,103
ICT Equipment, Software and Other ICT Assets	8,228,648	329,316	80,040	8,477,924
Other Machinery and Equipment	4,247,136 -	652,500		4,899.636
Heritage and cultural assets	-			-
Research and Designs	-			-
Other Assests		12,686,213		12,686,213.
Intangible assets	-			-
Total	-	**120,644,261**	**80,040**	**522,825,805**

NB: The balance as at the end of the year is the cumulative cost of all assets bought by the County Assembly.

ANNEX 5 – ANALYSIS OF OUTSTANDING IMPREST

Government Imprest Holders (Advance Salaries)

Name of Officer or Institution	*Date Advance/Imprest Taken*	*Amount Taken*	*Amount Repaid/Surrendered*	*Balance*
		Kshs	*Kshs*	*Kshs*
Salary Adv. Kassim Mbwana Chimwenje				74,800
Salary Adv. Mwanakombo B. Rashid				40,000
Salary Adv. Saidi Saidi Maganga				120,000
Imprest – Daniel Mbinda				191,200
Total				426,000

ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT

(Attach FO 30 Report from IFMIS)