REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF KWALE

FOR THE YEAR ENDED 30 JUNE 2018

OFFICE OF THE AUDITOR GENERAL - COAST HUB
17 DEC 2018
P.O. Box 95202-80104, MOMBASA

KWALE COUNTY ASSEMBLY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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

1. ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Key Management

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

- The County Assembly Service Board
- Office of the Clerk
- Board of Management (Management personnel)

(c) Fiduciary Management

The key management personnel who held office during the year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Clerk - County Assembly	Denis Mutui
2.	Deputy Clerk – County Assembly	Fatuma Mwalupa
3.	Director Finance and Accounts	CPA Philip Ziro
4.	Chief Hansard Editor	Mercy Ndirangu
5.	Senior Legal Council	Lucy Waweru
6.	Senior Procurement Officer	John Kalu
7.	Head of Sargent at Arms	Guzo Mwatero
8.	Human Resource Officer	Felistus Kalungu
9.	Head of ICT	Joseph Zecha
10.	Head of Internal Audit	William Mjape

(d) Fiduciary Oversight Arrangements

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

(e) County Assembly of Kwale (H/Q)

P.O. Box 231 - 80403
Kwale County Head Quarters.
Kwlae/Kinango Highway
Kwale, KENYA

(f) Entity Contacts

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

(g) Entity Bankers

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

2. Kenya Commercial Bank
   P.O. Box 43 – 80403,
   Kwale,
   Kenya

(h) Independent Auditors

Office of the 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

2. FORWARD BY THE CLERK OF THE ASSEMBLY

The Financial Statements reflect the department's performance and position and have been prepared in accordance with IPSAS as the Financial Report Framework provided for by the Public Sector Accounting Standards Board.
The County Assembly of Kwale had a total budget of Ksh 716,956,402.00 divided into a Recurrent Budget of Ksh 491,804,086.00 and a Development Budget of Ksh 225,152,316.00 which include domestic payables from previous financial year of Ksh 125,452,316.00. The actual exchequer releases were Ksh 541,730,108.00 translating to 76% on actual comparable basis.
The absorption of the County's recurrent budget was Ksh 467,642,246.00 which translated to a 95% absorption rate while the development budget had a usage of Ksh 59,396,884.00 a translation of 26% absorption rate. On average, 74% of the total budget was absorbed during the financial year.

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

Though the Construction of the county Assembly complex had been expected by the end of the financial year, the contactor was still on site. The project would ease staff congestion and increase efficiency and productivity at the Assembly.
Construction of official residence of the speaker is at its advanced stage. Once complete the Assembly would save on the monthly rental expenses and dignified status of the office of the Speaker.

The Annexed office block next to the County Assembly Complex building was completed during the period. This building provided ample space for staffers, some of whom moved in during the course of the year. There was a budget constrain for the provision of furniture for the new offices.

Out of the Twenty Ward Offices earmarked for construction, four of them were handed over by the contractors to the County Assembly. The Assembly is looking forward to fully furnish the offices for occupancy and use. This will bring representation by area MCA closer at the grassroots level. The beneficiary wards include Kinondo, Mkongani, Pongwe Kikoneni and Puma.

The year under consideration was unique in the history of county governments as the country transited to the second parliament. A total of 34 new Members of the County Assembly, Twenty being elected and fourteen being nominated, were sworn in. The current County Assembly of Kwale had additional one member compared to the first one. Election of a new speaker was conducted successfully per requirement of the law. The County Assembly Service Board equally got a lease of its new membership. Unlike, in the first County Assembly, the public had dual representation in the County Assembly Service Board.

Being an electioneering year, the focuses by majority members of the county assembly was on the forthcoming general election with little attention on development agenda. Consequently, the transition between the first and the second county Assembly affected

the operation at the county assembly level. The County Assembly Service Board initiated training programs for capacity building of the Members.

The inadequacy of staffing levels continued throughout the year. However, the County Assembly Service Board embarked on recruitment program to address this issue. Due to budgetary constraints in the year under consideration, the staffers were expected to report at the beginning of 2018/2019 financial year.

Sign_____
Fatuma Hassan Mwalupa
Ag. Clerk of the County Assembly

3. STATEMENT OF MANAGEMENT RESPOSIBILITIES

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

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year, ended June 30, 2018. This responsibility include; (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Assembly; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended June 30, 2018, and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the County Assembly which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The County Assembly's financial statements were approved and signed by the Clerk of the County Assembly on 14/12/ 2018.

Fatuma Mwalupa
Ag. Clerk of the County Assembly

REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF KWALE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Kwale set out on pages 1 to 27, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the statement of financial position of County Assembly of Kwale as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the County Governments Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

The statement of financial assets and liabilities as at 30 June 2018 reflects debit opening fund balance of Kshs.1,052,350 while the certified financial statements for the previous year reflect a fund balance of Kshs.67,199,372, resulting to unexplained nor reconciled variance of Kshs.68,251,722.

Further, the statement of cash flows for the year ended 30 June 2018 reflects cash and cash equivalents opening balance of Kshs.30,493,595 while the certified financial statements for the previous year reflect a balance of Kshs.98,745,318, resulting to unexplained nor reconciled variance of Kshs.68,251,723.

Consequently, the accuracy and completeness of the opening balances reflected in these financial statements for the year ended 30 June 2018 could not be confirmed.

2.0 Variances Between Financial Statements and Integrated Financial Management Information System (IFMIS) Figures.

Note 5 to the financial statements for the year ended 30 June 2018 reflects an amount of Kshs.266,111,285 in respect of use of goods and services. However, figures for six (6) expenditure items included in the component varied with Integrated Financial Management System payments details report availed for audit by Kshs.111,371,877 as detailed below:

Item	Financial Statement Amount	Integrated Financial Management Information System Amount	Variance
	Kshs	Kshs	Kshs
Domestic Travel & Subsistence	110,650,467	31,121,502	79,528,965
Foreign Travel & Subsistence	27,188,548	8,039,834	19,148,714
Printing, Advertising & Information supplies	12,485,796	9,790,106	2,695,690
Training Expenses	22,647,128	14,536,005	8,111,123
Communication supplies & services	6,875,910	6,541,910	334,000
Other Operating Expenses	22,312,349	20,758,964	1,553,385
Total	**202,160,198**	**90,788,321**	**111,371,877**

Consequently, the accuracy and completeness of the use of goods and service balance of Kshs.266,111,285 for the year ended 30 June 2018 could not be confirmed.

3.0 Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June 2018 includes unsupported expenditure amounting to Kshs.32,118,725 as detailed below;

	Item	Note	Purpose	Amount (Kshs)	Observations
1.	Domestic Travel and Subsistence	5	Paid to travel agencies, being air travel charges	3,966,630	Identities of those travelling and evidence of travel in form of boarding passes were not availed for audit verification

	Item	Note	Purpose	Amount (Kshs)	Observations
2.	Domestic Travel and Subsistence	5	Subsistence allowances to staff and County Assembly Service Board members who were conducting interviews	3,054,800	Attendance list, evidence of travel and minutes/reports of the interviews were not availed for audit verification
3.	Foreign Travel and Subsistence	5	Paid to travel agents being air travel costs	4,176,784	Details of those travelling and evidence and purpose of travel in form of boarding passes were not availed for audit review
4.	Training Expenses	5	Paid to consultants as training fees	11,312,319	The expenditure is not supported with needs assessment, training plan and approval by the County Assembly Service Board
5.	Other Operating Expenses	5	Legal fees	5,195,000	The Payment vouchers for the expenditure not availed for audit verification
6	Acquisition of assets	10	Office equipment, furniture and fittings	3,566,192	The expenditure is not supported with schedules indicating the specific assets purchased, serial/registration number, date of purchase, delivery note and invoice.
7	Acquisition of assets	10	Other Machinery and equipment	847,000	The expenditure is not supported with schedules indicating the specific assets purchased, serial/registration number, date of purchase, delivery note and invoice.
	Total			**32,118,725**	

Consequently, the propriety and validity of expenditure amounting to Kshs.32,118,725 for the year ended 30 June 2018 could not be confirmed.

4.0 Compensation of Employees

The statement of receipts and payments for the year ended 30 June 2018 reflects compensation of employees amount of Kshs.197,117,769 as detailed in Note 4 to the financial statements. However, the supporting schedules availed for audit review indicated a figure of Kshs.179,026,468, resulting to unexplained nor reconciled variance of Kshs.18,091,301 as detailed below;

Item	Balance as Per Financial Statements (Kshs)	Balance as Per Support Schedule (Kshs)	Variance (Kshs)
Basic Salaries of Permanent Employees	95,700,084	87,486,198	8,213,886
Basic Wages of Temporary Employees	9,375,406	8,461,406	914,000
Personal Allowances Paid as Part of Salary	74,657,849	67,273,111	7,384,738
Pension and Other Social Security Schemes	17,384,430	15,805,753	1,578,677
Total	**197,117,769**	**179,026,468**	**18,091,301**

In addition, the Integrated Payroll and Personnel Database (IPPD) and excel payroll records availed for audit review reflect a total amount of Kshs.169,579,777 with respect to compensation of employees, resulting to again unexplained nor reconciled variance of Kshs.27,537,992.

Consequently, the accuracy and validity of compensation of employees expenditure amounting to Kshs.197,117,769 for the year ended 30 June 2018 could not be confirmed.

5.0 Construction of Speaker's Official Residence

Note 10 to the financial statements for the year ended 30 June 2018 reflects construction of buildings of Kshs.47,000,000, out of which Kshs.7,000,000 was paid for construction of the Speaker's official residence whose contract sum was Kshs.46,411,072. However, Kshs.5,000,000 paid vide payment voucher number CBK DD 12/12 of 19 December 2017 is excluded from this amount. Further, the contract sum was varied by Kshs.11,848,503 or 25.53% to Kshs.58,259,575, contrary to Section 139(6) of the Public Procurement and Assets Disposal Act, 2015 which states that 'where variations result in an increment of the contract price by more than twenty-five percent, such variations shall be tendered for separately'. Further, the county assembly has not been able to obtain ownership documents for part of the construction site land measuring 0.41 hectares. During physical verification of the project in the month of November 2018, it was observed that there was no clear demarcated access to the property.

Consequently, the propriety and value for money for Kshs.7,000,000 on construction of the Speaker's official residence for the year ended 30 June 2018 and the ownership of land on which it is constructed could not be confirmed.

6.0 Accounts Payable – Deposits and Retentions

The statement of financial assets and liabilities for the year ended 30 June 2018 reflects accounts payables – deposits and retentions balance of Kshs.34,249,989 as detailed in Note 15 to the financial statements. However, this balance excludes 10% retention of Kshs.102,139 deducted from a contractor undertaking construction of Member of County Assembly's office at Mkongani Ward during the period under review.

Consequently, the accuracy and completeness of accounts payable – deposits and retentions balance of Kshs.34,249,989 as at 30 June 2018 could not be confirmed.

7.0 Accounts Receivables

The statement of financial assets and liabilities as at 30 June 2018 reflects accounts receivables – outstanding imprests of Kshs.185,000. However, Imprest register availed for audit reflected an additional outstanding imprests balance of Kshs.432,000 as at 30 June 2018 which had not been disclosed in these financial statements.

Consequently, the accuracy and completeness of the accounts receivable balance of Kshs.185,000 as at 30 June 2018 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budget Performance

During the year under review, County Assembly of Kwale had a total budget of Kshs.716,956,402 for recurrent and development against an expenditure of Kshs.527,039,130 or 74% as detailed below;

Item	Budget Kshs	Actual Kshs	Under Absorption Kshs	Under Absorption %
Compensation of Employees	210,612,236	197,117,769	13,494,467	6
Use of goods and services	276,124,334	266,111,285	10,013,049	4
Acquisition of Assets	230,219,832	63,810,076	166,409,755	72
Total	**716,956,402**	**527,039,130**	**189,917,272**	**26**

The County Assembly underspent the allocated funds by Kshs.189,917,272 or 26%. However, no satisfactory explanation was provided for the under-absorption which may impact negatively on delivery of goods and services to the residents of Kwale county.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Spending from Imprest Account

The statement of receipts and payments for the year ended 30 June 2018 reflects total payments of Kshs.527,039,130. However, payment records availed for audit review indicate that funds amounting to Kshs.215,480,219 were transferred to Kenya Commercial Bank Imprest Account during the year under audit review. The funds were utilized to make various payments to suppliers, employees, Members of County Assembly and for office running expenses, contrary to Treasury Circular No. 14 of 9 September, 2015 which prescribes the type and purpose of accounts a county government entity should operate.

Consequently, the County Assembly was in breach of the law.

2. Irregular Issuance of Salary Advances

Records availed for audit review indicated that the county assembly issued salary advances amounting to Kshs.2,548,000 to staff and members of the county assembly during the year. However, the supporting salary advances register indicates that two members of the county assembly were issued with multiple salary advances totalling Kshs.950,000 without the

previous salary advances being recovered in full, contrary to the Human Resource Policies and Section C.6 (4) of the Procedures Manual for the Public Service 2016.

Consequently, the County Assembly acted in contravention of the Law.

3. Proposed Construction of the County Assembly Complex

Note 10 to the financial statements for the year ended 30 June 2018 reflects construction of buildings amount of Kshs.47,000,000, out of which Kshs.40,000,000 was paid for construction of the county assembly complex, whose contract sum was Kshs.466,892,170. However, the supporting interim certificate No. six (6) dated 11 May 2018 for Kshs.50,964,401 was not itemized to show the actual works done as at that date. Further, out of the total contract amount, Kshs.402,106,925 or 86% had been paid as at 30 June 2018 yet at the time of field inspection in the month of November 2018, the contractor was not on site and doors, grilles, window panes/glazing, plastering, flooring, ceiling, electrical and mechanical, painting, tiling, fittings, drainage, plumbing, and landscaping works had not been done. The project was therefore behind schedule by over one year given that it was expected to be completed by 29 June 2017. It is also not possible to ascertain whether the remaining balance of Kshs.64,785,245 or 14% of the contract sum would be sufficient to complete the remainder of the project nor is it clear when it will be completed.

Consequently, it has not been possible to confirm the propriety of Kshs.40,000,000 spent on the project during the year and value for money for Kshs.402,106,925 spent on construction of county assembly complex as at 30 June 2018.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT SYSTEMS AND GOVERNANCE

Conclusion

As required by Section 7(1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Review of Cash Book

Audit review during the year revealed that the county assembly maintained cash books for each of the four bank accounts operated during the year. However, examination of the cash books revealed that the same were not regularly reviewed by an authorized officer who should ensure the same is up to date, balanced daily and cash in hand verified. Further, no Board of Survey Reports were provided to confirm compliance with year-end procedures on cash.

Consequently, the county assembly was in breach of the Law.

2. Information, Communication and Technology (ICT) Environment

A review of the county assembly's ICT environment revealed that the assembly had not established an IT steering committee nor have an approved ICT policy.

In the absence of IT Steering Committee and ICT policy, prevention or recovery of loss of data or sensitive information may be difficult or impossible.

3. Audit Committee

The County Assembly of Kwale has not established an internal Audit Committee contrary to Regulation 167 of the Public Finance Management (County Government) Regulations, 2015 which states that, 'Subject to paragraph (2) of this regulation, each county government entity shall establish an audit committee.

Consequently, the County Assembly is in breach of the Law.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control. In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to

liquidate the County Assembly of Kwale 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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner in line with article 229(6) of the Constitution of Kenya 2010.

Those charged with governance are responsible for overseeing the Assembly's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal

control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

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

Nairobi

18 February 2019

5. FINANCIAL STATEMENTS

5.1. STATEMENT OF RECEIPTS AND PAYMENTS

		2017 - 2018	2016 - 2017
	Note	KShs	KShs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	541,730,108	762,918,438
Proceeds from Sale of Assets	2	-	-
Other Receipts	3		-
TOTAL RECEIPTS		**541,730,108**	**762,918,438**
LESS PAYMENTS			
Compensation of Employees	4	197,117,769	224,316,564
Use of goods and services	5	266,111,285	259,331,684
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	137,182,472
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Acquisition of Assets	10	63,810,076	120,643,721
Finance Costs	11	-	-
Other Payments	12	-	-
TOTAL PAYMENTS		**527,039,130**	**741,474,442**
SURPLUS/(DEFICIT)		**14,690,978**	**21,443,996**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 14/12/ 2018 and signed by:

Ag. Clerk of the Assembly
Fatuma Mwalupa

Director, Finance Office – County Assembly
Name: CPA Ziro Philip
ICPAK Member Number: 20407

5.2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

		2017/2018	2016/17
FINANCIAL ASSETS	Note	KShs	KShs
Cash and Cash Equivalents			
Bank Balances	13A	47,703,617	98,745,317
Cash Balances	13B	-	-
Total Cash and cash equivalents		**47,703,617**	**98,745,317**
Accounts receivables – Outstanding Imprests	14	185,000	426,000
TOTAL FINANCIAL ASSETS		**47,888,617**	**99,171,317**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	34,249,989	31,971,946
NET FINANCIAL ASSETS		**13,638,628**	**67,199,371**
REPRESENTED BY			
Fund balance b/fwd.	16	-1,052,350	45,755,375
Surplus/Deficit for the year		14,690,978	21,443,996
NET FINANCIAL POSITION		**13,638,628**	**67,199,372**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 14/12/ 2018 and signed by:

Ag. Clerk of the Assembly
Fatuma Mwalupa

Director, Finance Office – County Assembly
Name: CPA Ziro Philip
ICPAK Member Number: 20407

5.3. STATEMENT OF CASH FLOWS

		2017/18	2016/17
	Note	KShs	KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	541,730,108	762,918,438
Other Receipts	3		-
Payments for operating expenses			
Compensation of Employees	4	-197,117,769	-224,316,564
Use of goods and services	5	-266,111,285	-259,331,684
Subsidies	6	-	-
Transfers to Other Government Entities	7	-	-137,182,472
Other grants and transfers	8	-	-
Social Security Benefits	9	-	-
Finance Costs	11	-	-
Other Payments	12	-	-
Adjustment for:			
Increase in payables		2,278,043	10,033,616
Decrease in receivables		241,000	
			-
Net cash flows from operating activities		**81,020,097**	**152,121,333**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	-63,810,076	-120,643,721
Net cash flows from investing activities		**-63,810,076**	**-120,643,721**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**17,210,021**	**31,477,612**
Cash and cash equivalent at BEGINNING of the year	17	30,493,595	67,267,706
Cash and cash equivalent at END of the year		**47,703,616**	**98,745,318**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 14/12/ 2018 and signed by:

Ag. Clerk of the Assembly
Fatuma Mwalupa

Director, Finance Office – County Assembly
Name: CPA Ziro Philip
ICPAK Member Number: 20407

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilization difference
	KShs	KShs	c=a+b	e=d-c	KShs
RECEIPTS					
Exchequer Releases	760,640,914	-43,684,512	716,956,402	541,730,108	75%
Proceeds from Sale of Assets	-	-	-	-	
Other Receipts	-	-	-	-	
TOTAL	**760,640,914**	**-43,684,512**	**716,956,402**	**541,730,108**	**75%**
PAYMENTS					
Compensation of Employees	301,070,396	-90,458,160	210,612,236	197,117,769	6%
Use of goods and services	249,103,667	27,020,667	276,124,334	266,111,285	4%
Subsidies	-	-	-	-	
Transfers to Other Government Entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Social Security Benefits	-	-	-	-	
Acquisition of Assets	210,466,851	19,752,981	230,219,832	63,810,076	87%
Finance Costs	-	-	-	-	
Other Payments	-	-	-	-	
TOTAL	**760,640,914**	**-43,684,512**	**716,956,402**	**527,039,130**	**79%**
SURPLUS/ DEFICIT	-	-	-	**14,690,978**	

Commentary on significant underutilization (below 10% of utilization) and any overutilization]

(a) The underutilization of 87% in development expenditure was caused by under absorption and poor timely release of funds for development expenditure budget.

(b) A bigger part of the revenue not received was for development budget thus making the total funds not received from the exchequer to stand at 75%

(c) The changes between the original and final budget was as a result of supplementary budget done during the cause of the year.

The financial statements were approved on 14/12/ 2018 and signed by:

Ag. Clerk of the Assembly
Fatuma Mwalupa

Director, Finance Office – County Assembly
Name: CPA Ziro Philip
ICPAK Member Number: 20407

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilisation difference
	a	B	c=a+b	e=d-c	
RECEIPTS					
Exchequer Releases	598,201,030	-106,396,944	491,804,086	481,730,108	2%
Proceeds from Sale of Assets	-	-	-	-	0%
Other Receipts	-	-	-	-	0%
TOTAL	**598,201,030**	**-106,396,944**	**491,804,086**	**481,730,108**	**2%**
PAYMENTS					
Compensation of Employees	301,070,396	-90,458,160	210,612,236	197,117,769	6%
Use of goods and services	249,103,667	27,020,667	276,124,334	266,111,285	4%
Subsidies	-	-	-	-	
Transfers to Other Government Entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Social Security Benefits	-	-	-	-	
Acquisition of Assets	48,026,967	-42,959,451	5,067,516	4,413,192	13%
Finance Costs	-	-	-	-	
Other Payments	-	-	-	-	
TOTAL	**598,201,030**	**-106,396,944**	**491,804,086**	**467,642,246**	**5%**
Surplus/ Deficit	-	-	-	**14,087,862**	

Commentary on significant underutilization (below 10% of utilization) and any overutilization]

(a) The significant reduction in the budget by Kshs 106,396,944 was as a result of supplementary budget following the advice from the controller of budget in order to conform to set ceilings by CARA.
(b) The reduction in compensation to employee's budget was occasioned by supplementary budget to conform with a court ruling which dismissed a petition by Members of the First County Assembly to be compensated to a full office term.
(c) Under Acquisition of Assets, the reduction in budget provision was occasioned by recurrent pending bills brought forward which relates to funds set aside for Car loan and mortgage loan scheme and other recurrent bills brought forward. The amounts were adjusted during the supplementary budget to conform with COB advisory that recurrent budget items are never carried forward to the following financial year.

The financial statements were approved on 14/12/ 2018 and signed by:

Ag. Clerk of the Assembly
Fatuma Mwalupa

Director, Finance Office – County Assembly
Name: CPA Ziro Philip
ICPAK Member Number: 20407

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilization difference
	KShs	KShs	c=a+b	e=d-c	KShs
RECEIPTS					
Exchequer Releases	162,439,884	62,712,432	225,152,316	60,000,000	73%
Proceeds from Sale of Assets	-	-	-	-	
Other Receipts	-	-	-	-	
TOTAL	**162,439,884**	**62,712,432**	**225,152,316**	**60,000,000**	73%
PAYMENTS					
Compensation of Employees	-	-	-	-	
Use of goods and services	-	-	-	-	
Subsidies	-	-	-	-	
Transfers to Other Government Entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Social Security Benefits	-	-	-	-	
Acquisition of Assets	162,439,884	62,712,432	225,152,316	59,396,884	74%
Finance Costs	-	-	-	-	
Other Payments	-	-	-	-	
TOTAL	**162,439,884**	**62,712,432**	**225,152,316**	**59,396,884**	**74%**
SURPLUS/ DEFICIT	-	-	-	**603,116**	

[Provide below a commentary on significant underutilization (below 10% of utilization) and any overutilization]

(a) Out of the total development budget of Kshs 225,152,316 as revised by supplementary budget, only Kshs 60,000,000 was received from exchequer.
(b) The change between the original budget and the final budget was as a result of supplementary budget passed during the year.

(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23)

The entity financial statements were approved on 14/12/ 2018 and signed by:

Ag. Clerk of the Assembly
Name: Fatuma Mwalupa

Director, Finance Office – County Assembly
Name: CPA Ziro Philip
ICPAK Member Number: 20407

5.7. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	KShs	KShs	KShs	KShs	KShs
Programme 1 Sub Total	**298,570,169**	**-59,497,208**	**245,861,736**	**229,090,885**	**16,770,851**
Sub-programme 1	205,901,280	-38,413,667	174,276,388	166,221,947	8,054,441
Sub-programme 2	92,668,889	-21083541	71585348	62868938	8,716,410
Programme 2 Sub total	**462,070,745**	**15,812,696**	**471,094,666**	**292,546,423**	**178,548,243**
Sub-programme 1	299,630,861	-46,899,736	245,942,350	233,149,539	12,792,811
Sub-programme 2	162,439,884	62,712,432	225,152,316	59,396,884	165,755,432
Programs Total	**760,640,914**	**-43,684,512**	**716,956,402**	**521,637,308**	**195,319,094**

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the County budgets which are programmatic. Ensure this document is accurately presented to enable consolidation with other County Entities).

5.8. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

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

2. Reporting entity

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

3. Recognition of receipts and payments

a) Recognition of receipts

The County Assembly recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Assembly, with some adjustment for cash in transit.

- **Tax receipts**

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

- **Transfers from the Exchequer/ County Treasury**

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

- **Other Receipts**

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

b) Recognition of payments

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

- **Compensation of employees**

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

- **Use of goods and services**

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

- **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

4. In-kind contributions

In-kind contributions are donations that are made to the 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 a receipt and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

5. Cash and cash equivalents

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

- **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 2018, this amounted to KShs 34,063,053 compared to KShs 31,971,945 in prior period as indicated on note 13A. There were no other restrictions on cash during the year.

6. Accounts Receivable

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

7. Accounts Payable

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

8. Non-current assets

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.

9. Pending bills

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

10. Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The entity's budget was approved as required by Law .The original budget was approved by the County Assembly on 30th June 2017 for the period 1st July 2017 to 30 June 2018 as required by law. There was two number 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 the Statement of Comparison between actual and budgeted amounts included in these financial statements.

11. Comparative figures

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

12. Subsequent events

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

13. Errors

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

14. Related party transactions

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

5.9. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from the County Treasury/Exchequer Releases

	2017 - 2018	2016 - 2017
	KShs	KShs
Aug-17	75,381,041	
Sep-17	6,121,445	283,341,052
Oct-17	22,491,040	
Nov-17	64,332,210	
Dec-17	52,856,774	182,997,370
Jan-18	38,967,774	
Mar-18	73,085,684	157,518,555
May-18	26,443,455	
Jun-18	182,050,685	139,061,461
Cumulative Amount	**541,730,108**	**762,918,438**

2. PROCEEDS FROM SALE OF ASSETS

There were no proceeds from sale of Assets

3. OTHER RECEIPTS

	2017/18	2016/17
	KShs	KShs
		-
Total		-

4. COMPENSATION OF EMPLOYEES

	2017/18	2016/17
	KShs	KShs
Basic salaries of permanent employees	95,700,084	100,312,999
Basic wages of temporary employees	9,375,406	10,220,500
Personal allowances paid as part of salary	74,657,849	95,686,437
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	17,384,430	18,096,628
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-

Social benefit schemes outside government	-	-
Other personnel payments	-	-
Total	**197,117,769**	**224,316,564**

5. USE OF GOODS AND SERVICES

	2017/18	2016/17
	KShs	KShs
Utilities, supplies and services	70,922	35,027
Communication, supplies and services	6,875,910	3,229,340
Domestic travel and subsistence	110,650,467	117,373,033
Foreign travel and subsistence	27,188,548	23,155,814
Printing, advertising and information supplies & services	12,485,796	20,890,077
Rentals of produced assets	2,632,000	3,175,000
Training expenses	22,647,128	14,401,859
Hospitality supplies and services	27,784,469	41,343,509
Insurance costs	21,920,331	15,122,547
Specialized materials and services	1,224,925	1,774,805
Office and general supplies and services	1,766,088	3,211,496
Other operating expenses	22,312,349	7,273,757
Fuel, oil and lubricants	3,588,911	3,469,987
Routine maintenance – vehicles and other transport equipment	3,444,476	4,140,643
Routine maintenance – other assets	1,518,966	734,790
Total	**266,111,285**	**259,331,684**

6. SUBSIDIES

No subsidies were received during the year

7. TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2017/18	2016/17
	KShs	KShs
Transfers to CRF - From KCB Imprest Account		1,853,097
Transfers to CRF - From CBK Recurrent Account		18,474,759
Transfers to CRF - From CBK Development A/C		26,854,617
Transfers to Car loan and mortgage fund		90,000,000
TOTAL		**137,182,472**

8. OTHER GRANTS AND TRANSFERS

There was no grant or any other transfer by the county assembly of kwale during the year

9. SOCIAL SECURITY BENEFITS

These have been classified as pension and other social security contribution in **note 4** above.

10. ACQUISITION OF ASSETS

Non-Financial Assets	2017/18	2016/17
	KShs	KShs
Purchase of Buildings	-	-
Construction of Buildings	47,000,000	90,808,708
Purchase of Office Furniture and General Equipment	3,566,192	1,137,068
Purchase of ICT Equipment, Software and Other ICT Assets	-	-
Purchase of Specialised Plant, Equipment and Machinery	847,000	652,500
Domestic Public Non-Financial Enterprises	12,396,884	28,045,445
Total	**63,810,076**	**120,643,721**

11. FINANCE COSTS

Bank charges of Kshs 124,000 have been clustered under other operating costs in NOTE 5 above

12. OTHER PAYMENTS

Other payments are classified under note 5 in use of goods and services

13. CASH AND BANK BALANCES

13A. BANK BALANCES

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2017/18	2016/17
		KShs	KShs
Central Bank of Kenya A/C No 1000241567	Recurrent	7,611,329	3,737,922
Central Bank of Kenya A/C No 1000282568	Development	705,256	63,034,349
Central Bank of Kenya A/C No 1000282557	Deposit	34,063,054	31,971,946
Kenya Commercial Bank – 1142128148	Recurrent	5,323,978	1,100
Total		**47,703,617**	**98,745,317**

The County Assembly also operates Members and Staff Car Loan and Mortgage Scheme under the following bank Accounts. These bank accounts do not form part of these financial statements since Fund schemes have separate sets of financial statement, but have been shown for purpose of disclosure only.

Name of Bank, Account No. & Currency	**Type of Account**	**2017/18**	**2016/17**
		KShs	**KShs**
Family Bank Ltd – Fixed Collateral	Fixed Collateral	-	103,430,000
Family Bank Ltd – 095000038226	Current	190,001	6,487,495
KCB Ltd – 1182792197	Current	37,431,196	77,945,547
Total		**37,621,197**	**187,863,042**

13B. CASH IN HAND

There was no cash in hand

14. ACCOUNTS RECEIVABLE

	2017/18	2016/17
	KShs	KShs
Government Imprests	-	-
Clearance Accounts	-	-
Staff Advances	185,000	426,000

Other Advances		-
Total	**185,000**	**426,000**

*See Annex 5 for a detailed analysis of the outstanding Staff advances.

15. ACCOUNTS PAYABLE

	2017/18	2016/17
	KShs	KShs
- Retention - Exchange Investments	27,396,729	23,865,341
- Retention - Kawangi Builders	-	2,993,781
- Retemtion - Maka Builders	5,485,052	4,134,252
- Retention – Ahlimco	517,023	517,023
- Retention - Reenah Construction Limited	664,250	461,549
-Family Bank loan account - Hon Kassim pojjo	186,935	
Total	**34,249,989**	**31,971,946**

16. FUND BALANCE BROUGHT FORWARD

	2017/18	2016/17
	KShs	KShs
Bank accounts	98,745,317	77,425,810
Prior year unreciepted insurance Compensation	-	150,000
Prior year Transfers to CRF	-	-10,308,104
Accounts Receivables	426,000	426,000
Accounts Payables	-31,971,946	-21,938,331
Transfers to Counties to CRF - KCB Imprest Account	-1,854,197	
Transfers to Counties to CRF - CBK Recurrent Account	-3,363,176	
Transfers to Counties to CRF - CBK Dev. Account	-63,034,349	
Cash in hand	-	-
Total	**-1,052,351**	**45,755,375**

17. PRIOR YEAR ADJUSTMENTS

Description of the adjustment	2017/18	2016/17
	KShs	KShs
Adjustments on bank account balances	-	-
- Opening bank balances	98,745,317	67,267,706
Transfers to CRF	-	-
From KCB Imprest Account	-1,854,197	-
From CBK Recurrent Account	-3,363,176	-
From CBK Development Account	-63,034,349	-
Adjusted Opening cash and cash equivalent	**30,493,595**	**67,267,706**

5.10 OTHER DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 1)

	2017/18	2016/17
	KShs	KShs
Construction of buildings	62,255,727	108,007,705
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
Total	**62,255,727**	**108,007,705**

2. PENDING STAFF PAYABLES (See Annex 2)

Name of Staff	2017/18	2016/17
	KShs	KShs
	-	-
	-	-
Total	-	-

3. OTHER PENDING PAYABLES (See Annex 3)

	2017/18	2016/17
	KShs	KShs
Amounts due to National Government entities	-	-
Amounts due to County Government entities	-	-
Amounts due to third parties	-	-
Total	-	-

4. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS. The following comprise of related parties to the County Assembly.

- Members of County Assembly;

	MCAs LIST				
s/n	Member	Posistion	s/n	Member	Posistion
1	Mr RUWA Sammy Nyamwawi	Speaker	19	Mr Yusufu Hassan Mubwana	Memebr
3	Mr MWALOVU Andrew Mulei	Deputy Speaker	20	Mr Anthony Oloo Odindo	Memebr
2	Mr OMARI Hamisi Kitengele	Memebr	21	Mr Manza Beja Beny	Memebr
4	Mr CHIREMA Josephat Kombo	Memebr	22	Mr Mwinyi Burudai Mwawandembo	Memebr
5	Mr SWALEHE Bakari Simba	Memebr	23	Ms Hanifa Mwajirani	Memebr
6	Mr NASSORO Bakari Mguttah	Memebr	24	Mr Joseph Kitumbo Ndeme	Memebr
7	Mr YAMA Antony Nyawa	Memebr	25	Ms Elizabeth Mwangolo Ruwa	Memebr
8	Mr NGOME James Dawan	Memebr	26	Ms Sikukuu Bakari Pokea	Memebr
9	Mr Suleiman Salim Nzalla	Memebr	27	Mr Joseph Tsuma Danda	Memebr
10	Mr Mwassera Mwinyi Khalfan	Memebr	28	Mr Hassan Yusuf Mwasipho	Memebr
11	Ms Bintiali Kibamba Hamadi	Memebr	29	Mr JUMA Masudi Ngando	Memebr
12	Ms Mishi Idd Mayumbe	Memebr	30	Mr NYAWA Patrick Mangale	Memebr
13	Ms Fatuma Hamisi Masito	Memebr	31	Ms Melder James Nyakiti	Memebr
14	Ms Teresia Bahati Muoki	Memebr	32	Mr Hamisi Mohamed Omar	Memebr
15	Ms Mwanasiti Saidi Mwadzogolo	Memebr	33	Mr Raia Athman Mkungu	Memebr
16	Ms Mary Charles Kalinga	Memebr	34	Mr Alfred Ruwa Bavu	Memebr
17	Ms Mwanauba Omar Mwaphatsa	Memebr	35	Mr MWERUPHEH Jackson Ndoro	Memebr
18	Ms Bijuma Saphati Mwandotoh	Memebr	36	Ms Celine Natecho Victory	4th Member of the Board
			37	Mr Hamisi M Mwakaribu	5th Memebr of the Board

- Key management personnel that include the Clerk of the Assembly and heads of departments;

1	Mr MUSYOKA Denis Mutui	CLERK
2	Mrs MWALUPA Fatuma Hassan	DEPUTY CLERK
3	Mr ZIRO Philip Wanje	HOD – FINANCE
4	Mrs NDIRANGU Mercy Ruth Murugi	HOD – HANSARD
5	Miss WAWERU Lucy M	HOD – LEGAL
6	Mr MJAPE William Lugwe	HOD - INTERNAL AUDIT
7	Mr ZECHA Joseph Ruwa	HOD – ICT
8	Mr CHAKA Julius Nyondo	HOD – TRANSPORT
9	Mr GUZO Mwatero	HOD - SERGENT AT ARMS
10	Mr KALU John Genya	HOD – PROCUREMENT
11	Ms KALUNGU Felistus Mwongeli	HOD - HUMAN RESOURCE

Related party transactions:

	2017- 2018 Kshs	2016 - 2017 Kshs
Compensation to Key Management		
Compensation to the Speaker, Deputy Speaker and the MCAs	76,773,756	
Key Management Compensation(Clerk and Heads of departments)	20,157,960	
Total Compensation to Key Management	**96,931,716**	
Transfers to related parties		
Transfers to other County Government Entities such as car and mortgage schemes		90,000,000
Transfers to CRF	68,251,722	137,182,472
Total Transfers to related parties	**68,251,722**	**227,182,472**
Transfers from related parties		
Transfers from the County Executive- Exchequer	541,730,108	762,918,438
Payments made on behalf of the County Assembly by other Government Agencies	-	-
Total Transfers from related parties	**541,730,108**	**762,918,438**

Fatuma Mwalupa

Ag.Clerk of the County Assembly

Sign.....

Date.....14/12/2018.....

ANNEXES

ANNEX 1 – ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2017/18	2016/17	
	A	B	C	d=a-c		
Construction of buildings						
MAKA BUILDINGS	58,305,109	12.05.2016	-57,156,943	1,148,166	1,648,166	
KAWANGI BUILDING CONSTRUCTION LIMITED	554,299	22.06.2015	-554,299	-	554,299	
GREEN COUNTY	2,285,722	08.05.2015		2,285,722	2,285,722	
EXCHANGE INVESTMENTS	7,603,909	13.05.2015		7,603,909	7,603,909	
EXCHANGE INVESTMENTS	459,288,261	13.05.2015	-409,582,923	49,705,338	89,705,338	
AHLIMCO INTERANTIONAL CONSTRUCTION CO. LTD	6,682,821		-5,170,228	1,512,593	1,512,593	
MAKA BUILDING AND CONSTRUCTION CO. LTD	6,520,081		-6,520,081	-	2,529,397	
KAWANGI BUILDING CONSTRUCTION LIMITED	5,451,981		-5,451,981	-	1,783,771	
REENAH K. LIMITED	5,000,000		-5,000,000	-	384,511	
Sub-Total	**551,692,182**		**-489,436,455**	**62,255,727**	**108,007,705**	
Construction of civil works						
Sub-Total	-		-	-	-	
Supply of goods						
Sub-Total	-		-	-	-	
Supply of services						
Sub-Total	-		-	-	-	
Grand Total	**551,692,182**		**-489,436,455**	**62,255,727**	**108,007,705**	

ANNEX 2 – ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
		a	B	c	d=a-c		
1.							
2.							
Sub-Total							
Grand Total							

ANNEX 3 – ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
		a	b	C	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f	Prio year Adjustment on Opening Balances	Additions during the year	Disposals during the year	Historical Cost c/f
	(KShs) 2016/2017		(KShs)	(KShs)	(KShs) 2017/2018
Land	22,900,000		-	-	22,900,000
Buildings and structures	444,296,881	17,403,103	59,396,884		521,096,868
Transport equipment	27,380,048		-	-	27,380,048
Office equipment, furniture and fittings	2,185,103	- 745,633	3,566,192		5,005,662
ICT Equipment, Software and Other ICT Assets	8,477,924	80,040			8,557,964
Machinery and Equipment	4,899,636	- 312,503	847,000		5,434,133
Other Assets	12,686,213				12,686,213
Intangible assets					-
Total	**522,825,805**	**16,425,007**	**63,810,076**	**-**	**603,060,888**

ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT

(Attach FO 30 Reports from IFMIS)