REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF TAITA TAVETA

FOR THE YEAR ENDED 30 JUNE 2017

COUNTY GOVERNMENT OF TAITA TAVETA

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2017

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Taita Taveta County is constituted as per the Constitution of Kenya, 2010. It is charged with the responsibility of providing a variety of services to residents within its area of jurisdiction. These include the services that were hitherto provided by the defunct Municipal Council and the ones that have been transferred from the national government. The county is headed by the County Governor, who is responsible for the general policy and strategic direction of the County. The Governor is supported by an Executive Committee in carrying out the mandate as stipulated in the Constitution. The County Executive Committee Member for Finance and Economic Planning is in charge of the County Treasury. One of the functions of the CEC – Finance is financial reporting at the County level.

Vision

"To be a prosperous county with thriving rural and urban economies that support quality life for all its inhabitants."

Mission
"To promote and actively participate in achievement of economic growth as well as social and cultural development with the aim of realizing sustainable development facilitated by sound management of the environment and sustainable utilization of natural resources"

Core Values
Taita Taveta County upholds the following values:

Integrity in Service Delivery

Stewardship and Leadership

Professionalism in Service Delivery

Respect for the county people

(b) Key management

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

	Name	Designation	Date of holding office
1.	H.E. John Mtuta Mruttu	Governor	4th march 2013
2.	H.E. Mary Ndigha	Deputy Governor	4th march 2013
3.	Linet Mavu	CEC Member, Administration and Devolution	5 April 2013
4.	Gifton Mkaya	CEC Member, Health Services	5 April 2013

	Name	Designation	Date of holding office
5.	Ben Mghana	CEC Member, Agriculture, Livestock and Fisheries	5 April 2013
6.	Alexander Mwangeka	CEC Member, Tourism, Environment and Natural Resources	5 April 2013
7.	Florah Mtuweta	CEC Member, Community Affairs, Trade and Industries	5 April 2013
8.	Stephen Masamo	CEC Member, Water and Irrigation	5 April 2013
9.	Elijah Mwandoe	CEC Member, ICT,Industralization,Energy& Research and Ag. CEC Member, Public Works and Infrastructure	5 April 2013
10.	Dr. Vincent Masawi	CEC Member, Member Finance and Planning	5 April 2013
11.	Jemima Tuja	CEC Member, Education and Fisheries	5 April 2013

(c) Fiduciary management

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

No.	Name	Designation
1.	Dr. Vincent Masawi (MBA)	CEC Member, Member Finance and Planning
2.	Mr. Bonaventure Mwakio, CPA (K)	Chief Officer, Finance and Planning
3.	Joyce Kambe Mwachia, CPA (K)	Director – Accounting
4.	Fredrick Nganga, CPA (K)	Senior Accountant

(d) Fiduciary oversight arrangements

The key fiduciary oversight bodies at the County for the year ended 30th June 2017 were:

1. County Assembly of Taita Taveta County;
2. Public Accounts Committee; and
3. Budget and Appropriations Committee.
4.

(e) Entity headquarters

P.O. Box 1066-80304
Wundanyi

(f) Entity contacts

Telephone: 0788186436/0718988717
E-mail: info@taitataveta.go.ke
Website: www.taitataveta.go.ke

(g) Entity bankers

1. Central Bank of Kenya
   Haile Selassie Avenue
   P.O. Box 60000
   City Square 00200
   Nairobi, Kenya
2. Kenya Commercial Bank
   Wundanyi Branch
   P.O. Box 1067-80304
   Wundanyi

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

KEY MANAGEMENT

The County Executive team during the financial year consisted of:

H.E. John Mtuta Mruttu, Governor

H.E. John Mtuta Mruttu was elected as the first Governor of Taita Taveta County on 4th March 2013. The governor was elected on an agenda of uplifting the living standards of the people of Taita Taveta County, improving the county's roads, boosting agriculture output, improving the health sector and uplifting the people of Taita Taveta County from poverty. It is on these key pillars that the government of H.E. John Mruttu has been working on since coming into power. He holds a bachelor's degree in BSc in Mechanical Engineering and a Master's Degree in Business Administration.

H.E. Mary Ndigha – Deputy Governor

H.E. H.E. Mary Ndigha was elected as the first Deputy Governor of Taita Taveta County. She holds an M.Sc. degree in Management and Implementation of Development Projects (MIDP) from the University of Manchester U.K, Institute of Science and Technology (UMIST) and Institute of Development Policy Management (IDPM) and a Bachelor's degree in Education.

Dr. Vincent Masawi - CEC, Finance and Economic Planning

Dr. Vincent Masawi was appointed as the CEC, Finance and Economic Planning on 23th December 2014. He has since been in the same role and has been driving the financial management agenda in the county.

Before his appointment in this docket, He has been serving as CEC for Livestock and Fisheries He has also held top positions in different multinational institutions. He holds a Master's Degree in Business Management and also a degree in Veterinary Medicine from the University of Nairobi amongst others.

Gifton Mkaya - CEC, Health Services

Gifton Mkaya was appointed the CEC, Health services on 5th April 2013. Dr Kuria is a well renowned medical practitioner with global acclamations for his work on cardiac surgery. He has been involved in several delicate heart surgeries which have resulted in saving human lives.

Dr Kuria graduated from the University of Nairobi in 1984 with a Bachelor of Medicine (Heart Surgery). Until his appointment, he served as the Senior Surgeon at Kenyatta Hospital.

Attach photo

Florah Mtuweta - CEC, Community Affairs, Trade and Industries

Florah Mtuweta is a well-known scholar. He has published several articles on Economics. Before his appointment, he served as a Deputy Vice Chancellor – Academic Affairs at the Kenyatta University.

He was initially appointed to head the Department of Education, Youth Affairs, Sports and Culture where he served until October 2015 when he was transferred to his current docket. During his time as the CEC for Education, he played a critical role in addressing the shortage of ECD teachers across the county.

Prof Makokha is now in-charge of Trade, Tourism and Industry and his main goal is to market Taita Taveta County as the destination of choice for tourists coming into Kenya.

Elijah Mwandoe - CEC, ICT,Industralization,Energy& Research

Elijah Mwandoe was appointed as the CEC, Transport and Infrastructure on 5th April 2013. He holds a Civil Engineering degree from Jomo Kenyatta University of Agriculture and Technology. He also has a Master of Science (Finance) from the University of Nairobi.

He is a car enthusiast known especially for his love and passion for "German machines".

He is also the acting CEC member for **Public Works and Infrastructure...**

Linet Mavu - CEC, Administration and Devolution

Linet Mavu heads the Department of Lands, Housing and
Physical Planning. He was appointed into this position on 5th April 2013.Ms Linet Mavu graduated from the University of Nairobi with a Bachelor of Quantity Survey and Urban Planning Degree in 1989.

Until his appointment, he ran his own engineering firm which has executed several high value contracts.

Ben Mghana - CEC, Agriculture, Livestock and Fisheries

Ben Mghana is a Natural Resource Expert with over 10 years' experience in various countries in Eastern Africa and Western
Africa. He served as a Program Manager and Environmental
Officer at the United Kingdom Agency for International Development (UKAID) in Nairobi with responsibilities of ensuring that programs comply with both national and international environmental laws. Mr. Ben Mghana holds a Master's Degree in International Environmental Law (Harvard Law School).

Alexander Mwangeka - CEC, Tourism, Environment and Natural Resources

Alexander Mwangeka was appointed to head the Department of Trade, Tourism and Industry on 5th April 2017, where she served until 10th October 2015 where she was transferred into her current docket of Education, Youth Affairs, Sports and Culture. She holds a Master of Arts (Basic Education) and a Bachelor of Science in Administration from the United States International University-Africa (USIU-A).

Stephen Masamo- CEC, Agriculture, Livestock and Fisheries

Stephen Masamo is a Natural Resource Expert with over 10 years' experience in various countries in Eastern Africa and Western

Africa. He served as a Program Manager and Environmental Officer at the United Kingdom Agency for International Development (UKAID) in Nairobi with responsibilities of ensuring that programs comply with both national and international environmental laws. Mr. Masamo holds a Master's Degree in International Environmental Law (Harvard Law School).

Jemima Tuja- CEC, Education and Libraries

Jemima Tuja is a Natural Resource Expert with over 10 years' experience in various countries in Eastern Africa and Western

Africa. He served as a Program Manager and Environmental Officer at the United Kingdom Agency for International Development (UKAID) in Nairobi with responsibilities of ensuring that programs comply with both national and international environmental laws. Ms. Tuja holds a Master's Degree in International Environmental Law (Harvard Law School).

1. COMMENTARY BY THE CEC, FINANCE AND ECONOMIC PLANNING

It is my pleasure to present the County Government of Taita Taveta financial statements for the year ended 30th June 2017. The financial statements present the financial performance of the County Government over the past year.

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralized system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments.

Financing of the County Governments

Article 202 of the Constitution of Kenya provides that revenue raised nationally shall be shared equitably among the National Government and the County Governments. Each County Government's equitable share of revenue raised nationally, is determined yearly through the County Allocation of Revenue Act (CARA). The revenue sharing formula is developed by the Commission on Revenue Allocation and approved by Parliament in accordance with Article 217 of the Constitution.

The County also finances its operations through own generated revenues. These are revenues collected within the County. They key local revenue sources for Taita Taveta County included business permits, land rates, business plan approval, advertising fees, cess and various other administrative charges.

The County continues to explore new and innovative ways of increasing its local revenue collections i.e. Automation of revenue collection system to enhance revenue collections

Financial Performance

a) Revenue

In the year ended 30th June 2017, the County had projected revenues of KShs 4,656,442,555 consisting of KShs 355,387,656 from own sources and KShs 4,301,054,899 from other sources.

A graphical representation of the revenue budget is as shown below:

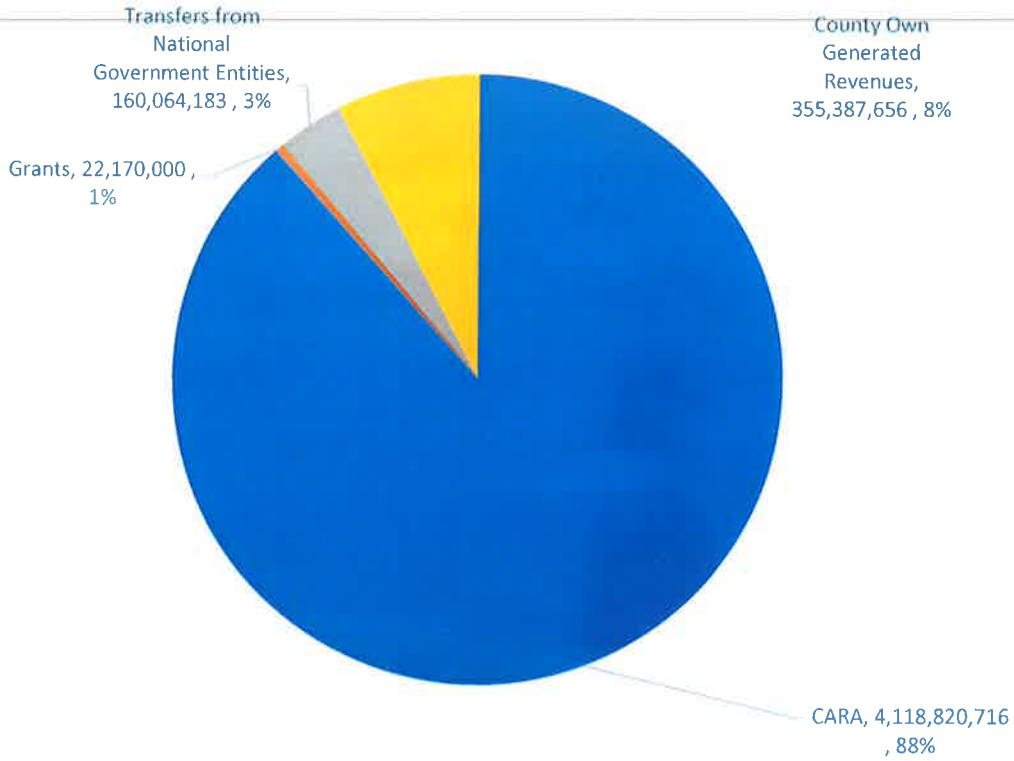

Figure 1: Taita Taveta County revenue sources in FY 2016/2017

CARA revenues continue to form the largest part of our revenue budget, contributing 88% towards our budget. Our own generated revenues formed 8% of our budget.

Out of the projected revenue, the County was able to realise KShs 3,953,929,417 in actual revenues, representing 85% performance. This low performance was as a result of low realization of the own generated revenues whose performance was at 54%. In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
CARA	4,118,820,716	3,585,876,305	87%
Grants	22,170,000	0	0%
Transfers from National Government Entities	160,064,183	202,060,864	126%
Own Generated	355,387,656	165,992,249	47%
	4,656,442,555	**3,953,929,417**	85%

Table 1: Revenue performance in FY 2016/2017

b) Payments

Our total expenditure for the year amounted to KShs 4,001,127,757. KShs 699,065,631 was spent on development expenditure while KShs 3,302,062,126 was spent on recurrent expenditure representing a ratio of 17:83 respectively.

Some of the development projects in FY 2016/2017 included the following:

H.E John Mruttu Luanching ECD Classroom

Mwagafwa Vocational Training Centre

Bamako Dispensary

Miasenyi ECD School Bus

Figure 2: County Government Flagship projects completed in FY 2016/2017

The County has hired more ECD teachers to bridge the gaps. An modern market centre was constructed at Voi Town. This will go a long way in creating jobs for the youth and opening opportunities for the farmers.

Much of the recurrent budget was spent on compensation for employees. This was as a result of salary increments awarded to Doctors and Nurses over the past year. However, we appreciate that a well remunerated workforce is necessary for service delivery. As such, we are committed to improving the welfare of our staff.

c) Cash flows

In the FY 2016/2017, we have not had many liquidity disruptions. This was as a result of proper planning by the County and timely disbursements by the National Treasury. The cash and cash equivalents increased from KShs 171,233,294 as at 30th June 2016 to KShs 191,364,667 as at 30th June 2017.

d) Accounts receivables

Imprest management is a critical area of focus in Taita Taveta County. Our aim is to adhere to the PFM regulations on imprest management. We appreciate that there is still room for improvement in this area. The main challenge has been to get staff and the Honourable Members of County Assembly to account for their imprests on time. Going into FY 2017/2018, we will place more emphasis on complying with the PFM regulations with regards to imprests.

e) Pending bills

The FY 2016/2017, pending bills increased by Kshs 425 million from Kshs 225 million to KShs 680 million. Our focus as a County is to settle the bills as soon as possible. In every budget cycle, we ensure that part of the allocations is towards settlement of old outstanding pending bills.

f) Fixed assets

Taita Taveta County has made significant investments in fixed assets since coming into office in 2013. Additionally, we inherited some assets from the defunct municipal council. We are in the process of developing a comprehensive asset management policy, which we hope to finalize in FY 2017/2018. The policy will among other things incorporate physical verification of all assets, valuation of assets, tagging of assets and maintenance of an asset register.

Operational performance

The County's operations are structured in terms of departments which are headed by a County Executive Committee member. For seamless service delivery, all departments have to work in unison and synergize. In the table below, we summarize the key activities carried out by each department during the year:

Department	Key activities
Health Services	• Four new dispensaries were constructed • Diagnosis equipment in the level 5 hospital • 5 new dialysis machines • Implementation of the Doctors' and the Nurses' CBA
Trade, Tourism and Industry	• New ultra-modern TAITA TAVETA market commissioned • Increment in disbursements to youth, women and the disabled persons to boost their economic standards • Marketing Taita Taveta County as a key tourist destination • Automation of business permit issuance

Department	Key activities
Transport and Infrastructure	• Refurbishment of access roads • Construction of TAITA TAVETA road bridge
Lands, Housing and Physical Planning	• Construction of sewer lines in TAITA TAVETA town • Refurbishment of County houses • Automation of business plan approval process
Agriculture and Water	• Each sub county now has at least two boreholes • Supply of subsidized fertilizer to farmers • Assistance to farmers in exporting their produce
	• Taita Taveta County cultural day • Hiring of ECD teachers in order to boost the quality of education

Table 2: Departmental performance in FY 2016/2017

Despite the notable achievements, we have experienced some challenges during the year. These include:

1) Poor own revenue collection – the actual revenue collected during the year was 53% of the projected revenues. We are exploring ways of boosting revenue collection as mentioned earlier;

2) We have also experienced challenges with IFMIS as a result of down times and poor internet connectivity. This has in some instance delayed payments to suppliers and lead to payments being made outside IFMIS;

3) Political processes – there were delays in approving the budget for FY 2016/2017 due to disagreements between the MCAs. This delayed some development projects scheduled for FY 2016/2017;

4) Staff turnover – staff turnover was high in expert and specialization positions due to the inability by the County to offer huge compensation packages compared to the private sector.

Conclusion

FY 2016/2017 was a good year in general. Good progress was made and the momentum has been created to enable Taita Taveta County continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank H.E. the Governor and the Deputy Governor for their support. I would also want to thank my colleagues, the County Executive Committee Members in charge of other departments who we have worked hand in hand to ensure that Taita Taveta County achieves its mission.

I thank all staff in the entire County for their continued commitment and dedication through hard work in delivering services to the people of Taita Taveta County.

County Executive Committee Member for Finance and Economic Planning County Government of TAITA TAVETA

2. STATEMENT OF CORPORATE GOVERNANCE

Taita Taveta County is constituted as per the Constitution of Kenya, 2010. The County is headed by the Governor, who is responsible for the general policy and strategic direction of the County.

The County is made up of a County Assembly and County Executive. The County Assembly (CA) consists of the Members of County Assembly (MCAs) who are elected by the people to represent them in the Assembly. The CA is headed by the Speaker.

The County Executive is structured in terms of departments, headed by a County Executive Committee (CEC) Member. The CECs support the Governor and the Deputy Governor in executing the mandate of the County Government as stipulated in the Constitution.

The County Assembly

The County Assembly is made of the MCAs. It is headed by the Speaker who is elected by the MCAs. The CA is the legislative authority in the county. It also plays an oversight role in ensuring that the county resources are well allocated and well spent. The CA is especially critical in the budgeting process. The MCAs meet every week in accordance with the Standing Orders of the County Assembly.

In executing its mandate, the CA has the following oversight committees:

1. Public Accounts Committee
2. Budget and Appropriations Committee

Public Accounts Committee

The committee was formed to provide oversight on the County's finances. The committee held quarterly mandatory meetings during the year. Additionally, it also held three extra sittings to deal with arising matters. The members who served in the committee during the year were:

No	Name	Position	Period served
1	Hon Omar Ahmed	Chairperson	5th April 2013 to 30th June 2017
2	Hon Naima Saleh	Vice chairperson	5th April 2013 to 30th June 2017
3	Hon Ann Ngaluma	Member	5th April 2013 to 30th June 2017
4	Hon Rosinah Kisochi	Member	5th April 2013 to 30th June 2017
5	Hon Judah Kilonzo	Member	5th April 2013 to 30th June 2017
6	Hon Abrahim Juma	Member	5th April 2013 to 30th June 2017
7	Hon Flumence Mshila	Member	5th April 2013 to 30th June 2017
8	Hon Paul Waweru	Member	5th April 2013 to 30th June 2017

Table 3: Public accounts committee members

Budget and Appropriations Committee

The budget and appropriations committee provides guidance in the budgetary process. It is charged with the budget making process and ensuring that there is public participation in the budget process. The members who served in the committee during the period were:

No	Name	Position	Period served
1	Hon Arresmus K. Mwarabu	Chairperson	5th April 2013 to 30th June 2017
2	Hon Cromwel Mwarigha Baridi	Vice chairperson	5th April 2013 to 30th June 2017
3	Hon Johnes Fundi Maskuji	Member	5th April 2013 to 30th June 2017
4	Hon Omar Ahmed	Member	5th April 2013 to 30th June 2017
5	Hon Francis Terere	Member	5th April 2013 to 30th June 2017
6	Hon Elizabeth Mwatela	Member	5th April 2013 to 30th June 2017
7	Hon Mercy Z. Mwakera	Member	5th April 2013 to 30th June 2017
8	Hon. Ann Ngaluma	Member	5th April 2013 to 30th June 2017

Table 4: Budget and appropriations committee members

In addition to the above two committees of the County Assembly, the County Government has an independent Audit Committee which was constituted in 2016 to comply with the PFM (County Government) regulations (2015) on the formation of audit committees for all Counties.

Audit Committee

The audit committee was constituted in 2016. Its mandate is to advise the County Government on institutional risk management and compliance. The committee held four meetings in FY 2016/2017. The committee members during FY 2016/2017 were:

No	Name	Position	Period served
1	Mr. John Mwasho	Chairperson	1st July 2016 to 30th June 2017
2	Mr. John Kisako Matuti	Vice chairperson	1st July 2016 to 30th June 2017
3	Mr. Festus Mwambingu	Member	1st July 2016 to 30th June 2017
4	Mr. Fredrick ogalo Riaga	Member	1st July 2016 to 30th June 2017

Table 5: Audit Committee members

Communication with all Stakeholders

The County is committed to ensuring that all its stakeholders are provided with full and timely information about its programmes and performance. They are also given an opportunity to give feedback. In this regard, the County held an Annual consultative meeting in February 2017 where

the different stakeholders were invited for information sharing. This communication is important in ensuring that stakeholder expectations are aligned to the County's service delivery charter.

3. STATEMENT OF COMPLIANCE

The County Government is regulated by various laws and regulations. As a County Government, we are committed to ensuring that we have complied with all the laws and regulations governing County Governments.

a) Financial reporting – Section 166 of the PFM Act (2012) requires the County Treasury to submit quarterly reports to the County Assembly and deliver copies to the Controller of Budget, National Treasury and the Commission on Revenue Allocation (CRA), no later than one month after the end of each quarter. Taita Taveta County complied with this requirement and submitted the quarterly reports within the stipulated timelines.

b) Fiscal responsibilities – Section 107 of the PFM Act (2012) stipulates the requirements of the County Treasury in enforcing fiscal responsibility.

- "The county government's recurrent expenditure shall not exceed the county government's total revenue" – in FY 2016/2017, Taita Taveta County complied with this requirement whereby the recurrent expenditure was KShs **3,250,904,903** against total revenues of KShs 3,953,963,742

- "A minimum of thirty percent of the county government's budget shall be allocated to the development expenditure" – in FY 2016/2017, **KShs 699,065,631** (17%) was allocated to development expenditure against a total budget of KShs **3,950,132,218**

4. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of revenue and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The County Executive Committee (CEC) member for finance of the County Government is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the financial year ended on June 30, 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 Government; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Government; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

Approval of the financial statements

The County Government's financial statements were approved and signed by the CEC member for Finance on 30/06 2017.

County Executive Committee member – Finance and Economic Planning

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF TAITA TAVETA FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of County Executive of Taita Taveta set out on pages 1 to 29, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of appropriation: 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1.0 Errors in the Financial Statements

The following misstatements were noted in relation to the financial statements for the year ended 30 June 2017

1.1 Annexure 1 to the financial statements for the year ended 30 June 2017 reflects a Nil balance for pending accounts payable, while statement of assets and liabilities reflects a balance of Kshs.30,556,873 for the current year and Kshs.23,148,872 for the previous year.

1.2 Annexure 2 to the financial statements for the year ended 30 June 2017 reflects a Nil balance for pending staff payable, while note 18.2 to the financial statements reflects a balance of Kshs.82,488,678 for the current year and Kshs.10,307,387 for the previous year.

1.3 Annexure 3 to the financial statements for the year ended 30 June 2017 reflects a Nil balance for the summary of fixed asset register, while statements of receipts

and payments reflects acquisition of assets of Kshs.529,265,122 for the current year and Kshs.633,451,705 for the previous year.

1.4 Table of contents indicates that commentary by CEC Finance and Economic and Planning is at page viii while it is at page ix.

1.5 The statement of receipts and payments for the year ended 30 June 2017 reflects transfer from other Government Entities as Kshs.202,095,189 while note 3 to the financial statement for the year then ended reflects Kshs.202,060,864 resulting to a variance of Kshs.34,324. Further, note 3 is under casted by Kshs.27,000.

1.6 Note 5 to the financial statements for the year ended 30 June 2017 is under casted by Kshs.362,541.

1.7 Note 7 to the financial statements for the year then ended reflects the total expenditure under use of goods and services as Kshs.849,782,029 while the correct amount after casting is Kshs.849,863,907 resulting to a variance of Kshs.81,878.

1.8 Significant accounting policies no. 3 stipulates that the financial statements for the year ended 30 June 2017 are based on consolidation of the financial statements of individual entities. However, the financial statements are not consolidated.

1.9 The statement of assets and liabilities and Note 14A indicate bank balances as Kshs.189,581,246 while the casting note 14A reflects Kshs.189,582,259 resulting to a variance of Kshs.1,013.

Consequently, the financial statements presented for the year ended 30 June 2017 were not fairly stated.

2.0 Proceeds from Domestic and Foreign Grants

The statement of receipts and payments for the year ended 30 June 2017 reflects proceeds from domestic and foreign grants balance of Kshs.7,405,000. However, no detailed summary and no support schedules were presented for audit review.

Consequently, the accuracy and validity of Kshs.7,405,000 from proceeds from domestic and foreign grants for the year ended 30 June 2017 could not be ascertained.

3.0 Transfers to Other Government Entities

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers to other government entities balance of Kshs.727,636,690, out of this amount, Kshs.22,811,165 relates to other current transfers as detailed in Note 8 to the financial statements. However, the supporting schedules availed for audit review indicated a balance of Kshs.34,915,000 resulting to unexplained and unreconciled variance of Kshs.12,103,835.

Consequently, the accuracy and validity of Kshs.22,811,165 relating to other current transfers could not be ascertained.

4.0 Cash and Cash Equivalent

4.1 Unsupported Bank Accounts

The statement of assets and liabilities as at 30 June 2017 reflects a bank balance of Kshs.189,581,246. However, the bank confirmation certificates and cash books for the following two (2) bank accounts with a total balance of Kshs.20,787,410 were not presented for audit review, contrary to Section 90(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officers to ensure that bank reconciliations are prepared for each bank account held.

S/No	Name of Bank, Account No.	Type of Bank Account	Balance (Kshs.)
1.	Kenya Commercial Bank Ac No.1166131580 (Datu Fund)	Imprest	3,094,970
2.	Co-Operative Bank Ac No. 01141222222000 (Datu Fund)	Fund Operations	17,692,440
	Total		**20,787,410**

Consequently, the accuracy and completeness of the bank balances of Kshs.189,581,246 could not be confirmed.

4.2 Taita Taveta County CBK Recurrent Account

The statement of assets and liabilities as at 30 June 2017 reflects a bank balance of Kshs.189,581,246. Included in this balance is an account balance of Kshs.1,587,254 in respect of Taita Taveta County Recurrent Account. However, the bank reconciliation statement reflects receipts in cash book not yet recorded in the bank statement amounting to Kshs.3,000,000. However, at the time of audit the amount was not banked and no explanation was given.

Consequently, the validity and accuracy of the bank balance of Kshs.1,587,254 in respect of Taita Taveta County Recurrent Account could not be confirmed.

4.3 Wesu Sub-county Hospital Maternity Account

Included in the bank balance of Kshs.189,581,246 is an account balance of Kshs.929,589 in respect of Taita Taveta County – Wesu Hospital Maternity Account. However, a bank reconciliation statement as at 30 June 2017 reflects payments in cash book not in bank statement (un-presented cheques) amounting to Kshs.169,950, but the bank statements to verify the dates when these un-presented cheques were subsequently cleared was not availed for audit review.

Consequently, the validity and accuracy of the bank balance of Kshs.929,589 in respect of Taita Taveta County Wesu Hospital Maternity as at 30 June 2017 could not be confirmed.

4.4 Taita Taveta County Health Services CHMT Danida

The bank balance of Kshs.189,581,246 includes an account balance of Kshs.10,689,078 in respect of Taita Taveta County – CHMT Danida Account. However,

bank reconciliation statement as at 30 June 2017 reflects payments in cash book not reflected in bank statement (un-presented cheques) amounting to Kshs.402,936.40 out of which cheques totaling Kshs.254,788 were stale. However, no explanation has been given for the non-reversal of the stale cheques in the cash book.

Consequently, the completeness and accuracy of the bank balance of Kshs.10,689,078 in respect of Taita Taveta County – CHMT Danida Account as at 30 June 2017 could not be confirmed.

4.5 Taita Taveta County Revenue Imprest Account

The bank balance of Kshs.189,581,246 includes an account balance of Kshs.67,811 in respect of Taita Taveta County Revenue Imprest Account. However, the bank reconciliation statement as at 30 June 2017 reflects payments in cash book not in bank statement (un-presented cheques) amounting to Kshs.17,155, but the bank statements to verify the dates when these un-presented cheques were subsequently cleared were not provided for audit review.

Consequently, the validity and accuracy of the bank balance of Kshs.67,811 in respect of Taita Taveta County Revenue Imprest Account could not be confirmed.

4.6 Taita Taveta County Treasury Standing Imprest Account

The statement of assets and liabilities as at 30 June 2017 reflects a bank balance of Kshs.189,581,246. Included in this balance is an account balance of Kshs.39,246,254 in respect of Taita Taveta County Treasury Standing Imprest Account. However, the bank reconciliation statement as at 30 June 2017 reflects payments in cash book not in bank statement (un-presented cheques) amounting to Kshs.118,592,022. In addition, the payments dates for the expenditure were not indicated and the bank statements to verify the dates when the un-presented cheques were subsequently cleared were not provided for audit review.

Further, the bank reconciliation statement reflects payments in bank statement not yet recorded in cash book amounting to Kshs.127,894.5 relating to bank charges which are not part of the reconciling items.

It was further noted that the bank reconciliation statement reflects receipts in cash book not yet recorded in the bank statement amounting to Kshs.112,530,185.80 which no details of the receipts had been provided. The money was not banked intact and could have been misappropriated.
Consequently, the accuracy and completeness of the bank balance of Kshs.39,246,254 in respect of Taita Taveta County Treasury Standing Imprest Account could not be confirmed.

4.7 Taita Taveta Revenue Collection Account

Taita Taveta County Revenue Collection Account reflects a nil balance though the bank reconciliation statement reflects receipts in bank statement not yet recorded in the cash book amounting to Kshs.2,744,226.30 and which no details of the receipts had been provided.

Consequently, the completeness and accuracy of the nil balance in respect of Taita Taveta County Revenue Collection Account as at 30 June 2017 could not be confirmed.

4.8 Taita Taveta County Public Service Board

The bank balance of Kshs.189,581,246 includes an account balance of Kshs.152,394 in respect of Taita Taveta County Public Service Board. However, the bank reconciliation statement for the same account reflects a cash book balance of Kshs.149,126 resulting to unexplained variance of Kshs.3,268.

Further, the bank reconciliation statement reflects payments in cash book not yet reflected in bank statement (un-presented cheques) amounting to Kshs.1,583,303.40, but the bank statements to verify the dates when these un-presented cheques were subsequently cleared were not provided for audit review.

Consequently, the completeness and accuracy of the bank balance of Kshs.152,394 in respect of Taita Taveta County Public Service Board as at 30 June 2017 could not be confirmed.

4.9 Wundanyi Hospital Maternity Account

The bank balance of Kshs.189,581,246 includes an account balance of Kshs.244,105 in respect of Taita Taveta County – Wundanyi Hospital Maternity Account. However, the bank reconciliation statement as at 30 June 2017 reflects payments in cash book not reflected in bank statement (un-presented cheques) amounting to Kshs.176,381.70, but payments amounting to Kshs.35,744.70 as at 30 June 2017 relate to stale cheques. No explanation has been given for the non-reversal of the stale cheques in the cash book.

Consequently, the completeness and accuracy of the bank balance of Kshs.225,510 in respect of Taita Taveta County – Wundanyi Hospital Maternity Account as at 30 June 2017 could not be confirmed.

4.10 Moi Voi Sub-county Maternity Account

The statement of assets and liabilities as at 30 June 2017 reflects a bank balance of Kshs.189,581,246. Included in this balance is an account balance of Kshs.140,413 in respect of Taita Taveta County – Moi Voi Sub County Maternity Account. However, the bank reconciliation statement reflects a balance as per cash book of Kshs.151,385 resulting to unreconciled variance of Kshs.10,972.

Further, the bank reconciliation statement reflects payments in cash book not yet reflected in bank statement (un-presented cheques) amounting to Kshs.238,136, but payments amounting to Kshs.191,077 were stale cheques. No explanation has been given for the non-reversal of the stale cheques in the cash book.

Consequently, the completeness and accuracy of the bank balance of Kshs.140,413 in respect of Taita Taveta County – Moi Hospital Maternity Account as at 30 June 2017 could not be confirmed.

4.11 Mwatate Sub-county Hospital Maternity Account

Note 11 of the statement of financial assets as at 30 June 2017 reflects a bank balance of Kshs.189,581,246. Included in this balance is an account balance of Kshs.13,268 in respect of Mwatate Sub County Hosptal Maternity Account. However, the bank reconciliation statement as at 30 June 2017 reflects payments in cash book not yet reflected in bank statement (un-presented cheques) amounting to Kshs.292,446, but payments amounting to Kshs.103,367 were stale cheques. No explanation has been given for the non-reversal of the stale cheques in the cash book.

Consequently, the accuracy, completeness and validity of bank balance of Kshs.13,268 in respect to Mwatate Sub-county Hosptal Maternity Account could not be ascertained.

5.0 Outstanding Imprest

Note 15 to the financial statements reflects an outstanding imprest balance of Kshs.37,191,652. However, records availed for audit revealed that imprest totalling to Kshs.10,649,888 were outstanding for more than six months, contrary to Section 93(5) of the Public Finance Management (County Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

In addition, the outstanding imprest included Kshs.8,757,868.00 being multiple imprest issued to staff of the county executive, contrary to Section 93(4) of the Public Financial Management (County Government) Regulations, 2015 which requires accounting officers to ensure applicants have no outstanding imprests.

Consequently, the propriety, accuracy and validity of outstanding imprest balance of Kshs.37,191,652 as at 30 June 2017 could not be ascertained.

6.0 Unsupported Pending Bills

Note 18 to the statement of financial assets reflects pending accounts payable and pending staff payables balances of Kshs.598,255,705 and Kshs.82,488,678 respectively. However, no support documents for the pending bills were availed for audit verification.

Consequently, the validity, accuracy and authenticity of the pending bills amounting to Kshs.680,744,383 as at 30 June 2017 could not be ascertained.

7.0 Irregular Procurement

7.1 Installation of Main Switch Board at Moi County Referral Hospital

Note 11 to the financial statements reflects acquisition of assets balance of Kshs.529,265,122. Included in this balance is Kshs.242,528,380 related to construction and civil works, of which Kshs.3,924,550 was a tender awarded to a supplier to install a main switch board at Voi Referral Hospital. However, the contract sum was above the maximum threshold set for request of quotation of Kshs.2,000,000 as per Section 105 Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity may use a request for quotations from the register of suppliers for a procurement if the

estimated value of the goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum value for using requests for quotations as prescribed in Regulations.

Consequently, the County Executive was in breach of the law and the propriety of the expenditure totaling to Kshs.3,924,550 could not be ascertained for the year ended 30 June 2017.

7.2 Direct Procurement and use of Imprest to Procure Goods and Services

Note 7 to the financial statements for the year ended 30 June 2017 reflects use goods and services balance of Kshs.849,782,029. Included in this amount is goods and services amounting to Kshs.8,048,411 procured through imprest as summarized below;

Department	Details	Amount	Comment
Health - Mwatate sub county hospitals	Procure goods and services	1,554,260	Use of Imprest to procure goods and services
Health - Moi referral hospitals	Procure goods and services	2,782,300	Use of imprest to procure goods and Services
Finance	Procurement of air tickets	3,711,851	Use of direct procurement without competitive bidding
	Total	**8,048,411**	

This is contrary to the treasury circular No. 3/2010 dated 7 May 2010 on control of imprest, which states that that temporary imprest should not be issued for procurement of goods and services and in situations of emergencies, the Head of procurement unit should take charge to ensure compliance with the Public Procurement and Asset Disposal Act, 2015.

Further, Section 105 Public Procurement and Asset Disposal Act, 2015 states that a procuring entity may use a request for quotations from the register of suppliers for a procurement if the estimated value of the goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum value for using requests for quotations as prescribed in Regulations.

Consequently, the County Executive is in bleach of the law and the propriety of expenditure of Kshs.8,048,411 for the year ended 30 June 2017 could not be ascertained.

8.0 Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June 2017 reflects payments from various departments totaling Kshs.48,160,923 to different suppliers for

various goods and services. The payment vouchers were not supported with requisitions from user departments, quotations and tender/evaluation minutes as shown below:

No.	Department	Details	Amount	Comment
1.	Health - Moi referral hospitals	supply of medicinal gas, gas cylinders and payment to dislodge the septic tank and electric installation	2,206,394	Payment vouchers were not supported with requisitions from user departments, quotations and tender/evaluation minutes.
2.	Health – Various hospitals	Supply of food and ration	3,189,419	Not inspected by the inspection and acceptance committee, not taken on charge and recorded before issued and no quotations and minutes of the tender/evaluation committee minutes
3.	Health - Moi referral hospitals	Payment to various firms for supply of office furniture, medical supplies, fuel and lubricants, repairs and maintenance and sanitary and cleaning materials at the hospital.	7,721,518	Payment vouchers were not supported with inspection and acceptance committee minutes, not taken on charge and recorded before issued and no quotations and minutes of the tender/evaluation committee minutes
4.	Health - Mwatate sub county hospital	Payment to various firms for supplying office furniture, medical supplies, fuel and lubricants, repairs and maintenance and sanitary and cleaning materials at the hospital.	3,153,393	Payment vouchers were not supported with inspection and acceptance committee minutes, not taken on charge and recorded before issued and no quotations and minutes of the tender/evaluation committee minutes
5.	Health - Wundanyi sub county hospital	Payment to various firms for supplying office furniture, medical supplies, fuel and lubricants, repairs and maintenance and sanitary and cleaning	713,639	Payment vouchers were not supported with inspection and acceptance committee minutes, not taken on charge and recorded before issued and no quotations and minutes

		materials at the hospital.		of the tender/evaluation committee minutes
6.	Education	Partially supported vouchers	545,340	Quotation, tender opening minutes and tender evaluation minutes were not availed as well as detail orders, work tickets and fuel register.
7.	Governor's office	Foreign Travel	510,000	Air tickets and boarding passes to Frankfurt in Germany and Guangdong in China were not availed for inspection
8.	Various Departments	Purchase of Household Furniture and Institutional Equipment	5,606,226	Payment vouchers were not availed for audit verification
9.	Various departments	Motor vehicle Insurance Costs	24,514,994	Supporting documents such as; the list of all insured motor vehicles, sums assured, the tender opening, evaluation and award minutes, insurance policy documents, were not availed.
	Total Unsupported payments		**48,160,923**	

In view of the above anomalies, the propriety of expenditure totaling to Kshs.48,160,923 being payment to various suppliers for the year ended 30 June 2017 could not be confirmed.

9.0 Construct of Saghasa Vighombonyi Water Project

Note 11 to the financial statements reflects acquisition of assets balance of Kshs.529,265,122. Included in this balance is Kshs.242,528,380 related to construction and civil works, of which Kshs.2,558,730 was paid to a supplier to construct Saghasa Vighombonyi water project. However, project verification revealed that the water project has never been functional since it was completed, the generator was not working and the 10% contingency and 5% for project management provisional sums of Kshs.237,315 and Kshs.118,657 respectively were not accounted for.

In the circumstances, it is clear that the citizens of the County did not get value for money on Kshs.2,558,730 paid for the project for the year ended 30 June 2017 and the propriety for the same could not be ascertained.

10.0 Budgetary Control and Performance

10.1 Revenue Budget

The statement of receipts and payments for the year ended 30 June 2017 reflects County own generated receipts totaling to Kshs.165,992,249 against a budget of Kshs.355,387,656, resulting to a shortfall of Kshs.189,395,407 or 53%. The County Executive has not been meeting its target for the last 3 years, while the revenue has been declining as shown below:

Item	FY 2016/2017	FY 2015/2016	FY 2014/2015
Budgeted own generated receipts	355,389,656	352,351,618	483,884,111
Actual own generated receipts	165,992,249	197,351,618	253,972,089
Under collection	189,397,407	155,000,000	229,912,022
% under collection	**53**	**44**	**47.5**

The under collection indicates possible weakness in revenue management in such aspects as recording of revenue and enforcement of control systems. Under collection of revenue negatively constraints service delivery and implementation of planned programs in Taita Taveta County.

10.2 Budget Absorption

During the financial year 2016/2017, the County Government of Taita Taveta had a total budget of Kshs.4,656,442,555 comprising of recurrent vote of Kshs.3,240,518,045 and development vote of Kshs.1,415,924,510. Actual expenditure of Kshs.3,949,970,535 reflected net under absorption of Kshs.706,472,020 or 15 % of the budget as summarized below:

Vote	Approved Budget for 2016/2017	Actual Expenditure for 2016/2017	Over Absorption	Under Absorption	%
Recurrent Vote	3,240,518,045	3,420,705,413	180,187,368	-	**5.6**
Development Vote	1,415,924,510	529,265,122	-	886,659,388	**-62.6**
Total	**4,656,442,555**	**3,949,970,535**	**180,187,368**	**886,659,388**	

The overall under absorption of the approved budget of Kshs.706,472,020 or 15% resulted from failure by the County Executive to implement some development activities

planned for the year. The failure had a negative effect on service delivery to the residence of Taita Taveta County.

10.3 Recurrent Budget

During the year under review, the County Government of Taita Taveta was allocated Kshs.3,240,518,045 for recurrent expenditure against actual expenditure of Kshs.3,250,904,903 resulting to net over expenditure of Kshs.10,386,858 or 0.3% as detailed below.

Item	Approved Budget for 2016/2017	Actual Expenditure for 2016/2017	Under Absorption	Over Absorption	%
Compensation of Employees	1,890,237,317	1,783,.102,797	107,134,520		**5.6**
Use of goods and services	1,283,355,360	810,333,638	473,021,722		**36.9**
Transfers to Other Government Units	5,812,168	604,546,213		598,734,045	**-10301.4**
Other grants and transfers	(24,533,000)	12,236,344		36,769,344	**- 15**
Social Security Benefits	-	11,697,827		11,697,827	**-100**
Acquisition of Assets	92,390,488	28,988,084	63,402,404		**68.6**
Other Expenses	(6,744,288)	-		6,744,288	**-100**
Total	**3,240,518,045**	**3,250,904,903**	**643,558,646**	**653,945,504**	

Approval by the County Assembly for the over – expenditure of Kshs.10,386,858 was not presented for audit review.

10.4 Development Budget

During the year under review, the County Executive of Taita Taveta was allocated Kshs.1,415,924,510 for development expenditure against actual expenditure of Kshs.699,065,631 resulting to net under expenditure of Kshs.716,858,879 or 51% as detailed below:

Item	Approved Budget for 2016/2017	Actual Expenditure for 2016/2017	Under Absorption	Over Absorption	%
Compensation of Employees	5,300,000	3,981,052	1,318,948		**24.9**
Use of goods and services	14,704,591	39,368,589		24,663,998	**- 167.7**
Transfers to Other Government Units	141,484,061	123,090,477	18,393,584		**13.0**

Other grants and transfers	-	32,348,476		32,348,476	-100
Acquisition of Assets	1,021,214,527	500,277,038	520,937,489		51.0
Other Expenses	233,221,331		233,221,331		100
Total	**1,415,924,510**	**699,065,631**	**773,871,352**	**57,012,474**	**51**

The County Executive under absorbed development budget by Kshs.716,858,878 leading to non-implementation or incomplete projects.

The failure to implement the projects as budgeted may lead to negative impact on service delivery and development to the residents of Taita Taveta County.

11.0 Fixed Asset Register

Review of the fixed assets register maintained by Taita Taveta County Executive revealed that the date of asset acquisition, asset codes, dates of disposal where applicable and costs were not indicated. This is contrary to Section 149 (2) (O) of the Public Finance Management Act, 2012 which states that the Accounting Officer designated to County Executive shall maintain an asset register that is current and accurate.

In the circumstances, the County Executive is in breach of the Law and it may not be possible to ascertain the physical existence of the County Executive's fixed assets in absence of such a critical document.

12.0 Project Status and Implementation

Review of project implementation status reports for the year ended 30 June 2017 availed for audit revealed that projects with a total of Kshs.1,363,023,157 were contracted. However, only projects worth Kshs.807,170,595 or 59% were implemented resulting to Kshs.555,852,562 or 41% of projects not implemented as detailed below;

Departments	Contracted Amount (Kshs.)	Amount Paid (Kshs.)	Work Outstanding (Kshs.)
Education and Libraries	383,661,550	222,133,919	161,527,631
Livestock and Fisheries	19,540,128	15,289,761	4,250,367
Public Works	279,460,967	187,783,564	91,677,403
Trade	184,414,182	50,482,065	133,932,117
Water and Irrigation	495,946,330	331,481,286	164,465,044
Total	**1,363,023,157**	**807,170,595**	**555,852,562**

Failure to deliver projects on time means that service delivery to the county residents has been affected negatively. The implementation cost of the projects may escalate due to inflation. This is contrary to Section 149 (1) of the Public Finance and Management Act 2012 which states that (1) an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated

are used in a way that is; lawful and authorized. (2)(d) Ensure that all contracts entered into by the entity are lawful and are complied with.

Consequently, the management was therefore in breach of the Law in delaying project implementation.

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 Taita Taveta County Executive's ability to continue sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Taita Taveta County Executive's 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 Executive financial reporting process.

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

My responsibility is to conduct an audit of the County Executive of Taita Taveta's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of County Executive of Taita Taveta 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.

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

Nairobi

16 July 2018

6. FINANCIAL STATEMENTS

6.1. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	FY2016/2017 KShs	FY2015/2016 KShs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	1	7,405,000	63,790,743
Exchequer releases	2	3,578,471,305	3,309,568,191
Transfers from Other Government Entities	3	202,095,189	70,018,633
Proceeds from Domestic Borrowings	4	-	-
County Own Generated Receipts	5	165,992,249	197,351,618
TOTAL RECEIPTS		**3,953,963,742**	**3,640,729,185**
PAYMENTS			
Compensation of Employees	6	1,787,083,849	1,839,175,096
Use of goods and services	7	849,782,029	772,594,146
Transfers to Other Government Units	8	727,636,690	150,342,294
Other grants and transfers	9	44,584,820	67,766,125
Social Security Benefits	10	11,697,827	51,160,469
Acquisition of Assets	11	529,265,122	633,451,705
Finance Costs, including Loan Interest	12	81,881	44,845
Other Payments	13	-	57,457,258
TOTAL PAYMENTS		**3,950,132,218**	**3,571,991,938**
SURPLUS/DEFICIT		**3,831,525**	**68,737,247**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/06 2017 and signed by:

Chief Officer

Director - Accounting

6.2. STATEMENT OF ASSETS AND LIABILITIES

FINANCIAL ASSETS	Note	FY2016/2017 KShs	FY2015/2016 KShs
Cash and Cash Equivalents			
Bank Balances	14A	189,581,246	170,611,814
Cash Balances	14B	64,470	621,480
Total Cash and cash equivalent		**189,645,716**	**171,233,294**
Accounts receivables – Outstanding imprests	15	37,191,652	44,364,549
TOTAL FINANCIAL ASSETS		**226,837,368**	**215,597,843**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	16	30,556,873	23,148,872
NET FINANCIAL ASSETS		**196,280,495**	**192,448,971**
REPRESENTED BY			
Fund balance b/fwd	17	**192,448,971**	**53,628,457**
Surplus/Deficit for the year		**3,831,525**	**68,737,247**
Prior year adjustment		-	**70,083,268**
NET FINANCIAL POSITION		**196,280,496**	**192,448,971**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/10 2017 and signed by:

Chief Officer

Director - Accounting

6.3. STATEMENT OF CASHFLOWS

		FY2016/2017 KShs	FY2015/2016 KShs
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	1	7,405,000	63,790,743
Exchequer Releases	2	3,578,471,305	3,309,568,191
Transfers from Other Government Entities	3	202,095,189	70,018,633
Other Revenues	5	165,992,249	197,351,618
		3,953,963,742	**3,640,729,185**
Payments for operating expenses			
Compensation of Employees	6	1,787,083,849	1,839,175,096
Use of goods and services	7	849,782,029	772,594,146
Transfers to Other Government Units	8	727,636,690	150,342,294
Other grants and transfers	9	44,584,820	67,766,125
Social Security Benefits	10	11,697,827	51,160,469
Finance Costs, including Loan Interest	12	81,881	44,845
Other Expenses	13	-	57,457,258
		3,420,867,096	**2,938,540,233**
Adjusted for:			
Decrease/(Increase) in Accounts receivable		7,172,897	44,364,549
Increase/(Decrease) in Accounts Payable		7,408,002	23,148,872
Adjustments during the year		-	(21,083,394)
Net cash flow from operating activities		**547,689,527**	**748,618,978**
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets		(529,265,122)	(633,451,705)
Net cash flows from Investing Activities		**(529,265,122)**	**(633,451,705)**
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings		-	-
Net cash flow from financing activities			
NET DECREASE IN CASH AND CASH EQUIVALENT		18,412,423	**115,167,274**
Cash and cash equivalent at beginning of the year		**171,233,293**	**56,066,020**
Cash and cash equivalent at end of the year		**189,645,716**	**171,233,293**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/06 2017 and signed by:

Chief Officer

Director - Accounting

6.4. STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item		Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
		a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS							
Proceeds from Foreign Grants/Development Partners	1	22,170,000	-	22,170,000	7,405,000	(14,765,000)	33%
Equitable Share (Exchequer releases)	2	4,114,690,272	4,130,444	4,118,820,716	3,578,471,305	(540,349,411)	87%
Transfers from National Government Entities	3	160,064,183	-	160,064,183	202,060,864	41,996,681	126%
County Own Generated Revenues	5	355,387,656	-	355,387,656	165,992,249	(189,395,407)	47%
TOTAL		**4,652,312,111**	**4,130,444**	**4,656,442,555**	**3,953,929,417**	**(702,513,138)**	**85%**
PAYMENTS							
Compensation of Employees	12	1,883,831,607	(3,522,366)	1,880,309,241	1,787,083,849	(93,225,392)	95%
Use of goods and services	13	862,564,023	106,300,028	968,864,051	849,702,227	(119,161,824)	88%
Interest payments	14	-	-	-	-	-	0%
Subsidies	15	-	-	-	-	-	0%
Transfers to Other Government Entities	16	342,325,968	(38,614,907)	303,711,061	727,636,690	423,925,629	240%
Other grants and transfers	17	152,918,193	(24,533,000)	128,385,193	44,584,820	(83,800,373)	35%
Social Security Benefits	18	-	-	-	11,697,827	11,697,827	0%
Acquisition of Assets	19	1,253,071,842	(187,516,742)	1,065,555,100	529,265,122	(536,289,978)	50%
Finance Costs	20	-	-	-	-	-	0%
Repayment of principal on Domestic and Foreign borrowing	21	-	-	-	-	-	0%
Other Payments	22	157,600,478	152,017,431	309,617,909	-	(309,617,909)	0%
TOTAL		**4,652,312,111**	**4,130,444**	**4,656,442,555**	**3,949,970,535**	**(706,472,020)**	**85%**

(a) The difference in exchequer releases is as a result of unspent funds from the previous year which were swept back to CRF.

(b) The budget on finance costs was low as a result of lower interest rates in the year.

(c) The underperformance of other receipts was as a result of low actual revenue collections in key local revenue streams such as land rates, business permits and cesses.

(d) The budget on other payments, particularly on settling pending bills, was also underutilised as a result of slow progress by the suppliers to complete the contracted works. As such, not all the pending bills were not fully settled.

(e) Utilisation of finance costs budget was also lower than expected due to low interest rates which came up as a result of interest rates capping in 2016.

(f) The low utilization of the development budget was as a result of delays in approving the budget. As a result, commencement of some projects delayed.

The entity financial statements were approved on 31/08 2017 and signed by:

Chief Officer

Director - Accounting

6.5. STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from Foreign Grants/Development Partners	22,170,000	-	22,170,000	7,405,000	(14,765,000)	33%
Equitable Share (Exchequer releases)	2,767,971,199	90,423,539	2,858,394,738	2,606,906,685	(251,488,053)	91%
Transfers from National Government Entities	119,319,258	-	119,319,258	147,191,453	27,872,195	123%
County Own Generated Revenues	240,634,049	-	240,634,049	165,992,249	(74,641,801)	69%
TOTAL	3,150,094,506	90,423,539	3,240,518,045	2,927,495,386	(313,022,659)	90%
PAYMENTS						
Compensation of Employees	1,886,259,683	3,977,634	1,890,237,317	1,783,102,797	(107,134,520)	94%
Use of goods and services	1,177,977,522	105,377,838	1,283,355,360	810,333,638	(473,021,722)	63%
Transfers to Other Government Entities	2,014,769	3,797,399	5,812,168	604,546,213	598,734,045	10401%
Other grants and transfers	-	(24,533,000)	(24,533,000)	12,236,344	36,769,344	-50%
Social Security Benefits	-	-	-	11,697,827	11,697,827	0%
Acquisition of Assets	83,842,532	8,547,956	92,390,488	28,988,084	(63,402,404)	31%
Other Payments	-	(6,744,288)	(6,744,288)	-	6,744,288	0%
TOTAL	3,150,094,506	90,423,539	3,240,518,045	3,250,904,903	10,386,858	100%

(a) The difference in exchequer releases is as a result of unspent funds from the previous year which were swept back to CRF.

(b) The budget on finance costs was low as a result of lower interest rates in the year.

(c) The underperformance of other receipts was as a result of low actual revenue collections in key local revenue streams such as land rates, business permits and cesses.

(d) The budget on other payments, particularly on settling pending bills, was also underutilised as a result of slow progress by the suppliers to complete the contracted works. As such, not all the pending bills were not fully settled.

(e) Utilisation of finance costs budget was also lower than expected due to low interest rates which came up as a result of interest rates capping in 2016.

(f) The low utilization of the development budget was as a result of delays in approving the budget. As a result, commencement of some projects delayed.

The entity financial statements were approved on 30/06 2017 and signed by:

Chief Officer

Director - Accounting

6.6. STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item		Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
		a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS							
Proceeds from Foreign Grants/Development Partners	1	-	-	-	-	-	0%
Equitable Share (Exchequer releases)	2	1,346,719,074	(86,293,095)	1,260,425,979	971,564,620	(288,861,359)	77%
Transfers from National Government Entities	3	40,744,925	-	40,744,925	54,869,411	14,124,486	135%
County Own Generated Revenues	5	114,753,606	-	114,753,606	-	(114,753,606)	0%
TOTAL		1,502,217,605	(86,293,095)	1,415,924,510	1,026,434,031	(389,490,479)	72%
PAYMENTS							
Compensation of Employees	12	12,800,000	(7,500,000)	5,300,000	3,981,052	(1,318,948)	75%
Use of goods and services	13	13,782,401	922,190	14,704,591	39,368,589	24,663,998	268%
Transfers to Other Government Entities	16	183,896,367	(42,412,306)	141,484,061	123,090,477	(18,393,584)	87%
Other grants and transfers	17	-	-	-	32,348,476	32,348,476	0%
Social Security Benefits	18	-	-	-	-	-	0%
Acquisition of Assets	19	1,217,279,225	(196,064,698)	1,021,214,527	500,277,038	(520,937,489)	49%
Other Payments	22	74,459,612	158,761,719	233,221,331	-	(233,221,331)	0%
TOTAL		1,502,217,605	(86,293,095)	1,415,924,510	699,065,631	(716,858,879)	49%

a) *The difference in exchequer releases is as a result of unspent funds from the previous year which were swept back to CRF.*

b) *The underperformance of other receipts was as a result of low actual revenue collections in key local revenue streams such as land rates, business permits and cesses.*

c) *The low utilization of the development budget was as a result of delays in approving the budget. As a result, commencement of some projects delayed.*

The entity financial statements were approved on 30/06 2017 and signed by:

Chief Officer

Director - Accounting

6.7. 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 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 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 Taita Taveta County Government. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 and comprises of County Executive of TAITA TAVETA. The financial statements include all budgetary entities controlled by the County Government.

3. Basis of consolidation

This consolidation is based on unaudited financial statements submitted by the individual entities to the Office of the Auditor General as at 30th September 2017 with a copy to the Controller of Budget, the County Treasury and the Commission on Receipts Allocation.

The financial statements are aggregated on a line by line basis with the inter-entity transactions of receipts and payment being eliminated at consolidation level to avoid overstatement of receipts or payments.

The entities' accounting policies have been adjusted to form a consistent basis, where their effect is deemed material to this consolidated financial statement.

4. Elimination

Material balances between entities included in this consolidation have been eliminated. This has been informed by the inter-entity elimination template that is completed by the entities and submitted to the County Treasury.

5. Recognition of receipts and payments

a) Recognition of receipts

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

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

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.

External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Donations and grants
Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing
Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the entity or any other debt the County Government may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2017, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

County Own Generated Receipts

These include Appropriation-in-Aid and relates to receipts such as trade licences, cess, fees, property income among others generated by the County Government from its citizenry. These are recognised in the financial statements the time 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.

Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the County consolidated financial statements.

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.

6. 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.

7. 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.

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2016, this amounted to KShs 40,250,000 compared to KShs 36,000,000 in prior period as indicated on note 16.

There were no other restrictions on cash during the year

8. 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.

9. 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.

10. 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.

11. 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.

12. 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 *entity's* budget was approved as required by Law and as detailed in the County Revenue Allocation Act.The original budget was approved by the County Assembly on xxx for the period 1st July 2016 to 30th June 2017 as required by law. There was one of supplementary budgets passed in the year. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

13. Comparative figures

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

14. 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.

15. 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.

16. 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.

17. Disclosure of entities included in consolidation

The County Government consolidated financial statements consist of a total of three entities consolidated for the financial year ended 30th June 2017 that are considered as budgetary entities. These entities, together with their results for the year are disclosed under appendix 4.

18. Disclosure of entities excluded from consolidation

None of the entities eligible for consolidation under the County Government budgetary cluster for the year ended 30th June 2017 has been excluded from consolidation.

6.8. NOTES TO THE FINANCIAL STATEMENTS

1. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

These refer to grants received from domestic and foreign donors. The funds include grants received directly by the County Government and those that are received by the National Government first and disbursed to the County.

	FY2016/2017 KShs	FY2015/2016 KShs
Grants Received from Bilateral Donors (Foreign Governments)		
Danida Funds	7,405,000	7,405,000
Grants Received from Multilateral Donors (International Organizations)		
World Bank Health Funds	-	56,385,743
United Nations Population Fund	-	-
World Health Organization (WHO)	-	-
Clinton Health Initiative (CHAI)	-	-
AIDS Health Foundation	-	-
Médecins Sans Frontières (MSF)	-	-
Grants Received from other levels of government		
National Government – Special purpose grant	0	-
Total	**7,405,000**	**63,790,743**

2. EXCHEQUER RELEASES

Exchequer releases refer to funds disbursed by the National Treasury to the County Government from the Exchequer. These funds are part of the allocations stipulated in County Allocation of Revenue Act (CARA) 2016. The exchequer releases include Equitable Share, DANIDA health funds and Level 5 hospital allocation.

	FY2016/2017 KShs	FY2015/2016 KShs
Total Exchequer Releases for quarter 1	900,171,575	562,626,593
Total Exchequer Releases for quarter 2	910,621,907	843,939,888
Total Exchequer Releases for quarter 3	892,766,576	827,392,047
Total Exchequer Releases for quarter 4	874,911,247	1,083,014,663
Total	**3,578,471,305**	**3,309,568,191**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. EXCHEQUER RELEASES (Continued)

The split between equitable share allocation, Level 5 hospital funds, and DANIDA Health Funds is as shown below:

	FY2016/2017 KShs	FY2015/2016 KShs
Equitable Share	3,578,471,305	3,309,568,191
Level 5 Hospital Funds	-	-
DANIDA Health Funds	7,405,000	-
Total	**3,585,876,305**	**3,309,568,191**

3. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

These refer to funds disbursed to the County Government from other government entities. These transfers are part of the conditional allocations stipulated in CARA 2016. In FY 2016/2017, Taita Taveta County received funds from the National Government's Ministry of Health and the State Department of Infrastructure as shown below:

	FY2016/2017 KShs	FY2015/2016 KShs
Ministry of Health – Free maternal healthcare	50,874,465	-
Ministry of Health – Compensation for user fees forgone	6,631,098	27,976,111
Result based financing	69,559,219	
State Department of Infrastructure – Roads Maintenance Fuel Levy Fund	54,869,411	42,042,522
National Hospital Insurance Fund	20,153,671	-
Total	**202,060,864**	**70,018,633**

4. PROCEEDS FROM DOMESTIC BORROWINGS

These relate to proceeds realized from domestic borrowings in FY 2016/2017. Taita Taveta County borrowed from the National Government, the Central Bank and local commercial banks. The proceeds were to finance development expenditure.

	FY2016/2017 KShs	FY2015/2016 KShs
Borrowing within General Government	-	-
Borrowing from Monetary Authorities (Central Bank)	-	-
Other Domestic Depository Corporations (Commercial Banks)	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. COUNTY OWN GENERATED RECEIPTS

The balance relates to funds generated from the County's local sources.

	FY2016/2017	2015-2016
	KShs	Kshs
Rents	5,597,504	6,372,976
Other Property Income	0	-
Receipts from Administrative Fees and Charges	0	-
Receipts from Sale of Incidental Goods	0	-
Fines Penalties and Forfeitures	187,862	-
Business Permits	30,248,883	47,613,598
Cesses	12,499,552	50,166,354
Poll Rates	0	-
Plot Rents	12,771,962	-
Other Local Levies	181,271	1,478,010
Various Fees	20,127,917	18,240,957
Council'S Natural Resources Exploitation	4,749,781	3,429,582
Lease / Rental Of Council'S Infrastructure Assets	0	-
Market/Trade Centre Fee	16,062,078	12,800,346
Vehicle Parking Fees	15,454,744	17,889,285
Housing	0	-
Social Premises Use Charges	2,028,688	1,329,435
School Fees	0	-
Other Education – Related Fees	0	-
Other Education Revenues	0	-
Public Health Services	12,420,016	-
Public Health Facilities Operations	21,161,591	31,537,957
Environment & Conservancy Administration	4,575,084	-
Slaughter Houses Administration	1,205,748	6,493,118
Water Supply Administration	0	-
Sewerage Administration	0	-
Other Health & Sanitation Revenues	44,668	-
Technical Services Fees	7,037,441	-
Total	**165,992,249**	**197,351,618**

6. COMPENSATION OF EMPLOYEES

This relates to the compensation paid to employees. The balance comprises of staff salaries, allowances, social security contributions and other personnel related payments.

	FY2016/2017	FY2015/2016
	KShs	KShs
Basic salaries of permanent employees	1,698,002,835	1,033,221,662
Basic wages of temporary employees	7,169,342	267,345,443
Personal allowances paid as part of salary	81,911,672	457,380,547
Personal allowances paid as reimbursements	-	0
Personal allowances provided in kind	-	0
Pension and other social security contributions	-	76,213,024
Compulsory national social security schemes	-	0
Compulsory national health insurance schemes	-	0
Social benefit schemes outside government	-	0
Other personnel payments	-	5,014,420
Total	**1,787,083,849**	**1,839,175,096**

7. USE OF GOODS AND SERVICES

The balance relates to the cost incurred on general office supplies, air tickets, subsistence allowances, cost of services, routine maintenance of assets and other expenditure incurred on a recurring basis.

	FY2016/2017	FY2015/2016
	KShs	KShs
Utilities, supplies and services	22,956,418	28,661,002
Communication, supplies and services	5,219,567	11,104,007
Domestic travel and subsistence	352,835,945	201,504,629
Foreign travel and subsistence	45,554,507	75,731,720
Printing, advertising and information supplies & services	11,210,085	16,951,500
Rentals of produced assets	11,051,259	19,543,991
Training expenses	30,006,694	57,702,530
Hospitality supplies and services	34,364,444	47,592,955
Insurance costs	35,216,953	66,912,661
Specialized materials and services	140,788,920	97,475,895
Office and general supplies and services	25,656,320	12,849,896
Other operating expenses	40,573,263	70,127,617
Routine maintenance – vehicles and other transport equipment	21,595,044	18,649,616
Fuel Oil and Lubricants	49,428,936	31,055,512
Routine maintenance – other assets	23,405,552	16,730,429
Total	**849,782,029**	**772,594,147**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. TRANSFER TO OTHER GOVERNMENT ENTITIES

This refers to transfers made by the County Government to other County Government Entities, which have not been consolidated in this set of financial statements. The transfers were made to TAITA TAVETA Education Fund and TAITA TAVETA Car and Mortgage Fund.

	FY2016/2017 KShs	FY2015/2016 KShs
Current Grants to Semi-Autonomous Government Agencies	0	-
Taita Taveta County Assembly	530,269,649	80,000,000
Taita Taveta County Car Loan Account	6,000,000	-
Taita Taveta County Deposit Account	5,000,000	-
Taita Taveta County Mortgage account	41,000,000	
Taita Taveta County Education Fund	42,000,000	-
Taita Taveta County Emergency Account	19,000,000	-
Taita Taveta County Results-Based Imprest Account	10,000,000	-
Taita Taveta County Road Maintenance Levy Account	50,519,924	-
Taita Taveta County Treasury Imprest Account	0	-
Taita Taveta County Revenue Imprest account	0	
Scholarships and other Educational Benefits - Secondary Education	0	-
Emergency Relief (food, medicine, blankets, cash grant, tents and other temporary shelter etc.)	0	-
Donations	1,035,976	-
Other Current Transfers - Other	22,811,141	70,342,294
Other Capital Grants and Trans	-	-
	727,636,690	**150,342,294**

9. OTHER GRANTS AND OTHER PAYMENTS

This refers to grants and other transfers made by the County Government. These grants and transfers are made for a specific purpose. They include scholarship and bursary grants, payments from the emergency fund and subsidies to youths, women and persons with disabilities.

	FY2016/2017 KShs	FY2015/2016 KShs
Scholarships and other educational benefits	44,584,820	1,776,342
Emergency relief and refugee assistance	-	65,723,083
Subsidies to small businesses, cooperatives, and self employed	-	266,700
Total	**44,584,820**	**67,766,125**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. SOCIAL SECURITY BENEFITS

This balance relates to social security benefits contributed by the County Government on behalf of its employees. The benefits include employer contribution to National Social Security Fund (NSSF).

	FY2016/2017	FY2015/2016
	KShs	KShs
Government pension and retirement benefits	11,697,827	51,160,469
NSSF	0	
LAPTRUST	0	
LAP FUND	0	
	11,697,827	**51,160,469**

11. ACQUISITION OF ASSETS

This refers to the development expenditure incurred by the County Government. This has been classified in terms of the assets acquired by the County government in the year.

	FY2016/2017	FY2015/2016
	KShs	KShs
Purchase of Buildings	-	-
Construction of Buildings	316,680	120,428,072
Refurbishment of Buildings	174,091,557	1,394,210
Construction of Roads	-	32,661,108
Construction and Civil Works	242,528,380	124,353,022
Overhaul and Refurbishment of Construction and Civil Works	12,285,100	6,126,289
Purchase of Vehicles and Other Transport Equipment	15,860,170	7,559,653
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	19,895,622	-
Purchase of Office Furniture and General Equipment		6,088,084
Purchase of Specialised Plant, Equipment and Machinery	11,280,040	7,066,757
Rehabilitation and Renovation of Plant, Machinery and Equip.	22,978,048	1,359,224
Purchase of Certified Seeds, Breeding Stock and Live Animals	12,209,015	228,425
Research, Studies, Project Preparation, Design & Supervision	348,900	4,894,800
Rehabilitation of Civil Works	19,081,159	2,066,150
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Purchase of ICT Equipment	363,300	-
Other Domestic Accounts	-	316,555,466
NHIF and Maternity	-	2,670,445
Total	**529,265,122**	**633,451,705**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. FINANCE COSTS, INCLUDING LOAN INTEREST

Finance costs refer to bank charges incurred on the County's bank accounts and interest charged on borrowings.

	FY2016/2017 KShs	FY2015/2016 KShs
Interest on domestic borrowings (Non-Govt)	-	-
Interest on borrowings from Other Government Units	-	-
Bank charges	81,881	44,845
Total	81,881	**44,845**

13. OTHER EXPENSES

The balance relates to cost incurred in settling pending bills from prior periods.

	FY2016/2017 KShs	FY2015/2016 KShs
Other expenses (system required expenses)	-	20,901,111
Fixed deposit account	-	10,000,000
Education Loans	-	15,615,700
Total	-	**57,457,258**

14. CASH AND CASH EQUIVALENTS

A. BANK ACCOUNTS

The balances refer to cash and cash equivalent balances held as at 30th June in all the County's bank accounts.

CASH AND CASH EQUIVALENTS Bank name, Branch and Account Number	Account Currency	FY2016/2017 Kshs	FY2015/2016 Kshs
Taita Taveta County Development Account – Cbk	Kshs	1,830,147	1,456
Taita Taveta County Recurrent Account – Cbk	Kshs	1,587,254	933,055
Taita Taveta County Revenue Fund Account – Cbk	Kshs	110,073,381	2
Taita Taveta County - Moi Hospital	Kshs	140,413	602,805
Taita Taveta County - Wesu Hospital	Kshs	461,571	33,806
Taita Taveta County - Mwatate Hospital	Kshs	13,268	278,950
Taita Taveta County - Wundanyi Hospital	Kshs	244,105	103,639
Taita Taveta County - Taveta Hospital	Kshs	63,255	2,220,479

Kenya Commercial Bankac No.1166131580(Datu Fund)	Kshs	3,094,970	3,094,970
Co-Operative Bank Ac No. 01141222222000 (Datu Fund)	Kshs	17,692,440	17,692,440
Kenya Commercial Bankac No. 1152801015(Education Fund)	Kshs	-	12,236,344
Kcb Emergency A/C No.	Kshs	-	158,432
Roads Maintenance Levy	Kshs	-	27,445,912
Taita Taveta Revenue Collection Account	Kshs	-	82,660,652
Taita Taveta County Deposit Account No. 1000251174	Kshs	3,101,304	23,148,872
Taita Taveta County Public Service Board	Kshs	152,394	- 0
Taita Taveta County - Moi Hospital Revenue Collection a/c	Kshs	105,970	0
Taita Taveta County - Taveta Hospital Revenue Collection a/c	Kshs	89,055	0
Taita Taveta County - Wesu Hospital Maternity Acc	Kshs	929,589	0
Taita Taveta County Revenue Imprest Account	Kshs	67,811	0
Taita Taveta County -CHMT Danida Acc	Kshs	10,689,078	0
Taita Taveta County Treasury Imprest Account	Kshs	39,246,254	0
Total		**189,581,246**	**170,611,814**

B. CASH IN HAND

Cash in hand refers to cash balances held by the cash offices within the County Government as at 30th June.

	FY2016/2017 KShs	FY2015/2016 KShs
Cash in Hand – Held in domestic currency	64,470	621,480
Total	**64,470**	**621,480**

Cash in hand per location

	FY2016/2017	FY2015/2016
	KShs	KShs
Mwatate Sub County Hospital	9,350	-
Mwatate Sub County Hospital : Public Health Office	26,900	-
Mwatate Sub County Revenue Office	-	46,850
Wundanyi Sub County Hospital	800	-
Wesu Sub County Hospital	9,490	-
Wundanyi Sub County Revenue Office	5,280	10,050
Wundanyi Sub County Trade Dept	3,400	-
Taveta Sub County Fisheries Dept	7,350	-
TavetaSub County Hospital	0	-
Taveta Sub County Livestock Dept	1,900	-
TavetaSub County Revenue Office	0	486,565
Voi Sub- county Revenue Office	-	78,015
Total	**64,470**	**621,480**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

This refers to the unaccounted for imprests as at 30th June.

	FY2016/2017	FY2015/2016
	KShs	KShs
Government Imprests	37,191,652	28,748,849
Loans	-	15,615,700
Total	**37,191,652**	**44,364,549**

The outstanding imprest as at 30th June 2017 is broken down as follows:

Name of Officer or Institution	Date imprest taken	Amount surrendered	Amount taken	Balance

16. ACCOUNTS PAYABLE

The balance refers to deposits received from suppliers as at 30th June. These deposits are refundable upon completion of the contracts.

	FY2016/2017 KShs	FY2015/2016 KShs
Deposits	30,556,873	23,148,872
Total	**30,556,873**	**23,148,872**

17. FUND BALANCE BROUGHT FORWARD

Fund balance brought forward comprise refer to the closing fund balance as at end of the previous year which is carried forward to the following year.

	FY2016/2017 KShs	FY2015/2016 KShs
Bank accounts	170,611,814	54,048,908
Cash in hand	621,480	2,017,112
Accounts Receivables	44,364,549	6,319,172
Accounts Payables	(23,148,872)	(8,756,735)
Total	**192,448,971**	**53,628,457**

18. OTHER IMPORTANT DISCLOSURES

18.1. PENDING ACCOUNTS PAYABLE (See Annex 1)

These refer to the pending bills as at 30th June. These are commitments made to suppliers which had not been settled as at the end of the year.

	FY2016/2017 KShs	FY2015/2016 KShs
Construction of buildings	231,991,451	40,398,857
Construction of civil works	189,784,353	112,250,877
Supply of goods	85,058,775	60,855,456
Supply of services	91,421,126	32,117,341
TOTAL	**598,255,705**	**245,622,531**

18.2. PENDING STAFF PAYABLES (See Annex 2)

The balance relates to pending payments to staff. These included amounts due to staff as at the end of the year.

	FY2016/2017	FY2015/2016
	KShs	KShs
Senior management	21,990,032	2,844,925.00
Middle management	60,498,645	-
Unionisable employees	-	7,462,462.00
TOTAL	82,488,678	10,307,387

DISCLOSURE NOTES

Investments

Investments represent the County Government's investment in local and foreign entities. These investments are recognised at nominal value and where denominated in foreign currency, these are translated at closing exchange rate as at 30th June.

	FY 2016/17	FY 2015/16
	KShs	KShs
Investment in government bonds	-	-
Investment in Treasury bills	-	-
Investment in companies equity	-	-
Total	-	-

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 Government:

- Key management personnel that include the Governor, the Deputy Governor Members of the County Assembly, CECsand Chief Officers for various County Ministries and Departments;
- County Ministries and Departments;
- The National Government;
- Other County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	FY 2016/17	FY 2015/16
	KShs	KShs
Transfers to the County Assembly	530,269,626	80,000,000
Transfers to other County Government entities	197,367,064	70,342,294
Transfers to County Ministries and Departments	-	-
Total	**727,636,690**	**150,342,294**

Where applicable, related party transactions have been eliminated upon consolidation.

Detailed breakdown of performance of County Government Entities is provided under the Annex 4.

ANNEXES

ANNEX 1 – ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstandin g balance 2017	Outstanding balance 2016	Comments
	a	b	c	d=a-c		
Construction of buildings						
1. Supplier A						
2. Supplier B						
3.						
Sub-Total						
Construction of civil works						
4. Supplier C						
5. Supplier D						
6.						
Sub-Total						
Supply of goods						

7. Supplier E						
8.						
Sub-Total						
Supply of services						
9. Supplier F						
10.						

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid ToDate	Outstandin g balance 2017	Outstanding balance 2016	Comments
Sub-Total						
Grand Total						

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstandin g Balance 2017	Outstandin g Balance 2016	Comments
		a	b	c	d=a-c		
Senior Management							

1. Person A	Q						
2.							
3.							
Sub-Total							
Middle Management							
4. Person B	P						
5.							
6.							
Sub-Total							
Unionisable Employees							
7. Person C	K						
8.							
Sub-Total							
Others (*specify*)							
9.							
10.							
Sub-Total							
Grand Total							

ANNEX 3 – 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				
Transport equipment				
Office equipment, furniture and fittings				
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
Total				

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

ANNEX 4: SUMMARY OF FINANCIAL PERFORMANCE AND STATEMENT OF ASSETS AND LIABILITIES FOR COUNTY GOVERNMENT ENTITIES

Ref	Entity	Percentage of shareholding	Total receipts KShs	Total payments KShs	Surplus/ Deficit KShs	Total Assets KShs	Total Liabilities KShs	Fund balance KShs
1	County Executive	100%	3,953,963,742	(3,950,132,218)	3,831,525	226,849,350	(30,556,873)	(196,280,496)
2	-							
3	-							
	Total		**3,953,963,742**	**(3,950,132,218)**	**3,831,525**	**226,849,350**	**(30,556,873)**	**(196,280,496)**