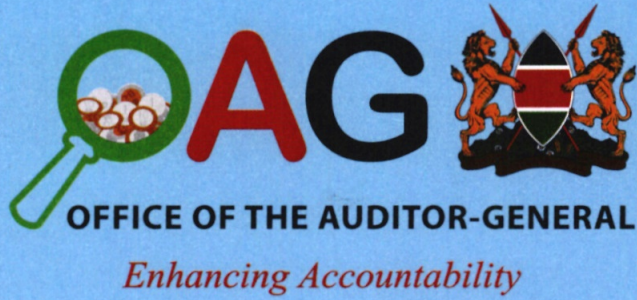


REPUBLIC OF KENYA



REPORT

PARLIAMENT
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OF

THE AUDITOR-GENERAL

ON

COUNTY REVENUE FUND

**FOR THE YEAR ENDED
30 JUNE, 2023**

COUNTY GOVERNMENT OF KERICHO

PAPERS Laid	
DATE	27/3/2024
TABLED BY	M.L
COMMITTEE	APIC
CLERK AT THE TABLE	Angela



COUNTY GOVERNMENT OF KERICHO

COUNTY REVENUE FUND

County Government of Kericho

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

*County Government of Kericho
County Revenue Fund
For the financial year ended 30th June 2023*

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1. Acronyms and glossary of terms

a) Acronyms

CA	County Assembly
COB	Controller of Budget
CRF	County Revenue Fund
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
ROR	Receiver of Revenue
Kshs	Kenya Shillings
CECM	County Executive Member

b) glossary of terms

Comparative FY	Comparative Prior Financial Year
Fiduciary Management	The key management personnel who had financial responsibility

(Entity to insert all the relevant acronyms and key terms used in the annual report and financial statements)

2. 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 Team

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

No.	Designation	Name
1.	CECM Finance and Economic planning	Hon. Leonard Ngetich
2.	C.O Finance	CPA Gilbert Bii
3.	Director Accounting Services/Finance	CPA George Kirer

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM Finance and Economic Planning	Hon. Leonard Ngetich
2.	Accounting Officer in charge of Finance	CPA Gilbert Bii
3.	Director Accounting Services/Finance	CPA George Kirer

d) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at the County for the year ended 30th June 2023 were:

- a. The public and other stakeholders through Public Participation play a significant role and greatly influence decision making and ultimately improving the governance process.
- b. The Commission on Revenue Allocation which makes recommendations on budget ceilings concerning the financing of programmes and the Controller of Budget oversees the implementation of the budgeted programmes.
- c. County Budget and Economic Forum, which presents the ideal opportunity to strengthen the engagement between the County Government and the County residents.
- d. Finance and Investments sub-committee of the County Executive deliberates and sets agenda on fiduciary matters to be presented to the County Executive Committee.

- e. The County Executive Committee is in charge of ensuring all programmes are run smoothly and there is value for money. The committee also approves the budget to be submitted to the County Assembly.
- f. The Budget and Appropriation Committee reviews the budget estimates submitted by County Executive and proposes the same for adoption or rejection of the same to the full house of the County Assembly.
- g. Internal Audit unit and Audit Committee undertake periodic reviews of expenditures and make recommendations on improprieties noted.
- h. DANIDA Internal Auditors under the Health Services Department review usage of health sector funding that is received as conditional grant.
- i. The County Treasury receives and consolidates all financial and non-financial information from all the departments and entities of the County Government.
- j. Independent offices set by law which are the Office of the Auditor General and the Controller of Budget for review of programmes to ensure there is no wastage and Value for Money is achieved.
- k. County Assembly Public Accounts and Investment Committee reviews all audit reports submitted by the County Executive.

e) County Headquarters

P.O. Box 112 20200
County Headquarters Building
Kericho - Nakuru Highway
Kericho, KENYA

f) County Contacts

Telephone :(254:(254) 052-21100
E-mail: info@kericho.go.ke
Website: www.kericho.go.ke

g) County Bankers

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

h) Independent Auditor

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
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. Statement by the CECM Finance

It is my pleasure to present the County Government of Kericho County Executive financial statements for the year ended 30th June 2023. The financial statements present the financial performance of the County Government over the past year. The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralized system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments. Financing of the County Governments under Article 202 of the Constitution of Kenya provides that revenue raised nationally shall be shared equitably among the National Government and the County Governments. Each County Government's equitable share of revenue raised nationally, is determined yearly through the County Allocation of Revenue Act (CARA). The revenue sharing formula is developed by the Commission on Revenue Allocation and approved by Parliament in accordance with Article 217 of the Constitution.

In the last Financial Year, total receipts received to the County Revenue Fund were Ksh. 6,945 Million from Equitable Share, Ksh. 179 million for other government transfers and Ksh. 477 Million from other Government agencies making a total of Ksh. 7,601 million. A total of Ksh. 7,596 million were transferred for expenditure in both County Executive and Assembly leaving a balance of Ksh. 6 million.

The key local revenue sources for Kericho County included business permits, land rates, business plan approval fees, advertising fees, cess and other various administrative charges. The County Government continues to explore new and innovative ways of increasing its local revenue collections. Some of the steps among others that the County has taken towards improving its revenue collections include automation of revenue collection system.

And as I conclude, I would like to appreciate the National Treasury for their continued Support.

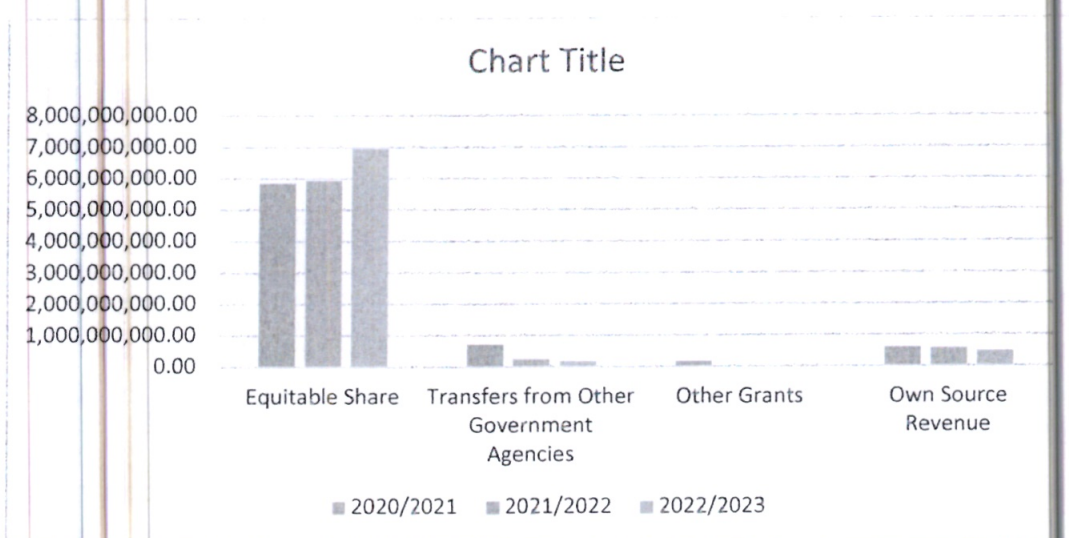
..... (Sign)

CECM Finance and Economic Planning
County Government of KERICHO

4. Management Discussion and Analysis

Over the years, CARA revenues continue to form the largest part of our revenue budget, contributing 91% towards our budget. Our own generated revenues formed 6% of our budget. Out of the projected revenue of Kshs 8.4 Billion, the County was able to realize Kshs 7.6 Billion in actual revenues, representing 90% performance.

	2020/2021	2021/2022	2022/2023	Current Year %
Equitable Share	5,843,223,000	5,916,211,733	6,945,118,115	91
Transfers from Other Government Agencies	707,835,484	231,244,026	179,423,861	2
Other Grants	162,252,168	-	-	0
Own Source Revenue	595,976,653	562,828,005	477,246,120	6
Total	7,309,287,305	6,710,283,764	7,601,788,096	90



As noted the above, own source revenue has remained at below average as per CFA 2022 report on Revenue Potential for counties of Kenyan Shillings 2.1 billion. The county is therefore putting in place some measures to improve on the current situation. These include:

Automation of registration processes for all the core taxes.

Detect and register unregistered business owners

Make information available to citizens on matters taxes by making used of public participation

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. Receipts include 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 30th June 2023.

.....

CEC Member – Finance and Economic Planning
County Government of Kericho

6. 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 to 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 at the County Treasury 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, 20xx*. 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 Revenue Fund; (v) Selecting and applying appropriate accounting policies; and (iv) Making accounting estimates that are reasonable in the circumstances.

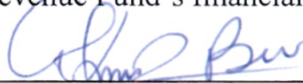
The Accounting Officer accepts responsibility for the County Revenue Fund's financial statements, which have been prepared on the Cash Basis Method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting 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, 20xx*, 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 30.09. 2023.

Signature _____

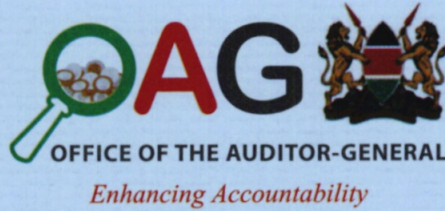


Name CPA Gilbert Bii

**Chief Officer Finance /Accounting Officer
County Government of Kericho**

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF KERICHO

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 the Government achieves value for money and that such funds are applied for intended purpose; and,
- C. Report on the 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, risk management environment and 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

Adverse Opinion

I have audited the accompanying financial statements of County Government of Kericho-County Revenue Fund set out on pages 1 to 10 which comprise the statement

Report of the Auditor-General on County Revenue Fund for the year ended 30 June, 2023 - County Government of Kericho

of receipts and payments as at 30 June, 2023 and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of County Government of Kericho-County Revenue Fund as at 30 June, 2023 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 does not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracy in the Statement of Comparison of Budget Actual Amounts

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amount of Kshs.8,447,182,783 and Kshs.7,601,952,324 respectively resulting to underfunding of Kshs.845,230,459 which differs with Kshs.850,908,459 reflected in the statement by Kshs.5,678,000.

Further, the statement reflects original expenditure budget of Kshs.7,878,728,947 and an adjustment of negative Kshs.574,844,154 totalling to final expenditure budget of Kshs.7,303,884,793 which differs with the reflected amount of Kshs.8,453,573,101 resulting to an unexplained and unreconciled variance of Kshs.1,149,688,308 thereby misstating the budget realization difference.

In the circumstances, the accuracy and completeness of the amounts in the statement of comparison of budget actual could not be confirmed.

2. Transfers from Other Government Agencies

The statement of receipts and payments reflects transfers from other government agencies amount of Kshs.179,423,861 as disclosed in Note 2 to the financial statements. However, review of the CRF funds bank statements for the year revealed total transfers from other government agencies amounted to Kshs.162,463,236 resulting to unexplained and unreconciled variance of Kshs.16,960,625.

In the circumstances, the accuracy and completeness of the transfers from other government agencies of an amount of Kshs.179,423,861 could not be confirmed.

3. Own Source of Revenue

The statement of receipts and payments reflects own source revenue amount of Kshs.477,246,120 as disclosed in Note 3 to the financial statements. However, review of CRF bank statements for the year under review reflects transfer of amounts totalling to Kshs.489,161,120 from revenue collection bank account to CRF bank account resulting to unexplained and unreconciled variance of Kshs.11,915,000.

In the circumstances, the accuracy and completeness of own source revenue of an amount of Kshs.477,246,120 could not be confirmed.

4. Total Payments

The statement of receipts and payments reflects transfers to county executive and county assembly of amounts of Kshs.6,681,961,783 and Kshs.914,130,822 respectively as disclosed in Notes 5 and 6 totalling to payments of Kshs.7,596,092,605. However, review of the CRF funds bank statements revealed total transfers amounts of Kshs.7,079,664,623 resulting to unexplained and unreconciled variance of Kshs.516,427,982.

In the circumstances, the accuracy and completeness of total payments of an amount of Kshs.7,596,092,605 could not be confirmed.

5. Fund Closing Balances

The statement of receipts and payments reflects closing fund balances for the year ended 30 June, 2023 totalling to Kshs.6,572,036 as disclosed in Note 7 to the financial statements. However, review of the CRF certificate of bank balance reflects closing balance of Kshs.1,043,465,482 resulting to unexplained and unreconciled variance of Kshs.1,036,893,446. Further, the statement reflects opening balance brought forward of Kshs.712,317 which is at variance with the comparative County revenue fund opening balance brought forward as at 1 July, 2022 and County executive financial statements comparative balance of Kshs.526,223,407 as reflected in Note 13A of the financial statements resulting to unexplained and unreconciled variance of Kshs.525,511,090.

In the circumstances, the accuracy and completeness of fund balance of Kshs.6,572,036 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the County Revenue Fund-County Government of Kericho Management in accordance with ISSAI 130 on the 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 Adverse opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.8,447,182,783 and Kshs.7,601,952,324 respectively resulting to an under-funding of revenue of an amount of Kshs.850,908,459 or 10% of the budget. Similarly, the statement reflects final budgeted payments and actual on comparable basis amounts of Kshs.8,453,573,101 and Kshs.7,596,092,605 respectively, resulting to an under-absorption of an amount of Kshs.857,480,496 or 10% of the budget.

The under-funding and under-absorption adversely affected the planned activities of Kericho County Government and delivery of services to the residents of the County.

My opinion is not modified in respect of this matter.

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

Prior Year Matters

As disclosed under the progress on follow up of auditor's recommendations section of the financial statements, all the prior year audit issues are indicated as resolved as at 30 June, 2023. However, Management has not provided supporting documents including the letter of invitations to appear before the senate and county assembly committees and recommendations on the resolved issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Unbalanced Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2023 reflects receipt final budget of Kshs.8,447,192,783 and an expenditure

Report of the Auditor-General on County Revenue Fund for the year ended 30 June, 2023 - County Government of Kericho

final budget of Kshs.8,453,573,101 resulting in a variance of Kshs.6 390,318. The budget imbalance is contrary to the provisions of Section 31(c) of the Public Finance Management (County Government) Regulations, 2015 which states that 'budget revenue and expenditure appropriation shall be balanced.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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

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

The 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 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 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 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 controls 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 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 the Management.
- Conclude on the appropriateness of 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 to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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 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.

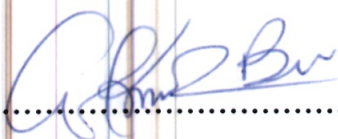

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 March, 2024

8. Statement of Receipts and Payments for the Year Ended 30th June 2023.

		2022/23	2021/22
	Notes	Kshs.	Kshs.
Receipts			
Exchequer releases	1	6,945,118,115	5,916,211,733
Transfers from other government agencies	2	179,423,861	231,244,026
Own Source Revenue	3	477,246,120	562,828,005
Return to CRF issues	4	164,228	830,882
Total Receipts		7,601,952,324	6,711,114,646
Payments			
Transfers to County Executive	5	6,681,961,783	6,433,610,059
Transfers to County Assembly	6	914,130,822	730,443,231
Total Payments		7,596,092,605	7,164,053,290
Net increase (decrease) in cash for the year		5,859,719	(452,938,644)
Add Opening fund balance b/f	7	712,317	453,650,961
Closing Fund balance for the period	7	6,572,036	712,317



Name: CPA Gilbert Bii

Chief Officer - Finance

ICPAK Member No... 20393

Date... 30.09.23



Name: CPA George Kirer.....

Director Accounting Services

ICPAK Member No... 9491

Date... 30.09.2023

9. Statement of Comparison of Budget Actual Amounts for the Year Ended 30th June, 2023

Receipt/Payments	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Realization Difference	% of Realization
	A	b	c=a+b	D	e=c-d	f=d/c %
Receipts	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Exchequer releases	6,430,664,924	514,453,191	6,945,118,115	6,945,118,115	0	100%
Transfers from other government agencies	594,795,970	-121,035,790	473,760,180	179,423,861	294,336,319	38%
Other conditional grants	0	8,916,435	8,916,435	0	8,916,435.00	0%
Own Source Revenue	853,268,053	166,120,000	1,019,388,053	477,246,120	547,819,933	47%
Return to CRF issues	0	0	0	164,228	-164,228	
Fund Balance B/F					-	
Total Receipts	7,878,728,947	568,453,836	8,447,182,783	7,601,952,324	850,908,459	90%
Payments						
Transfers to County Executive	7,046,744,125	-427,341,149	7,474,085,274	6,681,961,783	792,123,491	89%
Transfers to County Assembly	831,984,822	-147,503,005	979,487,827	914,130,822	65,357,005	93%
Total Payments	7,878,728,947	-574,844,154	8,453,573,101	7,596,092,605	857,480,496	90%
	0	0	0	5,859,719	-6,572,037	
Add Opening Fund Balance B/F				712,317	0	100%
Closing Fund Balance Balance for the Period	0	0	0	6,572,036		

Notes

- (a) Donor receipts were not received in full
- (b) The conditional grants were not received in full
- (c) Being an election year/period own source revenue declined because of political uncertainty

County Government of Kericho

County Revenue Fund

For the financial year ended 30th June 2023

(d) The County received the full exchequer releases as per CARA 2022

(e) Other conditional grants relate to the Roads Maintenance Fuel Levy Fund (RMFL) held in a separate account at CBK

10. 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 and own source revenue 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.

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.

Significant Accounting Policies (Continued)

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 or There were no restrictions on cash during the year.

11. 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:

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Equitable Share (a)	6,945,118,115	5,916,211,733
Total	6,945,118,115	5,916,211,733

2. Transfers from other government agencies**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
World Bank -Transforming Health Systems for Universal Care Project (THUSP)-Ministry of Health	0	75,443,658
World Bank Kenya Climate Smart Agriculture (KCSAP) - State Department of Crop Development	72,680,579	130,425,846
DANIDA Grant -Primary Health care in devolved context -Ministry of Health	5,960,625	5,960,625
SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development	9,250,013	19,413,897
IDA World Bank National Agricultural Value Chain Development Project (NAVCDP) -State Department of Crop Development	67,192,729	0
(IDA) World Bank Credit-Financing locally Led climate programme (FFLoCA)1 CCIS Grant State Department of	22,000,000	0
Kenya Urban Support Programme Phase 2 UDG	2,339,915	0
Total	179,423,861	231,244,026

3. Own Source Revenue

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Cess	7,465,662	5,375,273
Land Rate	92,673,207	61,621,999
Single/Business Permits	65,370,907	56,119,300
House Rent	7,212,429	8,462,056
Vehicle Parking Fees	30,583,202	38,761,510

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Market Fees	18,981,805	18,237,000
Advertising	19,192,163	13,506,001
Hospital Fees	196,807,815	18,028,364
Public Health Service Fees	4,027,100	4,339,552
Physical Planning and Development	7,752,520	7,266,701
Hire Of County Assets	300,000	118,000
Conservancy Administration	7,458,000	7,021,300
Administration Control Fees and Charges	12,243,310	21,970,949
Proceeds from Insurance Compensation	5,678,000	0
Profits and Dividends	1,500,000	2,000,000
Total	477,246,120	62,828,005

Our source of information

Notes to the Financial Statements (Continued)

4. Return to CRF Issues

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Recurrent Account (<i>County Executive</i>)	27,319	523,284
Development Account (<i>County Executive</i>)	34,968	214
Recurrent Account (<i>County Assembly</i>)	13,287	300,000
Development Account (<i>County Assembly</i>)	88,654	7,363
Total	164,228	830,861

5. Transfers to County Executive

Description	2023/23	2021/22
	Kshs.	Kshs.
Recurrent Account	4,154,584,926	3,839,165,500
Development Account	1,773,952,484	1,821,123,869
Special purpose Accounts- DANIDA	12,081,625	9,810,625
Special purpose Accounts- ASDSP II SIDA Grant	9,250,013	26,371,643
Special purpose Accounts- Youth Polytechnics Grant	10,999,998	-
Special purpose Accounts-KUSP UDG	2,339,915	66,394,492
Special purpose Accounts-KDSP	-	102,491,953
Special purpose Accounts-World Bank UHC Grant	75,443,658	-

County Government of Kericho
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Special purpose Accounts-KACSP	126,184,585	76,921,840
Bursary Fund	167,428,831	
Special purpose Accounts- RMLF	0	
Special purpose Accounts- User Fee	18,048,789	18,048,789
Special purpose Accounts- Health Operations	211,454,230	473,281,348
Special Purpose A/c NAVCDP	67,192,729	
Special Purpose A/C FLOCCA	53,000,000	
Total	6,681,961,783	6,433,610,059

Notes to the Financial Statements (Continued)

6. Transfers to County Assembly

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Recurrent Account	906,278,468	730,443,231
Development Account	7,852,354	
Total	914,130,822	730,443,231

7. Fund balance

Description	2022/2023	2021/2022
	Kshs.	Kshs.
County Exchequer Account - (CBK Account number 1000171677)	6,572,036	453,650,961
Total	6,572,036	453,650,961

12. Annexes


Annex 1: Progress on follow up of Auditor’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor;

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																											
4.0	<p>4.0 Audit Findings</p> <p>4.1 Own Source Revenue</p> <p>Criteria Section 157(1) of the Public Finance Management Act 2012 provided that The County Executive Committee member for finance shall, in writing, designate persons to be responsible for collecting, receiving and accounting for such county government revenue as the County Executive Committee member for finance may specify in their letters of designation.</p> <p>Observation The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects a balance of Kshs. 533,168,651 in respect of own source revenue. A review of ledgers maintained for the collectors of revenue revealed that the total own source revenue collects and remitted to the fund amounted to Kshs. 734,115,906 as detailed in Appendix I. Consequently, the own generated revenue is understated by Ksh.200,947,255 as summarized in Table I below:</p> <p>In the circumstances, it was not possible to ascertain the accuracy and validity of the balance of Kshs. 533,168,651 in respect of own source revenue</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Revenue stream</th> <th style="text-align: right;">Amount as per the Ledgers (Kshs.)</th> <th style="text-align: right;">Amount as per the Financials (Kshs.)</th> </tr> </thead> <tbody> <tr> <td>Public health payments</td> <td style="text-align: right;">4,951,400</td> <td style="text-align: right;">14,951,400</td> </tr> <tr> <td>Fire license fees</td> <td style="text-align: right;">3,820,900</td> <td style="text-align: right;">3,830,900</td> </tr> <tr> <td>Quarry stone cess</td> <td style="text-align: right;">2,417,000</td> <td style="text-align: right;">2,417,100</td> </tr> <tr> <td>Murram ballast sand and scrap metal cess fees</td> <td style="text-align: right;">684,800</td> <td style="text-align: right;">604,800</td> </tr> <tr> <td>Agriculture Livestock, veterinary payments and machinery services</td> <td style="text-align: right;">3,668,005</td> <td style="text-align: right;">2,134,665</td> </tr> <tr> <td>Bus park fees</td> <td style="text-align: right;">22,644,750</td> <td style="text-align: right;">19,519,650</td> </tr> <tr> <td>Hospital payments</td> <td style="text-align: right;">484,046,077</td> <td style="text-align: right;">277,827,162</td> </tr> <tr> <td>TOTAL</td> <td></td> <td></td> </tr> </tbody> </table>	Revenue stream	Amount as per the Ledgers (Kshs.)	Amount as per the Financials (Kshs.)	Public health payments	4,951,400	14,951,400	Fire license fees	3,820,900	3,830,900	Quarry stone cess	2,417,000	2,417,100	Murram ballast sand and scrap metal cess fees	684,800	604,800	Agriculture Livestock, veterinary payments and machinery services	3,668,005	2,134,665	Bus park fees	22,644,750	19,519,650	Hospital payments	484,046,077	277,827,162	TOTAL			<p>The error has been noted and the same has been corrected in the revised financial statements and relevant journals passed (Annex 1- Financial statement, Ledgers, journals)</p>	RESOLVED	
Revenue stream	Amount as per the Ledgers (Kshs.)	Amount as per the Financials (Kshs.)																													
Public health payments	4,951,400	14,951,400																													
Fire license fees	3,820,900	3,830,900																													
Quarry stone cess	2,417,000	2,417,100																													
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Agriculture Livestock, veterinary payments and machinery services	3,668,005	2,134,665																													
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Hospital payments	484,046,077	277,827,162																													
TOTAL																															

County Government of Kericho
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.2	<p>4.2 Transfers to County Assembly</p> <p>Criteria</p> <p>Section 22(1) of the Public Finance Management (County Governments) Regulations, 2015 provide that Accounting Officers shall in accordance with Article of 226(2) of the Constitution and section 149 (1) of the Act, be accountable to the County Assembly for measures taken to prepare the financial reports that reflect a true and fair financial position of the entity.</p> <p>Observation</p> <p>The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects transfers to Kericho County Assembly an amount of Kshs.700, 783,877. However, the supporting schedules and the financial statements for the Kericho County Assembly obtained indicate that the County Assembly received a total of Kshs.730, 443,231 from the County Executive of Kericho, resulting to an unexplained and unreconciled variance of Kshs.29, 659,354.</p> <p>Risk(s)/Effect(s)</p> <p>The accuracy and completeness of the transfers to county assembly of Kshs. 700,783, 877 could not be confirmed.</p> <p>Recommendation</p> <p>Management should reconcile and correct the variance of Kshs.29, 659,354 between the financial statements and the underlying records.</p>	The above error has been noted and appropriate amendments have been effected in the Revised Financial statement, Note 7	RESOLVED	


 Name GILBERT K. BI
 Chief Officer Finance
 ICPAK Member No 20393
 Date

*County Government of Kericho
County Revenue Fund
For the financial year ended 30th June 2023*

Annex 2 . Analysis of Receipts from The National Treasury Exchequer Releases

Period (2022/23)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Equitable Share	1,575,512,904	1,061,059,712	1,061,059,712	3,247,485,787	6,945,118,115
Level 5 Hospitals	0	0	0	0	0
DANIDA - Universal Healthcare in Devolved Units Programme	0	0	0	5,960,625	5,960,625
World Bank – THUSCP	0	0	0	0	0
Kenya Devolution Support Programme	0	0	0	0	0
Abolishment of user fees in health centres and dispensaries	0	0	0	0	0
Kenya Urban Support Programme	0	0	0	2,339,914	2,339,914
Agriculture Sector Development Support Project (ASDSP)	0	0	9,250,013	0	9,250,013
Kenya Climate Smart Agriculture Project (KCSAP)	0	0	72,680,579	0	72,680,579
National Agriculture Value Chain Programme	0	0	0	67,192,729	67,192,729
Financing Locally-Led Climate Action (FLLoCA)	0	0	11,000,000	11,000,000	22,000,000
Total	1,575,512,904	1,061,059,712	1,153,990,304	3,333,979,055	7,124,541,975

Annex 3. Analysis of Receipts from Own Source Revenue per Quarter

Period 2022-23	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Cess	796,090	2,783,131	1,682,747.55	2,260,105	7,522,074
Land Rate	2,782,772	3,470,962	17,903,882	67,214,184.22	91,371,800
Single/Business Permits	2,186,450	2,448,731	39,526,805	21,203,721	65,365,707
House Rent	1,619,850	1,837,900	1,555,600	2,199,079	7,212,429
Vehicle Parking Fees	6,074,972	7,548,830	9,291,820	7,667,580	30,583,202
Market Fees	4,054,160	5,018,250	4,947,290	4,962,125	18,981,825
Advertising	4,045,000	1,325,399	9,610,040	4,211,724	19,192,163
Hospital Fees	40,453,462	36,182,463	62,563,137	81,653,883	220,852,945
Public Health Service Fees	1,207,600	875,700	1,193,100	750,700	4,027,100
Physical Planning and Development	807,220	1,311,190	3,370,075	2,264,035	7,752,520
Hire Of County Assets	221,000	31,500	21,500	26,000	300,000
Conservancy Administration	548,400	310,800	4,698,700	1,900,100	7,458,000
Administration Control Fees and Charges	938,370	1,883,855	6,989,815	3,681,445	13,493,485
Proceeds from Insurance Compensation	5,678,000	-	-	-	5,678,000
Profits and Dividends	300,000	-	600,000	600,000	1,500,000
Amount not swept to CRF					(24,045,130)
Total County Own Source Revenue	71,713,346	65,028,711	163,954,512	200,594,681	477,246,120

Only Revenues swept to County Revenue Fund Account reported

County Government of Kericho
 County Revenue Fund
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Annex 4: Analysis of Transfers from the County Revenue Fund

Period (2022/23)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
County Executive –Rec	759,494,744	1,186,349,658	607,599,603	1,601,140,921	4,154,584,926
County Executive –Dev	92,693,743	32,529,508	0	1,648,729,233	1,773,952,484
County Assembly- Rec	126,000,000	308,362,680	146,448,148	325,467,640	906,278,468
County Assembly- Dev			2,203,297	5,649,057	7,852,354
Special Purpose A/c DANIDA	0	0	0	12,081,625	12,081,625
Special Purpose A/c User Fees Reimbursement (Dec A/C)	0	0	0	18,048,789	18,048,789
Special Purpose A/c ASDSP II SIDA Grant	0	0	9,250,013	0	9,250,013
Special Purpose A/c KUSP UDG	0	0	0	2,339,915	2,339,915
Special Purpose A/c KACSP	53,504,006	0	72,680,579	0	126,184,585
Special Purpose A/c NAVCDP	0	0	0	67,192,729	67,192,729
Special Purpose A/c Health Operation Account	18,394,096	69,771,686	19,713,890	103,574,558	211,454,230
Special Purpose A/C FLOCCA	0	0	0	53,000,000	53,000,000
Special Purpose THS	0	75,443,658	0	0	75,443,658
Special Purpose A/C Education	0	0	10,999,998	0	10,999,998
Bursary (Rec A/C)				167,428,831	167,428,831
Total	1,050,086,589	1,672,457,190	868,895,528	4,004,653,298	7,596,092,605