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REPORT

OF

THE AUDITOR-GENERAL

ON

COUNTY REVENUE FUND

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

COUNTY GOVERNMENT OF KWALE

OFFICE OF THE AUDITOR GENERAL
P.O. Box 05202 MOMBASA
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COUNTY REVENUE FUND

County Government of Kwale

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022.

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

**County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the Financial Year ended 30th June 2022.**

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1. Key Entity Information and Management

a) Background information

The Kwale County Revenue Fund was established pursuant to Article 207 of the Constitution of Kenya which 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 each County Government. The Kwale County revenue fund is domiciled in the Department of Finance Executive and Economic planning.

The department is headed by the County Executive Committee member for Finance, Executive services and Economy planning who provides the overall strategic leadership with the Chief Officer finance and economic planning being the Accounting Officer.

The fund is operated by the Chief Officer finance and the Director Accounting Services with authority from the CeCM finance. As provided for under the public finance Act, 2012, all revenue received by the county are first paid in to this fund i.e., Own Sources, Equitable share, Grants, Loans etc. Withdrawal from this fund is only for financing the County government expenses as appropriated through the Kwale County appropriation Act approved by the County Assembly and Accented by the Governor. In implementing the County programmes and contained in the County budgets and all planning instruments the County envisaged to achieve value to its citizen as reflected in its vision and Mission.

Vision

The County Vision is to be “*A Competitive industrialised and Socio-economically self-sustaining and secure county*”.

Mission

In pursuance of the above vision, the county intends “*To provide quality and efficient services through innovation and sustainable utilization of resources for better quality of life of all citizens of Kwale*”.

Core Values

Kwale County will achieve its vision and mission through a culture anchored of the Values of;

- Transparency and Accountability

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County Revenue Fund
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- Integrity
- Inclusiveness and Equity
- Empowerment,
- Quality/Results oriented and
- Innovation

b) Key Management

The management of the County Revenue Fund is under the following key organ

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

The holders of these offices in the financial year 2021-2022 and there profile are detailed below

Sno.	Name of Department/Office	Name of Officer	Designation
1	Department of finance, Executive services and Economic Planning	Hon.Bakari Hassan Sebe	CECM Finance and Economic Planning
2	Department of finance, Executive services and Economic Planning	CPA. Alex Onduko Thomas	Accounting Officer in charge of Finance
3	Department of finance, Executive services and Economic Planning	CPA.Vincent Chirima Mbito	Director Accounting Services/Finance

Management team of the County Revenue Fund during the year.

The individuals who held office during the year and their profile is given here in below;

Hon. Bakari Hassan

Sebe



County Executive Member for Finance and Economic Planning.

Hon. Bakari Hassan Sebe is the County Executive member for finance and Economic Planning, a position he has served since 2013. He holds a Masters in Business Administration from Eastern & Southern Africa Management Institute (ESAMI)/Maastricht School of Management (MsM), The Netherlands and a Bachelor of Commerce (Accounting option) from Kenyatta University.

Hon. Sebe has a distinguished career in Accounting and finance. Prior to him joining the County, He had served in various senior positions in the private and Non-governmental Organization. He previously worked as a Finance & Administration Manager at Bluebird Aviation, Finance and Administration Officer with Kenya Alliance for Advancement of Children Rights (KAACR) and As an Accountant with National Fund for the Disabled of Kenya (NFDK) among others.

CPA Alex Onduko

Thomas



Chief Officer-Finance and Economic Planning

CPA Alex Onduko Thomas joined Kwale County Government in 2013 as the Chief Officer Finance and Economic planning. He is a qualified accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) in good standing. He also holds a Masters of Business Administration from Methodist University and has attended several management courses such as, Senior Management Course (SMC) and Strategic leadership Development Programme (SLDP) both from the prestigious Kenya School of Government.

CPA Onduko has a vast experience in public finance Management having served the public service for over twenty five (25) years. He joined the public service in 1990 as an Accountant at the County Council of Nakuru and raise to the rank of a Town Treasurer, He has served as a treasurer in the following defunct local Authorities; Town Council of Kajiado, Municipal Council of Migori and Municipal Council of Busia.

**CPA Vincent Chirima
Mbito**



Director Accounting Services

CPA Vincent Chirima Mbito Holds a Masters in Finance from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and Bachelor's degree in finance and Banking from Moi University. He is a professional Accountant and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has further attended several courses in Management which include Senior Management Course (SMC) and Strategic Leadership Development Programme (SLDP) from The Kenya School of Government. He is also a certified Monitoring and Evaluation expert, having pursued a certification course in Monitoring and Evaluation from the Kenya Institute of Management.

CPA Mbito has over twenty years' experience in both private and Public sector. He served in Internal Audit at Siginton Freight Ltd a Logistic firm before joining the public service in 2001 as a revenue Officer and raise in the ranks to the present position. Before joining Kwale County as the Director Accounting Services, He served Kilifi County in the same Capacity, Malindi Municipal Council as Deputy Municipal Treasurer, Kwale Town Council as Treasurer and the County Government of Kwale as a Revenue Officer III.

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	Hon.Bakari Hassan Sebe
2.	Accounting Officer in charge of Finance	CPA Onduko Alex Thomas
3.	Director Accounting Services/Finance	CPA Vincent Chirima Mbito
4.	Assistant Director Accounting Services	Abdhala Hamisi Mwachai
5.	Assistant Director Accounting Services	CPA Margaret Umazi Kalu.

d) Fiduciary Oversight Arrangements

The County government of kwale has adequate oversight arrangements that ensure accountability in the use of funds in the County Revenue Funds. Among the these are; The County Audit Committee, The Senate, The County Assembly, The Office of the Controller of Budget and the Office of the Auditor General. The key activities of these oversight institutions are,

Audit and Finance committee activities

The County established an Audit committee which was gazetted on 29th June, 2020. The roles and responsibilities are;

- Provide assurance to management that all financial and non- financial internal controls and risk management functions are operating effectively and reliably
- Conduct an independent review of the county entities reporting functions to ensure the integrity of financial reports.
- Monitor the effectiveness of the county entities performance management and performance information.
- Provide strong and effective oversight of the county internal Audit function
- Provide effective liaison and facilitate communication between management and external Auditors.
- Provide oversight of the implementation of accepted audit recommendations
- Ensure the entities effectively monitors compliance with legislative and regulatory requirements and promotes a culture of commitment to lawful and ethical behaviour.

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The Audit committee Members.

1	CPA Leonard Jefa Kalama	Chairman
2	CPA Alex Makanga Mbega	Secretary(Director Internal Audit)
3	Mwanaidi Rama Mwang'ombe	Member
4	Ndimiro Ngana Kakongo	Member
5	CPA Kamil Saidi Bokoko	Member
6	CPA Vincent Mbito.	Member (treasury Representative)

During the financial year, there were specific consideration of the County revenue fund report as the fund is reporting independently for the first time after the public sector Accounting Standard Board gave guideline on the same. However the CRF Revenues were considered alongside the Executive financial statements.

Senate Committee Activities

The Senate is constitutionally mandated to provide oversight to the County governments through its oversight committees. It considers the reports of the Auditor general and that of the office of the controller of Budget on all County matters. This being the first time the fund has reported independently, there has never been any Audit report for the fund for consideration by the senate.

County Assembly

The County government of Kwale is accountable to the Kwale county Assembly which is constitutionally mandated to oversight its operations. The Assembly plays its oversight role through its committees such as the Public Accounts and Investments committee, The County budget and Appropriation Committee and other Various Sectorial Committees.

Controller of Budget

The Office of the Controller of budget is mandated authorise withdrawal of funds from the county revenue funds to finance the Operations of the County. The Office also prepares reports for consideration by the Senate and National Assembly. In this reporting financial year, all the withdrawals were approved as provided by law.

Office of the Auditor General

The Office of the Auditor General is constitutionally mandated to Audit all government entities and report to the Parliament and the County Assemblies. In the financial year, the Auditor general did not conduct any Audit for the fund as it had not started reporting independently.

e) County Headquarters

P.O. Box 4-80404

Kwale County Headquarters

Off Kwale- Kinango Road

KWALE, KENYA

f) County Contacts

Telephone: (254) 728-348-911

E-mail: info@kwale.go.ke

Website: www.kwale.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 30084-00100

NAIROBI, KENYA

i) Principal Legal Adviser

The County Attorney

Office of the Governor

P.O. Box 4-80403

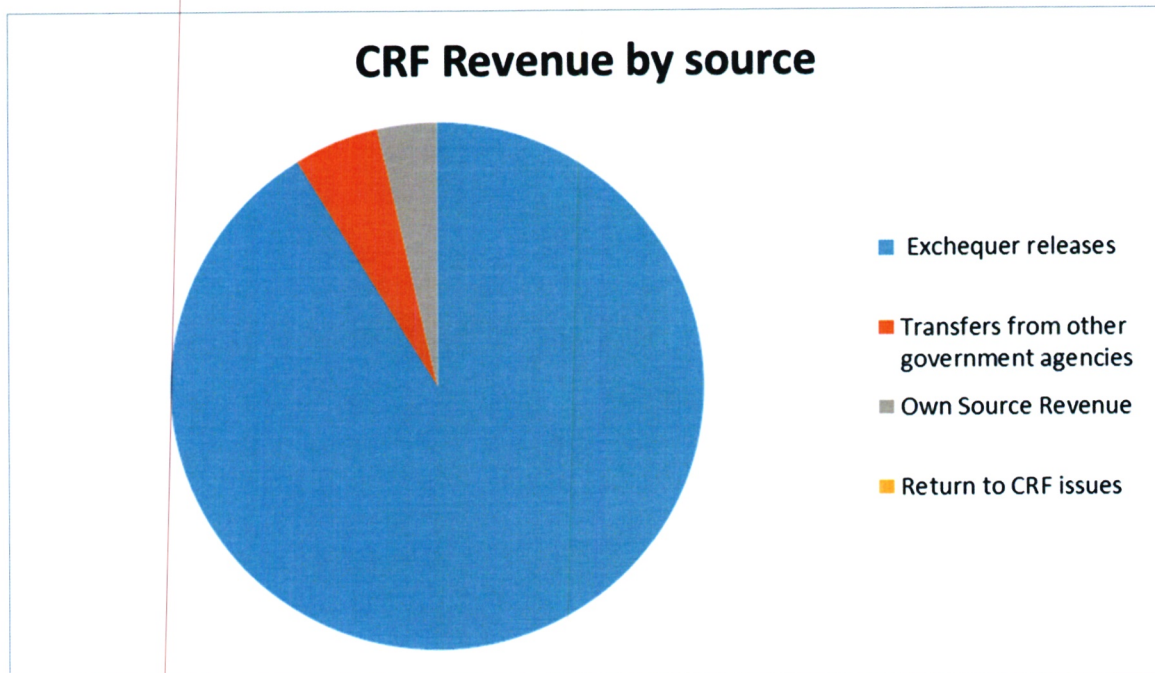
KWALE, KENYA

2. Statement by the CECM Finance

The Kwale County revenue fund account was established under Article 207 of the constitution of Kenya, 2010 and the public finance management Act, 2012 Section 109 (1). The purpose of the fund is to receive all the revenues of the County into the fund and disburses the same to the county government entities to finance the entities programmes and projects as appropriated by the County Assembly.

The fund bank account is domiciled at the Central bank of Kenya and withdrawals from the fund is done after approval from the Office of the controller of budget as provided under the constitution of Kenya and the public finance management Act,2010. The sources of revenue for the fund are, County own sources, equitable shares of revenue, grants and loans etc.

Revenues

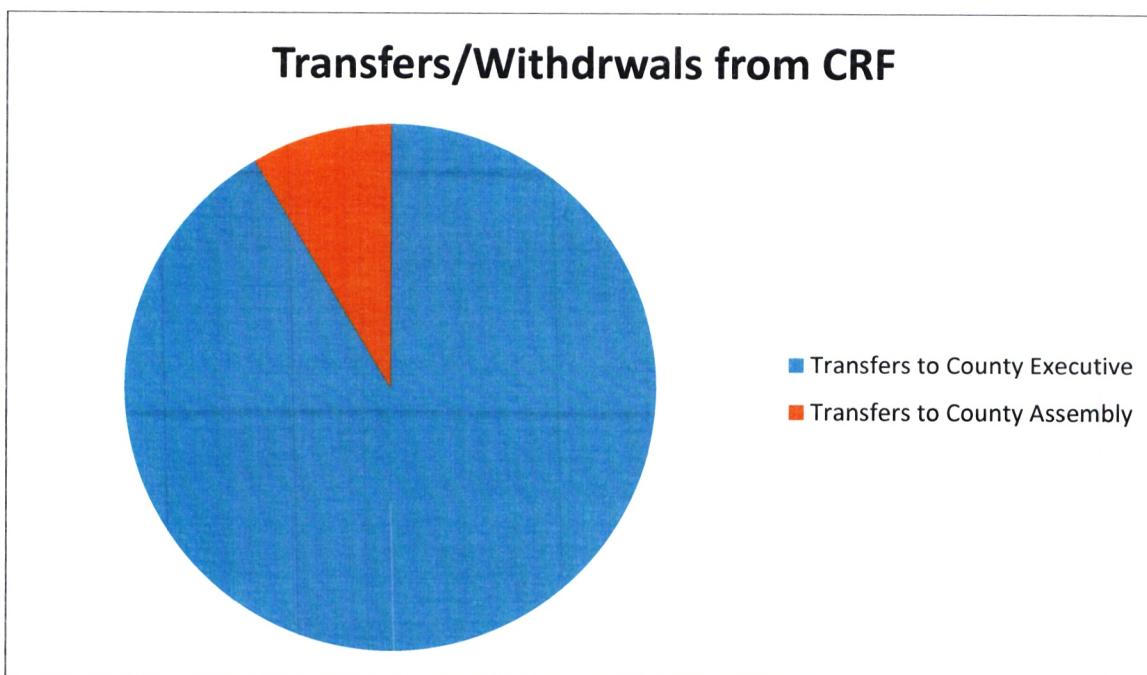


In the financial year 2021-2022, a total of kshs.8, 499,379,392 was received into the County Revenue Fund. This is drop of 13% from the actuals received same period last year against a budget of kshs. 12,765,640,173. The budget was to be financed partly through kshs. 2,629,007,982 rolled over from the previous year. Leaving an expected revenue collection for year of kshs.10, 136,632,191. The

sources of revenue for the fund are Exchequer releases which was 91 % of the total revenue, Local own source revenue 4 %, and Conditional grants 5% of the Actual revenue.

The shortfall is attributed to an under collection in Exchequer releases which dropped by 8% from last year's collection and which also 6% below the estimate for the year.

Expenditures



Payments from the County revenue fund are transfers either to the County Executive entities or to the County Assembly. During the year, a total of kshs. 9,936,175,385 was withdrawn from the fund to finance county operations with the executive received a total of Kshs 9,082,745,307 while the County Assembly receiving kshs 853,430,078 which was 91% and 9% respectively of the total funds withdrawn.

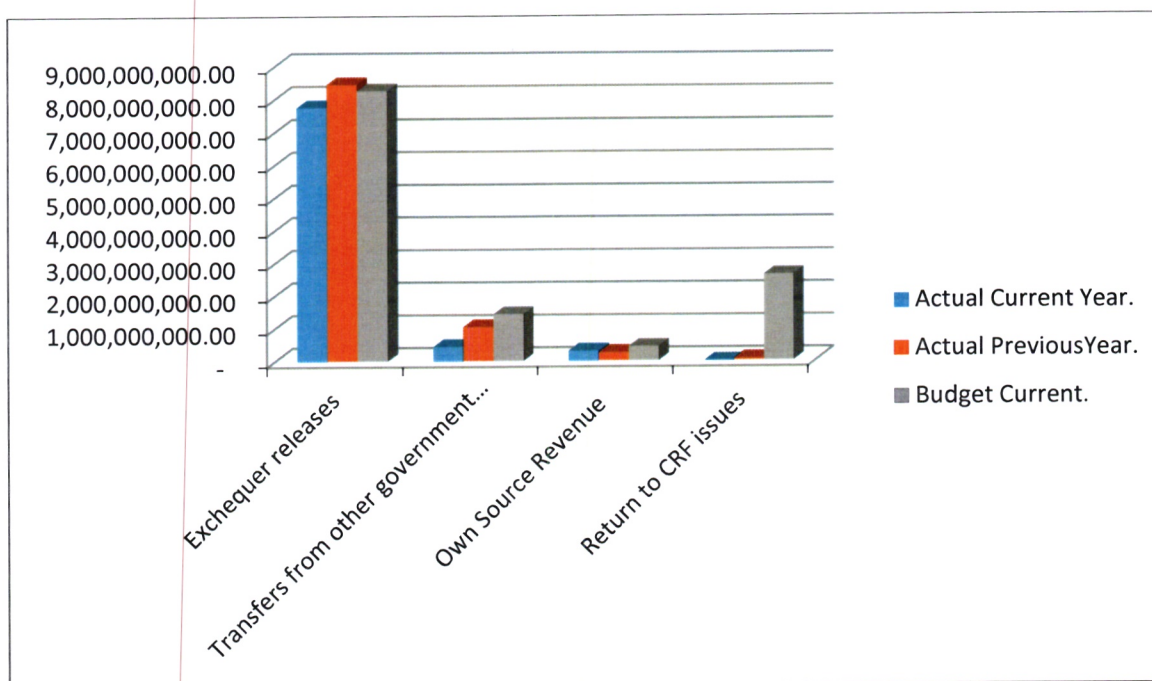
Hon. Bakari Hassan Sebe
CECM –Finance, Executive and Economic Planning
County Government of Kwale

**County Government of Kwale
County Revenue Fund
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3. Management Discussion and Analysis

Below is a detailed analysis of the fund performance for the financial year 2021-2022.

Revenue Analysis;



In the financial year 2021-2022, a total of kshs.8, 499,379,392 was received into the County Revenue Fund. This is drop of 13% from the actuals received same period last year. The budgeted revenue for the year is kshs. 12,765,640,173. This budget was partly to be financed through kshs. 2,629,007,982 rolled over from the previous year and expected receipts for year of kshs.10, 136,632,191.

The shortfall is attributed to an under collection in Exchequer releases which dropped by 8% from last year’s collection and which also 6% below the estimate for the year.

The drop in equitable share of revenue was a result of a change to the revenue sharing formula with the revised parameter working against the County. Delays in disbursement to the County are the reason why the collection did not meet the targeted estimate. The June 2022 allocation was released in July and hence accounted for in the financial year 2022-2023 in line with the cash basis reporting framework.

Another major drop in revenue was on the Transfer from other government entities which realised only 42% of the same period performance. These are Grants to the county governments which come through National government ministries. In the financial year 2021-2022, the Courts ruled that there

was no law that gives Authority to the Office of the Controller of Budget to approve Condition grants to the Counties. As a result the OCOB stopped approving grants and only resumed in the month of June after the County Grants Act was enacted by parliament.

Expenditure Analysis:



The County withdrew a total of kshs.9, 936,175,385 in the financial year to finance various county activities against a budget of kshs. 12,765,640,173 Which was 78 % below the budget. However, included in the final budget were funds in special purpose accounts rolled over from the previous year and which had not been return to CRF in line with National treasury advisory.

The low funding was as a result of delays in release of Equitable share and grants by the National Treasury. The funds however are available to the County government Entities in the financial year 2022-2023 and differed programmes can be rolled over through a supplementary budget.

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 of Kwale 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. 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 28th Sep, 2022.



.....
CPA Alex Onduko Thomas
Chief Officer – Finance Executive and Economic Planning
County Government of Kwale

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 30th June 2022.



.....
CPA Alex Onduko Thomas
Chief Officer – Finance Executive and Economic Planning

REPUBLIC OF KENYA



Enhancing Accountability

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

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

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

Opinion

I have audited the accompanying financial statements of County Revenue Fund set out on pages 1 to 15, which comprise the statement of receipts and payments, and the

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

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

In my opinion, 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 Public Finance Management Act, 2012, and the County Governments Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the 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 opinion.

Key Audit Matters

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.12,765,640,173 and Kshs.8,499,379,392 respectively, resulting in an under-funding of Kshs.4,266,260,781 (or 33%) of the budget. Similarly, the Fund made payments of Kshs.9,936,175,385 against an approved budget of Kshs.12,765,640,173, resulting in an under-expenditure of Kshs.2,829,464,788 or 22% of the budget.

The underfunding and underperformance may have affected implementation of planned activities resulting in a negative impact on delivery of serviced to the people of Kwale County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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 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 Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 Gatungu, CBS
AUDITOR-GENERAL

Nairobi

18 April, 2023

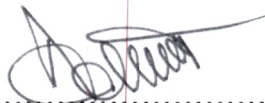
County Government of Kwale

County Revenue Fund

Annual Report and Financial Statements for the financial year ended 30th June 2022

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

		2021/22	2020/21
	Notes	Kshs.	Kshs.
Receipts			
Exchequer releases	1	7,757,636,546	8,455,487,400
Transfers from other government agencies	2	438,985,604	1,038,134,926
Other grants	3	-	-
Proceeds from Domestic Borrowing	4	-	-
Proceeds from Foreign Borrowing	5	-	-
Own Source Revenue	6	302,688,593	250,090,346
Return to CRF issues	7	68,649	58,194,720
Total Receipts		8,499,379,392	9,801,907,393
Payments			
Transfers to County Executive	8	9,082,745,307	9,031,740,117
Transfers to County Assembly	9	853,430,078	731,020,516
Other Transfers	10	-	-
Total Payments		9,936,175,385	9,762,760,633
Net increase (decrease) in cash for the year		(1,436,795,993)	39,146,760
Add Opening fund balance b/f	11	1,853,367,960	1,814,221,200
Closing Fund balance for the period	11	416,571,966	1,853,367,960

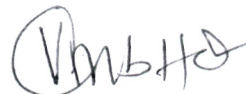


Name: CPA Alex Onduko

Chief Officer - Finance

ICPAK Member No.: 4481

Date: 28th September, 2022



Name: CPA Vincent Mbito

Director Accounting Services

ICPAK Member No.: 7692

Date: 28th September, 2022

County Government of Kwale
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8. Statement of Comparison of Budget Actual Amounts for the year ended 30th 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 %
Receipts	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Exchequer releases	8,265,585,516	-	8,265,585,516	7,757,636,546	507,948,970	94%
Transfers from other government agencies	1,178,555,997	254,490,678	1,433,046,675	438,985,604	994,061,071	31%
Other conditional grants			-	-	-	
Proceeds from Domestic Borrowing	-		-	-	-	
Proceeds from Foreign Borrowing	-		-	-	-	
Own Source Revenue	275,000,000	163,000,000	438,000,000	302,688,593	135,311,407	69%
Return to CRF issues	-	2,629,007,982	2,629,007,982	68,649	2,628,939,333	0%
Total Receipts	9,719,141,513	3,046,498,660	12,765,640,173	8,499,379,392	4,266,260,781	67%
Payments						
Transfers to County Executive	8,900,695,721	2,836,657,839	11,737,353,560	9,082,745,307	2,654,608,253	77%
Transfers to County Assembly	818,445,792	209,840,821	1,028,286,613	853,430,078	174,856,535	83%
Others			-	-	-	
Total Payments	9,719,141,513	3,046,498,660	12,765,640,173	9,936,175,385	2,829,464,788	78%

County Government of Kwale
County Revenue Fund
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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 %
Balance	-	-	-	(1,436,795,993)		

Significant under or over realisation of budget during the year.

- (a) Transfers from other government Agencies are grants to the County governments which were delayed due to lack of legislation to transfer grants to Counties after the Court ruling that OCOB had been approving Grants un-procedurally.
- (b) The Under disbursement of funds to both the Executive and County Assembly of 77% and 83 % respectively was due to delay in funding of the County by the National Treasury. The delay was partly caused by lack of legal frame work to disburse grants and poor liquidity.

Changes between the Original and Final Budget.

The Difference between the Original Budget and the Final approved budget is as result of; Additional funding through the final approved CARA which was different from the estimated during budgeting, Revoting of unutilized funds and its accompanying projects and programmes from previous financial year.

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, and other miscellaneous deposits in the County Exchequer Account.

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

d) Payments

Payments are based on the County Government Appropriation Act. The exchequer requests are received by County Treasury, which rationalizes the requests based on the available balance, consolidates the requests and forwards them to Controller of Budget (COB) for approval. Once the approval of COB is obtained, the funds are released to the County Assembly and County Executive operational accounts appropriately.

Significant Accounting Policies (Continued)

e) Fund Balances

Fund balances comprise bank balances in County Exchequer Account held at Central Bank of Kenya.

f) Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. There were no other restrictions on cash during the year.

County Government of Kwale
County Revenue Fund
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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)	7,604,338,674	8,455,487,400
Level 5 hospitals (b)	-	-
Others (Specify) © Medical Leased Equipment	153,297,872	-
Total (d=a+b+c)	7,757,636,546	8,455,487,400

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	-	56,299,894
User Fees Foregone -Ministry of Health	-	-
World Bank -Transforming Health Systems for Universal Care Project (THUSP)-Ministry of Health	-	33,752,242
World Bank-NARIGP-State Department of Crop Development	196,624,245	132,572,461
World Bank Kenya Climate Smart Agriculture (KCSAP) -State Department of Crop Development	-	-
DANIDA Grant -Primary Health care in devolved context -Ministry of Health	8,625,375	49,771,955
IDA (World Bank) Credit: Water & Sanitation Development Project (WSDP)-Min. Water, Sanitation and Irrigation	211,388,777	282,505,197
SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development	22,347,207	14,233,371
World Bank-Emergency Locust Response Project (ILRP) State Department of Crop Development	-	-
World Bank-Kenya Informal settlement improvement project (KISIP 11)-State Department of Housing & Urban Development	-	-

County Government of Kwale
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	2021/22	2020/21
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	-	-
EU Grant IDEAS Led Project	-	48,984,766
Road Maintenance Levy Fund	-	228,285,028
County Assembly Car grant	-	30,000,000
Kenya Devolution Support Programme	-	147,491,953
Kenya Urban Support Programme	-	14,238,060
Total	438,985,604	1,038,134,926

3. Other grants**

	2021/22	2020/21
	Kshs.	Kshs.
Donor 1	-	-
Donor 2	-	-
Donor 3	-	-
Others	-	-
Total	-	-

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

County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2022

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>)	-	-
Total	-	-

6. Own Source Revenue

Description	2021/22	2020/21
	Kshs.	Kshs.
Cess	25,300,932	26,071,181
Land/Poll rate	36,746,046	43,623,097
Single/Business permits	67,321,887	58,368,134
Property rent	4,132,890	6,117,918
Parking fees	15,618,110	15,009,137
Market fees	8,118,264	7,280,893
Advertising	27,036,108	10,558,007
Hospital fees	95,261,934	59,998,982
Public health service fees	5,562,086	6,927,495
Physical planning and development	5,603,042	4,189,266
Hire of County Assets	915,000	991,000
Conservancy administration	2,218,606	193,300
Administration control fees and charges	7,989,188	9,975,675
Park fees	-	-
Other fines, penalties, and forfeiture fees	-	-
Miscellaneous	864,500	786,261
Others (Specify)	-	-
TOTAL	302,688,593	250,090,346

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

County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2022

Notes to the Financial Statements (Continued)

7. Return to CRF Issues

	2021/22	2020/21
	Kshs.	Kshs.
Recurrent Account (<i>County Executive</i>)	-	4,982,806
Development Account (<i>County Executive</i>)	-	32,744,071
Recurrent Account (<i>County Assembly</i>)	-	832,682
Development Account (<i>County Assembly</i>)	-	8,145,160
Others (<i>Specify</i>)	-	-
Chief officer agriculture imprest account	-	9,870
Chief officer community Development	-	2,697,061
Chief officer Decentralised unit	-	40,430
Chief officer Education	-	147
Chief officer Executive Services	-	37,636
Chief officer Lands Imprest account	596	4,581,576
Chief officer Water Services	62,019	783
Diani Municipality	3,448	14,005
Kwale county assembly Imprest account	-	4,105,506
Kwale County Public Service Board	2,586	2,986
Total	68,649	58,194,720

8. Transfers to County Executive

	2021/22	2020/21
	Kshs.	Kshs.
Recurrent Account	5,943,410,200	5,237,328,023
Development Account	2,423,181,492	2,739,687,119
Special purpose Accounts	562,855,743	1,054,724,975
Others (Specify) Medical Leased Equipment	153,297,872	
Total	9,082,745,307	9,031,740,117

**County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2022**

Notes to the Financial Statements (Continued)

9. Transfers to County Assembly

	2021/22	2020/21
	Kshs.	Kshs.
Recurrent Account	595,287,522	660,940,626
Development Account	258,142,556	70,079,890
Special purpose accounts	-	-
Others (<i>Specify</i>)	-	-
Total	853,430,078	731,020,516

10. Other Transfers

Description	2021/22	2020/21
	Kshs.	Kshs.
Agency Notices	-	-
Others (<i>Specify</i>)	-	-
Total	-	-

11. Fund balance

	2021/22	2020/21
	Kshs.	Kshs.
County Exchequer Account - (CBK Account number 1000170697)	416,571,966	1,853,367,960
Total	416,571,966	1,853,367,960

County Government of Kwale
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11. Annexes

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

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

Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

There were no issues raised by the Auditor since this is the first year of Audit.

.....
Name: CPA Alex Onduko
Chief Officer Finance
ICPAK Member No: 4481
Date: 28th September, 2022

County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2022

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

Period (2021/22)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Equitable Share	1,363,821,610	1,363,821,610	1,363,821,610	3,512,873,844	7,604,338,674
Level 5 Hospitals	-	-	-	-	-
DANIDA - Universal Healthcare in Devolved Units Programme	-	-	-	8,625,375	8,625,375
World Bank – THUSCP	-	-	-	-	-
National Agricultural & Rural Inclusive Growth Project (NARIGP)	-	-	-	196,624,245	196,624,245
Kenya Devolution Support Programme	-	-	-	-	-
Youth Polytechnic support grant	-	-	-	-	-
Abolishment of user fees in health centres and dispensaries	-	-	-	-	-
Kenya Urban Support Programme	-	-	-	-	-

County Government of Kwale
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Period (2021/22)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Agriculture Sector Development Support Project (ASDSP)	2,500,000	-	-	19,847,207	22,347,207
Kenya Climate Smart Agriculture Project (KCSAP)	-	-	-	-	-
Water and Sanitation Development Project	-	-	-	211,388,777	211,388,777
Medical Leased Equipment				153,297,872	153,297,872
Total	1,366,321,610	1,363,821,610	1,363,821,610	4,102,657,320	8,196,622,150

County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2022

Annex 3: Analysis of Transfers from the County Revenue Fund

Period (2021/22)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
County Executive -Rec	1,183,009,720	1,770,586,139	1,452,802,525	1,537,011,816	5,943,410,200
County Executive -Dev	30,104,576	709,064,313	350,315,283	1,333,697,320	2,423,181,492
County Assembly -Rec	116,108,092	176,209,987	112,210,080	190,759,363	595,287,522
County Assembly -Dev	-	24,355,128	71,408,984	162,378,444	258,142,556
Special Purpose A/c (Specify)	-	-	-	-	-
Kwale County Primary Health Care Account	-	-	-	13,514,625	13,514,625
Kwale County Roads Maintenance Levy Fund Account	-	-	-	-	-
Kwale County Village Polytechnic Account	-	-	-	-	-
Kwale County Health Special Purpose Account	-	-	-	-	-
Kwale County Urban Support Programme Account	-	-	-	-	-
Kwale County NARIGP Account	-	6,500,000	-	196,142,651	202,642,651

County Government of Kwale
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Period (2021/22)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Kwale County Gratuity Account	-	-	-	-	-
Kwale County ASDSP Account	-	8,000,000			8,000,000
Kwale County CWSP Account	-	-	-	211,388,777	211,388,777
Kwale County COVID 19 SPA Account	-	-	-	-	-
Kwale County KDSP Account	-	102,491,953	-	-	102,491,953
Kwale County Ideas Led Project Account	-	-	-	-	-
Medical Leased Equipments				153,297,872	153,297,872
Total	1,329,222,388	2,797,207,520	1,986,736,872	3,823,008,605	9,936,175,385