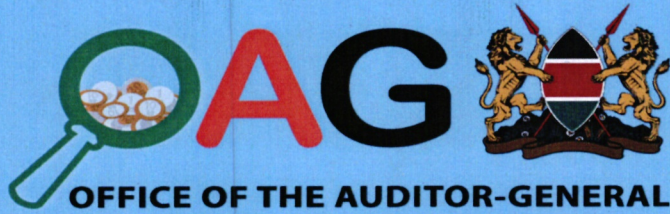


REPUBLIC OF KENYA



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**REPORT**

PAPERS LAID	
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COMMITTEE	_____
CLERK AT THE TABLE	A. Macharia

**OF**

**THE AUDITOR-GENERAL**

**ON**

**COUNTY REVENUE FUND**

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

**COUNTY GOVERNMENT OF  
THARAKA NITHI**



# REPUBLIC OF KENYA



## COUNTY GOVERNMENT OF THARAKA NITHI

### COUNTY REVENUE FUND

## ANNUAL REPORT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED

**30 JUNE, 2022**

---

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

9, DEC 1955

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

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## 1. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background information

Tharaka-Nithi County (County Number 013) is one of the 47 counties constituted as per the Constitution of Kenya, 2010 located in Kenya's former Eastern Province. The County has six (6) Sub Counties namely Chuka, Igambang'ombe, Maara, Muthambi, Tharaka South and Tharaka North. The County covers approximately 2,609 Km<sup>2</sup> with human population of 393,177 as per 2019 census.

County Government of Tharaka Nithi is charged with the responsibility of providing a variety of services to residents within its area of jurisdiction as per Fourth Schedule of Constitution of Kenya 2010.

### County Government of Tharaka Nithi

#### **Our Core Values**

Our core values define our culture that dictates everything we do and shared understanding of what we stand for, how we treat each other and those we serve;

- ❖ Integrity
- ❖ Team Work
- ❖ Citizen Focus
- ❖ Innovation and Creativity
- ❖ Accountability and transparency

#### **Our Mission**

To enhance sustained social – economic growth through utilization of resources to improve the quality of life for the county residents

#### **Our Vision**

A prosperous and citizen focused County

**Theme: The Haven of Value Addition**

The county is headed by the County Governor **H.E Onesimus Muthomi Njuki** who is responsible for the general policy and strategic direction of the County. The Governor is supported by an Executive Committee in carrying out the mandate as stipulated in the Constitution.

**b) Key Management**

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

- The Office of the Governor
- Finance, Economic Planning, Trade and Industry
- Medical Services and Public Health
- Roads, Infrastructure and Public Works
- Land, Environment, Physical Planning Natural Resources and Urban Development
- Agriculture, Livestock, Veterinary, Fisheries and Co-operative Development
- Water and Irrigation
- Education, Vocational Training, Youth, Sports, Culture and Tourism
- Public Service, Administration and Devolution Affairs

**Table 1: The County Executive Committee Members**

	Name	Designation	Date of Holding Office
1	H.E Onesimus Muthomi Njuki	County Governor	23 <sup>rd</sup> August 2017
2	H.E Francis Nyamu Kagwima	Deputy Governor	23 <sup>rd</sup> August 2017
3	Mr. William Micheni M'birichi	County Secretary, Head of Administration and Public Service	27 <sup>th</sup> October 2019
4	Dr Gichuiya Nthuranku	CECM Health and Sanitation	05 <sup>th</sup> October 2017
5	Mrs. Dorothy I.K. Naivasha	CECM Finance & Economic Planning and Trade	
6	Eng. Jasper Mutegi Nkanya	CECM-Land, Environment, Physical Planning, Natural Resources and Urban Development	
7	Mrs. Sheila Mwendu Kiganka	CECM-Education, Vocational Training Sports, Youth, Culture and Tourism	
8	Mr. Njue Njagi Kaithungu	CECM- Agriculture, Livestock, Veterinary Services, Fisheries Development Industry and Co-operative Development.	
9	Eng. Julius Kijiru Giti	CECM- Roads, Infrastructure, Public Works and ICT	
10	Mr. Abraham Maruta Kirema	CECM-Public Service, Administration and Devolution Affairs	

**c) Fiduciary Management**

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

**Table 2: Fiduciary Responsibility**

	<b>Name</b>	<b>Designation</b>
1	Dorothy I.K Naivasha	CECM – Finance, Economic Planning and Trade
2	Zephaniah Rwanda Mbaka	Chief Officer – Finance and Economic Planning
3	Betsy Muthoni Njagi	Chief Officer – Medical and ICT
4	Evelyne Kaari Njue	Chief Officer – Public Health
5	Faith Kyuga Kalunda	Chief Officer – Roads, Lands and Urban Development
6	Micheni Kibati Samson	Chief Officer – Agriculture
7	Stephen Mitugo	Chief Officer – Public Service
8	Aggrey Karani Irungu	Chief Officer – Education, Youth and Sports
9	Eng. Peter Kimathi	Chief Officer – Natural Resources
10	Gatiria Mutiga	Chief Officer - Environment
11	Eng. David Gichone	Chief Officer – Water and Irrigation
12	Kelvin Karithi Ng'ang'a	Chief Officer – Energy and Housing
13	Dr. Jackson Mbae Nkoroi	Chief Officer – Livestock

**d) Fiduciary Oversight Arrangements**

➤ **County Executive Audit Committee**

The county executive in accordance to PFM Act, 2012 Section 155 (5) and PFM Regulations, 2015 Section 167 appointed members to Internal Audit Committee for a period of three years with effect from 3<sup>rd</sup> December 2018 Gazette Notice 3626 published on 18<sup>th</sup> April 2019.

**Table 3: Audit Committee Members**

<b>No</b>	<b>Name</b>	<b>Position</b>
1	Obed Kibaged Chweya	Chairman
2	Stanley Kabira Kamunyu	Member
3	Joyce Kangai Kariuki	Member
4	Washington Muthomi Kithinji	Member
5	Lawrence Mutugi Micheni	Member Representing County Treasury

➤ **County Budget and Economic Forum (CBEF)**

The County Executive in accordance to PFM Act, 2012 Section 137 appointed members to County Budget and Economic Forum for a period of three years with effect from 3<sup>rd</sup> December 2018.

**Table 4: CBEF Members**

No	Name	Position
1	H.E Onesmas Muthomi Njuki	Governor / Chairman
2	All CEC Members	Members
3	Antony Njeru Kibaara	Member
4	Frankline Murithi Mutegi	Member
5	Murungi Mturuchiu Baituru	Member
6	Nelson Nyaga Nthiga	Member
7	Wanja Karuku	Member
8	Nabea Kibaara Fred	Member
9	Esther Nyambura Gitari	Member
10	Brown Murungi Kairaria	Member

Other Fiduciary Oversight Bodies include:

- County Assembly of Tharaka Nithi
- Senate of Kenya - Public Accounts and Investment Committee

**e) Entity Headquarters**

County Headquarters Building

Kathwana Town

P.O. Box 10-60406

**KATHWANA**

**f) County Executive Contacts**

Telephone: **0800720370**

Email: [info@tharakanithi.go.ke](mailto:info@tharakanithi.go.ke)

Website: [www.tharakanithicounty.go.ke](http://www.tharakanithicounty.go.ke)

**g) Entity Bankers**

1. Central Bank of Kenya  
 Haile Selassie Avenue  
 P.O. Box 60000 - 00200  
 City Square  
**NAIROBI**

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

The County Attorney  
County Government of Tharaka Nithi  
P.O. Box 10- 60406  
**KATHWANA**

## **2. FORWARD BY THE CEC MEMBER FINANCE AND ECONOMIC PLANNING**

It is my pleasure to present the County Government of Tharaka Nithi – County Revenue Fund, Report and Financial Statements for the year ended 30<sup>th</sup> June 2022. The Financial Statements present the financial performance of the County Revenue Fund over the past year

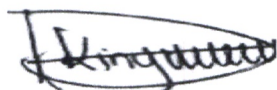
During the year under review, the Fund total revenue amounted to Ksh. 4,391,812, 636 (Four Billion Three Hundred Ninety One Million, Eight Hundred Twelve Thousand and Six Hundred Thirty Six) comprising of exchequer releases, return to CRF and own sources of revenue.

The payments from the Fund amounted to Ksh. 4,552,957,855 (Four Billion Five Hundred Fifty Two Million Nine Hundred Fifty Seven Thousand, Eight Hundred Fifty Five) comprising transfers to County Recurrent Account, County Development Account, Special Purpose Accounts and County Assembly.

The County Government Revenue Fund revenue fell below the target due to delay by exchequer releases, some of the expected and budgeted for revenues were not received and shortfall in own sources of revenue. Detailed analysis of the Fund performance is contained below.

Finally, I take this opportunity to thank His Excellency Governor Muthomi Njuki, Members of County Assembly, county government of Tharaka Nithi employees and all stakeholders including tax payers for supporting the government in its execution of its mandate.

Thank you very much and God bless Tharaka Nithi County



Sign.....

**Dorothy I. K. Naivasha**

**CECM – FINANCE, ECONOMIC PLANNING, TRADE AND INDUSTRY**  
**COUNTY GOVERNMENT OF THARAKA NITHI**

### **3. MANAGEMENT DISCUSSION AND ANALYSIS**

The major source of budget financing is equitable share of revenue. Article 202 of the Constitution of Kenya 2010, provides that revenue raised nationally shall be shared equitably among the National Government and the County Governments. Each County Government's equitable share of revenue raised nationally, is determined yearly through the County Allocation of Revenue Act (CARA). The revenue sharing formula is developed by the Commission on Revenue Allocation and approved by Parliament in accordance with Article 217 of the Constitution.

The County also received funding from conditional grants disbursed through the National Government from international development partners such World Bank and DANIDA. Such grants include THSUCP, ASDSP, KCSAP and KUSP

Further County received revenue from National Government exchequer as conditional grants allocations on reimbursement of health facilities forgone user fee, allocation from Kenya Roads Board Road Maintenance Fuel Levy Funds and conditional grants for development of Youth Polytechnic.

The County also finances its operations through own generated revenues. These are revenues collected within the County as approved under County Finance Act. The key own source revenue for Tharaka Nithi County included business permits, land rates, business plan approval, advertising fees, cess and various other administrative charges. The County continues to explore new and more innovative ways of increasing its own source of revenue collections.

Amount of unspent fund balances relate to money that was not utilized during the previous financial year. Such balances are carried forward and re-appropriated during the subsequent financial year.

The table below analyses the revenue realization for the financial year 2021/22;



**Table: 5 Summary of Revenue Realization**

	Source of Revenue	Original Budget (Ksh)	Budget Supplementary Adjustment FY 2021/22 (Ksh)	Revised Approved Budget FY 2021/22 (Ksh)	Actual Cumulative Receipts (Ksh)	Level of Realization (%)
1	Equitable Share of National Revenue	4,214,198,393	-	4,214,198,393	3,877,062,704	92%
2	Danida Grant	8,695,500	-	8,695,500	4,347,750	50%
3	Other Conditional Grants	101,985,655	(101,985,655)	-	-	0%
4	World Bank - Transforming Health Systems	52,426,873	31,000,000	83,426,873	32,039,102	38%
5	ASDSP Grant	16,230,461	18,895,686	35,126,147	5,500,000	16%
6	Kenya Climate Smart Agriculture (KCSAP)	350,000,000	-	350,000,000	222,650,265	64%
7	KUSP – UDG	50,000,000	-	50,000,000	-	0%
8	KUSP – UIG	20,000,000	-	20,000,000	-	0%
9	Leasing of Medical Equipment	153,297,872	-	153,297,872	-	0%
10	Emergency Locust Response Project	-	49,461,725	49,461,725	10,317,981	21%
11	Climate Change Programme	-	10,000,000	10,000,000	-	0%
12	Supplement of Construction of Hq	76,000,000	-	76,000,000	-	0%
13	Own Sources of Revenue	350,000,000	-	350,000,000	239,381,562	67%
14	Unspent Balances Brought Forward	137,242,250	373,811,941	511,054,191	345,126,913	68%
15	Return to CRF	-	-	-	513,272	100%
	<b>Total Budget</b>	<b>5,530,077,004</b>	<b>381,183,697</b>	<b>5,911,260,701</b>	<b>4,736,939,549</b>	<b>80%</b>



The Fund realized cumulative total revenue for the year amounting to Ksh. **4,736,939,549** against budgeted revenue of Ksh. **5,911,260,701** representing **80%** overall level of revenue realization for the year ended **30<sup>th</sup> June 2022**.

***Exchequer Releases***

These constitutes exchequer releases as per County Revenue Allocation Act, 2021.

***Table: 6 Exchequer Releases***

	<b>Amount</b>
<b>Exchequer Issues</b>	<b>Ksh.</b>
Equitable Share	3,877,062,704
World Bank -Transforming Health Systems for Universal Care Project (THUSP)-Ministry of Health	32,039,102
World Bank Kenya Climate Smart Agriculture (KCSAP) -State Department of Crop Development	222,650,265
DANIDA Grant -Primary Health care in devolved context - Ministry of Health	4,347,750
SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development	5,500,000
World Bank-Emergency Locust Response Project (ILRP) State Department of Crop Development	10,317,981
<b>Total</b>	<b>4,151,917,802</b>

***Own Sources of Revenue***

The own sources of revenue realised during the year ended 30<sup>th</sup> June 2022 amount to Ksh. 239,381,562 against the approved budget of Ksh. 350,000,000 resulting into a deficit of Ksh. 110,618,438 or 68% level of performance.

The failure to meet the target amount may be attributed to slow recovery of the economy from the effect of covid 19 pandemic that continued to adversely affect businesses in local economy, which has been further deteriorated by drought ravaging the county.

***Unspent Balances Brought Forward***

Unspent Balances Brought Forward relate to the Fund Bank Balances at the beginning of financial year amounting to Ksh. 345,126,913 being bank balance as at 30<sup>th</sup> June 2021.

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

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The approved budget included balances held in operating accounts, however, in accordance to conditions of grants, any balances held in special purpose account is retained in the specific account and not transferred back to CRF, but reappropriated and spent in the subsequent year. These amounts are not reported under County Revenue Fund, rather presented in the County Executive Financial Statements.

***Return to CRF***

Return to CRF constitute unspent amounts refunded to CRF from Government entity from previous year appropriations. During the year under review the following balances were returned to CRF;

***Table: 7 Return to CRF***

	<b>2021/2022</b>
	<b>Ksh.</b>
Recurrent Account ( <i>County Executive</i> )	398,473
Development Account ( <i>County Executive</i> )	104,394
Recurrent Account ( <i>County Assembly</i> )	10,405
<b>Total</b>	<b>513,272</b>

***Conclusion***

The County has put more measures to ensure the own sources of revenue improves in following financial year by enhancing revenue collection enforcement to seal any leakages.

The County further appeals the National exchequer to ensure timely release of exchequer funds to enable the county meet its budget and ensure service delivery to the citizen are adequately funded.

Thank you very much and God bless Tharaka Nithi County

**Signature** 

Zephaniah Rwanda Mbaka

**CHIEF OFFICER – FINANCE, TRADE AND ECONOMIC PLANNING**

**Dated: 12<sup>th</sup> July 2022**

#### 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 County Chief Officer – in charge of Finance 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 **30<sup>th</sup> June, 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 Chief 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 **30<sup>th</sup> June, 2022**, and of its financial position as at that date.

The Chief 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 Chief Officer confirms that the County Revenue Fund has complied fully with applicable Government Regulations and the terms of external financing covenants (*where applicable*). Further, Chief 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 **12<sup>th</sup> July 2022**

Signature \_\_\_\_\_

Zephaniah Rwanda Mbaka

**CHIEF OFFICER – FINANCE, TRADE AND ECONOMIC PLANNING**

## **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**.

**Signature** \_\_\_\_\_



Zephaniah Rwanda Mbaka

**CHIEF OFFICER – FINANCE, TRADE AND ECONOMIC PLANNING**

# REPUBLIC OF KENYA



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NAIROBI

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

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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, 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 Tharaka Nithi set out on pages 1 to 10, which comprise the statement of receipts and payments and statement of comparison of budget and actual amounts for the year ended 30 June, 2022 and a summary of significant accounting policies and other

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

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 County Revenue Fund 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 County Governments Act, 2012 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Opening Balances and Comparative Amounts**

The statement of receipts and payments for the year under review contains comparative year total receipts, total payments and fund bank balance at year end totalling Kshs.5,301,434,827, Kshs.5,092,977,366 and Kshs.345,126,913 respectively. However, the Management did not submit financial statements for the 2020/2021 financial year for audit contrary to the requirements of Section 167 of the Public Finance Management Act, 2012 which requires the Administrator of a County Public Fund established by the Constitution, an Act of Parliament or County legislation prepare financial statements for the Fund for each financial year in a form prescribed by the Accounting Standards Board.

In the circumstances, the accuracy and completeness of the comparative amounts and opening balances for 2020/2021 financial year 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 - Tharaka Nithi 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 of Kshs.5,911,260,701 and Kshs.4,736,939,549 resulting to an underfunding of Kshs.1,174,321,152 or 20% of the budget. Similarly, the Fund

expended Kshs.4,552,957,855 against an approved budget of Kshs.5,911,260,701 resulting to net under-expenditure of Kshs.1,358,302,846 or 23% of the budget.

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

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

### Conclusion

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

### Basis for Conclusion

#### Delayed Remittances of Revenue to the County Revenue Fund Account

The statement of receipts and payments and as disclosed in Note 3 to the financial statements reflects an amount of Kshs.239,381,562 in respect of own source revenue receipts. However, review of the County revenue collection bank accounts revealed that a balance of Kshs.10,344,270 remained held in the accounts as at 30 June, 2022 whereas it was supposed to be promptly deposited into the County Revenue Fund account. This was contrary to Regulation 81(1)(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that Receivers of Revenue shall promptly deposit into the County Exchequer account all receipts due to the County Revenue Fund. The Receivers of Revenue should promptly pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof.

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 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 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 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 overall 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 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 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 control that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL


Nairobi


31 March, 2023

**7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE, 2022**

		2021/2022	2020/2021
	Notes	Ksh.	Ksh.
<b>Receipts</b>			
Equitable Share of Revenue	1	3,877,062,704	4,262,115,600
Transfers from other Government Agencies	2	274,855,098	785,015,744
Own Source Revenue	3	239,381,562	254,210,001
Return to CRF issues	4	513,272	93,482
<b>Total Receipts</b>		<b>4,391,812,636</b>	<b>5,301,434,827</b>
<b>Payments</b>			
Transfers to County Executive	5	4,152,925,123	4,663,952,413
Transfers to County Assembly	6	400,032,732	429,024,953
<b>Total Payments</b>		<b>4,552,957,855</b>	<b>5,092,977,366</b>
Net increase (decrease) in cash for the year		<b>(161,145,219)</b>	<b>208,457,461</b>
Opening Fund Balance	7	345,126,913	136,669,452
<b>Fund Bank Balance at the End of the Year</b>		<b>183,981,694</b>	<b>345,126,913</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. Tharaka Nithi County Revenue Fund Financial Statements were approved on **14<sup>th</sup> July 2022** and signed by:

  
 Zephaniah Rwanda Mbaka  
 Chief Officer, Finance and Economic Planning

  
 CPA. E.K Nduati  
 ICPAK Reg.No.6720  
 Director Accounting Services

**8. STATEMENT OF COMPARISON OF BUDGET ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE, 2022**

	<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>Receipt/Payments</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>Ksh.</b>	<b>Ksh,</b>	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh/</b>	
<b>RECEIPTS</b>						
Equitable Share of Revenue	4,214,198,393	-	4,214,198,393	3,877,062,704	(337,135,689)	92%
Transfers from other government agencies	828,636,361	7,371,756	836,008,117	274,855,098	(561,153,019)	33%
Own Source Revenue	350,000,000	-	350,000,000	239,381,562	(110,618,438)	68%
Return to CRF issues	-	-	-	513,272	513,272	100%
Unspent Balances Brought Forward	137,242,250	373,811,941	511,054,191	345,126,913	(165,927,278)	68%
<b>Total Receipts</b>	<b>5,530,077,004</b>	<b>381,183,697</b>	<b>5,911,260,701</b>	<b>4,736,939,549</b>	<b>(1,174,321,152)</b>	<b>80%</b>
<b>PAYMENTS</b>						
Transfers to County Executive	5,057,077,004	404,770,697	5,461,847,701	4,152,925,123	(1,308,922,578)	76%
Transfers to County Assembly	473,000,000	(23,587,000)	449,413,000	400,032,732	(49,380,268)	89%
<b>Total Payments</b>	<b>5,530,077,004</b>	<b>381,183,697</b>	<b>5,911,260,701</b>	<b>4,552,957,855</b>	<b>(1,358,302,846)</b>	<b>77%</b>
<b>Surplus / (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183,981,694</b>	<b>183,981,694</b>	

**Explanation Note on Statement of Comparison Budget and Actual**

1. The shortfall from Equitable Share of Revenue relate to delayed disbursement of exchequer funds by National Treasury amounting to Ksh. 337,135,689
2. The deficit from Transfer from Other Government Agencies relate to Grants from National Treasury and Donor funds not disbursed as at end of the year as analysed below;

	Source of Revenue	Approved Budget FY 2021/22 (Ksh)	Actual Cumulative Receipts (Ksh)	Variance Ksh.
1	Danida Grant – Primary Health Care	8,695,500	4,347,750	(4,347,750)
2	Transforming Health Systems	83,426,873	32,039,102	(51,387,771)
3	ASDSP Grant	35,126,147	5,500,000	(29,626,147)
4	Kenya Climate Smart Agriculture	350,000,000	222,650,265	(127,349,735)
5	KUSP – UDG	50,000,000	-	(50,000,000)
6	KUSP – UIG	20,000,000	-	(20,000,000)
7	Emergency Locust Response Project	49,461,725	10,317,981	(39,143,744)
8	Climate Change Programme	10,000,000	-	(10,000,000)
9	Leasing of Medical Equipment	153,297,872	-	(153,297,872)
10	Supplement of Construction of County Head Quarter	76,000,000	-	(76,000,000)
	<b>Total Budget</b>	<b>836,008,117</b>	<b>274,855,098</b>	<b>(561,153,019)</b>

The amount from Donor funds partly released while Kenya Urban Support Programme (KUSP) and Climate Change Programme had no funds disbursed. The Leasing of Medical Equipment and Construction of County Head Quarters was utilized at national government.

3. The amounts of Own Sources of Revenue relate to levies imposed directly by the County Government as provided on County Finance Act, 2021. The estimated budget of Ksh. 350,000,000 against actual amount of Ksh. 239,381,562 resulting to a deficit of Ksh. 110,618,438
4. The return to CRF relate to amounts that were returned back the Fund by County entities and operating bank accounts as per **Note 4** totaling to Ksh. 513,272. No budgetary provision was made on this revenue.

5. Reconciliation between the Statement of Receipts and Payment and Statement of Comparison Budget and Actual Total Receipts.

<b>Statement of:</b>	<b>Actual Receipts Ksh.</b>
Comparison Budget and Actual	4,736,939,549
Receipts and Payments	4,391,812,636
Variance	<b>345,126,913</b>

The Variance is the amount of Unspent Bank Balances from previous financial year (*Note No. 7*) which is included among the receipts under the statement of Comparison of Budget and Actual Amount. However, the revenue component is excluded under the Statement of Receipts and Payments.

6. Unspent Balances Brought Forward relate to the Fund Bank Balances at the beginning of financial year amounting to Ksh. 345,126,913 being bank balance as at 30<sup>th</sup> June 2021.

The approved budget of Ksh. 511,054,191 included balances held in operating accounts, however, in accordance to conditions of grants, any balances held in special purpose account is retained in the specific account and not transferred back to CRF, but reappropriated and spent in the subsequent year. These amounts are not reported under County Revenue Fund, rather presented in the County Executive Financial Statements hence the deficit on actual amount realised amounting to Ksh. 165,927,278

## **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.

**g) Comparative Figures**

The County Revenue Fund had not been previously prepared separate Financial Statement but was reported under County Executive and the comparative figures (FY 2020/2021) are derived from audited Financial Statement thereon.

## 10. NOTES TO THE FINANCIAL STATEMENTS

### 1. EQUITABLE SHARE OF REVENUE

	2021/2022	2020/2021
	Ksh	Ksh.
Equitable Share Releases Q1	695,342,767	337,515,600
Equitable Share Releases Q2	1,053,549,648	1,295,118,000
Equitable Share Releases Q3	1,053,549,648	981,150,000
Equitable Share Releases Q4	1,074,620,641	1,648,332,000
<b>Total</b>	<b>3,877,062,704</b>	<b>4,262,115,600</b>

### 2. TRANSFERS FROM OTHER GOVERNMENT AGENCIES

	2021/2022	2020/2021
	Ksh.	Ksh.
Road Maintenance Levy	-	115,085,840
Development of Youth Polytechnics-State Department of TVETS	-	60,799,894
User Fees Foregone -Ministry of Health	-	8,218,119
World Bank -Transforming Health Systems for Universal Care Project (THUSP)-Ministry of Health	32,039,102	101,185,667
World Bank Kenya Climate Smart Agriculture (KCSAP) - State Department of Crop Development	222,650,265	266,688,820
DANIDA Grant -Primary Health care in devolved context - Ministry of Health	4,347,750	11,160,000
SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development	5,500,000	11,679,478
World Bank-Emergency Locust Response Project (ILRP) State Department of Crop Development	10,317,981	-
Kenya Urban Support Project - Urban Dev Grant (KUSP - UDG) World Bank	-	27,955,676
Kenya Devolution Support Programme (KDSP) World Bank	-	182,242,250
<b>Total</b>	<b>274,855,098</b>	<b>785,015,744</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. OWN SOURCES REVENUE**

	<b>2021/2022</b>	<b>2020/2021</b>
<b>RECEIPTS</b>	<b>Ksh</b>	<b>Ksh</b>
Own Sources of Revenue Q1	56,385,279	57,910,359
Own Sources of Revenue Q2	51,263,842	53,267,997
Own Sources of Revenue Q3	61,004,462	58,391,003
Own Sources of Revenue Q4	70,727,979	84,640,642
<b>Total</b>	<b>239,381,562</b>	<b>254,210,001</b>

**4. RETURN TO CRF ISSUES**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Ksh</b>	<b>Ksh</b>
Recurrent Account ( <i>County Executive</i> )	398,473	2,947
Development Account ( <i>County Executive</i> )	104,394	72,085
Recurrent Account ( <i>County Assembly</i> )	10,405	18,450
<b>Total</b>	<b>513,272</b>	<b>93,482</b>

**5. TRANSFERS TO COUNTY EXECUTIVE**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Ksh</b>	<b>Ksh</b>
Recurrent Account	2,962,281,316	3,110,028,624
Development Account	778,546,459	914,368,414
Fuel Levy Fund	-	115,085,841
Youth Polytechnic Grant Account	-	60,799,894
Health Special Purpose Account	32,039,102	112,345,667
Kenya Climate Smart Project	222,650,265	266,688,819
Kenya Devolution Support Programme	137,242,250	45,000,000
Urban Development Grant	-	27,955,676
Agriculture Sector Support Programme	5,500,000	11,679,478
Emergency Locust Response Project	10,317,981	-
Primary Health Care (Danida)	4,347,750	-
<b>Total</b>	<b>4,152,925,123</b>	<b>4,663,952,413</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. TRANSFERS TO COUNTY ASSEMBLY**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Ksh</b>	<b>Ksh</b>
Recurrent Account	396,949,147	419,745,682
Development Account	3,083,585	9,279,271
<b>Total</b>	<b>400,032,732</b>	<b>429,024,953</b>

**7. FUND BANK BALANCE**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Ksh.</b>	<b>Ksh.</b>
County Exchequer Account - (CBK A/c No. 1000171707)	183,981,694	345,126,913
<b>Total</b>	<b>183,981,694</b>	<b>345,126,913</b>

**11. APPENDICES**

**Appendix 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>
The Fund has not been audited previously thus no audit report reviewed				

**Signature** \_\_\_\_\_



Zephaniah Rwanda Mbaka  
 Chief Officer – Finance, Trade and Economic Planning  
 County Government of Tharaka Nithi

**Date: 12<sup>th</sup> July 2022**

**Appendix 2. ANALYSIS OF RECEIPTS FROM THE NATIONAL TREASURY EXCHEQUER RELEASES**

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Amount
Revenue	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
Equitable Share	695,342,767	1,053,549,648	1,053,549,648	1,074,620,641	3,877,062,704
World Bank -Transforming Health Systems for Universal Care Project (THUSP)-Ministry of Health				32,039,102	32,039,102
World Bank Kenya Climate Smart Agriculture (KCSAP) -State Department of Crop Development				222,650,265	222,650,265
DANIDA Grant -Primary Health care in devolved context -Ministry of Health				4,347,750	4,347,750
SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development		2,500,000		3,000,000	5,500,000
Word Bank-Emergency Locust Response Project (ILRP) State Department of Crop Development				10,317,981	10,317,981
<b>Total</b>	<b>695,342,767</b>	<b>1,056,049,648</b>	<b>1,053,549,648</b>	<b>1,346,975,739</b>	<b>4,151,917,802</b>

**Appendix 3: ANALYSIS OF TRANSFERS FROM THE COUNTY REVENUE FUND**

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Amount
Revenue	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
Recurrent Account	701,520,023	825,861,705	550,519,827	884,379,761	2,962,281,316
Development Account	76,759,460	185,162,186	197,690,252	318,934,561	778,546,459
Health Special Purpose Account				32,039,102	32,039,102
Kenya Climate Smart Project				222,650,265	222,650,265
Kenya Devolution Support Programme	137,242,250				137,242,250
Agriculture Sector Support Programme		2,500,000		3,000,000	5,500,000
Emergency Locust Response Project				10,317,981	10,317,981
Primary Health Care (Danida)				4,347,750	4,347,750
County Assembly - Recurrent	58,206,560	121,961,198	69,407,684	143,565,672	393,141,114
County Assembly - Development		3,808,033	3,083,585		6,891,618
<b>Total</b>	<b>973,728,293</b>	<b>1,139,293,122</b>	<b>820,701,348</b>	<b>1,619,235,092</b>	<b>4,552,957,855</b>