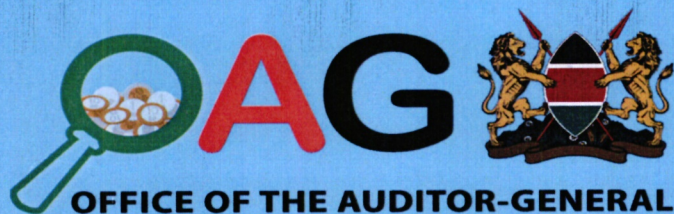


REPUBLIC OF KENYA



*Enhancing Accountability*

PAPERS LAID	
DATE	11/10/2022
TABLED BY	Majority Whip
COMMITTEE	
LINK AT THE TABLE	Manyo

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**COUNTY REVENUE FUND -  
COUNTY GOVERNMENT OF NYERI**

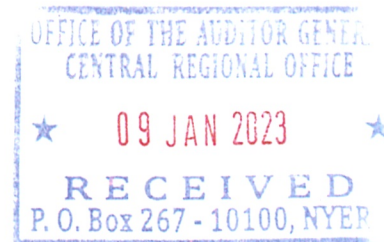
**FOR THE YEAR ENDED  
30 JUNE, 2022**







Issued June 30<sup>th</sup>, 2022



---

## COUNTY GOVERNMENT OF NYERI

*(County Revenue Fund)*

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

---







Table of contents.....	Page No.
<b>1. Key Entity Information and Management .....</b>	<b>iv</b>
<b>2. Statement by the CECM Finance.....</b>	<b>viii</b>
<b>3. Management Discussion and Analysis.....</b>	<b>x</b>
<b>4. Statement of Management Responsibility .....</b>	<b>xv</b>
<b>5. Overview of the County Revenue Fund Operations.....</b>	<b>xvi</b>
<b>6. Report of the Independent Auditor on the CRF of County Government of Nyeri .....</b>	<b>xvii</b>
<b>7. Statement of Receipts and Payments Statement for the year ended 30th June,2022.....</b>	<b>1</b>
<b>8. Statement of Comparison of Budget Actual Amounts for the year ended 30<sup>th</sup> June, 2022. ....</b>	<b>2</b>
<b>9. Significant Accounting Policies .....</b>	<b>3</b>
<b>10. Notes to the Financial Statements .....</b>	<b>5</b>
<b>11. Annexes .....</b>	<b>10</b>



## 1. Key Entity Information and Management

### a) Background information

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

### b) Key Management

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

- CECM Finance and Economic planning
- C.O Finance
- Director Accounting Services/Finance

### c) Fiduciary Management

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

No.	Designation	Name
1.	CECM Finance and Economic Planning	Robert Thuo
2.	Accounting Officer in charge of Finance	John Ngugi
3.	Director Accounting Services/Finance	Lucy Kangangi

### d) Fiduciary Oversight Arrangements

#### 1. Audit and Finance Committee

The committee provides oversight on risk management, controls and governance processes and audit affairs of the County Government. The committee also enhances implementation on the recommendations of the internal and external auditors.

The committee constitutes of the following members;

No.	Name	Designation
1.	Chrispus Mbogo	Ag. Chairman
2.	John K. Muchira	Secretary
3.	Pauline Wanjiru	Member
4.	Michael Chege	Member
5.	Margaret Macharia	Member
6.	Lucy K. Kangangi	Member
7.	Martha Wamuicho	Member



## 2. County Assembly Oversight Committees

### i. Public Accounts Committee

The committee has provided oversight on expenditure of public funds by the executive for FY 2021/2022. This is by evaluating as to whether the County has attained value for money, adhered to the set financial regulations and procedures in funds utilization and preparation of financial statements.

The committee constitutes of the listed members:

No.	MEMBER	DESIGNATION
1.	Hon. Richard Kamuhia Karue	Chairperson
2.	Hon. Elizabeth Wanjiku Mugo	Vice Chairperson
3.	Hon. Linet Wanjiru Kinyua	Member
4.	Hon. Samwel Kariuki Gichuki	Member
5.	Hon. Pauline Wanjira Maina	Member
6.	Hon. Mary Wamuyu Wamui	Member
7.	Hon. Watson Ngurungo Weru	Member
8.	Hon. John Gachau Theuri	Member
9.	Hon. Rose Wairimu Kamau	Member

### ii. Public Finance & Economic Planning Committees

The committee provided oversight on revenue collection, imposition of taxes and charges, County Fiscal Planning and development including statistics; borrowing by the County Government, Consideration of the debt management strategy paper, examination of the Finance Bill and the County Revenue Fund Bill and inventory of the county government's assets, considering the financial and economic policies of the County.

The committee constitutes of the listed members:

No.	MEMBER	DESIGNATION
1.	Hon. Erastus Karanja Muriuki	Chairperson
2.	Hon. Eric Mwangi Kahugu	Vice Chairperson
3.	Hon. Margaret Muthoni Kuruga	Member
4.	Hon. Omari Esha Wanjiku	Member
5.	Hon. Njuguna Wanjiku Kawanjiku	Member
6.	Hon. Kenneth Gatheru Gatiithi	Member
7.	Hon. Beth Nyawira Kimaili	Member
8.	Hon. Sabastian Mugo Theuri	Member
9.	Hon. Lilian Wanjiku Gathua	Member

**3. Senate Committee Activities**

To provide oversight to the county governments.

**4. Development Partner's oversight.**

**The World Bank**

Has provided oversight for Kenya Devolution Support Program (KDSP) and Kenya Urban Support program (KUSP) funds implementation.

Through KDSP, oversight is continuously carried out for the Narumoru Hospital under KDSP Level II.

Under KUSP, oversight was carried out for the completed Modern Asian Quarter bus terminus construction.

**5. Controller of Budget.**

To provide oversight to the county governments on budget implementation.

**6. Office of the Auditor General.**

To conduct audit and ensure compliance with the Public Sector Accounting Standards Board guidance.



**e) County Government of Nyeri Headquarters**

P.O. BOX 1112-10100  
Town Hall Building  
Kenyatta Road/Highway  
NYERI, KENYA

**f) County Executive Contacts**

Telephone: (254) 0612030700  
E-mail: [infonyericounty@gmail.com](mailto:infonyericounty@gmail.com)  
Website: [www.nyeri.go.ke](http://www.nyeri.go.ke).

**g) County Government of Nyeri Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Kenya Commercial Bank  
Nyeri Branch
3. Co-operative Bank of Kenya  
Nyeri 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  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

## 2. Statement by the CECM Finance



### Foreword. by the CECM Finance and Economic Planning

A county government shall be responsible for any function assigned to it under the Constitution or by an Act of Parliament. This is achieved through coordinating and enhancing participation in governance of communities at the local level especially in the wards and sub counties. The communities will be empowered to develop administrative capacity for effective exercise of functions and powers of governance.

This financial statement is prepared in accordance with Section 163, 164, and 165 of the Public Finance Management Act, 2012. The sections of the PFM listed above require all County Governments through their respective county treasuries to prepare financial statements at the end of every quarter and end of each financial year.

Preparation of these statements is in accordance with the guidelines, standard, and format prescribed by the Public Sector Accounting Standard Board. The financial statements provide a true and fair view of the financial position of the county as at 30<sup>th</sup> June 2022.

In the fiscal year 2021/2022, the total County approved supplementary budget is Kshs 8,733,268,481 from amount; Kshs. 6,097,464,070.00 is allocated for recurrent expenditure while Kshs 2,635,804,411 is set aside for development projects. The funding of this budget is expected from Equitable Share, Local Revenue including revenue from health facilities, Conditional Grants, Donor Funds and Transfers from other Government Entities & Agencies.

Local revenue is expected to contribute 11% in financing the 2021-2022 FY budget. The cumulative local revenue collected by the end of 30<sup>th</sup> June 2022 amounted to Kshs. 948,313,629, Ksh. 605,934,746.45 being own source revenue while ksh. 342,378,883 being revenue collected from hospitals. This is 7% increase from income generated in the previous financial year, 2020/2021.

The equitable share amounting to Kshs. 5,730,430,268.00 was received from the National Government out of the 6,228,728,555 that was expected by the end of 30<sup>th</sup> June 2022. The conditional grants that was received amounted to Kshs 297,314,061.45.

### **Financial Management & Service Delivery:**

The County is committed to its development agenda in the execution of its budget for the FY 2021-2022. The County Treasury continues encouraging departments to be prudent in management and utilization of the allocated resources which are limited to fit all the competing needs. The County endeavors to add value for the money in the budget implementation and utilization of public funds. Therefore, focus is geared towards ensuring resources are allocated to priority areas in line with the County's long-term development agenda.

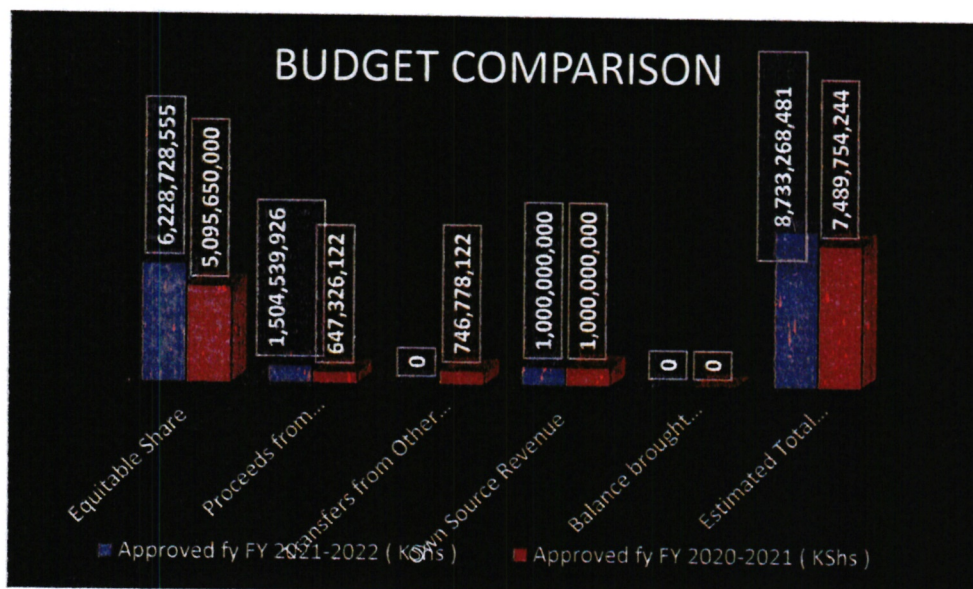
The table below illustrates budget comparison for two (2) financial years.



**Table 1: Approved Budget.**

APPROVED BUDGET - FY 2021 / 2022		
Description	FY 2021-2022 (KShs )	FY 2020-2021 (KShs )
Equitable Share	6,228,728,555	5,095,650,000
Proceeds from Domestic and Foreign Grants ( Loans & Grants)	1,504,539,926	647,326,122
Transfers from Other Government Entities (Conditional Grants)	0	746,778,122
Own Source Revenue	1,000,000,000	1,000,000,000
Balance brought forward	0	0.00
<b>Estimated Total Revenue</b>	<b>8,733,268,481</b>	<b>7,489,754,244</b>

**Figure 1: Graphical presentation of comparison of Approved Budget for FY 2021 / 2022 and FY 2020-2021.**



**Budget Performance:**

By the end of the 4<sup>th</sup> quarter, the County Treasury budget absorption rate was at 95% Recurrent, and 55.7 % absorption on the Development expenditure calculated against cumulative expenditure as at 30th June 2022 over total allocation for the year

Sign.....

CECM Finance and Economic Planning

County Government of Nyeri.



### **3. Management Discussion and Analysis**

#### **Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board, includes a statement of the county government entity's performance against predetermined objectives.

#### **Strategic development objectives**

The County's 2018-2022 CIDP identified eight (8) key strategic development objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's "Big Four", NIUPLAN, SDGs and the MTP III.

The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key development objectives of the Nyeri County's 2018-2022 CIDP are to;

- Improve productivity in agriculture and overall food and nutrition security.
- Promote shared economic growth and job creation.
- Enhance good governance and active citizenry.
- Enhance basic infrastructure for effective service delivery.
- Promote sustainable use of natural resources.
- Improve financial sustainability and resilience.
- Provide accessible and quality health care services.
- Scale up institutional development, transformation and innovation.

Below we present the progress made in attaining the objectives of the CIDP (2018-2022) for Nyeri County.

Among the strategic objectives of the County as listed in the CIDP (2018-2022) the department of finance and Economic planning is tasked with the objective to improve financial sustainability and resilience as its core mandate.

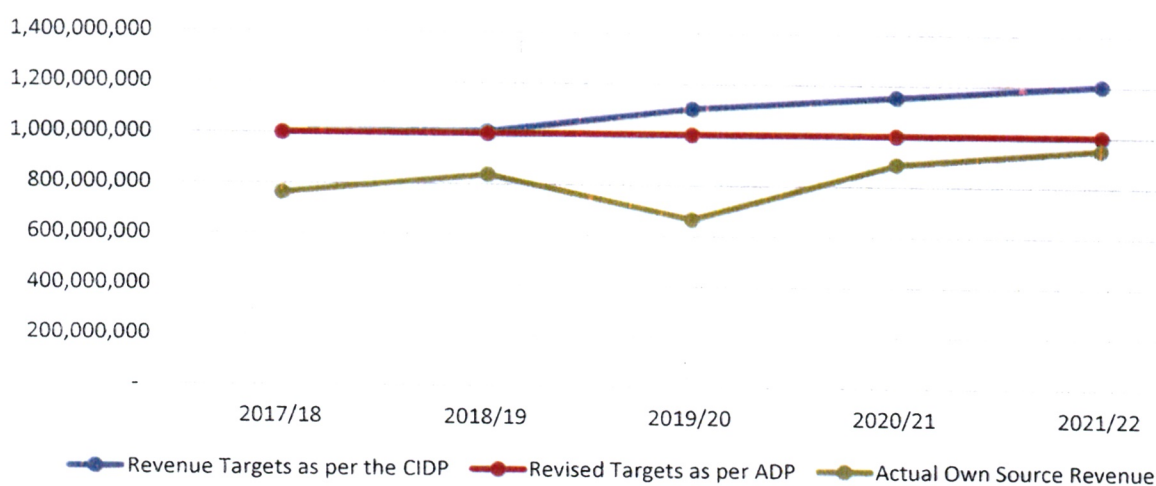
This objective is cascaded to various directorates within the department. The directorate of revenue is tasked with the following objectives:

- Mobilizing resources for funding budgetary requirements.
- Putting in place mechanisms to raise revenue.

The following is a table showing the predetermined target as contained in the CIDP and the revised targets as per the ADPs against the actual revenue:

Sub Programme	Key Outcome	Baseline	Key performance Indicators	Description	Planned Targets				
					2017/18	2018/19	2019/20	2020/21	2021/22
Broadening the revenue base	Increased revenue collection	643M (2016/17)	Actual revenue collected	Revenue Targets as per the CIDP	1,000,000,000	1,005,000,000	1,100,000,000	1,150,000,000	1,200,000,000
Revised revenue targets				Revised Targets as per ADP	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Actual Own Source Revenue				Actual Own Source Revenue	760,186,651	837,350,054	663,800,035	886,940,831	948,326,572

Comparison between CIDP Targets Against the actual

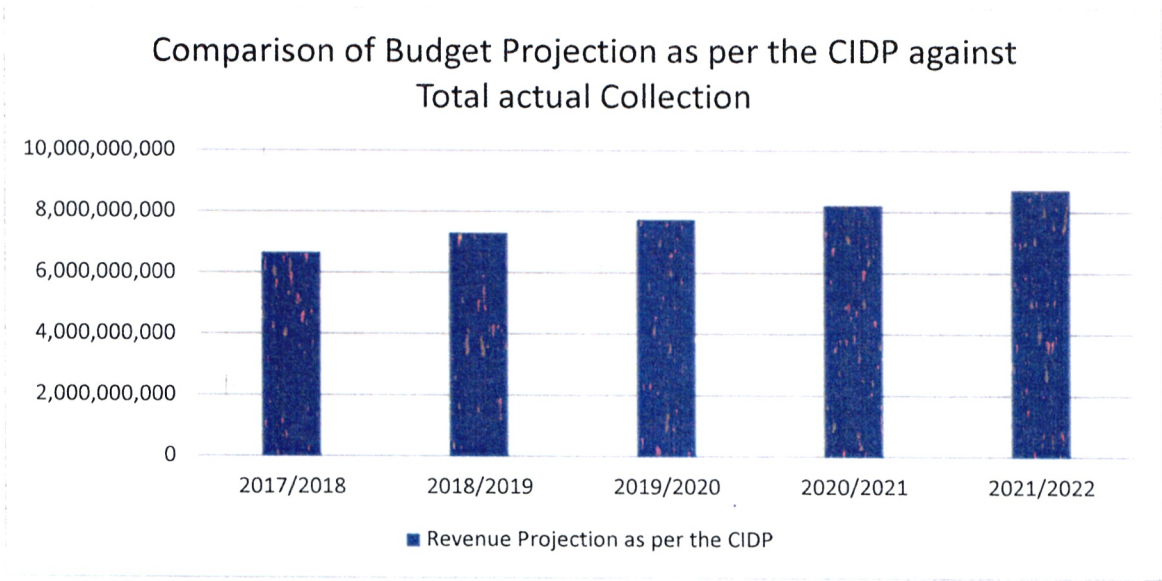


The table below shows the Revenue projections as contained in the CIDP

Type of Revenue	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
a) Local Revenue	1,000,000,000	1,050,000,000	1,100,000,000	1,150,000,000	1,200,000,000
b) Equitable share	4,952,800,000	5,200,440,000	5,460,462,000	5,733,485,100	6,020,159,355
c) Conditional grants	729,038,193	1,074,393,922	1,200,153,010	1,344,775,962	1,511,092,356
d) Equalization fund					
e) Other sources (Specify)					
<b>Total</b>	<b>6,681,838,193</b>	<b>7,324,833,922</b>	<b>7,760,615,010</b>	<b>8,228,261,062</b>	<b>8,731,251,711</b>



Comparison of Budget Projection as per the CIDP against Total actual Collection					
Type of Revenue	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Revenue Projection as per the CIDP	6,681,838,193	7,324,833,922	7,760,615,010	8,228,261,062	8,731,251,711
Actual County Revenue	6,404,017,091	7,208,250,473	6,963,995,926	8,127,543,719	6,976,070,902





<i>Ref</i>	<i>Objective as per CIDP</i>	<i>Performance/Progress made up since the start of CIDP planning period up to date</i>	<i>Remarks (Explain the reasons under performance/ Overperformance)</i>
1.	Increase own source revenue by 50% by end of the CIDP from projection of Kshs.1B in 2017/18 to 1.2B in 2021/22	Actual collection in 2016/17 of Kshs. 643M used as the baseline increase by 50% at the end of FY 2021/22 thus $643 \times 150 / 100 = 964.5M$ actual collection for 2021/22 equals Kshs. 948.3 I.e. 98.3% achievement.	The calculation has used the baseline actual collection as indicated in the CIDP instead of the projection in the CIDP since the projection was not based on any scientific method. The performance of 98.3% instead of 100% is due to the effects of covid-19 pandemic where the County granted waiver of revenue fees as an Economic stimulus program to cushion the Traders on the effect of the pandemic.

**Progress on attainment of Development Objectives from Annual Development Plan (*Adopted from Nyeri County ADP*)**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Department	Objective	Outcome	Indicator	Performance
Finance and Economic Planning	To enhance revenue collection	Increase Local revenue for improved service delivery	Percentage change in revenue collected and number of revenue streams automated	-Increased local revenue from 643M to 948M thus an increase of 305.3 that equals to 47.5% against a set target of 50%. -All revenue streams automated



#### **4. Statement of Management Responsibility**

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

The Accounting Officer of the County Government is responsible for the preparation and presentation of the County Revenue Fund financial statements, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Revenue Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the County Executive; (v) Selecting and applying appropriate accounting policies; and (iv) Making accounting estimates that are reasonable in the circumstances.

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

The Accounting Officer further confirms the completeness of the accounting records maintained for the County Revenue Fund which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control. The Accounting Officer confirms that the County Revenue Fund has complied fully with applicable Government Regulations and the terms of external financing covenants (*where applicable*). Further, Accounting Officer confirms that the County Revenue Fund's Financial Statements have been prepared in a form that complies with relevant Accounting Standards prescribed by the Public Sector Accounting Standards Board of Kenya.

#### **Approval of the Financial Statements**

The County Revenue Fund's financial statements were approved and signed on 19<sup>th</sup> / 12 / 2022.



**Signature:**

**Name : John Ngugi**

**Chief Officer - Finance**

**County Government of Nyeri**



## **5. Overview of the County Revenue Fund Operations**

### **Background**

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

### **Receipts into the County Revenue Fund**

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

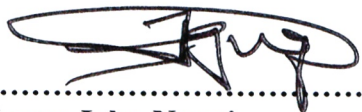
### **Transfers from the County Revenue Fund**

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

### **Financial Reporting requirements**

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

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

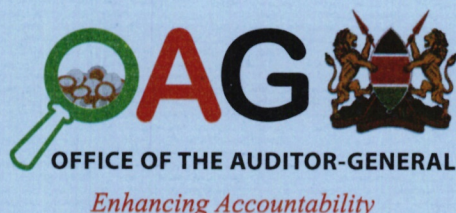


.....  
**Name: John Ngugi**  
**Chief Officer – Finance**



# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

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

---

### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

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



and payments for the year ended 30 June, 2022 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the County Revenue Fund - County Government of Nyeri as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the County Governments Act, 2012.

### **Basis for Qualified Opinion**

#### **Unreceipted Revenue Received After Year End**

The statement of receipts and payments reflects own source revenue of Kshs.642,371,033, which as disclosed at Note 6 to the financial statements includes unreported revenue of Kshs.36,436,287. However, review of records held at the County Government revealed that the revenue relates to July, 2022 which was included in the statement of receipts and payments as received on or before 30 June, 2022. This is contrary to the International Public Sector Accounting Standards (Cash Basis) reporting framework and Regulation 97(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the accounts of the County Government entities shall record transactions which take place during a financial year running from the 01 July to 30 June.

In the circumstances, the accuracy and completeness of own source revenue of Kshs.642,371,033 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 Nyeri Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.



## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.8,733,268,481 and Kshs.6,701,820,349 respectively resulting to under collection of Kshs.2,031,448,132 or 23% of the budget. Similarly, the Fund transferred Kshs.7,342,945,241 against an approved budget of Kshs.8,733,268,481 resulting to an under-payments of Kshs.1,390,323,240 or 16% of the budget. Further, budget utilization difference in respect of return to CRF issues is erroneously reflected as negative Kshs.21,423,641 instead of negative Kshs.31,704,987 leading to an explained or reconciled variance of Kshs.10,281,346.

In the circumstances, the underperformance of the budget affected the planned activities and may have impacted negatively on service delivery to the public.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk Management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk Management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk Management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of service and using the applicable basis of accounting unless Management is aware of 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 control in order to give an assurance on the effectiveness of internal controls, risk Management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 ability to continue 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 continue 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

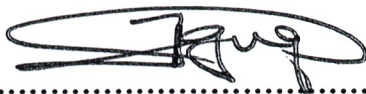
Nairobi

24 February, 2023



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

		2021/22
	Notes	Kshs.
<b>Receipts</b>		
Exchequer releases	1	5,730,430,268
Transfers from other government agencies	2	290,709,044
Other grants	3	6,605,017
Proceeds from Domestic Borrowing	4	-
Proceeds from Foreign Borrowing	5	-
Own Source Revenue	6	642,371,033
Return to CRF Issues	7	31,704,987
<b>Total Receipts</b>		<b>6,701,820,350</b>
<b>Payments</b>		
Transfers to County Executive	8	6,623,754,746
Transfers to County Assembly	9	719,190,493
Other Transfers	10	-
<b>Total Payments</b>		<b>7,342,945,239</b>
Net increase (decrease) in cash for the year		-
		<b>641,124,889</b>
Add Opening fund balance b/f	11	662,057,938
<b>Closing Fund balance for the period</b>	<b>11</b>	<b>20,933,050</b>

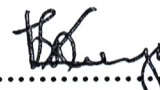


Name: John Ngugi

Chief Officer - Finance

ICPAK Member No. 2613

Date: 19/12/2022



Name: Lucy KAHUKU

Director Accounting Services

ICPAK Member No. 8456

Date: 19/12/2022



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


	Note	2021/22
		Kshs
Financial Assets		
Cash And Cash Equivalents		
Bank Balances	18	9,067,697
Cash In Hand	19	-
<b>Total Financial Assets</b>		<b>9,067,697</b>
<b>Total Financial Assets</b>		<b>9,067,697</b>
Financial Liabilities		
Payables-Due to CRF	20	9,067,697
<b>Total Financial Liabilities</b>		<b>9,067,697</b>

  
 Name: John Ngugi

Chief Officer - Finance

ICPAK Member No.....2613.....

Date:.....19/12/2022.....

  
 Name.....Lucas Kaduha.....

Director Accounting Services

ICPAK Member No.....8456.....

Date:.....19/12/2022.....



## **9. Significant Accounting Policies**

### **a) Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the Cash-Basis of accounting, as prescribed by the PSASB and Section 167 of the PFM Act 2012.

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

### **b) Reporting entity**

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

### **c) Receipts**

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

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

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

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

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



## 10. Notes to the Financial Statements

### 1. Exchequer releases

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

	2021/22
	Kshs.
Equitable Share (a)	5,730,430,268
Level 5 hospitals (b)	-
Others (Specify) (c)	-
<b>Total (d=a+b+c)</b>	<b>5,730,430,268</b>

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

	2021/22
	Kshs.
Road Maintenance Levy	-
Covid-19	-
Development of Youth Polytechnics-State Department of TVETS	-
User Fees Foregone -Ministry of Health	-
World Bank -Transforming Health Systems for Universal Care Project (THUSP)-Ministry of Health	43,479,045
World Bank-NARIGP-State Department of Crop Development	-
World Bank Kenya Climate Smart Agriculture (KCSAP) - State Department of Crop Development	235,734,311
DANIDA Grant -Primary Health care in devolved context - Ministry of Health	5,995,688
IDA (World Bank) Credit: Water & Sanitation Development Project (WSDP)-Min. Water, Sanitation and Irrigation	-
SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development	5,500,000
<b>Total</b>	<b>290,709,044</b>

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



**3. Other grants\*\***

	2021/22
	Kshs.
Donor 1 ((UIG))	-
Donor 2 (UDG)	-
Center for Disease Control(CDC) donor fund	6,605,017
<b>Total</b>	<b>6,605,017</b>

*\*\* These are funds received from development partners directly through CRF*

**4. Proceeds from Domestic borrowing**

	2021/22
	Kshs.
Borrowing within General Government	0
Borrowing from Monetary Authorities (Central Bank)	0
Other Domestic Depository Corporations (Commercial Banks)	0
Borrowing from Other Domestic Financial Institutions	0
Borrowing from Other Domestic Creditors	0
Domestic Currency and Domestic Deposits	0
Others (Specify)	0
<b>Total</b>	<b>0</b>

*(Give a brief description of the nature and sources of borrowings including any assets pledged as security and the legal authority to borrow)*



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

**5. Proceeds from Foreign Borrowing**

	2021/22
	Kshs.
Foreign Borrowing – Drawdowns Through Exchequer	0
Foreign Borrowing - Direct Payments	0
Foreign Currency and Foreign Deposits	0
Others ( <i>Specify</i> )	0
<b>Total</b>	<b>0</b>

**6. Own Source Revenue**

Description	2021/22
	Kshs.
Cess	57,551,167
Land/Poll Rate	50,014,771
Single/Business Permits	104,516,416
Property Rent	56,425,814
Parking Fees	111,757,461
Market Fees	14,511,659
Advertising	36,322,165
Public Health Service Fees	13,113,820
Physical Planning and Development	38,017,361
Hire Of County Assets	9,145,092
Conservancy Administration	34,342,865
Administration Control Fees and Charges	68,517,134
Other Fines, Penalties, And Forfeiture Fees	4,272,751
Miscellaneous receipts	7,426,270
Unreported revenue that was transferred to CRF	36,436,287
<b>Total</b>	<b>642,371,033</b>

*(The total of own source revenue should tally with disbursements from county receiver of revenue)*

## Notes to the Financial Statements (Continued)

### 7. Return to CRF Issues

	2021/22
	Kshs.
Recurrent Account ( <i>County Executive</i> )	1,408,950
Development Account ( <i>County Executive</i> )	8,836,549
Recurrent Account ( <i>County Assembly</i> )	1,395
Development Account ( <i>County Assembly</i> )	34,452
County Revenue Fund A/C 1000171634 (return from Gender)	6,185,200
Return to CRF from unspent imprest and Salary Recoveries	15,238,441
<b>Total</b>	<b>31,704,987</b>

### 8. Transfers to County Executive

	2021/22
	Kshs.
Recurrent Account	5,334,449,719
Development Account	1,005,931,176
Special purpose Accounts	283,373,851
Others ( <i>Specify</i> )	-
<b>Total</b>	<b>6,623,754,746</b>

(Explain as per County Appropriation Act)



**Notes to the Financial Statements (Continued)****9. Transfers to County Assembly**

	2021/22
	Kshs.
Recurrent Account	716,414,033
Development Account	2,776,460
Special purpose accounts	0
Others ( <i>Specify</i> )	0
<b>Total</b>	<b>719,190,493</b>

**10. Other Transfers**

Description	2021/22
	Kshs.
Agency Notices	0
Others ( <i>Specify</i> )	0
<b>Total</b>	<b>0</b>

**11. Fund balance**

	2021/22
	Kshs.
County Exchequer Account - ( <i>CBK Account number 1000171634</i> )	20,933,050
<b>Total</b>	<b>20,933,050</b>

## 11. 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)



.....

Name: John Ngugi

Chief Officer Finance

ICPAK Member No 2613

Date ~~19/12~~ 19/12/2022




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

Period (2021/22)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)
Equitable Share	1,027,740,211	1,027,740,211	1,557,182,138	2,117,767,708	5,730,430,268
Level 5 Hospitals	-	-	-	-	-
DANIDA - Universal Healthcare in Devolved Units Programme	-	-	-	5,995,688	5,995,688
World Bank – THUSCP	-	-	-	43,479,045	43,479,045
National Agricultural & Rural Inclusive Growth Project (NARIGP)	-	-	-	-	-
Kenya Devolution Support Programme	-	-	-	-	-
Youth Polytechnic support grant	-	-	-	-	-
Abolishment of user fees in health centres and dispensaries	-	-	-	-	-
Kenya Urban Support Programme	-	-	-	-	-
Agriculture Sector Development Support Project (ASDSP)	-	-	-	5,500,000	5,500,000
Kenya Climate Smart Agriculture Project (KCSAP)	-	-	-	235,734,311	235,734,311
Water and Sanitation Development Project	-	-	-	-	-
<b>Total</b>	<b>1,027,740,211</b>	<b>1,027,740,211</b>	<b>1,557,182,138</b>	<b>2,408,476,752</b>	<b>6,021,139,312</b>

**Annex 3: Analysis of Transfers from the County Revenue Fund**

	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	Total
	Q1	Q2	Q3	Q4	(Kshs.)
County Executive -Rec	642,893,762	1,473,101,655	1,698,210,901	1,520,243,401	5,334,449,719
County Executive -Dev	-	78,304,596	144,811,239	782,815,341	1,005,931,176
County Assembly -Rec	101,573,701	171,763,935	238,082,259	204,994,138	716,414,033
County Assembly -Dev	2,776,460	-	-	-	2,776,460
Special Purpose A/c (Specify)	184,795,683	-	15,576,938	94,128,630	294,501,251
<b>Total</b>	<b>932,039,606</b>	<b>1,723,170,186</b>	<b>2,096,681,337</b>	<b>2,602,181,510</b>	<b>7,354,072,639</b>



ACCOUNT No: 1000171634			
BANK RECONCILIATION			
For the month of JUNE 2022			
		Ksh	Ksh
<b>Balance as per Bank Certificate:</b>			<b>763,651,921.60</b>
<b>Less:</b>			
1	Payments in cash book not yet recorded		
	in bank statement (Unpresented Cheques)	787,868,547.45	
2	Receipts in bank statement not yet recorded		
	in cash book	-	787,868,547.45
<b>Add:</b>			
3	Payments in bank statement not yet recorded		
	in cash book	0.00	
4	Receipts in cashbook not yet recorded in		
	bank statement	45,149,675.95	45,149,675.95
<b>Balance as per Cash Book</b>			<b>20,933,050.10</b>
<b>ACTUAL CASH BOOK BALANCE</b>			<b>20,933,050.10</b>
<i>I certify that I have verified the bank balances in the cash book with Bank statement and that</i>			
<i>the above reconciliation is correct.</i>			
.....  .....		<b>ACCOUNTANT</b>	.....19/12/2022.....
<b>Signature</b>		<b>Designation</b>	<b>Date</b>