

REPUBLIC OF KENYA



*Enhancing Accountability*

| PAPERS LAID        |                    |
|--------------------|--------------------|
| DATE               | 03/05/2023         |
| TABLED BY          | Sen. Majority Whip |
| COMMITTEE          |                    |
| CLERK AT THE TABLE | M. Adjibodou       |

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**COUNTY REVENUE FUND**

**FOR THE YEAR ENDED**

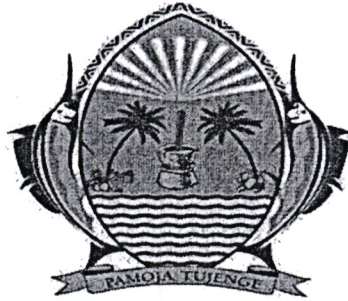
**30 JUNE, 2022**

**COUNTY GOVERNMENT OF KILIFI**









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**COUNTY REVENUE FUND**  
**COUNTY GOVERNMENT OF KILIFI**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022.**

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County Government of Kilifi  
County Revenue Fund  
Annual Report and Financial Statements for the Financial Year ended 30<sup>th</sup> June,2022.

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**County Government of Kilifi**  
**County Revenue Fund**  
**Annual Report and Financial Statements for the Financial Year ended 30<sup>th</sup> June,2022.**

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**1. Key Entity Information and Management**

**a) Background information**

Article 207 of the Constitution of Kenya provides for the establishment of the County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government.

**b) Key Management**

The County Revenue Funds day-to-day management is under the following key organs:

- Hon. Maureen Munyazi Mwangovya -Ag. CECM Finance and Economic planning
- CPA Kennedy Muganga Chilibasi -C.O Finance
- CPA Bonaventure F.M. Mwakio -Director Accounting Services/Finance

**c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

| No. | Designation                             | Name  |
|-----|---|---|
| 1.  | CECM Finance and Economic Planning      | - CPA Samuel Kombe Nzai-1 <sup>st</sup> July to 9 <sup>th</sup> February 2022<br>- Hon. Maureen Munyazi Mwangovya-10 <sup>th</sup> Feb. to 30 <sup>th</sup> June 2022 |
| 2.  | Accounting Officer in charge of Finance | - CPA Kennedy Muganga Chilibasi   |
| 3.  | Director Accounting Services/Finance    | - CPA Bonaventure F.M. Mwakio   |

**d) Fiduciary Oversight Arrangements**

- County Audit Committee
- Senate County Public Accounts and Investment Committee
- County Assembly of Kilifi-County Public Investments and Accounts Committee
- The County Assembly of Kilifi -Public Accounts Committee
- The County Assembly of Kilifi -Budget and Appropriation Committee
- The County Assembly of Kilifi -Economic planning and Trade Committee
- Controller of Budget
- Office of the Auditor General

The following are some of the fiduciary activities undertaken during the financial year

**County Government of Kilifi**  
**County Revenue Fund**  
**Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022**

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- Review and recommendations on financial management by the Audit Committee
- Discussion and recommendations on the Executive 2019/2020 Auditor General report by Senate County Public Accounts and Investment Committee.
- Discussion and recommendations on the Executive 2019/2020 Auditor General report by the County Assembly public Investment and Accounts Committee.
- Approval of the 2021/2022 Executive budget and supplementary estimates by the County Assembly
- Deliberations and recommendations on the 2021/2022 Executive budget and supplementary estimates by County Assembly Budget and Appropriation Committee
- Approval of funds withdrawal from the County revenue fund by the Controller of Budget
- Audit of the County Executive Financial Statements and operations by the Office of the Auditor General

**e) County Headquarters**

County Government of Kilifi  
Governor's office Building  
Bofa Road  
Kilifi, KENYA

**f) County Contacts**

P.O. Box 519-80108, Kilifi  
Telephone: (254)  
E-mail: [info@kilifi.go.ke](mailto:info@kilifi.go.ke)  
Website: [www.kilifi.go.ke](http://www.kilifi.go.ke)

**g) County Bankers**

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

**County Government of Kilifi  
County Revenue Fund  
Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022**

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- 3) Equity Bank  
Kilifi Branch
- 4) National Bank  
Malindi Branch
- 5) Cooperative Bank  
Kilifi Branch
- 6) Diamond Trust Bank  
Kilifi Branch
- 7) NIC Bank  
Kilifi Branch
- 8) Absa Bank  
Kilifi Branch
- 9) SBM Bank  
Malindi Branch

**h) Independent Auditors**

Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
**NAIROBI, KENYA**

**i) Principal Legal Adviser**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
**NAIROBI, KENYA**



**County Government of Kilifi**  
**County Revenue Fund**  
**Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022**

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**2. Statement by the CECM Finance**

**Preamble**

It is with great pleasure that I present the County Revenue Fund financial statements for the year ended 30<sup>th</sup> June 2022 for the County Government of Kilifi. The financial statements present the Fund performance for the period of twelve months.

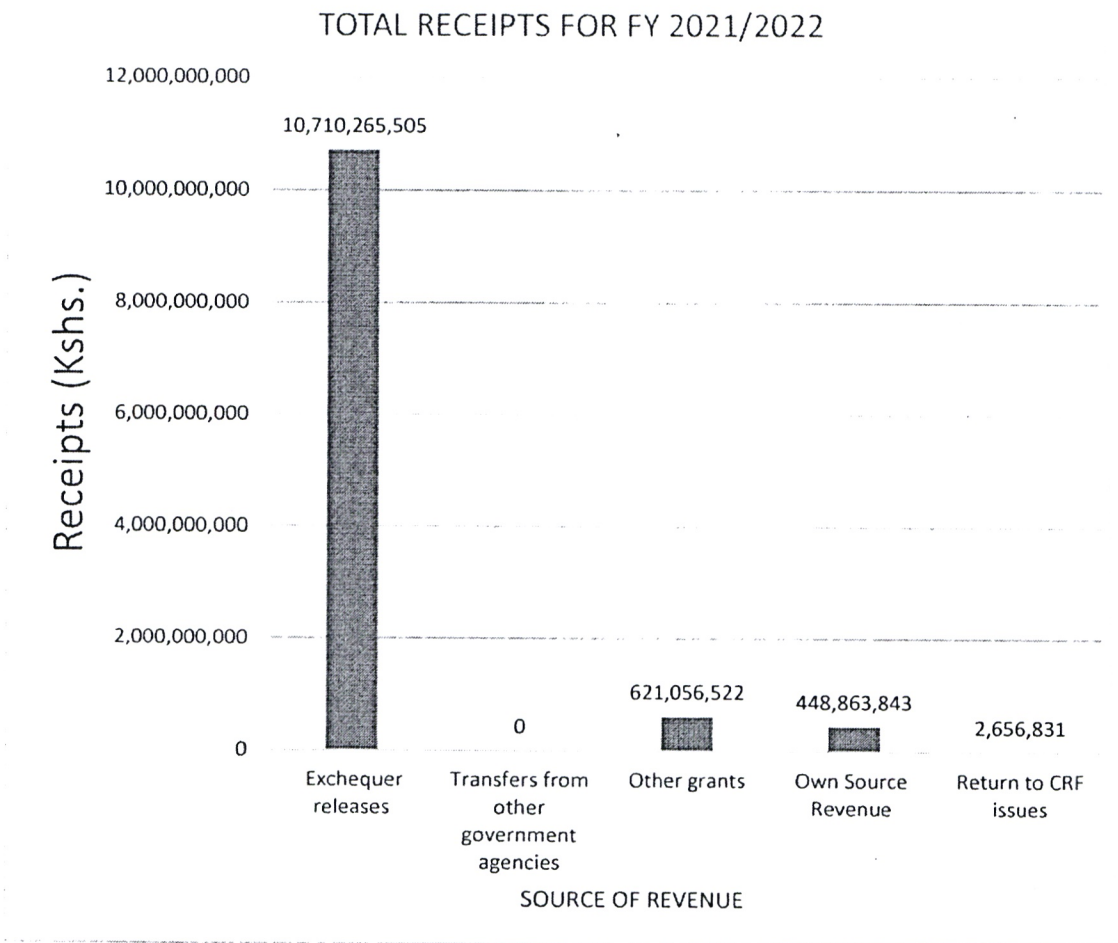
The financial statements have been prepared in accordance with section 164 of the Public Finance Management Act, 2012 which requires the accounting officer of a county government entity to prepare financial statements in respect of the entity in the formats to be prescribed by the Accounting Standards Board. These financial statements present a true and fair view of the state of affairs of the County Revenue Fund operations for the year ended 30<sup>th</sup> June 2022.

The County Revenue Fund is established in accordance with Section 109 of the Public Finance Management Act, 2012 which gives such authority to the County Government. This is also in accordance to the Article 207 of the Constitution which requires each county government to establish a County Revenue Fund, into which shall be paid all money raised or received by or on behalf of the county government, except money reasonably excluded by an Act of Parliament.

The disbursements from the Fund were done in accordance with the Public Finance Management Act, 2012 section 109 (6) which requires the County Treasury to obtain the written approval of the Controller of Budget before withdrawing money from the County Revenue Fund under the authority of an Act of the county assembly that appropriates money for a public purpose.

**Receipts**

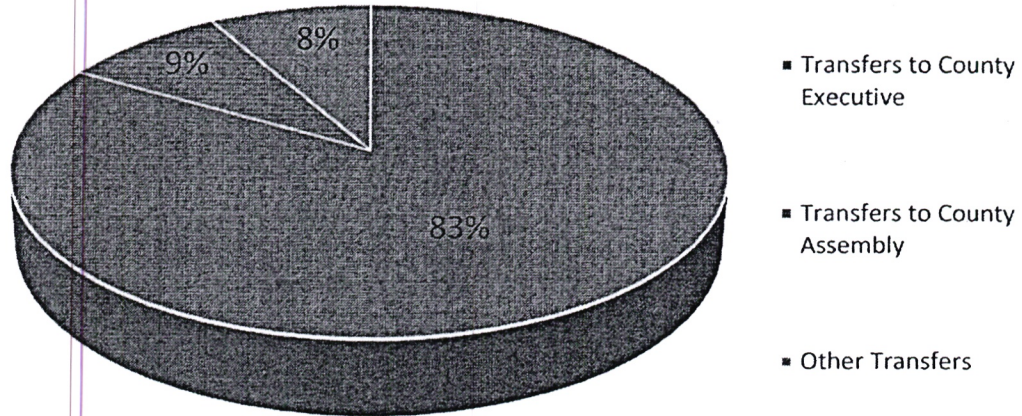
In the financial year ended 30<sup>th</sup> June 2022 the County Revenue Fund had an opening balance of Kshs, 819,403,228 and a total of Kshs. 11,802,288,185 was received into the Fund during the year. The major source of revenue being Equitable share of Kshs. 10,710,265,505 and Own Source of Revenue of Kshs. 448,863,843. The County did not receive money under transfers from other government agencies unlike previous years where it had been receiving Roads Maintenance Levy Fund from Kenya Roads Board. Other sources are as shown in the graph below.



**Disbursements**

A total amount of Kshs. 12,425,376,386 was disbursed from County Revenue Fund during the year ended 30<sup>th</sup> June 2022. The disbursements were Kshs. 10,354,877,888, Kshs. 1,043,413,898 and Kshs. 1,027,084,601 to County Executive, County Assembly and other transfers respectively. The County Executive had the largest share of 83% shown in the pie chart below.

EXPENDITURE PERFORMANCE FY 2021-2022



Sign:  .....

**Hon. Yaye Shosi Ahmed**  
**County Executive Committee Member**  
**For Finance and Economic Planning**



County Government of Kilifi  
 County Revenue Fund  
 Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022

3. Management Discussion and Analysis

Operational and financial performance of the fund for the last three years

Receipts

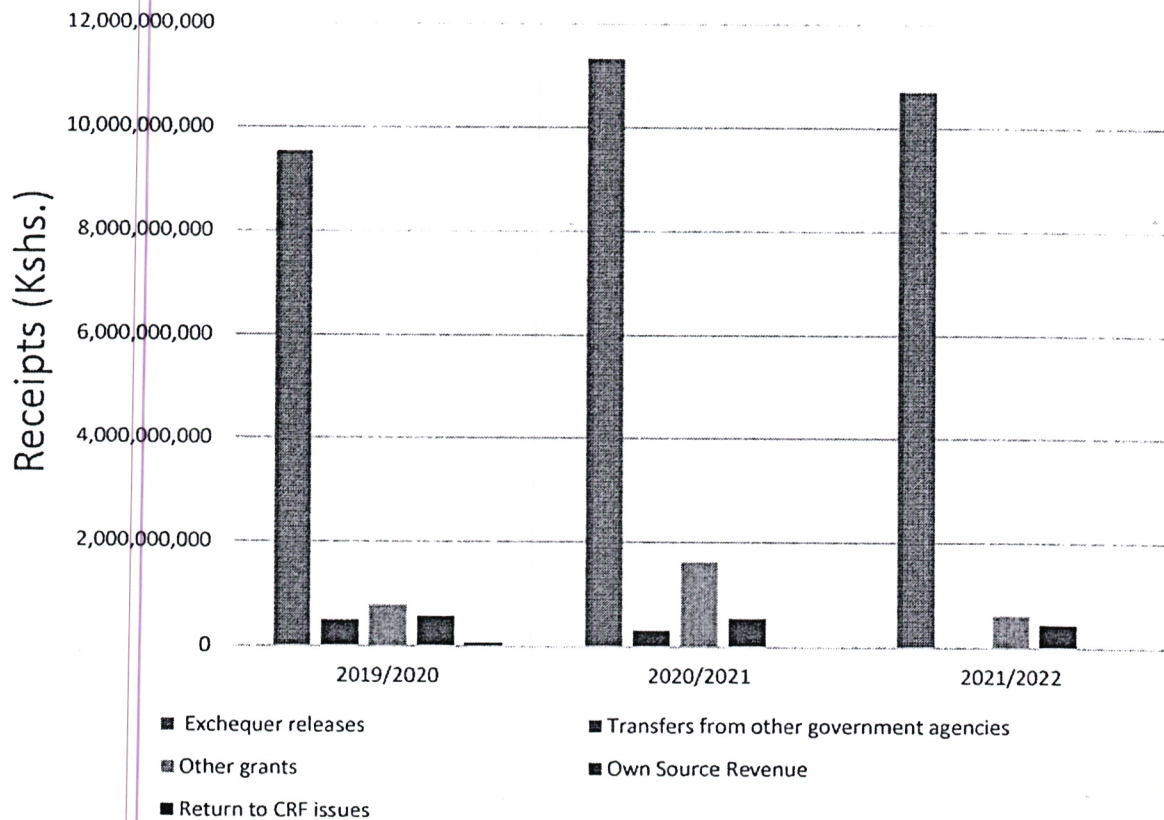
The receipts have been growing on an upward trend from a total of Kshs. 11,499,062,177 in the FY 2019/2020 to Kshs. 11,782,842,701 as shown in the table below. The equitable share for the FY 2021/2022 was Kshs.11,641,592,941 however only Kshs. 10,710,265,505 was received during the year while the balance of Kshs.931,327,436 was received in the FY 2022/2023. In the FY 2021/2022 the County did not receive money under transfers from other government agencies unlike previous years where it had been receiving Roads Maintenance Levy Fund from Kenya Roads Board.

| Sources of Revenue                       | 2019/2020             | 2020/2021             | 2021/2022             |
|--|-----------------------|-----------------------|-----------------------|
| Exchequer releases                       | 9,546,273,000         | 11,342,727,000        | 10,710,265,505        |
| Transfers from other government agencies | 503,487,122           | 316,014,399           | 0                     |
| Other grants                             | 793,956,699           | 1,620,881,224         | 621,056,522           |
| Own Source Revenue                       | 584,540,097           | 545,762,443           | 448,863,843           |
| Return to CRF issues                     | 70,805,259            | 760,831               | 2,656,831             |
| <b>Total Receipts</b>                    | <b>11,499,062,177</b> | <b>13,826,145,897</b> | <b>11,782,842,701</b> |

The major source of revenue as shown in the graph below is the Exchequer release which contributed 83%, 82% and 91% of the total receipts in FY2019/2020, FY 2020/2021 and FY 2021/2022 respectively:-

County Government of Kilifi  
 County Revenue Fund  
 Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022

**TOTAL RECEIPTS FOR THE LAST 3 FINANCIAL YEARS**



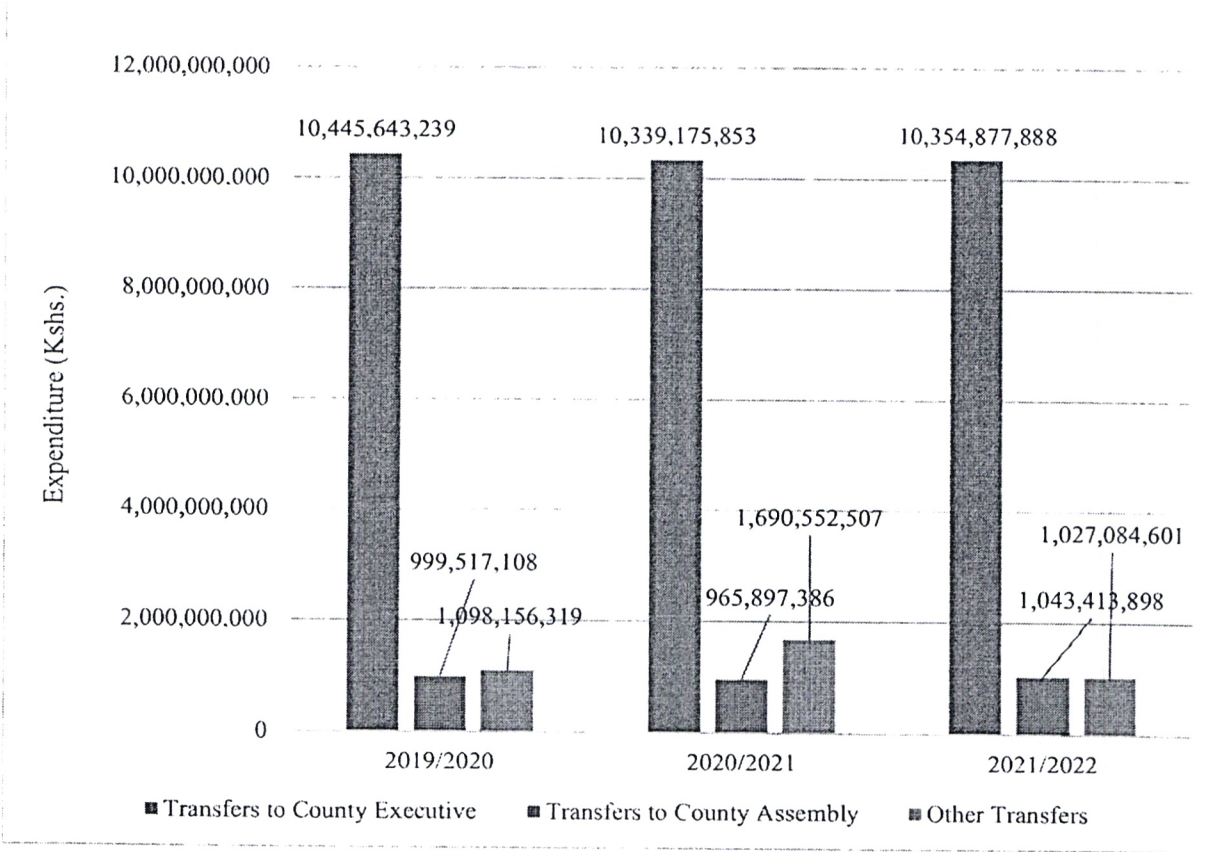
**Disbursements**

The disbursements have been showing an upward trend from Kshs. 12,543,316,666 in the FY 2019/2020 to Kshs. 12,425,376,386 in the FY 2021/2022. It important to note that the FY 2021/2022 figure of Kshs. 12,425,376,386 is exclusive of late disbursement amount of Kshs. 931,327,436 on equitable which was received in the FY 2022/2023. If this amount would have been received and disbursed in the FY 2021/2022 the total amount for that year would be Kshs. 13,356,703,822. As shown in the table below the major disbursement went to the County Executive receiving 83%, 80% and 83% in the FY 2019/2020, FY 2020/2021 and 2021/2022 respectively.

| EXPENDITURE                   | 2019/2020             | 2020/2021             | 2021/2022             |
|-------------------------------|-----------------------|-----------------------|-----------------------|
| Transfers to County Executive | 10,445,643,239        | 10,339,175,853        | 10,354,877,888        |
| Transfers to County Assembly  | 999,517,108           | 965,897,386           | 1,043,413,898         |
| Other Transfers               | 1,098,156,319         | 1,690,552,507         | 1,027,084,601         |
| <b>Total Payments</b>         | <b>12,543,316,666</b> | <b>12,995,625,746</b> | <b>12,425,376,386</b> |

The graph below shows the disbursements comparison for the three financial years.

**EXPENDITURE PERFORMANCE FOR THE LAST 3 FINANCIAL YEARS**





#### 4. Statement of Management Responsibility

Article 207 of the Constitution, Sections 109 and 167 of the Public Finance Management Act, 2012 requires a County Revenue Fund established by the Constitution, an Act of Parliament or county legislation shall prepare financial statements for the Fund for each financial year in a form prescribed by the Public Sector Accounting Standards Board and submit to the Auditor General and a copy to the Commission on Revenue Allocation and the Controller of Budget.

The Accounting Officer of the County Government is responsible for the preparation and presentation of the County Revenue Fund financial statements, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year ended on June 30, 2022. 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 Revenue Fund; (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 Executive; (v) Selecting and applying appropriate accounting policies; and (iv) Making accounting estimates that are reasonable in the circumstances.

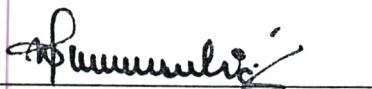
The Accounting Officer accepts responsibility for the County Revenue Fund's financial statements, which have been prepared on the Cash Basis Method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the County Revenue Fund's financial statements give a true and fair view of the state of the County Revenue Fund's transactions during the financial year ended June 30, 2022, and of its financial position as at that date.

The Accounting Officer further confirms the completeness of the accounting records maintained for the County Revenue Fund which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control. The Accounting Officer confirms that the County Revenue Fund has complied fully with applicable Government Regulations and the terms of external financing covenants (*where applicable*). Further, Accounting Officer confirms that the County Revenue Fund'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 Revenue Fund's financial statements were approved and signed on 06/02/2023.

Signature



Winnie Luwali Wakati  
Chief Officer - Finance  
County Government of Kilifi

## 5. Overview of the County Revenue Fund Operations

### Background

Article 207 of the Constitution of Kenya provides for the establishment of a County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government. As outlined under Section 109 of the Public Finance Management (PFM) Act, 2012 the County Treasury is responsible for administration of the County Revenue Fund. The County Revenue Fund is maintained as the County Exchequer Account at the Central Bank of Kenya.

### Receipts into the County Revenue Fund

County Government revenue is received through appointed County Receiver of Revenue by the County Executive Committee Member for finance to the County Treasury pursuant to Section 157 (1) of the PFM Act 2012. Other receipt includes Exchequer releases, grants from development partners, proceeds from domestic and foreign borrowings, and other miscellaneous deposits in the County Revenue Fund Account.

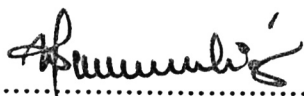
### Transfers from the County Revenue Fund

The withdrawal of funds from the County Revenue Fund is authorized by the County appropriation Act. The County Treasury is required to seek the Controller of Budget's approval for withdrawal of funds from the County Revenue Fund to the County Executive and County Assembly bank accounts. These entities are responsible for the administration of their respective approved budgets.

### Financial Reporting requirements

The Accounting Officer for the County Revenue Fund is required to prepare and submit the financial statements to the Auditor-General and a copy to the Controller of Budget, and the Commission on Revenue Allocation.

This statement therefore covers the operations of the County Exchequer Account for the financial year ended 30<sup>th</sup> June 2022.



.....  
Winnie Luwali Wakati  
Chief Officer – Finance



# REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF KILIFI**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of County Revenue Fund - County Government of Kilifi set out on pages 1 to 8, which comprise the statement of receipts and payments and statement of comparison of budget and actual amounts for the year ended 30 June, 2022 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

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*Report of the Auditor-General on County Revenue Fund for the year ended 30 June, 2022 - County Government of Kilifi*



the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial performance of County Revenue Fund - County Government of Kilifi for the year ended 30 June, 2022, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Variance Between County Revenue Fund and County Executive Amounts**

The statement of receipts and payments for the year ended 30 June, 2022 and as disclosed in Note 1 to the financial statements reflects Exchequer releases of Kshs.10,710,265,505 while the amount reported as received by the County Executive was Kshs.11,381,962,488, resulting to an unexplained variance of Kshs.671,696,983.

In the circumstances, the accuracy and completeness of Exchequer releases of Kshs.10,710,265,505 could not be confirmed.

#### **2. Overstated Transfers from Other Government Agencies**

The statement of receipts and payments for the year ended 30 June, 2022 and as disclosed in Note 2 to the financial statements reflect transfers from other Government agencies amount of Kshs.621,056,522 which includes Kshs.178,916,887 relating to World Bank - National Agriculture and Rural Inclusive Programme Grant (NARIG). However, included in the amount of Kshs.178,916,887 was Kshs.135,615,000 which was received on 04 July, 2022, thus overstating receipts by the same amount.

In the circumstances, the accuracy and completeness of transfers from other Government agencies of Kshs.621,056,522 could not be confirmed.

#### **3. Unauthorized Transfers to the County Assembly**

The statement of receipts and payments reflects transfers to County Assembly of Kshs.1,043,413,898 against the County Assembly approved combined recurrent and development budget of Kshs.965,000,000, leading to an unauthorized excess transfer of Kshs.78,413,898. Further, the transfer of Kshs.1,043,413,898 varies with Kshs.997,886,898 reflected in the County Assembly financial statements resulting to an unexplained variance of Kshs.45,527,000.

In the circumstances, the accuracy and regularity of the excess transfer to the County Assembly of Kshs.78,413,898 for the year ended 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Revenue Fund – County Government of Kilifi Management in accordance with ISSAI 130 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. There were no key audit matters to report in the year under review.

## **Other Matter**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.15,952,827,550 and Kshs.11,782,842,701 respectively resulting in an under-funding of Kshs.4,169,984,849 or 26% of the budget. Similarly, the Fund expended Kshs.12,425,376,386 against an approved budget of Kshs.15,952,827,550, resulting in an under-expenditure of Kshs.3,527,451,164 or 22% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

## **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, I confirm that, nothing 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**

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 AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 overall 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 controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Fund or to cease operations.

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 resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Revenue Fund's financial reporting process, reviewing the effectiveness of how Management 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 audit is planned and performed to express a conclusion about 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 and that public resources are applied in an effective way, 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.



Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 Fund's 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 Fund's ability 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 Fund to cease sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

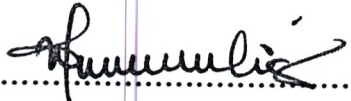
31 March, 2023



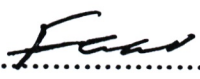
County Government of Kilifi  
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7. Statement of Receipts and Payments Statement for the year ended 30th June,2022.

|  | Notes | 2021/22<br>KShs.        | 2020/21<br>kshs. |
|--|-------|-------------------------|------------------|
| <b>Receipts</b>                              |       |                         |                  |
| Exchequer releases                           | 1     | 10,710,265,505          |                  |
| Transfers from other government agencies     | 2     | 621,056,522             |                  |
| Own Source Revenue                           | 3     | 448,863,843             |                  |
| Return to CRF issues                         | 4     | 2,656,831               |                  |
| <b>Total Receipts</b>                        |       | <b>11,782,842,701</b>   |                  |
| <b>Payments</b>                              |       |                         |                  |
| Transfers to County Executive                | 5     | 10,354,877,888          |                  |
| Transfers to County Assembly                 | 6     | 1,043,413,898           |                  |
| Other Transfers                              | 7     | 1,027,084,601           |                  |
| <b>Total Payments</b>                        |       | <b>(12,425,376,386)</b> |                  |
| Net increase (decrease) in cash for the year |       | (642,533,686)           |                  |
| Add Opening fund balance b/f                 | 8     | 819,403,228             |                  |
| <b>Closing Fund balance for the period</b>   | 8     | <b>176,869,542</b>      |                  |

  
 Name: Winnie Luwali Wakati  
 Chief Officer - Finance

Date: 06/02/23

  
 Name: CPA Bonaventure F. M. Mwakio  
 Director Accounting Services

ICPAK Member No. 3346  
 Date: 06/02/2023



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8. Statement of Comparison of Budget Actual Amounts for the year ended 30<sup>th</sup> June, 2022.

Transfers from other government agencies and other conditional grants

| Receipt/Payments                         | Original Budget       | Adjustments          | Final Budget          | Actual on Comparable Basis | Budget Realisation Difference | % of Realisation |
|--|-----------------------|----------------------|-----------------------|----------------------------|-------------------------------|------------------|
|  | a                     | b                    | c=a+b                 | d                          | e=c-d                         | f=d/c %          |
| <b>Receipts</b>                          | Kshs.                 | Kshs.                | Kshs.                 | Kshs.                      | Kshs.                         |                  |
| Exchequer releases                       | 11,641,592,941        | -                    | 11,641,592,941        | 10,710,265,505             | 931,327,436                   | 92               |
| Transfers from other government agencies | 153,297,872           | 2,746,175            | 156,044,047           |                            | 156,044,047                   | 0                |
| Other conditional grants                 | 2,154,008,617         | 511,740,267          | 2,665,748,884         | 621,056,522                | 2,044,692,362                 | 23               |
| Own Source Revenue                       | 925,000,000           | 193,754,087          | 1,118,754,087         | 448,863,843                | 669,890,244                   | 40               |
| Return to CRF issues                     | -                     | 370,687,591          | 370,687,591           | 2,656,831                  | 368,030,760                   | 1                |
| <b>Total Receipts</b>                    | <b>14,873,899,430</b> | <b>1,078,928,120</b> | <b>15,952,827,550</b> | <b>11,782,842,701</b>      | <b>4,169,984,849</b>          | <b>74</b>        |
| <b>Payments</b>                          |                       | 0                    |                       |                            | -                             |                  |
| Transfers to County Executive            | 13,873,899,430        | 1,113,928,120        | 14,987,827,550        | 11,381,962,488             | 3,605,865,062                 | 76               |
| Transfers to County Assembly             | 1,000,000,000         | -35,000,000          | 965,000,000           | 1,043,413,898              | (78,413,898)                  | 108              |
| <b>Total Payments</b>                    | <b>14,873,899,430</b> | <b>1,078,928,120</b> | <b>15,952,827,550</b> | <b>12,425,376,386</b>      | <b>3,527,451,164</b>          | <b>78</b>        |
| <b>Balance</b>                           |                       | 0                    | -                     | (642,533,685)              | 642,533,685                   |                  |

Most of these funds were not disbursed during the year under review.

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**Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022**

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**Own Source Revenue**

The County collected Kshs. 847,473,214 during the year as compared to the budgeted amount of Kshs. 1,118,754,087. Out of Kshs. 847,473,214 an amount of Kshs. 448,863,843 was transferred to the County Revenue Fund. Some of the receipts were not transferred to CRF due to court case while others were transferred during the financial year 2022/2023.

The under collection was due to the following:

- Non-implementation of the new valuation roll which delayed as a result of dispute by ratepayers.
- Failure by service provide (Rain Drops) to achieve the target on Cess and Parking.
- Economic hardship led to closure and low businesses in general

**9. Significant Accounting Policies**

**a) 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 Section 167 of the PFM Act 2012.

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

**b) Reporting entity**

This report relates to financial operations of the County Revenue Fund domiciled at the County Treasury and bank account maintained at Central Bank of Kenya.

**c) Receipts**

Receipts include funds deposited in the County Revenue Fund pursuant to Article 207 of the Constitution of Kenya and Section 109 of the PFM Act 2012.

The receipts collected include Exchequer releases, own source revenue, grants from development partners, proceeds from domestic and foreign borrowings, and other miscellaneous deposits in the County Exchequer Account.

Transfers from the exchequer are 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.

County own source revenue is recognized as receipts when the funds are received in the County Exchequer Account.

**County Government of Kilifi**

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**Significant Accounting Policies (Continued)**

**d) Payments**

Payments are based on the County Government Appropriation Act. The exchequer requests are received by County Treasury, which rationalizes the requests based on the available balance, consolidates the requests and forwards them to Controller of Budget (COB) for approval. Once the approval of COB is obtained, the funds are released to the County Assembly and County Executive operational accounts appropriately.

**e) Fund Balances**

Fund balances comprise bank balances in County Exchequer Account held at Central Bank of Kenya.

**f) 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. There were no other restrictions on cash during the year.



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10. Notes to the Financial Statements

1. Exchequer releases

The following is an analysis by revenue type of the receipts collected in the County Revenue Fund:

|                     | 2021/2022             | 2020/2021 |
|---------------------|-----------------------|-----------|
|                     | Kshs.                 | Kshs.     |
| Equitable Share (a) | 10,710,265,505        |           |
| <b>Total</b>        | <b>10,710,265,505</b> |           |

2. Transfers from other government agencies\*\*

|  | 2021/2022          | 2020/2021 |
|--|--------------------|-----------|
|  | Kshs.              | Kshs.     |
| Road Maintenance Levy  | 0                  |           |
| Development of Youth Polytechnics-State Department of TVETS  | -                  |           |
| User Fees Foregone -Ministry of Health   | -                  |           |
| World Bank -Transforming Health Systems for Universal Care Project (THUSP)-Ministry of Health                | 36,548,224         |           |
| World Bank-NARIGP-State Department of Crop Development   | 178,916,887        |           |
| World Bank Kenya Climate Smart Agriculture (KCSAP) -State Department of Crop Development                     | -                  |           |
| DANIDA Grant -Primary Health care in devolved context -Ministry of Health                                    | 11,570,625         |           |
| IDA (World Bank) Credit: Water & Sanitation Development Project (WSDP)-Min. Water, Sanitation and Irrigation | 380,040,259        |           |
| SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development    | 13,980,527         |           |
| EU Grant (Instruments for Devolution Advice and Support- (IDEAS)-State Department of Devolution(KDSP)        | -                  |           |
| KENYA URBAN SUPPORT PROGRAMME  | -                  |           |
|  | <b>621,056,522</b> |           |

\*\* These include other government grants that do not pass through the Exchequer.

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3. Own Source Revenue

| Description                                      | 2021/2022          | 2020/2021 |
|--|--------------------|-----------|
|  | Kshs.              | Kshs.     |
| Land Rates Current Year                          | 130,750,555.85     |           |
| Business Permits Current Year                    | 52,286,762.50      |           |
| Market Stalls Rent                               | 23,246,398.50      |           |
| Building Plan Approval Fee                       | 34,045,038.00      |           |
| Ballast Cess                                     | 90,512,761.00      |           |
| Street Parking Fee                               | 11,512,000.00      |           |
| Advertising Fee                                  | 10,536,553.80      |           |
| Food Quality Inspection Fee                      | 2,089,233.00       |           |
| Market Entrance / Gate Fee                       | 12,748,841.40      |           |
| Ground Rent - Current Year                       | 15,561,671.00      |           |
| Refuse Collection Fee                            | 4,329,778.75       |           |
| Housing Estates Monthly Rent                     | 2,388,643.50       |           |
| Slaughter Hse Insp Fee                           | 3,449,140.45       |           |
| Other receipts from Administrative fee & Charges | 55,406,465         |           |
| <b>Total</b>                                     | <b>448,863,843</b> |           |

4. Return to CRF Issues

|   | 2021/2022        | 2020/2021 |
|---|------------------|-----------|
|   | Kshs.            | Kshs.     |
| Recurrent Account ( <i>County Executive</i> )   | 915              |           |
| Development Account ( <i>County Executive</i> ) | 100,053          |           |
| Recurrent Account ( <i>County Assembly</i> )    | 1,141,277        |           |
| Development Account ( <i>County Assembly</i> )  | -                |           |
| Fuel levy fund                                  | 1,414,586        |           |
| <b>Total</b>                                    | <b>2,656,831</b> |           |



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5. Transfers to County Executive

|  | 2021/2022             | 2020/2021 |
|--|-----------------------|-----------|
|  | Kshs.                 | Kshs.     |
| Recurrent Account (County Executive)   | 8,126,920,327         |           |
| Development Account (County Executive) | 2,227,957,561         |           |
| <b>TOTALS</b>                          | <b>10,354,877,888</b> |           |

The amount transferred to the Executive was less as compared to the Appropriation Act due to non-disbursements of funds from National Government and under collection of own source revenue as shown in the table below

|  |                      |
|--|----------------------|
| Exchequer releases                       | 931,327,436          |
| Transfers from other government agencies | 156,044,047          |
| Other conditional grants                 | 2,044,692,362        |
| Own Source Revenue                       | 650,444,760          |
| <b>Total</b>                             | <b>3,782,508,605</b> |

6. Transfers to County Assembly

|                                       | 2021/2022            | 2020/2021 |
|---------------------------------------|----------------------|-----------|
|                                       | Kshs.                | Kshs.     |
| Recurrent Account (County Assembly)   | 1,038,558,170        |           |
| Development Account (County Assembly) | 4,855,728            |           |
| <b>Total</b>                          | <b>1,043,413,898</b> |           |

7. Other Transfers

| Description                         | 2021/2022   | 2020/2021 |
|-------------------------------------|-------------|-----------|
|                                     | Kshs.       | Kshs.     |
| Kilifi County Water and Sanitation  | 751,190,416 |           |
| Kilifi County-Nat. Agri.& Rur. Inc  | 43,301,887  |           |
| Kilifi County Kenya Devolution      | 102,491,953 |           |
| Kilifi County Kenya Urban Supp Prog | 40,000,000  |           |
| User fees                           | 0           |           |
| Kilifi County Climate Change Inst   | 25,000,000  |           |



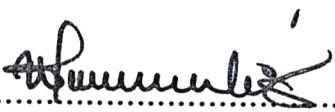
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|  |                      |  |
|--|----------------------|--|
| Kilifi County- Agri. Sec. Dev. Supp.                   | 16,981,496           |  |
| Transforming Health Systems For Universal Care Project | 36,548,224           |  |
| Kilifi County Road Maintenance Levy Account            | 0                    |  |
| Kilifi County Village Poly Grant                       | 0                    |  |
| Danida   | 11,570,625           |  |
| <b>TOTALS</b>  | <b>1,027,084,601</b> |  |

The transfer was not as per the Appropriation Act some of the Funds were not disbursed to the County.

**8. Fund balance**

|  | 2021/2022          | 2020/2021          |
|--|--------------------|--------------------|
|  | Kshs.              | Kshs.              |
| County Exchequer Account - (CBK Account number 1000170212) | 176,869,542        | 819,403,228        |
| <b>Total</b>   | <b>176,869,542</b> | <b>819,403,228</b> |

  
 Name: Winnie Luwali Wakati  
 Chief Officer Finance  
 Date: 06/02/23.

11 Annexes

**Annex 1. Analysis Of Receipts from The National Treasury Exchequer Releases**

| Period (2021/22)  | Quarter 1<br>(Kshs.) | Quarter 2<br>(Kshs.) | Quarter 3<br>(Kshs.) | Quarter 4<br>(Kshs.) | Total<br>(Kshs.)      |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Equitable Share   | 1,920,862,835        | 1,920,862,835        | 2,910,398,235        | 3,958,141,600        | 10,710,265,505        |
| DANIDA - Universal Healthcare in Devolved Units Programme       | 0                    | 0                    | 0                    | 11,570,625           | 11,570,625            |
| World Bank – THUSCP -(THS)                                      | 0                    | 0                    | 0                    | 36,548,224           | 36,548,224            |
| National Agricultural & Rural Inclusive Growth Project (NARIGP) | 0                    | 0                    | 0                    | 178,916,887          | 178,916,887           |
| Agriculture Sector Development Support Project (ASDSP)          | 0                    | 0                    | 0                    | 13980527             | 13980527              |
| Water and Sanitation Development Project                        | 0                    | 0                    | 0                    | 380,040,259          | 380,040,259           |
| <b>Total</b>  | <b>1,920,862,835</b> | <b>1,920,862,835</b> | <b>2,910,398,235</b> | <b>4,579,198,122</b> | <b>11,331,322,027</b> |



County Government of Kilifi  
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Annex 2: Analysis of Transfers from the County Revenue Fund

| Period (2021/2022)   | Quarter 1<br>(Kshs.)    | Quarter 2<br>(Kshs.)    | Quarter 3<br>(Kshs.)    | Quarter 4<br>(Kshs.)    | Total<br>(Kshs.)         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| County Executive -Rec  | 888,788,786.00          | 2,464,131,492.00        | 1,471,613,060.85        | 3,302,386,988.00        | 8,126,920,326.85         |
| County Executive -Dev  | 0                       | 373,761,721.00          | 485,693,695.00          | 1,368,502,145.00        | 2,227,957,561.00         |
| County Assembly -Rec   | 143,435,250.00          | 292,386,275.00          | 224,461,385.00          | 378,275,260.00          | 1,038,558,170.00         |
| County Assembly -Dev   | 0                       | 2,500,000.00            | 0                       | 2,355,728               | 4,855,728                |
| Kenya Urban Support Programme                                | 0                       | 0                       | 0                       | 40,000,000.00           | 40,000,000.00            |
| KILIFI COUNTY CLIMATE CHANGE<br>INST                         | 0                       | 0                       | 0                       | 25,000,000.00           | 25,000,000.00            |
| KILIFI COUNTY WATER AND<br>SANITATION                        | 0                       | 341,150,156.45          | 30,000,000.00           | 380,040,259.30          | 751,190,415.75           |
| KILIFI COUNTY- AGRI. SEC. DEV. SUPP.                         | 0                       | 0                       | 0                       | 16,981,496.00           | 16,981,496.00            |
| KILIFI COUNTY-NAT. AGRI.& RUR.INC                            |                         |                         |                         | 43,301,887.00           | 43,301,887.00            |
| World Bank – THUSCP  |                         |                         |                         | 36,548,224              | 36,548,224               |
| KILIFI COUNTY KENYA DEVOLUTION                               | 0                       | 102,491,953.00          | 0                       | 0                       | 102,491,953.00           |
| DANIDA - Universal Healthcare in Devolved<br>Units Programme |                         |                         |                         | 11,570,625              | 11,570,625               |
| <b>Total</b>   | <b>1,032,224,036.00</b> | <b>3,576,421,597.45</b> | <b>2,211,768,140.85</b> | <b>5,604,962,612.30</b> | <b>12,425,376,386.60</b> |