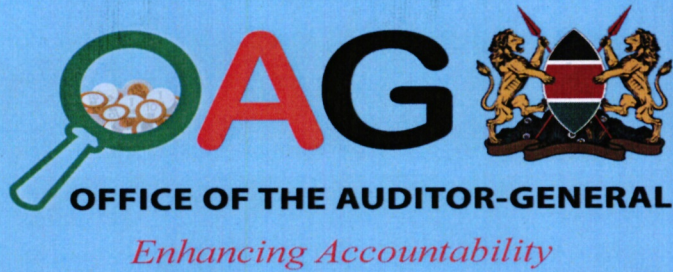


REPUBLIC OF KENYA



# REPORT

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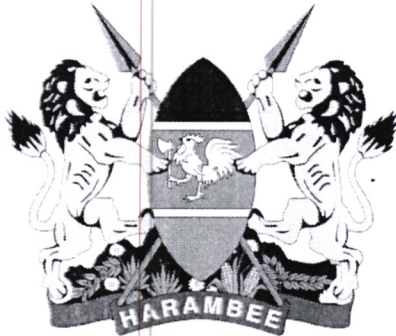
THE AUDITOR-GENERAL

ON

COUNTY GOVERNMENT OF MARSABIT -  
COUNTY REVENUE FUND

FOR THE YEAR ENDED  
30 JUNE, 2022

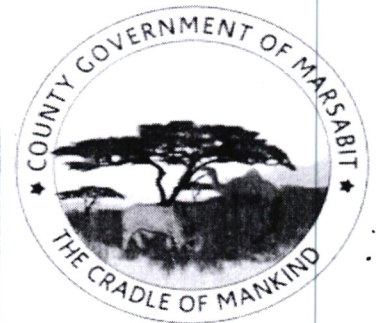
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DATE	22.03.2023
TABLED BY	Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Abdirahman Maalim.



OFFICE OF THE AUDITOR GENERAL  
UPPER EASTERN REGIONAL OFFICE - ISIOLO

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**COUNTY REVENUE FUND**

*County Government of Marsabit*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022.**

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County Government of Marsabit

County Revenue Fund

Annual Report and Financial Statements for the Financial Year ended 30<sup>th</sup> June.2022.

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

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## 1. Key Entity Information and Management

### a) Background information

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

### b) Key Management

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

- 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	Malicha Boru Wario
2.	Accounting Officer in charge of Finance	Wario Jirmo Harsama
3.	Director Accounting Services/Finance	Shalle Ibrahim Shalle

### d) Fiduciary Oversight Arrangements

*Here, provide a high-level description of the key fiduciary oversight arrangements covering;*

- *Audit and Finance committee activities*
- *Senate Committee Activities*
- *County Assembly*
- *Development partner oversight activities*
- *Controller of Budget*
- *Office of the Auditor General*

*(Provide a brief explanation on fiduciary activities undertaken during the financial year)*

**e) County Executive Headquarters**

P.O. Box 384 - 60500  
County Headquarters  
Marsabit - Isiolo Highway  
Marsabit, Kenya.

**f) County Executive Contacts**

Telephone: (254)708852046  
E-mail: [info@treasury.marsabit.go.ke](mailto:info@treasury.marsabit.go.ke)  
Website: [www.marsabit.go.ke](http://www.marsabit.go.ke)

**g) County Bankers**

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

**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 County Attorney  
P.O. Box 384 - 60500  
Marsabit - Isiolo Highway  
Marsabit, Kenya.

## 2. Statement by the CECM Finance

Section 163 of the Public Finance stipulates that the County Treasury shall, for the county government, consolidate the annual financial statements in respect of all county government entities in formats prescribed by the Accounting Standards Board.

Section (2) of the Act adds that the County Treasury shall include in the consolidated financial statements (a) a statement of all money paid into and out of the County Exchequer Account and (b) a summary of appropriation accounts and statements prepared by accounting officer under Section 164 of the Act and statements prepared by receivers of revenue under Section 165.

It is therefore my pleasure to present to you the County Revenue Fund annual report and financial statements for the County Government of Marsabit for the year ended June 30, 2022.

The County Revenue Fund is established under Article 207 of the Constitution of Kenya. Article 207(3) of the Constitution of Kenya also states that the Controller of Budget has to approve any money withdrawn from the Fund.

It is the mandate of the County Executive Committee Member in charge of finance to prepare annual report and financial statements as the county accounting officer, according to provisions in Section 164(1) of the Public Finance Management Act.

County governments are funded through the exchequer by way of equitable share of revenue as per Article 202 of the Constitution of Kenya, conditional or unconditional grants and own source revenue. There are also donations from well-wishers.

The County Revenue Fund's opening balance in the financial year ended June 30, 2022 was Kshs 635,290,317.

During this financial year, the County Government of Marsabit received Kshs 6,647,790,384.25 from the National exchequer, being 92% of its equitable share as per the County Allocation of Revenue Act 2021. The balance of Kshs 582,160,319 was received in the financial year 2022-2023. Additionally, the County Government received the following conditional grants from or through National Government Ministries:

- I. World Bank Kenya Climate Smart Agriculture (KCSAP) -State Department of Crop Development - Kshs 85,289,740
- II. Government of Sweden (SIDA) Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development Kshs 18,308,569

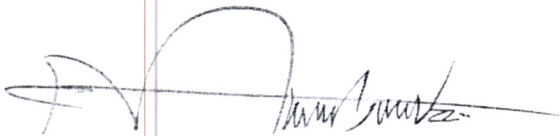
III. Government of Denmark (DANIDA) Grant -Primary Health care in devolved context  
-Ministry of Health Kshs 54,556,703.75

IV. World Bank-Emergency Locust Response Project (ILRP) State Department of Crop  
Development Kshs 32,294,514

During the financial year under consideration, the County Government of Marsabit raised a sum of Kshs 100,204,093 as own generated revenue mainly from single business permits, County Hospital service charge, livestock charges, land transaction charges and lease rentals.

The County Government of Marsabit is committed to prudent use of public finances. This is done by sound policies, guidelines and regulations that dictate how finances are handled. The objective of devolution is to bring services closer to the common mwananchi and prudent use of finances is key.

A major challenge during this financial year is was the late disbursement of the equitable share revenue from the National Government. There were also adjustments in spending and planning owing to the Covid-19 pandemic.



**Malicha Boru Wario**  
**CECM Finance and Economic Planning**  
**County Government of Marsabit**

### 3. Management Discussion and Analysis

The discussion and analysis will provide an overview of the financial performance of the Fund for the preceding years to the current financial year.

It is the responsibility of the County Treasury as stipulated in Section 104(1)(j) of the Public Finance Management Act to maintain proper accounts and other records in respect to the County Revenue Fund.

The County Revenue Fund receives all money raised, received by or on behalf of the county government except any that has been exempted through an Act of Parliament as stipulated in Section 109(2) of the Public Finance Management Act.

The county government is funded through allocations from the National Government, conditional and non-conditional grants and County's own sources of revenue. In the financial year ending June 30, 2022 an equitable share of Kshs 6,647,790,384.25 was credited to the Fund. This is compared Kshs 6,773,100,000 in the 2020/21 financial year, Kshs 6,773,100,000 in 2019/2020.

This brings the amount to Kshs 20,241,043,713 (Kenya Shillings Twenty Billion Two Hundred and Forty-One Million Forty-Three Thousand Seven Hundred and Thirteen) as the sum of equitable share credited to the Fund in the last three financial years.


In addition, the sum of conditional grants received in the financial years 2021/22, 2020/21 and 2019/20 amounted to Kshs 190,449,436, Kshs 761,134,700 and Kshs 583,252,302 respectively. There was a drastic decline in the amount of grants received in the financial year 2021/22 as compared to the financial year 2020/21, this was due to non-remittance of grants as was captured in the County's appropriation budget.

While equitable share from the national government made the largest share of revenue for the County Government of Marsabit over the last three financial years, County's own sources of revenue, if well harnessed, has the potential to contribute an even bigger portion. For the three financial years, the amount credited as own source revenue has been below the target. However, in the financial year 2021/2022 Covid-19 pandemic largely explains why revenue targets were not only met but also below what was collected in the financial year 2019/2020. There were less business permits issued or renewed during this period due to the government restrictions of movement and curfew which limited business operating hours.

In this financial year, the amount of own source revenue collected was Kshs 100,204,093 compared to Kshs 107,446,569 in the previous year and Kshs 134,786,605 in the financial year 2019/20.

It should be noted as well that there were slight delays when it came to equitable share of money being credited to the county's Fund. This was informed by cash flow challenges at the national government level which was always communicated by the National Treasury. These delays did lead to stalled projects. However, once the funds were released the projects were revived.

Over the three financial years, Kshs 9,365,043,327 (Kenya Shillings Nine Billion Three Hundred and Sixty-Five Million Forty-Three Thousand Three Hundred and Twenty-Seven) was released from the County Revenue Fund to finance development programmes and projects while a sum of Kshs 11,042,587,306 (Kenya Shillings Eleven Billion Forty-Two Million Five Hundred and Eighty-Seven Thousand Three and Six) was spent on recurrent activities.



**Malicha Boru Wario**  
**CECM Finance and Economic Planning**  
**County Government of Marsabit**

#### 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 \_\_4<sup>th</sup> Nov\_\_ 2022.

Signature 

Name: Wario Jirno Harsama .

Chief Officer Finance - County Government of Marsabit

## **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.

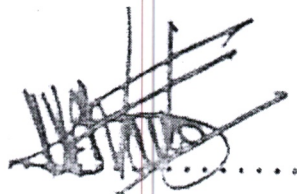
### **Transfers from the County Revenue Fund**

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.

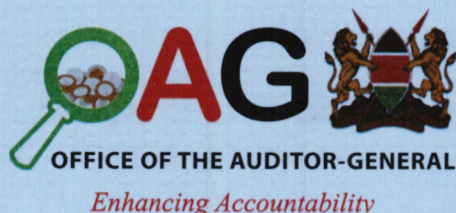
This statement therefore covers the operations of the County Exchequer Account for the financial year ended 30<sup>th</sup> June 2022.



Name: Wario Jirmo Harsama  
Chief Officer – Finance

# REPUBLIC OF KENYA

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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 GOVERNMENT OF MARSABIT -COUNTY REVENUE FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of County Government of Marsabit-County Revenue Fund set out on pages 1 to 12, which comprise the statement of receipts

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

and payments, statement of comparison of budget and actual amounts for the year ended 30 June, 2022, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

### **Basis for Qualified Opinion**

#### **1. Unsupported Closing Fund Balance**

The statement of receipts and payments reflects Kshs.68,173,387 in respect of closing fund balance. However, the County Revenue Fund cash book balance reflects Kshs.53,133,896 in respect of the same resulting to unexplained and unreconciled variance of Kshs.15,039,491. Further, the bank balance confirmation certificate for County Revenue Fund account reflects Kshs.698,567,738 while the cash book reflects Kshs.53,133,896 resulting into unreconciled variance of Kshs.645,433,842.05

In addition, Note 11 to the financial statements shows that the County operated eight (8) revenue collection accounts with commercial banks during the financial year. However, cash books, bank reconciliation statements, bank balance confirmation certificates and bank statements in respect of these accounts were not provided for audit review.

In the circumstances, the accuracy of the Kshs.68,173,387 in respect to Closing Fund balance could not be confirmed.

#### **2. Unsupported Own Source Revenue**

The statement of receipts and payments as disclosed in Note six (6) to the financial statements reflects Kshs.100,204,093 in respect of own source revenue. However, the County Executive did not provide for review supporting documents for the revenue collected during the year contrary to Section 63(a) of the Public Finance Management (County Government) Regulations, 2015 which provides that an Accounting Officer and a Receiver of Revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for all county government revenue and other public money relating to their county departments or agencies.

In the circumstances, the accuracy and completeness of the own source revenue of Kshs.100,204,093 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Government of Marsabit County Revenue Fund 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 comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.9,331,541,485 and Kshs.7,514,820,954 in respect of final receipt budget and Actual receipts, respectively, resulting into unrealized receipts amounting Kshs.1,816,720,531 or 19%; of the budget. Similarly, the Fund made payments of Kshs.7,505,645,166 against an approved budget of Kshs.9,331,541,485 resulting to under-payments of Kshs.1,825,896,319 or 20% of the budget.

Further it was noted that the Fund had an unbalanced budget, in that the final budget for receipts was Kshs.9,331,541,485 and the final budget for payments was Kshs.9,385,541,484 resulting to an unexplained variance of Kshs.53,999,999.

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 matters 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**

#### **1. Failure to Prepare County Government of Marsabit Finance Bill 2022**

The statement of receipts and payments and as disclosed in Note six (6) to the financial statements reflect own generated revenue of Kshs.100,204,093. However, it was noted

that the County collected revenue on the strength of County Finance Act, 2020 which set out the revenue raising measures for the County Government for the 2019/2020 financial year. However, the County Government of Marsabit did not enact County Finance Act, 2022 which set out the revenue raising measures for the County government for the year 2021/2022 contrary to Section 133 of the Public Finance Management Act, 2012 that provides that not later than ninety days after passing the Appropriation Bill, the county assembly shall consider and approve the Finance Bill with or without amendments.

In the circumstance, the County Government was in breach of the law.

## **2. Excess Budget Allocation to the County Assembly**

The statement of comparison of budget and actual amounts reflects Kshs.1,072,935,867 in respect of final expenditure budget for the County Assembly against Kshs.9,331,541,485 in respect of the total County revenue budget for the year or approximately 11.5% of the total County revenue budget contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 which require the County Assembly Budget not to exceed seven per cent of the total revenue of the County Government.

In the circumstance, the County Government 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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk Management and overall governance were not effective.

### **Basis for Conclusion**

#### **Uncollected Rent from Market Stalls**

The statements of receipts and payments and as disclosed in Note six (6) to the financial statements reflects a balance of Kshs.100,204,093 in respect of own source revenue. However, records available indicated that the balance did not include revenue from market stalls on the new Saku Market constructed by the County Executive at a contract sum of Kshs.173,134,534 and which was completed and commissioned on 3 March, 2021.

No explanation was given for not collecting revenue from the market stalls or effort put to recover uncollected amount. Further, the chargeable amounts for the rents and rates were also not provided for audit review.

In the circumstances, the County failed to collect undetermined amount of revenue from the market stalls during the year under review.

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 continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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 the 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 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 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**

**23 February, 2023**

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

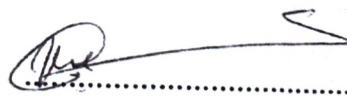
**7. Statement of Receipts and Payments for the year ended 30th June,2022.**

	Notes	2022 Ksh.	2021 Ksh.
<b>Receipts</b>			
Exchequer releases	<b>1</b>	6,647,790,384.25	
Transfers from other government agencies	<b>2</b>	190,449,526.75	
Other grants	<b>3</b>	-	
Proceeds from Domestic Borrowing	<b>4</b>	-	
Proceeds from Foreign Borrowing	<b>5</b>	-	
Own Source Revenue	<b>6</b>	100,204,093	
Return to CRF issues	<b>7</b>	84,231	
<b>Total Receipts</b>		<b>6,938,528,235</b>	
<b>Payments</b>			
Transfers to County Executive	<b>8</b>	6,673,433,204	
Transfers to County Assembly	<b>9</b>	778,533,892	
Other Transfers	<b>10</b>	53,678,070	
<b>Total Payments</b>		<b>7,505,645,166</b>	
Net increase (decrease) in cash for the year		-567,116,930	
Add Opening fund balance b/f	<b>11</b>	635,290,317	
<b>Closing Fund balance for the period</b>	<b>11</b>	<b>68,173,387</b>	



Name: Wario Jirmo Harsama  
 Chief Officer - Finance

Date.....4<sup>th</sup> November 2022.....



Name: Shalle Ibrahim Shalle  
 Director Accounting Services  
**ICPAK Member**

No.....11648.....  
 Date.....4<sup>th</sup> November 2022.....

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

Receipt/Payments	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Realisation Difference	% of Realisation
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
<b>Receipts</b>						
Exchequer releases	7,277,004,032	-	7,277,004,032	6,647,790,384	629,213,648	91%
Transfers from other government agencies	957,314,489	350,846,014	1,308,160,503	190,449,527	1,117,710,976	15%
Other conditional grants	-	-	-	-	-	-
Proceeds from Domestic Borrowing	-	-	-	-	-	-
Proceeds from Foreign Borrowing	-	-	-	-	-	-
Own Source Revenue	170,000,000	-	170,000,000	100,204,093	69,795,907	59%
Return to CRF issues	541,000,000	35,376,950	576,376,950	576,376,950	-	100%
<b>Total Receipts</b>	<b>8,945,318,521</b>	<b>386,222,964</b>	<b>9,331,541,485</b>	<b>7,514,820,954</b>	<b>1,816,720,531</b>	<b>81%</b>
<b>Payments</b>						
Transfers to County Executive	8,075,905,525	182,700,092	8,258,605,617	6,673,433,204	1,585,172,413	81%

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Receipt/Payments	Original Budget a	Adjustments b	Final Budget e=a+b	Actual on Comparable Basis d	Budget Realisation Difference e=c-d	% of Realisation f=d/c %
Transfers to County Assembly	869,412,996	203,522,871	1,072,935,867	778,533,892	294,401,975	73%
Others	54,000,000	-	54,000,000	53,678,070	321,930	99%
<b>Total Payments</b>	<b>8,999,318,521</b>	<b>386,222,963</b>	<b>9,385,541,484</b>	<b>7,505,645,166</b>	<b>1,879,896,318</b>	<b>80%</b>
<b>Balance</b>	-	-	-	9,175,788	-	

[Provide below a commentary on significant under realisation (below 90% of realisation) and any over realisation]

- (a) The county executive did not receive all the expected donor funding on conditional and other grants.  
 (b) Transfers to the county assembly was affected by unfunded development budget.
- (Explain whether the changes between the original and final are as a result of reallocations within the budget or other causes as per IPSAS 1.7.23 The total of actual on comparable basis should tie with the totals under receipts and payments where this is not the case, a reconciliation between the two statements should be prepared and disclosed.)

## **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	2020/21
	Kshs.	Kshs.
Equitable Share (a)	6,647,790,384.25	
Level 5 hospitals (b)	-	
Others ( <i>Specify</i> ) (c)	-	
<b>Total (d=a+b+c)</b>	<b>6,647,790,384.25</b>	

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

	2021/22	2020/21
	Kshs.	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	-	
World Bank-NARIGP-State Department of Crop Development	-	
World Bank Kenya Climate Smart Agriculture (KCSAP) -State Department of Crop Development	85,289,740	
DANIDA - Universal Healthcare in Devolved Units Programme	54,556,703.75	
IDA (World Bank) Credit: Water & Sanitation Development Project (WSDP)-Min. Water, Sanitation and Irrigation	-	
World Bank-Kenya Devolution Support Programme		
SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development	18,308,569	

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	2021/22	2020/21
Word Bank-Emergency Locust Response Project ( ILRP) State Department of Crop Development	32,294,514	
Word Bank-Kenya Urban Support project (KUSP )-State Department of Housing & Urban Development		
Word Bank-Kenya Informal settlement improvement project (KISIP 11)-State Department of Housing & Urban Development	-	
UNFPA-9th County Programme Implementation -Ministry of Health	-	
EU Grant (Instruments for Devolution Advice and Support- (IDEAS)-State Department of Devolution	-	
KfW German Development Bank- Drought Resilience Programme in Northern Kenya (DRPNK)-Min. Water, Sanitation and Irrigation	-	
<b>Total</b>	<b>190,449,526.75</b>	

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

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

	2021/22	2020/21
	Kshs.	Kshs.
Donor 1 (Specify)	-	-
Donor 2 (Specify)	-	-
Donor 3 (Specify)	-	-
Others (Specify)	-	-
	-	-

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

**4. Proceeds from Domestic borrowing**

	2021/22	2020/21
	Kshs.	Kshs.
Borrowing within General Government	-	-
Borrowing from Monetary Authorities (Central Bank)	-	-
Other Domestic Depository Corporations (Commercial Banks)	-	-

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Borrowing from Other Domestic Financial Institutions	-	-
Borrowing from Other Domestic Creditors	-	-
Domestic Currency and Domestic Deposits	-	-
Others ( <i>Specify</i> )	-	-
<b>Total</b>	-	-

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

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Notes to the Financial Statements (Continued)

5. Proceeds from Foreign Borrowing

	2021/22	2020/21
	Kshs.	Kshs.
Foreign Borrowing – Drawdowns Through Exchequer	-	-
Foreign Borrowing - Direct Payments	-	-
Foreign Currency and Foreign Deposits	-	-
Others ( <i>Specify</i> )	-	-
<b>Total</b>	-	-

6. Own Source Revenue

Description	2021/22	2020/21
	Kshs.	Kshs.
Market Charges	1,775,637	
Livestock Charges	11,087,118	
Land Transaction Charges	2,239,419	
Royalties	2,254,640	
Plan Approval	-	
Slaughter	429,510	
Scrap Metal	93,580	
Cement	6,465,040	
Single business permit	9,601,077	
Produce		
Advertisement/Promotions	1,636,300	
Miscellaneous charges	872,290	
Lease Rentals	3,459,912	
Fish Cess	1,024,900	
Hiring of Hall/Stadium	10,000	
Liquor Licence	150,000	
Public health-Facility Improvement Fund	400,900	
Hospital-Facility Improvement Fund	58,435,051	
AMS		
Veterinary- Meat Inspection	268,720	
<b>Total</b>	<b>100,204,093</b>	

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*(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	2020/21
	Kshs.	Kshs.
CBK Recurrent Account-1000170492 (County Executive)	10,051	
CBK Development Account1000170514 (County Executive)	58	
KCB Recurrent Account-1140789724 (County Executive)	9,451	
KCB Development Account-1162178345 (County Executive)	22,460	
Equity Bank-County Assembly	18,542	
CBK Recurrent-County Assembly	23,669	
CBK Development-County Assembly	1	
<b>Total</b>	<b>84,231</b>	

**8. Transfers to County Executive**

	2021/22	2020/21
	Kshs.	Kshs.
Recurrent Account	3,927,335,931	
Development Account	2,555,647,837	
Special purpose Accounts	190,449,436	
Others ( <i>Specify</i> )	-	
<b>Total</b>	<b>6,673,433,204</b>	

County Government of Marsabit  
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**Notes to the Financial Statements (Continued)**

**9. Transfers to County Assembly**

	2021/22	2020/21
	Kshs.	Kshs.
Recurrent Account	759,162,425	
Development Account	19,371,467	
Special purpose accounts	-	
Others ( <i>Specify</i> )	-	
<b>Total</b>	<b>778,533,892</b>	

(*Explain as per County Appropriation Act*)

**10. Other Transfers**

Description	2021/22	2020/21
	Kshs.	Kshs.
Hospital Expenditure	53,666,940	
Others -revenue collection account bank charges	11,130	
<b>Total</b>	<b>53,678,070</b>	

(*Explain as per County Appropriation Act*)

**11. Fund balance**

	2021/22	2020/21
	Kshs.	Kshs.
County Exchequer Account - (CBK Account number-1000170824)	576,376,950	
Kenya Commercial Bank-Local Revenue, Marsabit Branch Account no.1140751484	48,841,439	
Free Maternity Health Care Services (FIF)-Saku A/c-1145056148	454,381	
Marsabit District Health Care Fund (NHIF)-1102656240	23,947	
KCB Moyale Sub-County Health A/c-1153997037	154,052	
KCB Moyale Sub-County Referral Hospital A/c-1154715086	1,382,937	
Northhorr Health Facility-1153926040	-	
Equity Bank Marsabit Municipal Revenue A/c-1010280501019	8,056,611	
<b>Total</b>	<b>635,290,317</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;

<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>



Name  
 Chief Officer Finance  
 ICPAK Member No  
 Date

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

<b>Period (2021/22)</b>	<b>Quarter 1 (Kshs.)</b>	<b>Quarter 2 (Kshs.)</b>	<b>Quarter 3 (Kshs.)</b>	<b>Quarter 4 (Kshs.)</b>	<b>Total (Kshs.)</b>
Equitable Share	1,200,705,666	1,819,251,009	1,819,251,009	1,808,582,700	6,647,790,384.25
Level 5 Hospitals	-	-	-	-	-
DANIDA - Universal Healthcare in Devolved Units Programme	-	-	-	54,556,703.75	54,556,703.75
World Bank – THUSCP	-	-	-	-	-
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)	-	2,500,000	-	15,808,569	18,308,569
Kenya Climate Smart Agriculture Project (KCSAP)	-	-	-	85,289,740	85,289,740
Emergency Locust Response Project	-	-	-	32,294,514	32,294,514
Water and Sanitation Development Project	-	-	-	-	-
<b>Total</b>	<b>1,200,705,666</b>	<b>1,821,751,009</b>	<b>1,819,251,009</b>	<b>1,996,532,227</b>	<b>6,838,239,911</b>

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

<b>Period (2021/22)</b>	<b>Quarter 1 (Kshs.)</b>	<b>Quarter 2 (Kshs.)</b>	<b>Quarter 3 (Kshs.)</b>	<b>Quarter 4 (Kshs.)</b>	<b>Total (Kshs.)</b>
County Executive -Rec	682,171,423	1,171,316,917	705,021,170	1,368,826,421	<b>3,927,335,931</b>
County Executive -Dev	-	1,382,731,584	387,415,460	785,500,793	<b>2,555,647,837</b>
County Assembly -Rec	119,998,475	144,970,074	222,875,173	271,318,702	<b>759,162,425</b>
County Assembly -Dev	-	-	-	19,371,467	<b>19,371,467</b>
Special Purpose A/c (Specify)	-	49,553,329	-	140,896,107	<b>190,449,436</b>
<b>Total</b>	<b>802,169,898</b>	<b>2,748,571,904</b>	<b>1,315,311,803</b>	<b>2,585,913,490</b>	<b>7,451,967,095</b>