REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF NAKURU

FOR THE YEAR ENDED 30 JUNE 2017

COUNTY ASSEMBLY OF NAKURU

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)

KENYA NATIONAL AUDIT OFFICE
SUB-THEME OFFICE
29 MAR 2018
RECEIVED

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County Assembly is established by Article 176 of the Constitution of Kenya 2010. The County Assembly under article 185 {1, 2, 3 & 4} has been bestowed with the legislative authority of the County Government, and oversight role over the County Executive Committee and any other County Executive organs as well as receiving and approving plans and policies on the management and exploitation of the County's resources; and the development and management of its infrastructure and institutions.
The County Assembly constitutes fifty-five Members of County Assembly (MCAs) elected to represent members of the public from their respective wards.

(b) Key Management

The County Assembly is steered by the County Assembly Service Board. The County Assembly Service Board consists of the Speaker of the County Assembly as the Chairperson; the Leader of the Majority party or a Member of the County Assembly deputed by him or her, as the vice chairperson; the leader of the Minority party or member of the County Assembly deputed by him or her; and one-person resident in the County, appointed by the County Assembly from among persons who have knowledge and experience in public affairs, but who is not a Member of the Count Assembly.
The County Assembly clerk is the secretary to the County Assembly Service Board.

(c) Fiduciary Management

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

No.	Designation	Name
1.	County Assembly Clerk	Joseph M. Malinda
2.	Principal Finance Officer	Jane N. Waweru
3.	Senior Hansard Editor	Joseph K. Chege
4.	Principal Human Resource and Administration Officer	Jane W. Karanja

(d) Fiduciary Oversight Arrangements

The County Public Service Board prepares annual estimates of expenditure of the County Assembly service and submitting them to the County Assembly for approval, and exercising budgetary control over the service.

(e) Entity Headquarters

P.O. Box 907 -20100
COUNTY ASSEMBLY BUILDING
GEORGE MORARA Rd.
Nakuru, KENYA.

(f) Entity Contacts

Telephone: (254) 051-2216472
E-mail: clerkassembly@nakurucounty.go.ke
Website: www.nakurucounty.org.ke

(g) Entity Bankers

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

2. Co-operative Bank of Kenya Ltd
   Co-operative Bank House,
   Haile Selassie Avenue
   P.O. Box 48231
   GPO 00100
   Nairobi, 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

The performance of the County Assembly for the financial year ended 30th June, 2017 saw a tremendous improvement in absorption of funds. Budget utilization was at sterling level of up to 92% for the recurrent budget and 82% for both Recurrent and Development vote heads. The programme for the Compensation of employees was implemented by the executive for the whole County including the County Assembly employees: this will however change from the FY 2017-2018 going forward since the Assembly have put up the Integrated Payroll and Personnel Database system to manage the all payroll and staff issues.

The County Assembly have had challenges too in the last Financial Year. The perennial constraint of funds disbursement persisted and for the period ended 30th June, 2017; we had a deficit of eight percent. The disbursements were not only inadequate but the transfers also lagged and a huge chunk of funds was transmitted as the period came to a close. The relays and intermittent remission of funds affected the smooth running of Assembly affairs and caused a delay in the remittance of statutory deductions that have strict timelines. Late payment of statutory deductions attracted penalties and interests on the principal amounts owed.

The challenge of office space was still there in the FY 2016-2017: this problem will be alleviated in the coming periods once the new office block is completed. The Assembly has since alleviated the Public Gallery challenge by building an Annexed structure to the main chambers awaiting the proper structural alteration and configuration of the Chamber. The construction of a new Office block will be spread through several Financial Years as it is capital intensive.

The harmonization of Human capital was a challenge in the Assembly and the County Assembly Service Board resolved to absorb all staff from the defunct local authority and place them in suitable scale in the current establishment as guided by Salaries and Remuneration Commission circulars and relevant labour laws. The optimum staff number will be attained once enough office space is available.

Sign.....

The Clerk -County Assembly of Nakuru.

29 MAR 2018

III. 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:

(j) 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 Government's financial statements were approved and signed by the Clerk of the County Assembly on 26/3 2018.

Clerk of the County Assembly

REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of set out on pages 1 to 18, 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 of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter 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 Nakuru 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, except for the 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

Transfer to Other Government Entities

The statement of receipts and payments reflected transfer to other government entities balance of Kshs.4,712,316 which was explained under note 5 to be transfer to County Treasury (sale of motor vehicle) and transfer to county assembly car and mortgage fund at Kshs.1,426,800 and Kshs.3,285,516 respectively. The County Assembly did not prepare and submit the 2016/2017 financial statements for the Mortgages and Car Loan fund as provided for in the PFM Act 2012 Section 167. A report containing information on the financial and non-financial performance of the Fund was also not produced for audit. In the

circumstance, it has not been possible to confirm if all the monies transferred was used for the intended purpose.

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

Other Matter

1. **Committee Sitting Allowance**

Committee expenses (sitting allowances) reflected under note 4 of the financial statements decrease by Kshs.19,160,424 from Kshs.78,869,329 in 2015/2016 to Kshs.59,708,905 in 2016/2017. The Assembly uses biometric system to identify and monitor attendance to various committee meetings. Analysis of the system revealed that some committee members were being paid sitting allowances despite not attending meetings. In other instances, members signed in and within a few minutes signed out. Cases where members just clocked in without evidence of clocking out were noted. The audit also observed that despite the installation of the biometric system, in most cases attendance to meetings continued to be recorded manually. This defeats the purpose of investing heavily in the biometric system which was meant to curtail weaknesses of the manual system that included manipulation of attendance. The use of biometric system as a control tool while attending meeting is not being enforced and leads to payment of sitting allowances for meetings not attended. This is a waste of public funds and a breach of the financial regulations.

2. **Purchase of Assorted Seats**

Chambers configuration balance of Kshs.8,035,675 was reflected under note 6 of the financial statements. Included in this balance is Kshs.6,000,000 paid on 30 June 2017 to Kenya Prisons Service for supply of seventy eight (78) office desks, single speakers' seat and fifty (50) public gallery seats. The supporting documents to this payment including quotation for furniture, contract agreement, and invoice no.2257 were all prepared on the same date i.e. on 11/4/2017. According to the 2016/2017 procurement plan, these assorted seats were to be procured through national open tender method. The method was however not used but the seats were single sourced from Kenya Prisons Service. In

addition, contrary to the requirements of direct procurement, the County Assembly did not demonstrate that the acquisition price was fair and reasonable and compares well with known prices of assorted seats. Further, Kenya Prison Service sent two quotations, the first referenced NAV/IND/7/13/VOLII/68 dated 11/4/2017 was not stamped to have been received by the County Assembly while the second quotation referenced was received after the payment had already been made. The signed contract agreement did not state the delivery period/timelines and the contract sum. The Assembly irregularly issued two LPOs number 212 dated 31/08/2017 for Kshs.3,575,000 and number 1027 dated 13/04/2017 for Kshs.6,000,000 for supply of the same items without adequate explanations or even cancelling one. Despite full payment, physical verification revealed that, out of the items ordered only fifty-eight (58) office desks had been delivered. Furthermore, there is no clause in the contract agreement that binds the supplier for failure to deliver or for delayed deliveries.

3. Routine Maintenance-Vehicles and Other Transport Equipment

Included under use of goods and services is Kshs.3,694,595 in respect to routine maintenance-vehicles and other transport equipment which decreased by Kshs.2,904,301 from Kshs.6,598,896 in 2015/2016. The approved budget provided Kshs.4,000,000 hence budget utilization difference of Kshs.305,405. Examination of sampled payment vouchers amounting to Kshs.2,111,304.30 revealed that the repairs and maintenance records were not maintained, therefore repairs undertaken could not be confirmed. There were no pre and post inspection reports to confirm the state of the vehicles before and after the repairs. In addition, motor vehicle defects were not recorded in the work tickets as required. Further, it was noted that M/s Bhogals Autoworld and M/s Africa Commercial Motor Group Ltd carried out service and repairs to vehicles registration 32CG055A and 32CG010A respectively. The two companies were however not among the prequalified suppliers of motor vehicles repairs. It was therefore difficult to confirm the propriety of Kshs.3,694,595 spent on routine maintenance-vehicles and other transport equipment.

4. Budgetary Control

During the financial year under review, the County Assembly budgeted receipts of Kshs.1,085,307,568 but received Kshs.998,121,311 leading to an under-funding of Kshs.87,186,257 i.e. 8% underfunding. In addition, the County Assembly spent Kshs.891,344,821.14 which implies a budgetary utilization capacity of 82% and budget variance of Kshs.193,962,746.86 as shown below.

Payments	Budget (Kshs)	Actual (Kshs)	Variance (Kshs)
Compensation of Employees	304,200,592.00	303,470,432.00	730,160.00
Use of goods and services	517,982,677.00	476,612,885.14	41,369,791.86

Transfers to Other Government Entities	43,285,516.00	4,712,316.00	38,573,200.00
Acquisition of Assets	219,838,783.00	106,549,188.00	113,289,595.00
Total	**1,085,307,568.00**	**891,344,821.14**	**193,962,746.86**

The above variance of Kshs.193,962,746.86 implies that programmes or budgeted items were not implemented or not paid for.
Further, out of the Kshs.998,121,311 funds received only Kshs.891,344,821.14 were spent leading to an actual under expenditure of Kshs.106,776,489.86.

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 unless the management either intends to liquidate the County Assembly or to cease operations, or have no realistic alternative but to do so.

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 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 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

Nairobi

16 July 2018

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016/17 Kshs	2015/16 Kshs
RECEIPTS			
Transfers from the County Treasury	1	998,121,311	797,619,874
Other Receipts-Proceeds from Sale of Assets	2	1,426,800	-
Other Receipts	2	-	3,332.540
TOTAL RECEIPTS		**999,548,111**	**800,952,414**
PAYMENTS			
Compensation of Employees	3	303,470,432	293,153,745
Use of goods and services	4	476,612,885	418,367,388
Transfers to Other Government Entities	5	4,712,316	-
Acquisition of Assets	6	106,549,188	79,406,001
TOTAL PAYMENTS		**891,344,821**	**790,927,134**
SURPLUS		**108,203,290**	**10,025,280**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26/3 2018 and signed by:

Clerk of the Assembly
Joseph M. Malinda.

Principal Finance Office – County Assembly
Jane N. Waweru
ICPAK Member No. 7941

VI. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

	Note	2016/2017 Kshs	2015/16 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	547,583,673	330,934,112
TOTAL FINANCIAL ASSETS		**547,583,673**	**330,934,112**
NET FINANCIAL ASSETS		**547,583,673**	**330,934,112**
REPRESENTED BY			
Fund balance b/fwd	8	439,380,382	367,951,158
Surplus for the year		108,203,290	10,025,280
Prior Year Adjustment			(47,042,326)
NET FINANCIAL POSITION		**547,583,672**	**330,934,112**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26/3 2018 and signed by:

Clerk of the Assembly
Joseph M. Malinda.

Principal Finance Officer – County Assembly
Jane N. Waweru
ICPAK Member No. 7941

VII. STATEMENT OF CASH FLOWS

	Note	2016/17 Kshs	2015/16 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury	1	998,121,311	797,619,874
Other receipts			3,332,540
Payments for operating expenses			
Compensation of Employees	3	(303,470,432)	(293,153,745)
Use of goods and services	4	(476,612,885)	(418,367,388)
Transfers to Other Government Entities	5	(4,712,316)	-
Net cash flows from operating activities		**213,325,678**	**89,431,281**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	1,426,800	-
Acquisition of Assets	6	(106,549,188)	(79,406,001)
Net cash flows from investing activities		**(105,122,388)**	**(79,406,001)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**108,203,290**	**10,025,280**
Cash and cash equivalent at BEGINNING of the year	7	**439,380,382**	**367,951,158**
Adjusted Opening Balance			**(47,042,326)**
Cash and cash equivalent at END of the year		**547,583,673**	**330,934,112**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26/3 2018 and signed by:

Clerk of the Assembly
Joseph M. Malinda.

Principal Finance Office – County Assembly
Jane N. Waweru.
ICPAK Member No. 7941

TRIAL BALANCE

	FY 2016-2017	
	DEBIT	**CREDIT**
Transfers from County Treasury		998,121,311
Proceed from sale of assets		1,426,800
Compensation of Employees	303,470,432	
Utilities, supplies and services	6,988,033	
Communication, supplies and services	4,808,846	
Domestic travel and subsistence	53,298,886	
Foreign travel and subsistence	17,322,642	
Printing, advertising and information supplies & services	25,147,935	
Rentals of produced assets	43,943,838	
Training expenses	10,515,965	
Hospitality supplies and services	154,755,989	
Insurance costs	27,022,194	
Specialized materials and services	3,580,885	
Office and general supplies and services	17,259,607	
Membership Fees, Dues And Subscriptions To Professional And Trade Bodies	3,753,047	
Legal Dues/fees, Arbitration and Compensation Payments	13,854,420	
Committee Meeting Expenses (Sitting Allowances)	60,329,782	
Other operating expenses	16,032,598	
Routine maintenance – vehicles and other transport equipment	3,694,595	
Routine maintenance – other assets	8,499,743	
Fuel Oil and Lubricants	5,803,880	
Refurbishment of Buildings		

	8,784,056	
Construction of Buildings - Office Block	48,423,346	
Construction of Public Gallery	6,658,409	
Construction of Roads - Access Road	12,167,573	
Construction of Speaker's House	5,520,672	
Drilling and Equipping of a Bore hole	5,247,293	
Chambers Configuration	8,035,675	
Purchase of Household Furniture and Institutional Equipment	4,403,500	
Purchase of ICT Equipment, Software and Other ICT Assets	7,308,664	
Cash at Bank	108,203,290	
Transfer to County Treasury	1,426,800	
Transfer to Car Loan and Mortgage Fund	3,285,516	
	999,548,111	**999,548,111**

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Percentage of Utilization difference to Final Budget
	KES	KES	KES	KES	%
RECEIPTS					
Transfers from the County Treasury	1,085,307,568	-	1,085,307,568	998,121,311	92%
Proceeds from Sale of Assets				1,426,800	
TOTAL	**1,085,307,568**	-	**1,085,307,568**	**999,548,111**	**92%**
PAYMENTS					
Compensation of Employees	324,405,393	(20,204,801)	304,200,592	303,470,432	100%
Use of goods and services	497,777,876	20,204,801	517,982,677	476,612,885	95%
Transfers to Other Government Entities	43,285,516	-	43,285,516	4,712,316	11%
Acquisition of Assets	219,838,783	-	219,838,783	106,549,188	45%
TOTAL	**1,085,307,568**	-	**1,085,307,568**	**891,344,821**	**82%**
SURPLUS				**108,203,290**	

The entity financial statements were approved on 26/3 2018 and signed by:

Clerk of the Assembly
Joseph M. Malinda.

Principal Finance Office – County Assembly
Jane N. Waweru
ICPAK Member No. 7941

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Percentage of Utilization difference to Final Budget
	KES	KES	KES	KES	%
RECEIPTS					
Transfers from the County Treasury	865,468,785	-	865,468,785	796,893,243	92%
Proceeds from Sale of Assets				1,426,800	
TOTAL	**865,468,785**	-	**865,468,785**	**798,320,043**	**92%**
PAYMENTS					
Compensation of Employees	324,405,393	(20,204,801)	304,200,592	303,470,432	100%
Use of goods and services	497,777,7876	20,204,801	517,982,677	476,612,885	94%
Transfers to Other Government Entities	43,285,516	-	43,285,516	4,712,316	11%
TOTAL	**865,468,785**	-	**865,468,785**	**796,507,797**	**92%**

The entity financial statements were approved on 26/3 2018 and signed by:

Clerk of the Assembly
Joseph M. Malinda.

Principal Finance Officer – County Assembly
Jane N. Waweru.
ICPAK Member No. 7941

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Percentage of utilization difference to Final Budget
	KES	KES	KES	KES	Kshs
RECEIPTS					
Transfers from the County Treasury	219,838,783	-	219,838,783	201,228,068	92%
TOTAL	**219,838,783**	-	**219,838,783**	**201,228,068**	**92%**
PAYMENTS					
Acquisition of Assets	219,838,783	-	219,838,783	106,549,188	48%
TOTAL	**219,838,783**	-	**219,838,783**	**106,549,188**	**48%**

The entity financial statements were approved on 20/3 2018 and signed by:

Clerk of the Assembly
Joseph M. Malinda.

Principal Finance Officer – County Assembly
Jane N. Waweru
ICPAK Member No. 7941

XI. SIGNIFICANT ACCOUNTING POLICIES

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

1. **Statement of compliance and basis of preparation**
The financial statements have been prepared in accordance with 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 County Assembly of Nakuru. 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 Assembly recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Assembly.

Transfers from the 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.

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 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 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.

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 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.

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 Assembly's budget was approved as required by Law .The original budget was approved by the County Assembly on 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 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.

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.

XII. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from the County Treasury/Exchequer Releases

	2016/17 Kshs	2015/16 Kshs
Transfers from the County Treasury for Q1	279,950,977	146,076,648
Transfers from the County Treasury for Q2	246,489,907	141,462,000
Transfers from the County Treasury for Q3	226,992,227	110,136,000
Transfers from the County Treasury for Q4	244,688,200	399,945,226
Cumulative Amount	**998,121,311**	**797,619,874**

2 Other Receipts

	2016/17 Kshs	2015/16 Kshs
Receipts from the Sale of a Motor Vehicle	1,426,800	-
Other Receipts	-	3,332,540
Total	**1,426,800**	**3,332,540**

3 COMPENSATION OF EMPLOYEES

	2016/17 Kshs	2015/16 Kshs
Basic salaries of permanent employees	44,171,245	
Superannuation Fund/Gratuity	26,753,041	
House Allowance	18,738,800	
Responsibility Allowance	14,712,000	
Commuter Allowance	40,756,802	
Pension and other social security contributions	187,200	
Provident Fund Contribution	9,022,300	
Gross Pay {Members of County Assembly)	143,922,454	
Other personnel payments	5,206,590	293,153,745
Total	**303,470,432**	**293,153,745**

4 USE OF GOODS AND SERVICES

	2016/17 Kshs	2015/16 Kshs
Utilities, supplies and services	6,988,033	9,650,720
Communication, supplies and services	4,808,846	5.287,287
Domestic travel and subsistence	53,298,886	42,510,042
Foreign travel and subsistence	17,322,643	24,913,225
Printing, advertising and information supplies & services	25,147,935	13,280,720
Rental Expenses-Ward Offices	43,943,838	40,770,140
Training expenses	10,515,965	7,738,486
Hospitality supplies and services	155,376,866	112,368,747
Insurance costs	27,022,194	22,662,892
Specialized materials and services	3,580,885	3,218,116
Office and general supplies and services	17,259,607	19,772,528
Membership Fees and Subscription to Professional Bodies	3,753,047	
Legal Fees	13,854,420	
Committee Expenses (Sitting Allowances)	59,708,905	
Other operating expenses	16,032,598	99,198,252
Routine maintenance – vehicles and other transport equipment	3,694,595	6,598,896
Routine maintenance – other assets	8,499,743	2,411,628
Fuel, Oils and Lubricants	5,803,880	7,985,649
Total	**476,612,885**	**418,367,388**

5 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016/17	2015/16
	Kshs	Kshs
Transfer to County Treasury-(Sale of Motor Vehicle)	1,426,800	
Transfer to County Assembly Car and Mortgage Fund	3,285,516	14,974,445
TOTAL	**4,712,316**	**14,974,445**

6 ACQUISITION OF ASSETS

Non Financial Assets	2016/17 Kshs	2015/16 Kshs
Construction of a Public Gallery	6,658,409	8,985,360
Construction of Buildings-Office Block	48,423,346	-
Refurbishment of Buildings	8,784,056	6,021,043
Construction of Access Road	12,167,573	625,000
Drilling and Equipping of a Bore Hole	5,247,293	-
Construction of Speaker's Residence	5,520,672	25,380,446
Chambers Configuration	8,035,675	7,132,735
Purchase of Household Furniture and Institutional Equipment	4,403,500	16,274,173
Purchase of ICT Equipment, Software and Other ICT Assets	7,308,664	15,765,285
Total	**106,549,188**	**79,406,001**

7 BANK ACCOUNTS

Name of the Bank, Account No. and Currency	Account Type	2016/17 Kshs	2015/16 Kshs
Cooperative Bank Account No. 01141506140000 –Kenya Shillings	Recurrent	581,179	2,618
Cooperative Bank Account No. 01141493959300-Kenyan Shillings	Development	107,492,902	7,598,496
Central Bank Of Kenya Acc. No 1000239778 –Kenyan Shillings	Recurrent	129,209	458
Central Bank Of Kenya Acc. No 1000285281–Kenyan Shillings	Development	-	-
Central Bank Of Kenya Acc. No 1000285273 –Kenyan Shillings	Deposit	-	-
Total		**108,203,290**	**7,601,572**

ANNEXURE I

SUMMARY OF FIXED 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 and Buildings	0	87,670,639		87,670,639
Small Assets	15,995	0		15,995
Office Equipment	4,657,776	1,897,342		6,552,118
Motor Vehicles	57,553,020	2,700,000		60,253,020
Furniture and Fittings	14,797,019	1,622,600		16,419,619
Computers	12,969,777	616,616		13,856,393
Total	89,995,588	94,504,197		184,497,785

Notes

- **The construction of acceleration and de-acceleration lane was not included as part of the Assets**
- **The refurbishment and renovation of old buildings was not included in the asset listing since there was no historical cost**

ANNEXURE II

SUMMARY OF PEDING BILLS

S/No.	NAME	DETAILS	AMOUNT
1	FAMILY BANK	CAR LOAN Check Off - JUNE 2017	4,918,900.00
2	SITTING ALLOWANCES	- JUNE 2017	2,110,920.00
3	PAYE	- JUNE 2017	3,012,780.00
4	COMMISSIONER OF VAT	6% VAT DEDUCTIONS	1,391,775.00
5	COMMISSIONER OF INCOME TAX	5% & 3% WH VAT	329,044.00
6	FULL HOUSE COMMITTEE	PER DIEM	4,092,899.00
7	PAYMASTER GENERAL	PAYE	10,000.00
8	FULL HOUSE COMMITTEE	SITTING ALLOWANCES	514,800.00
9	EUNICE WANJIKU	PURCHASE OF CYLINDER LOCK	8,000.00
10	JOHN KWAMBAI	FACILITATE IPSAS WORKSHOP	2,000.00
11	DT DOBIE	MOTOR VEHICLE REPAIRS	689,382.00
12	HOTEL WATER BUCK	50 PAX HALF DAY CONFERENCE@ 1,500.00	75,000.00
13	PANARI HOTEL LIMITED	28 PAX FULL DAY CONFERENCES	231,000.00
14	POSTAL CORPORATION	EMS SERVICES-JUNE 2017	2,170.00
15	TELKOM KENYA LIMITED	AIRTIME JUNE 2017	103,500.00
16	CHARLES LWANGA	PER DIEM	96,200.00
17	TOP CLIFF LODGE	55 PAX FULL DAY	126,000.00

		CONFERENCE	
1	SOIN WARD	OFFICE IMPREST-APR,MAY & JUNE 2017	76,818.00
2	ELEMENTAITA WARD	OFFICE IMPREST-APR,MAY & JUNE 2017	135,618.00
3	MENENGAI WARD	OFFICE IMPREST JUNE 2017	34,606.00
4	KIVUMBINI WARD	OFFICE IMPREST JUNE 2017	9,606.00
5	MALEWA WARD	OFFICE IMPREST-MAY & JUNE 2017	47,212.00
6	KIPTANGICH WARD	OFFICE IMPREST-JUNE 2017	23,606.00
7	KABAZI WARD	OFFICE IMPREST-MAY & JUNE 2017	77,212.00
8	KAPTEMBWO WARD	OFFICE IMPREST- JUNE 2017	9,606.00
9	MOSOP WARD	OFFICE IMPREST-APR,MAY & JUNE 2017	85,818.00
10	NYOTA WARD	OFFICE IMPREST-MAY & JUNE 2017	47,212.00
11	OLKARIA WARD	OFFICE IMPREST-APR,MAY & JUNE 2017	16,818.00
12	GILGIL WARD	OFFICE IMPREST JUNE 2017	20,606.00
13	KIPTORORO WARD	OFFICE IMPREST-MAY & JUNE 2017	54,712.00
			18,353,820.00