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**REPORT**

**OF**

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**COUNTY REVENUE FUND**

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

**COUNTY GOVERNMENT OF KILIFI**

OFFICE OF THE AUDITOR GENERAL  
P.O. Box 81543, MOMBASA  
240/NERO  
10 JAN 2024  
RECEIVED  
NORTH COAST REGIONAL OFFICE



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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 2023

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

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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

*b) glossary of terms*

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

## 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	Yaye Shosi Ahmed
2.	C.O Finance	Winnie Luwali Wakati
3.	Director Accounting Services/Finance	CPA Bonaventure F.M. Mwakio

### 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	Yaye Shosi Ahmed
2.	Accounting Officer in charge of Finance	Winnie Luwali Wakati
3.	Director Accounting Services/Finance	CPA Bonaventure F.M. Mwakio

### d) Fiduciary Oversight Arrangements

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

- County Assembly of Kilifi
- Controller of Budget
- Office of the Auditor General
- Kilifi County Audit 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

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

- Approval of the 2022/2023 budget supplementary estimates by the County Assembly
- Approval of the 2023/2024 budget estimates by the County Assembly
- Approval of funds withdrawal from the County revenue fund by the Controller of Budget
- Audit of the year 2021/2022 financial statements by 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
- 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**

**j) County Attorney**

County Government of Kilifi  
P. O. Box 519-80108  
**KILIFI**

### **3. Statement by the CECM Finance**

It is with great pleasure that I present the County Revenue Fund financial statements for the year ended 30<sup>th</sup> June 2023 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 2023.

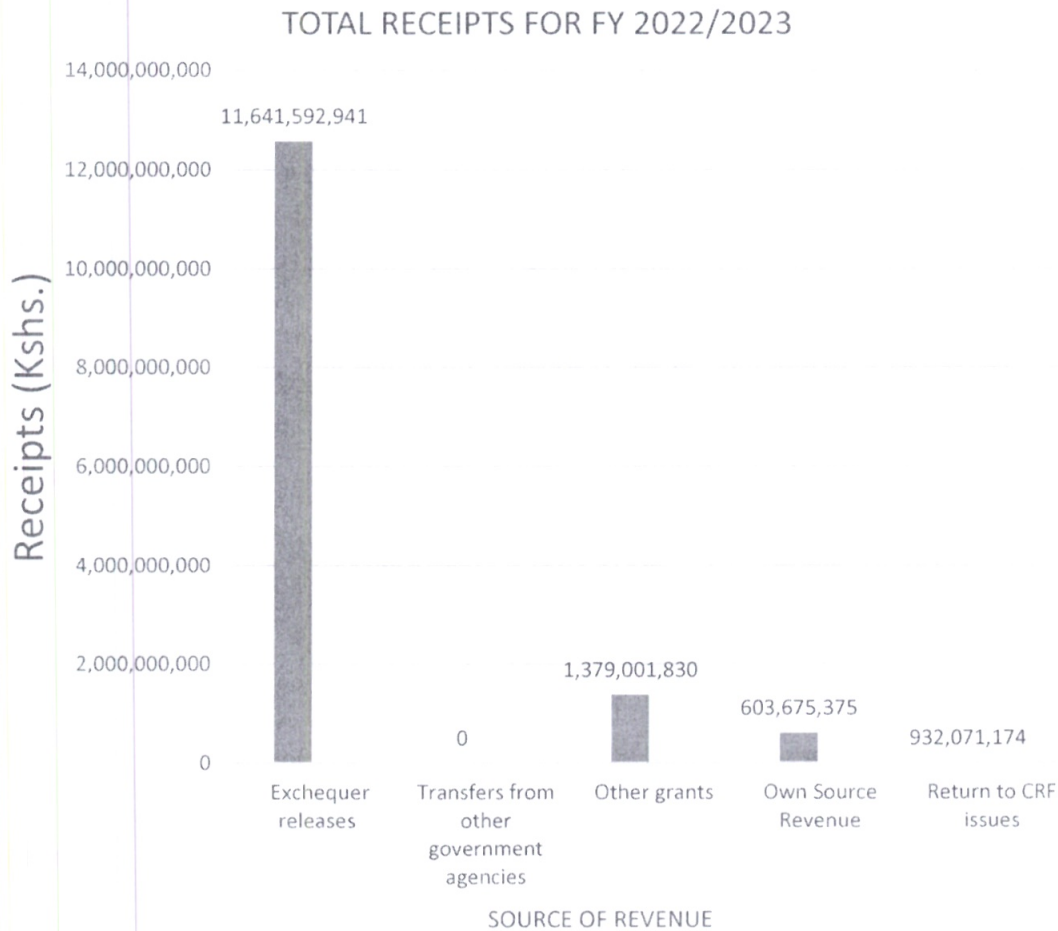
The County Revenue Fund is established in accordance with Section 109 of the Public Finance Management Act, 2012 which gives such authority to the County Government. This is also in accordance to the Article 207 of the Constitution which requires each county government to establish a County Revenue Fund, 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 2023 the County Revenue Fund had an opening balance of Kshs, 176,869,542 and a total of Kshs. 14,556,341,320 was received into the Fund during the year. The major source of revenue was national treasury equitable share of 11,641,592,941. The county also collected from its Own Revenue Sources Kshs. 603,675,375. The County did not receive money from Roads Maintenance Levy Fund from Kenya Roads Board unlike previous years. Other sources are as shown in the graph below.

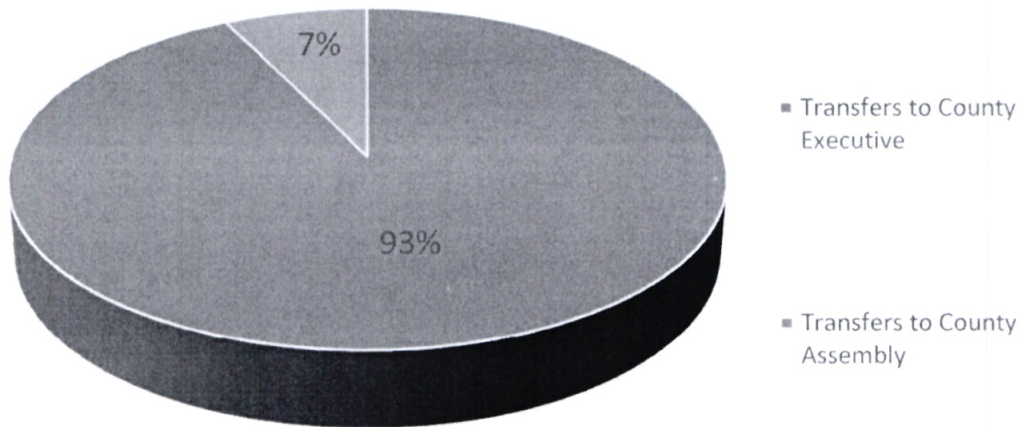


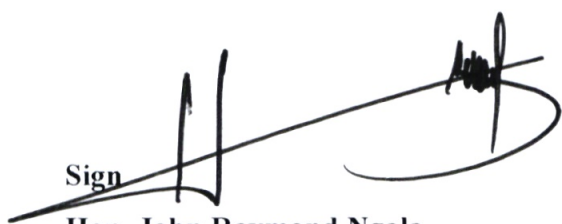


**Disbursements**

A total amount of Kshs. 13,079,336,120 Was disbursed from County Revenue Fund during the year ended 30<sup>th</sup> June 2023. The disbursements were Kshs, 12,116,136,115 and ksh 963,200,005 to County Executive, and County Assembly respectively. The County Executive had the largest share of 93% as shown in the pie chart below.

**EXPENDITURE PERFORMANCE FY 2022-2023**



Sign 

**Hon. John Raymond Ngala**  
**County Executive Committee Member**  
**For Finance and Economic Planning**

**4. Management Discussion and Analysis**

**Operational and financial performance of the fund for the last four years**

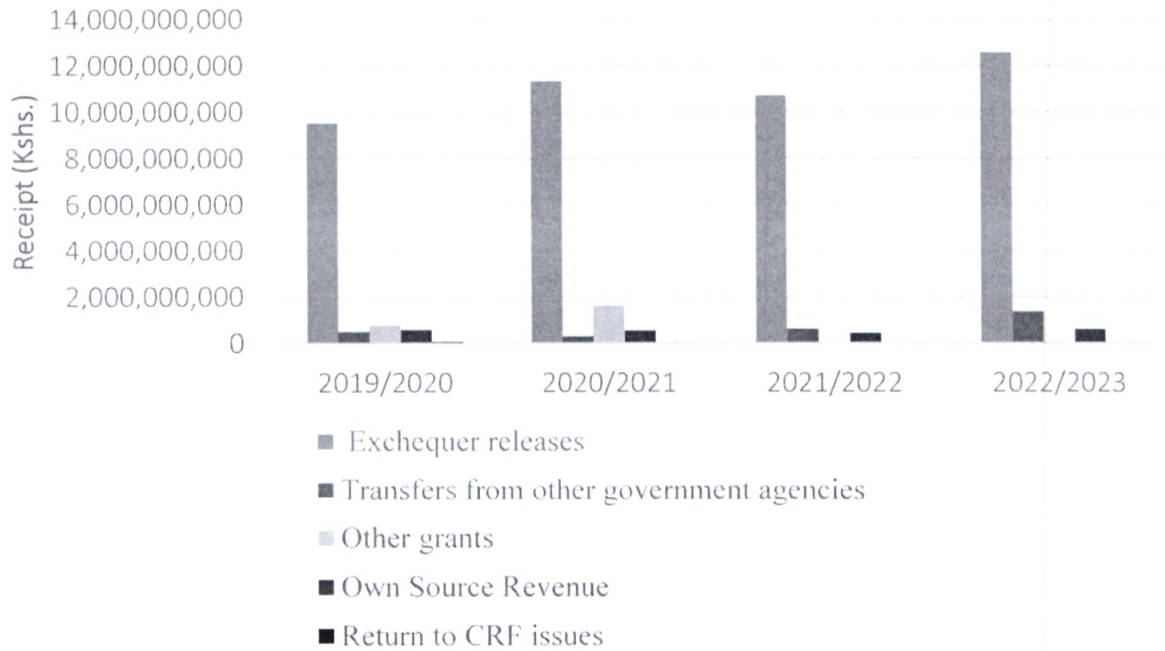
**Receipts**

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. 14,556,341,320 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 from Roads Maintenance Levy Fund from Kenya Roads Board unlike previous years.

Sources of Revenue	2019/2020	2020/2021	2021/2022	2022/2023
Exchequer releases	9,546,273,000	11,342,727,000	10,710,265,505	11,641,592,941
Transfers from other government agencies	503,487,122	316,014,399	621,056,522	1,379,001,830
Other grants	793,956,699	1,620,881,224		
Own Source Revenue	584,540,097	545,762,443	448,863,843	603,675,375
Return to CRF issues	70,805,259	760,831	2,656,831	932,071,174
<b>Total Receipts</b>	<b>11,499,062,177</b>	<b>13,826,145,897</b>	<b>11,782,842,701</b>	<b>14,556,341,320</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 2020/2021,2021/2022 and FY 2022/2023 respectively.

**TOTAL RECEIPTS FOR THE LAST 4 FINANCIAL YEARS**



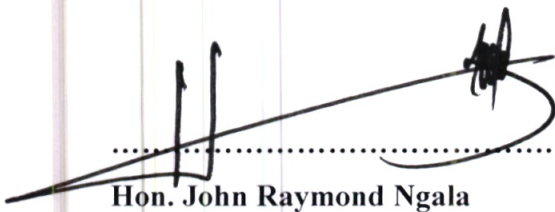
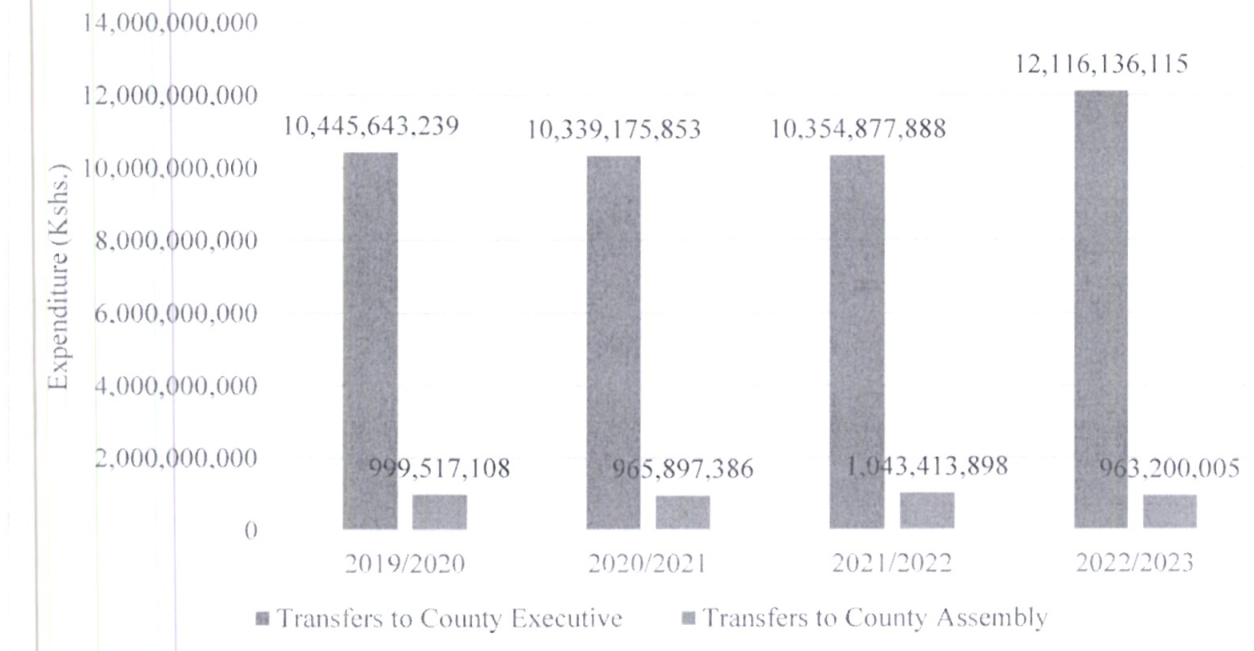
**Disbursements**

The disbursements have been showing an upward trend from Kshs. 12,543,316,666 in the FY 2019/2020 to Kshs. 13,079,336,120 in the FY 2022/2023. It is important to note that the FY 2022/2023 figure of Kshs. 13,079,336,120 is inclusive of 2021/2022 late disbursement amount of Kshs. 931,327,436 on equitable share which was received in late July 2022. As shown in the table below the major disbursement went to the County Executive receiving 92%,93%,92% and 93% in the FY 2019/2020, FY 2020/2021, 2021/2022 and 2022/2023 respectively.

EXPENDITURE	2019/2020	2020/2021	2021/2022	2022/2023
Transfers to County Executive	10,445,643,239	10,339,175,853	10,354,877,888	12,116,136,115
Transfers to County Assembly	999,517,108	965,897,386	1,043,413,898	963,200,005
<b>Total Payments</b>	<b>12,543,316,666</b>	<b>12,995,625,746</b>	<b>12,425,376,386</b>	<b>13,079,336,120</b>

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

### EXPENDITURE PERFORMANCE FOR THE LAST 4 FINANCIAL YEARS



**Hon. John Raymond Ngala**  
**CECM Finance and Economic Planning**  
**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. Receipts include Exchequer releases, grants from development partners, proceeds from domestic and foreign borrowings, and other miscellaneous deposits in the County Revenue Fund Account.

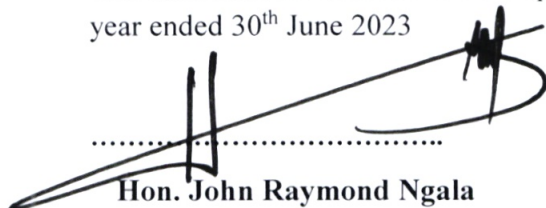
### **Transfers from the County Revenue Fund**

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 30<sup>th</sup> June 2023



.....

**Hon. John Raymond Ngala**

**CEC Member – Finance and Economic Planning**

**County Government of Kilifi**

## 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, 2023*. 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.

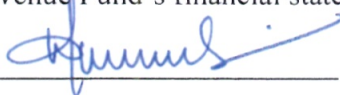
The Accounting Officer accepts responsibility for the County Revenue Fund's financial statements, which have been prepared on the Cash Basis Method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting 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, 2023*, 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 09/01/2024.

Signature \_\_\_\_\_



**Name: Winnie Luwali Wakati**

**Chief Officer Finance**

**County Government of Kilifi**

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
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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 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 the 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 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 10, which comprise the statement of receipts and payments for the year ended 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, 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 position of County Revenue Fund – County Government of Kilifi as at 30 June, 2023, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccurate Amount of Return to CRF Issues**

The statement of receipts and payments and Note 4 to the financial statements reflects return to County Revenue Fund (CRF) issues totaling to Kshs.932,071,174. Included in this amount is Kshs.931,327,436 which is disclosed as receipts from County Revenue Fund and which relate to exchequer disbursement dated 28 July, 2022 from the National Treasury.

In the circumstances, the accuracy and completeness of return to CRF issues amount of Kshs.932,071,174 could not be confirmed.

#### **2. Unsupported Balances in Revenue Collection Accounts**

Note 8 to the financial statements is a disclosure of the bank account balances in revenue collection accounts of Kshs.676,044,352 held in twelve (12) bank accounts. However, two (2) of these accounts, both with SBM Bank have unusually high balances of Kshs.508,663,465 and 137,016,975 respectively. Even though Management has indicated that these amounts are in escrow accounts which were in use when revenue company was contracted to collect cess and parking fees for the County and thus could not be transferred to County Revenue Fund due to an active court case, evidence has not been provided.

In the circumstances, the accuracy of the balances in the revenue collection account 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.

## Emphasis of Matter

### Budget and Budgetary control

The statement of comparison of budget and actual amounts reflects final budget on total receipts and actual on comparable basis of Kshs.15,701,765,714 and Kshs.14,556,341,320 respectively resulting to underfunding of kshs.1,145,424,394 or 7%. The statement further reflects a final payment budget of Kshs.15,765,743,320 against Actual payments of Kshs.13,079,336,120 resulting to under disbursement of Kshs.2,686,407,200 or 17%. The underfunding and under disbursements may affect the planned activities 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.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### Late Exchequer Disbursements

Review of the County Revenue Fund (CRF) Bank statements for the year under review reflects Exchequer receipts of Kshs.13,950,804,789. It was however noted that Equitable Share amounting to Kshs.2,968,606,200 representing 21% of the total receipt was received in months of June and July, 2023 as shown below.

Date	Ref no	Amount (Kshs)
09-Jun-23	FT23160TN6G0	1,047,743,365
20-Jun-23	FT231718NKMV	989,535,400
29-Jul-22	FT23177GF7CY	931,327,435
<b>Total</b>		<b>2,968,606,200</b>

The late disbursement of Exchequer releases affects timely implementation of approved projects/activities in the County which may impact negatively on the service delivery to the public contrary to Section 17(6) of Public Finance Management Act, 2012 provides that the National Treasury shall, at the beginning of every quarter, and in any event not later than the fifteenth day from the commencement of the quarter, disburse monies to county governments. Further, Regulation 97(4) of the Public Finance Management (County Governments) Regulations, 2015 states that an actual cash transaction taking place after the 30 June, shall not, however, be treated as pertaining to the previous financial year even though the accounts for that year may be open for the purposes referred to in paragraphs (2) and (3) of this regulation.

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

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 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 its 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 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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in

amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal 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 County Revenue Fund – County Government of Kilifi policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 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

26 January, 2024

**7. Statement of Receipts and Payments for the Year Ended 30<sup>th</sup> June 2023.**

		FY2022-2023	FY2021-2022
	Notes	Kshs.	Kshs.
<b>Receipts</b>			
Exchequer releases	1	11,641,592,941	10,710,265,505
Transfers from other government agencies	2	1,379,001,830	621,056,522
Own Source Revenue	3	603,675,375	448,863,843
Return to CRF issues	4	932,071,174	2,656,831
<b>Total Receipts</b>		<b>14,556,341,320</b>	<b>11,782,842,701</b>
<b>Payments</b>			
Transfers to County Executive	5	12,116,136,115	11,381,962,489
Transfers to County Assembly	6	963,200,005	1,043,413,898
<b>Total Payments</b>		<b>(13,079,336,120)</b>	<b>(12,425,376,386)</b>
Net increase/ (decrease) in cash for the year		1,477,005,200	(642,533,686)
Add Opening fund balance b/f	7	176,869,542	819,403,228
<b>Closing Fund balance for the year</b>	7	<b>1,653,874,742</b>	<b>176,869,542</b>

  
**Winnie Luwali Wakati**  
 Chief Officer - Finance

  
**Bonaventure Mwakio**  
 Director Accounting Services  
 ICPAK Member No. 3346

Date... 09/01/2024 .....

Date: 09/01/2024 .....

**8. Statement of Comparison of Budget Actual Amounts for the Year Ended 30<sup>th</sup> June, 2023.**

<b>Receipt/Payments</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Realization Difference</b>	<b>% of Realization</b>
	<b>a</b>	<b>b</b>	<b>c=a+b</b>	<b>D</b>	<b>e=c-d</b>	<b>f=d/c %</b>
<b>Receipts</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Exchequer releases	11,641,592,941	-	11,641,592,941	11,641,592,941	0	100%
Transfers from other government agencies	110,638,298	-	110,638,298	-	110,638,298	0
Other conditional grants	2,611,523,164	(1,005,956,571)	1,605,566,593	1,379,001,830	226,564,763	86
Own Source Revenue	1,467,500,000	(96,114,095)	1,371,385,905	603,675,375	767,710,530	44
Return to CRF issues		972,581,977	972,581,977	932,071,174	40,510,803	0
<b>Total Receipts</b>	<b>15,831,254,403</b>	<b>(129,488,689)</b>	<b>15,701,765,714</b>	<b>14,556,341,320</b>	<b>1,145,424,394</b>	<b>93</b>
<b>Payments</b>		-				
Transfers to County Executive	10,971,974,222	3,743,769,098	14,715,743,320	12,116,136,115	2,599,607,205.22	82
Transfers to County Assembly	945,000,000	105,000,000	1,050,000,000	963,200,005	86,799,995.00	92
<b>Total Payments</b>	<b>11,916,974,222</b>	<b>3,848,769,098</b>	<b>15,765,743,320</b>	<b>13,079,336,120</b>	<b>2,686,407,200.00</b>	<b>83</b>
<b>Balance</b>						



## **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.*

**9. 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	FY2022-2023	FY2021-2022
	Kshs.	Kshs.
Equitable Share (a)	11,641,592,941	10,710,265,505
<b>Total (d=a+b+c)</b>	<b>11,641,592,941</b>	<b>10,710,265,505</b>

**2. Transfers from other government agencies\*\***

Description	FY2022-2023	FY2021-2022
	Kshs.	Kshs.
World Bank -Transforming Health Systems for Universal Care Project (THUSP)-Ministry of Health	33,598,125.00	36,548,224
Word Bank-NARIGP-State Department of Crop Development	148,120,023	178,916,887
World Bank Kenya Climate Smart Agriculture (KCSAP) -State Department of Crop Development	22,000,000	00
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	893,321,391	380,040,259
SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development	11,235,088	13,980,527
Word Bank-Kenya Informal settlement improvement project (KISIP 11)-State Department of Housing & Urban Development	200,000,000	00
EU Grant (Instruments for Devolution Advice and Support- (IDEAS)-State Department of Devolution	3,534,474	00
IDA World Bank National Agricultural Value Chain Development Project (NAVCDP) -State Department of Crop Development	67,192,729	00
<b>Total</b>	<b>1,379,001,830</b>	<b>621,056,522</b>

County Government of Kilifi  
 County Revenue Fund  
 For the financial year ended 30<sup>th</sup> June 2023

**3. Own Source Revenue**

Description	FY2022-2023	FY2021-2022
	Kshs.	Kshs.
Land Rates Current Year	110,079,359	130,750,555.85
Business Permits Current Year	140,934,443	52,286,762.50
Market Stalls Rent	8,933,575	23,246,398.50
Building Plan Approval Fee	30,716,951	34,045,038.00
Ballast Cess	182,480,000	90,512,761.00
Street Parking Fee	23,792,000	11,512,000.00
Advertising Fee	9,764,651	10,536,553.80
Food Quality Inspection Fee	0	2,089,233.00
Market Entrance / Gate Fee	1,651,104	12,748,841.40
Ground Rent - Current Year	67,375,597	15,561,671.00
Refuse Collection Fee	1,482,229	4,329,778.75
Housing Estates Monthly Rent	18,570,621	2,388,643.50
Slaughter Hse Insp Fee	1,941,445	3,449,140.45
Other receipts from Administrative fee & Charges	5,953,400	55,406,465
<b>Total</b>	<b>603,675,375</b>	<b>448,863,843</b>

**4. Return to CRF Issues**

Description	FY2022-2023	FY2021-2022
	Kshs.	Kshs.
KILIFI COUNTY DEVELOPMENT	53,054.70	100,053
KILIFI COUNTY RECURRENT	7,822.70	915
COUNTY ASSEMBLY OF KILIFI	647,151.25	1,141,277
Fuel levy fund	0	1,414,586
County revenue fund	931,327,436	
KCG-Mekatilili Foundation-0015960001	35,709	00
<b>Total</b>	<b>932,071,174</b>	<b>2,656,831</b>

**5. Transfers to County Executive**

Description	FY2022-2023 Kshs.	FY2021-2022 Kshs.
Recurrent Account	8,313,409,362	8,126,920,327
Development Account	2,249,365,133	2,227,957,561
Transfer to Kilifi County Agricultural Sector Development Programme	11,742,200.00	16,981,496
CLIMATE CHANGE INST SUPPORT	30,598,295.00	25,000,000
INFORMAL SECTOR IMPROVEMENT FUND	200,000,000.00	0
KILIFI COUNTY KENYA URBAN SUPP PROG	3,534,474.20	40,000,000
Transfer to Kilifi County National Agricultural & Rural Inclusive	315,416,280.55	43,301,887
KILIFI COUNTY NAT AGRI VALUE CHAIN	67,192,729.00	0
KILIFI COUNTY PRIMARY HEALTH CARE	31,556,250.00	36,548,224
Kilifi County Kenya Devolution	0	102,491,953
Transfer to Kilifi County Water and Sanitation Development program	893,321,390.90	751,190,416
Danida	0	11,570,625
<b>TOTAL</b>	<b>12,116,136,115</b>	<b>11,381,962,489</b>

**6. Transfers to County Assembly**

Description	FY2022-2023 Kshs.	FY2021-2022 Kshs.
Recurrent Account	944,999,915	1,038,558,170
Development Account	18,200,090	4,855,728
<b>Total</b>	<b>963,200,005</b>	<b>1,043,413,898</b>

**7. Fund balance**

Description	FY2022-2023 Kshs.	FY2021-2022 Kshs.
County Exchequer Account - (CBK Account number 1000170212)	1,653,874,742	176,869,542
<b>Total</b>	<b>1,653,874,742</b>	<b>176,869,542</b>

**Notes to the Financial Statements (Continued)**

**8. Disclosure of Balances in Revenue Collection Accounts**

County Government Own source revenue is recognized in the financial statements when it has been swiped to CRF. Revenue collection account balances are disclosed as at the end of the reporting period as below.

CGK REVENUE BANK ACCOUNTS BALANCES		2022/2023	2021/22
		Kshs	Kshs
1	KCG - Main Revenue Account-01141691026400 – CO-OP	12,889,418	4,928,356
2	Kilifi County Revenue Collection-1140769235 - KCB	0	11,197,231
3	KCG-Land Rates Revenue-01001135200100 - NBK Kilifi	55,514	5,051
4	The County Government of Kilifi-Cess Revenue Account-0198094843001- SBM	508,663,465	553,845,445
5	The County Government of Kilifi-Parking Fee Revenue Account-0198094843002 - SBM	137,016,975	137,026,335
6	The County Government of Kilifi-Savings Revenue Account-0191094843003 – SBM	5,355,341	5,077,909
7	CGK Cess Revenue Account 1292544562 - KCB Kilifi	1,028,864	11,529,953
8	CGK Parking Fees Revenue Account 1292544872 - KCB Kilifi	112,508	1,696,474
9	KCG-Agriculture Revenue Collection Account-01141466268700	1	-
10	Kilifi County Govt. ATC Revenue-1173577289 - KCB Mtwapa	345,855	73,935
11	KCG-Lands and Housing Revenue Collection-2031340988 - Absa Kilifi	89,316	1,571,143
12	KCG-Payroll Commissions-1006089603 - NIC Kilifi	9,036,271	2,396,400
	Cash and m-pesa	1,450,824	-
	<b>TOTAL</b>	<b>676,044,352</b>	<b>729,348,232</b>

**10. 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;

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
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 ksh. 10,710,265,505 while the amount reported as received by the county executive as ksh. 11,381,962,488 resulting to an unexplained variance of ksh. 671,696,983	Detailed explanation to observation given in the audit response	Not resolved	2024-2025
<b>Unauthorized Transfers to County Assembly</b>	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 shown in the financial statements of County	Detailed explanation to observation given in the audit response	Not resolved	2024-2025

County Government of Kilifi  
 County Revenue Fund  
 For the financial year ended 30<sup>th</sup> June 2023

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)
	Assembly as transferred from the County Treasury. The variance of Kshs. 45,527,000 between the two sets of records			
<b>Overstated transfers from other government agencies</b>	The statement of receipts and payments for the year ended 30 June, 2022 and as disclosed in note 2 to the financial statements reflects transfers to other government agencies amount of ksh 621,056,522 which includes ksh 178,916,887 relating to world bank – national agriculture and rural inclusive programme grant (NARIG), however, included in the amount of ksh 178,916,887 was ksh 135,615,000 which was received on 04 July, 2022 thus overstating receipts by the same amount.	Detailed explanation to observation given in the audit response	Not resolved	2024-2025



.....  
 Name Winnie Luwali Wakati  
 Chief Officer Finance

Date: 09/01/2024.



**Annex 2. Analysis Of Receipts from The National Treasury Exchequer Releases**

<b>Period 20xx</b>	<b>Quarter 1 (Kshs.)</b>	<b>Quarter 2 (Kshs.)</b>	<b>Quarter 3 (Kshs.)</b>	<b>Quarter 4 (Kshs.)</b>	<b>Total (Kshs.)</b>
Equitable Share	1,920,862,836	1,920,862,835	2,852,190,271	5,879,004,435	12,572,920,377
KILIFI COUNTY NAT AGRI VALUE CHAIN	0	0	0	67,192,729.00	67,192,729.00
National Agricultural & Rural Inclusive Growth Project (NARIGP)	1,117,418.20	0	147,002,605	0	148,120,023
Kenya Devolution Support Programme	0	0	0	3,534,474.20	3,534,474.20
Agriculture Sector Development Support Project (ASDSP)	0	0	6,242,200.00	4,992,888.00	11,235,088
Kenya Climate Smart Agriculture Project (KCSAP)	0	0	11,000,000	11,000,000	22,000,000
Water and Sanitation Development Project	0	0	572,500,562	320,820,829	893,321,391
Informal sector improvement	0	0	0	200,000,000	200,000,000
Universal health care	0	0	0	33,598,125	33,598,125
<b>Total</b>	<b>1,921,980,254</b>	<b>1,920,862,835</b>	<b>3,588,935,638</b>	<b>6,520,143,480</b>	<b>13,951,922,207</b>

**Annex 3. Analysis Of Receipts from Own Source Revenue per Quarter**

<b>Period 2023</b>	<b>Quarter 1 (Kshs.)</b>	<b>Quarter 2 (Kshs.)</b>	<b>Quarter 3 (Kshs.)</b>	<b>Quarter 4 (Kshs.)</b>	<b>Total (Kshs.)</b>
Land Rates and other Land Revenue	9,280,884	13,986,125	90,627,843	34,004,254	<b>147,899,106</b>
Cess on natural resources	47,940,435	66,293,448	63,412,865	59,597,656	<b>240,184,876</b>
Business Permit	2,379,296	4,200,180	42,320,350	15,557,997	<b>64,457,823</b>
Parking fees	4,235,325	5,654,376	8,160,680	5,864,653	<b>23,915,034</b>
Market fees	1,933,590	2,175,570	2,644,932	2,439,745	<b>9,193,837</b>
Billboards & Signage	2,941,399	1,980,726	9,990,695	6,830,368	<b>21,743,188</b>
Building Plan approval and Inspection	5,970,311	10,472,118	9,850,926	10,869,666	<b>37,163,021</b>
Rent/Stall rents	1,856,200	2,759,650	2,789,625	2,562,750	<b>9,968,225</b>
Plot ground rent	2,321,640	2,040,846	2,186,440	811,233	<b>7,360,159</b>
House rent	1,352,650	1,328,650	1,315,150	2,007,234	<b>6,003,684</b>
Refuse Collection	101,400	205,300	1,581,900	336,300	<b>2,224,900</b>
Food Hygiene Fees	151,000	113,000	754,300	457,705	<b>1,476,005</b>
Liquor licence	255,700	454,000	5,327,000	1,342,000	<b>7,378,700</b>
AMS \$ATCs	323,795	333,705	284,580	582,065	<b>1,524,145</b>
Slaughter House and Livestock sale Yards	213,660	417,980	379,270	368,155	<b>1,379,065</b>
Others	1,711,895	1,859,535	7,956,383	13,216,795	<b>24,744,608</b>
<b>Total</b>	<b>82,969,180</b>	<b>114,275,209</b>	<b>249,582,939</b>	<b>156,848,575</b>	<b>603,675,375</b>

County Government of Kilifi  
 County Revenue Fund  
 For the financial year ended 30<sup>th</sup> June 2023

**Annex 4: Analysis of Transfers from the County Revenue Fund**

<b>Period -2023</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Total</b>
	<b>(Kshs.)</b>	<b>(Kshs.)</b>	<b>(Kshs.)</b>	<b>(Kshs.)</b>	<b>(Kshs.)</b>
County Executive -Rec	858,798,107	1,605,278,719	2,362,400,916	3,486,931,621	<b>8,313,409,362</b>
County Executive -Dev	-	242,576,029	313,582,942	1,693,206,162	<b>2,249,365,133</b>
County Assembly -Rec	88,367,110	234,259,330	350,247,405	272,126,070	<b>944,999,915</b>
County Assembly -Dev	-	-	-	18,200,090	<b>18,200,090</b>
Kilifi County Agricultural Sector Development Programme	-	-	11,742,200	-	<b>11,742,200</b>
CLIMATE CHANGE INST SUPPORT	-	19,598,295	-	11,000,000	<b>30,598,295</b>
INFORMAL SECTOR IMPROVEMENT FUND	-	-	-	200,000,000	<b>200,000,000</b>
KILIFI COUNTY KENYA URBAN SUPP PROG	-	-	-	3,534,474	<b>3,534,474</b>
Kilifi County National Agricultural & Rural Inclusive	135,615,000	1,117,418	178,683,863	-	<b>315,416,281</b>
KILIFI COUNTY NAT AGRI VALUE CHAIN	-	-	-	67,192,729	<b>67,192,729</b>
KILIFI COUNTY PRIMARY HEALTH CARE	6,558,750	-	-	24,997,500	<b>31,556,250</b>
Transfer to Kilifi County Water and Sanitation Development program	-	-	572,500,561	320,820,829	<b>893,321,390</b>
<b>Total</b>	<b>1,089,338,967</b>	<b>2,102,829,791</b>	<b>3,789,157,887</b>	<b>6,098,009,475</b>	<b>13,079,336,120</b>