

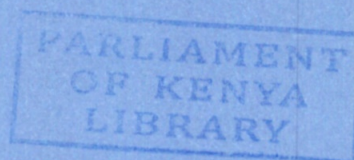
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

PAPERS LAID	
DATE	5/3/2024
TABLED BY	Mrs. L.
COMMITTEE	—
CLERK AT THE TABLE	Kawata

COUNTY REVENUE FUND

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

**COUNTY GOVERNMENT OF
KWALE**



COUNTY REVENUE FUND

County Government of Kwale

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

OFFICE OF THE AUDITOR GENERAL
P.O. Box 95202, MOMBASA

21 DEC 2023

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County Government of Kwale
County Revenue Fund
For the financial year ended 30th June 2023

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1. Acronyms and glossary of terms

a) Acronyms

CA	County Assembly
COB	Controller of Budget
CRF	County Revenue Fund
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
ROR	Receiver of Revenue
Kshs	Kenya Shillings

b) glossary of terms

Comparative FY Comparative Prior Financial Year

Fiduciary Management The key management personnel who had financial responsibility

2. Key Entity Information and Management

a) Background information

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.

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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 a County appropriation Act. In implementing the County programmes and projects contained in the County budgets and all planning instruments, the County is 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
- Integrity
- Inclusiveness and Equity
- Empowerment,
- Quality/Results oriented and
- Innovation

b) Key Management Team

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

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No.	Designation	Name
1.	CECM Finance and Economic planning	Hon.Bakari Hassan Sebe.
2.	C.O Finance	CPA.Onduko Alex Thomas
3.	Director Accounting Services/Finance	CPA.Vincent Chirima Mbito

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



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.

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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 Siginon 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.

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c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM Finance and Economic Planning	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	Abdallah 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

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- Ensure the entities effectively monitors compliance with legislative and regulatory requirements and promotes a culture of commitment to lawful and ethical behaviour.

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.

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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 Auditor

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

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i) Principal Legal Adviser

The County Attorney
Office of the Governor
P.O. Box 4-80403
KWALE, KENYA

j) County Attorney

The County Attorney
Office of the Governor
P.O. Box 4-80403
KWALE, KENYA

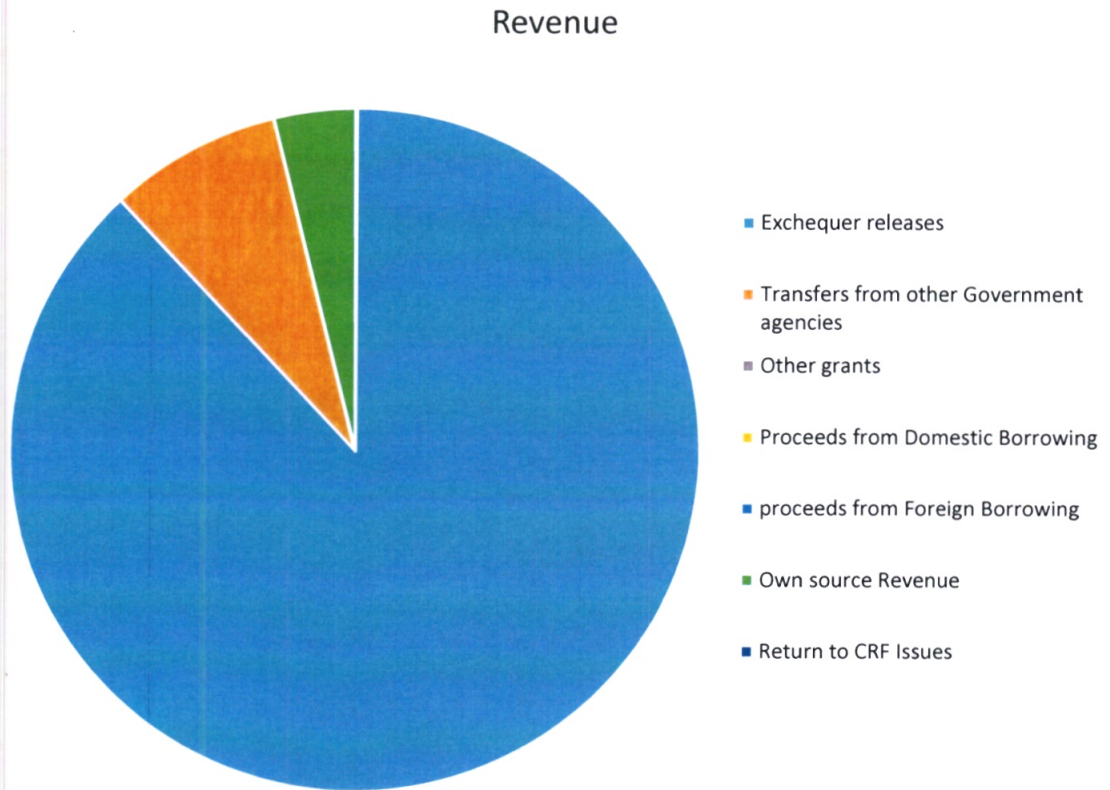
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3. Statement by the CECM Finance

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.

Revenue



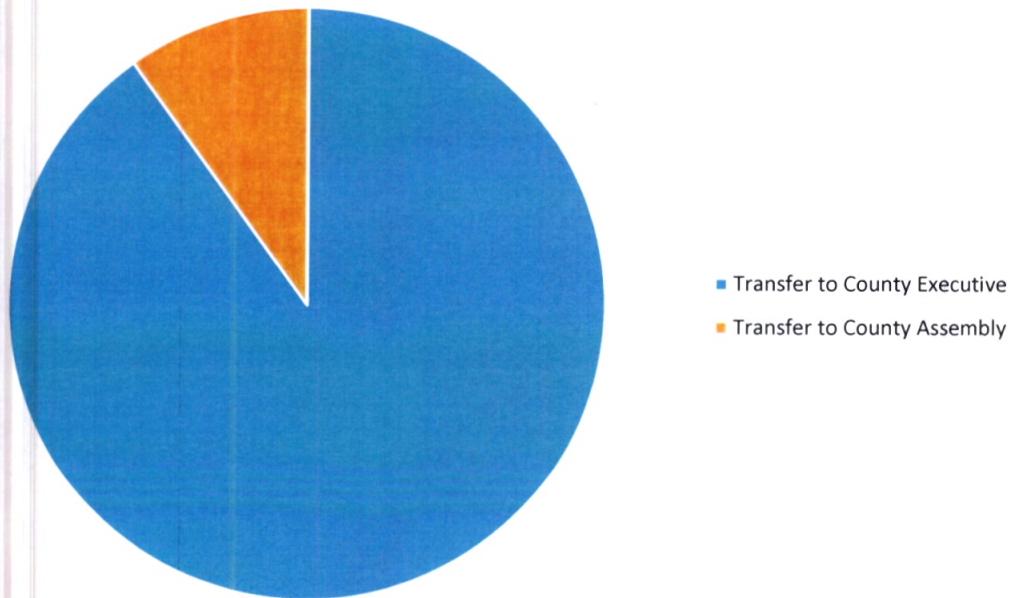
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In the financial year 2022-2023, a total of kshs.10, 265,013,696 was received into the County Revenue Fund. This is an increase of 21% from the actuals received same period last year of kshs. 8,499,379,392.00.

The amount collected is kshs, 364.507, 961.00 short of the expected current revenue collection of kshs, 10,629,521,657.00. The fund overall expenditure budget was kshs, 11, 929,409,906, was to be financed through the current revenue and Returns to exchequer (Rolled over funds kshs. 1,299,888,249).

During the year, revenue from Exchequer releases was 88 % of the total revenue while Local own source revenue and conditional grants were 4 %, and 8% of the Actual revenue respectively.

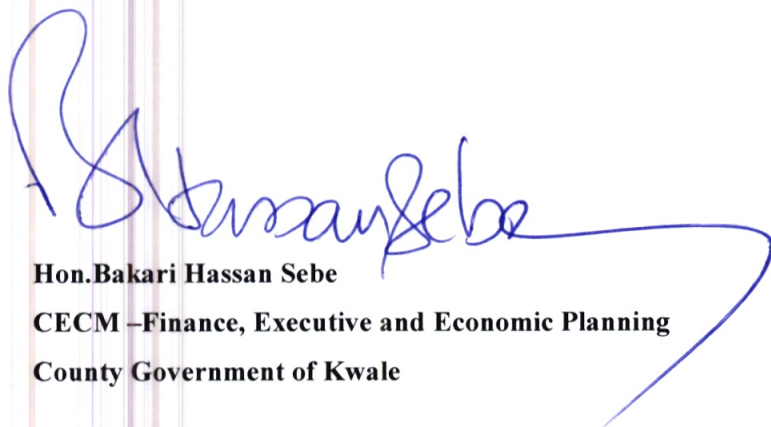
Expenditures



Payments from the County revenue fund are transfers either to the County Executive entities or to the County assembly. During the period ending 30th June 2023, a total of kshs. 9,609,349,880

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was withdrawn from the fund to finance county operations with the executive receiving a total of Kshs, 8,654,341,690 while the County assembly received kshs 955,008,190 which was 90% and 10% respectively of the total funds withdrawn.



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

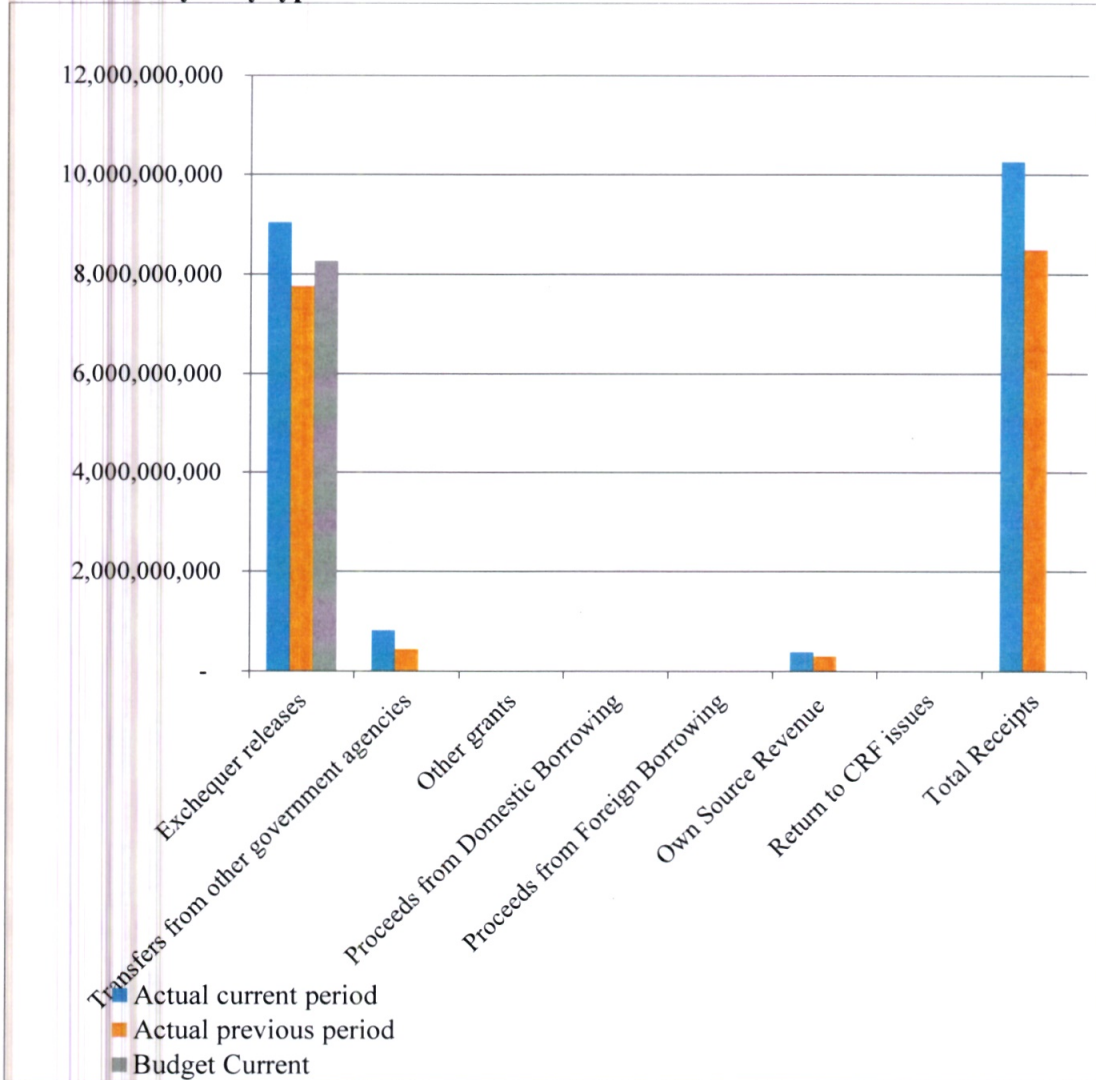
**County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2023**

4. Management Discussion and Analysis

Below is a detailed analysis of the fund performance for the financial year 2022-2023

Revenues

Revenue Analysis by type



In financial period ending 30th June, 2023, a total of kshs. 10,265,703,703 was received into the County Revenue Fund compared to the previous period total of kshs8,499,379,392.

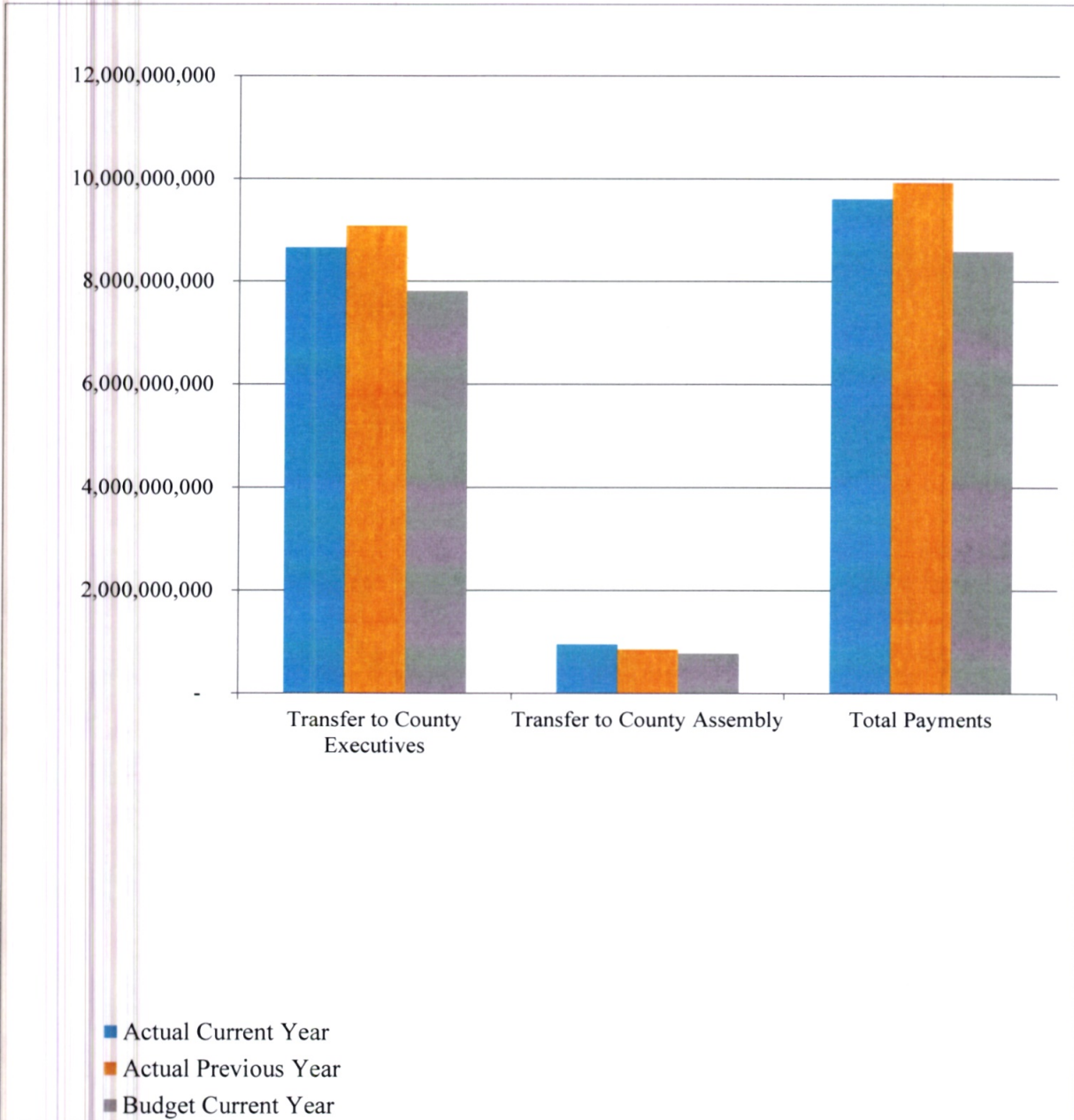
County Government of Kwale

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This was realised from only three sources; Exchequer releases of kshs 9,866,277,888. Own source revenue of kshs. 393,679,040 and Return to CRF issues of Kshs 5,746,775.

Expenditure/ Withdrawals Analysis by type;



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The County withdrew a total of kshs. 9,609,349,880 in the financial year to finance various county activities against a budget of kshs.11,929,409,906 which was 81% below the budget. The low funding was as a result of delay in release of Equitable share and grants by the National Treasury.

5. Overview of the County Revenue Fund Operations

Background

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

Receipts into the County Revenue Fund

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

Transfers from the County Revenue Fund

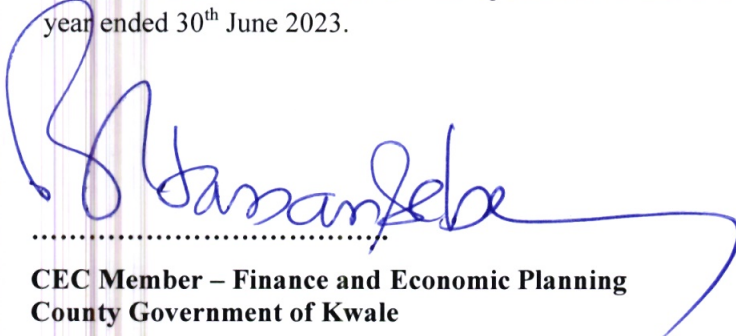
The withdrawal of funds from the County Revenue Fund is authorized by the County appropriation Act. The County Treasury is required to seek the Controller of Budget's approval for withdrawal of funds from the County Revenue Fund to the County Executive and County Assembly bank accounts. These entities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

Financial Reporting requirements

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

**County Government of Kwale
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This statement therefore covers the operations of the County Exchequer Account for the financial year ended 30th June 2023.



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**CEC Member – Finance and Economic Planning
County Government of Kwale**

6. Statement of Management Responsibility

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

The Accounting Officer at the County Treasury is responsible for the preparation and presentation of the County Revenue Fund financial statements, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Revenue Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the County Revenue Fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the County Revenue Fund's financial statements, which have been prepared on the Cash Basis Method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the County Revenue Fund's financial statements give a true and fair view of the state of the County Revenue Fund's transactions during the financial year ended June 30, 2023, and of its financial position as at that date.

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

Approval of the Financial Statements

The County Revenue Fund's financial statements were approved and signed on 28th September, 2023.

**County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2023**



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

REPUBLIC OF KENYA

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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND FOR THE YEAR ENDED 30 JUNE, 2023 - 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 the intended purpose.
- C. Report on the 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, risk management environment and 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 - County Government of Kwale set out on pages 1 to 12, which comprise the statement of receipts and payments and statement of comparison of budget and actual amounts for the year

ended 30 June, 2023 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 - County Government of Kwale as at 30 June, 2023 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.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the County Revenue Fund - County Government of Kwale Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.11,929,409,906 and Kshs.10,265,703,703 respectively, resulting in an under-funding of Kshs.1,663,706,203 or 14% of the budget. Similarly, the Fund made payments of Kshs.9,609,349,880 against an approved budget of Kshs.11,929,409,906, resulting in an under-expenditure of Kshs.2,320,060,026 or 19% of the budget. The underfunding and underperformance affected implementation of planned activities resulting in a negative impact on delivery of serviced to the people of Kwale County.

My opinion is however, not modified in respect to this matter.

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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, 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 the International Standards for Supreme Audit Institutions (ISSAIs) 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of 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 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 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 January, 2024

County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2023

6. Statement of Receipts and Payments for the Year Ended 30th June 2023.

		2022/2023	2021/2022
	Notes	Kshs.	Kshs.
Receipts			
Exchequer releases	1	9,037,470,656	7,757,636,546
Transfers from other government agencies	2	828,807,232	438,985,604
Other grants	3	-	-
Proceeds from Domestic Borrowing	4	-	-
Proceeds from Foreign Borrowing	5	-	-
Own Source Revenue	6	393,679,040	302,688,593
Return to CRF issues	7	5,746,775	68,649
Total Receipts		10,265,703,703	8,499,379,392
Payments			
Transfers to County Executive	8	8,654,341,690	9,082,745,307
Transfers to County Assembly	9	955,008,190	853,430,078
Other Transfers	10	-	-
Total Payments		9,609,349,880	9,936,175,385
Net increase/ (decrease) in cash for the year		656,353,823	-1,436,795,993
Add Opening fund balance b/f	11	416,571,967	1,853,367,960
Closing Fund balance for the year	11	1,072,925,789	416,571,967



.....
Name: CPA Alex Onduko

Chief Officer - Finance

ICPAK Member No: 4481

Date: 28th September, 2023



.....
Name: CPA Vincent Mbito

Director Accounting Services

ICPAK Member No: 7692

Date: 28th September, 2023

County Government of Kwale
 County Revenue Fund
 Annual Report and Financial Statements for the financial year ended 30th June 2023

8. Statement of Comparison of Budget Actual Amounts for the Year Ended 30th June, 2023.

Receipt/Payments	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Realization Difference	% of Realization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts	Kshs	Kshs	Kshs	Kshs	Kshs	
Exchequer releases	8,265,585,516	110,638,298	8,376,223,814	9,037,470,656	(661,246,842)	108%
Transfers from other government agencies	-	1,799,021,722	1,799,021,722	828,807,232	970,214,490	46%
Other conditional grants			-	-	0	0%
Proceeds from Domestic Borrowing			-	-	0	0%
Proceeds from Foreign Borrowing			-	-	0	0%
Own Source Revenue	315,000,000	139,276,121	454,276,121	393,679,040	60,597,081	87%
Return to CRF issues	-	1,299,888,249	1,299,888,249	5,746,775	1,294,141,474	0%
Total Receipts	8,580,585,516	3,348,824,390	11,929,409,906	10,265,703,703	1,663,706,203	86%
Payments						
Transfers to County Executive	7,806,654,643	2,953,614,191	10,760,268,834	8,654,341,690	2,105,927,144	80%
Transfers to County Assembly	773,930,873	395,210,199	1,169,141,072	955,008,190	214,132,882	82%
Others	-		-	-	-	0%
Total Payments	8,580,585,516	3,348,824,390	11,929,409,906	9,609,349,880	2,320,060,026	81%

County Government of Kwale
 County Revenue Fund
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Receipt/Payments	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Realization Difference	% of Realization
	a	b	c=a+b	d	e=c-d	f=d/c %
Balance	-	0	0	656,353,823		

Significant under or over realisation of budget during the year

- (a) The increase in exchequer of kshs.661,246,842.00 was as a result of the exchequer allocation for the month of June,2022 which was received in July,2022 and therefore recognised in the current year in line with the cash basis reporting framework.
- (b) Own source revenue realised was higher than the budgeted due to increase in collection, efficiency and improved hospital revenues.
- (c) Transfers from other Government entities under collection was as funds expected from grant which was not realised.

10. Significant Accounting Policies

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

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

c) Receipts

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

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

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

d) Payments

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

**County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2023**

Significant Accounting Policies (Continued)

e) Fund Balances

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

f) Restriction on Cash

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

County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2023

11. Notes to the Financial Statements

1. Exchequer releases

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

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Equitable Share (a)	8,926,832,358	7,604,338,674
Level 5 hospitals (b)		-
Others (<i>Specify</i>) (c)	110,638,298	153,297,872
Total (d=a+b+c)	9,037,470,656	7,757,636,546

2. Transfers from other government agencies**

Description	2022/2023	2021/2022
	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	218,371,928	196,624,245
World Bank Kenya Climate Smart Agriculture (KCSAP) - State Department of Crop Development	-	-
DANIDA Grant -Primary Health care in devolved context -Ministry of Health	24,982,246	8,625,375
IDA (World Bank) Credit: Water & Sanitation Development Project (WSDP)-Min. Water, Sanitation, and Irrigation	545,420,139	211,388,777
SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development	5,505,017	22,347,207
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		
UNFPA-9th County Programme Implementation -Ministry of Health		
EU Grant (Instruments for Devolution Advice and Support- (IDEAS)-State Department of Devolution	10,187,987	-
KfW German Development Bank- Drought Resilience	-	-

County Government of Kwale**County Revenue Fund****Annual Report and Financial Statements for the financial year ended 30th June 2023**

Description	2022/2023	2021/2022
Programme in Northern Kenya (DRPNK)-Min. Water, Sanitation, and Irrigation		
Financing locally lead climate action	22,000,000	
Kenya Urban Support Programme	2,339,915	
Total	828,807,232	438,985,604

3. Other grants

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Donor 1 (<i>Specify</i>)		
Donor 2 (<i>Specify</i>)		
Donor 3 (<i>Specify</i>)		
Others (<i>Specify</i>)		
	-	-

4. Proceeds from Domestic borrowing.

Description	2022/2023	2021/2022
	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 2023

5. Proceeds from Foreign Borrowing

Description	2022/2023	2021/2022
	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	2022/2023	2021/2022
	Kshs.	Kshs.
Cess	27,758,323	25,300,932
Land rate	63,314,568	36,746,046
Single/Business permits	63,772,760	67,321,887
Property rent	5,960,391	4,132,890
Parking fees	18,359,812	15,618,110
Market fees	9,749,210	8,118,264
Advertising	14,953,221	27,036,108
Hospital fees	155,483,605	95,261,934
Public health service fees	7,734,499	5,562,086
Physical planning and development	8,715,719	5,603,042
Hire of County Assets	968,500	915,000
Conservancy administration	3,397,200	2,218,606
Administration control fees and charges	-	-
Park fees	7,791,712	7,989,188
Proceeds from sale of assets	-	-
Other fines, penalties, and forfeiture fees	5,719,520	864,500
Miscellaneous		-
Others (<i>Specify</i>)		
Total	393,679,040	302,688,593

County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2023

7. Return to CRF Issues

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Recurrent Account (County Executive)	44,705	-
Development Account (County Executive)	249,139	-
Recurrent Account (County Assembly)	19,278	-
Development Account (County Assembly)	4,582,397	-
chief officer agriculture imprest account		-
chief officer community Development	347,595	
Chief officer Infrastructure & Public Works	14,387	
chief officer Decentralised unit		-
Chief officer Education		-
Chief officer Executive Services	109,238	596
Chief officer Lands Imprest account	1,626	62,019
Chief officer Water Services	162	3,448
Diani Municipality		-
Kwale county assembly Imprest account	346,037	2,586
Kwale County Public Service Administration	8,599	-
Chief officer Finance	6,146	-
Samburu Hospital	246	-
Msambweni Hospital	3,557	-
Kwale Hospital	22	-
Kwale County Public Service Board	13,642	-
TOTAL	5,746,775	68,649

8. Transfers to County Executive

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Recurrent Account	6,021,376,298	5,943,410,200
Development Account	1,918,452,142	2,423,181,492
Special Purpose Accounts	603,874,952	562,855,743
Others (<i>Specify</i>)	110,638,298	153,297,872
Total	8,654,341,690	9,082,745,307

County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2023

9. Transfers to County Assembly

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Recurrent Account	700,549,514	595,287,522
Development Account	254,458,676	258,142,556
Special purpose accounts		-
Others (<i>Specify</i>)		-
Total	955,008,190	853,430,078

10. Other Transfers

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Agency Notices		
Others (<i>Specify</i>)		
Total	-	-

11. Fund balance

Description	2022/2023	2021/2022
	Kshs.	Kshs.
County Exchequer Account	416,571,966	1,853,367,960
Total	416,571,966	1,853,367,960

12. Disclosure of Balances in Revenue Collection Accounts

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

**County Government of Kwale
County Revenue Fund
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Name Of Bank, Account No. & Currency	Amount in bank account currency*	Ex. rate (if in foreign currency)	2022/2023	2021/2022
			Kshs	Kshs
<i>Name Of Bank, Account No. & Currency</i>	-	-	-	-
<i>Name Of Bank, Account No. & Currency</i>	-	-	-	-
<i>Name Of Bank, Account No. & Currency</i>	-	-	-	-
<i>Name Of Bank, Account No. & Currency</i>	-	-	-	-
Total	-	-	-	-

County Government of Kwale
County Revenue Fund
Annual Report and Financial Statements for the financial year ended 30th June 2023

12. 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)
Budgetary Control and Performance	Underfunding and underperformance of the county fund may have affected implementation of planned activities	The matter has been raised with National Treasury through the Council of Governors		



.....
 Name: CPA Alex Onduko
 Chief Officer - Finance
 ICPAK Member No: 4481
 Date: 28th September, 2023

County Government of Kwale
 County Revenue Fund
 Annual Report and Financial Statements for the financial year ended 30th June 2023

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

Period (2022/23)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Equitable Share	1,363,821,611	2,025,068,452	1,363,821,610	4,174,120,685	8,926,832,358
Medical leased equipment				110,638,298	110,638,298
Exchequer Releases sub- Total	1,363,821,611	2,025,068,452	1,363,821,610	4,284,758,983	9,037,470,656
Level 5 Hospitals	-				-
DANIDA - Universal Healthcare in Devolved Units Programme	-			24,982,246	24,982,246
World Bank – THUSCP	-				-
National Agricultural & Rural Inclusive Growth Project (NARIGP)	-		127,697,570	90,674,358	218,371,928
Kenya Devolution Support Programme	-				-
Youth Polytechnic support grant	-				-
Abolishment of user fees in health centres and dispensaries	-				-
Kenya Urban Support Programme	-			2,339,915	2,339,915
Agriculture Sector Development Support Project (ASDSP)	-		5,505,017		5,505,017
Kenya Climate Smart Agriculture Project (KCSAP)	-				-
EU grant IDEAS LED PROJECT	-			10,187,987	10,187,987
COUNTY ASSEMBLY CAR GRANT	-				-
RMFL	-				-
Financing locally lead climate action				22,000,000	22,000,000
Water and Sanitation Development Project	-		325,417,009	220,003,130	545,420,139
Grants from other Government Agencies			458,619,596	370,187,636	828,807,232

County Government of Kwale
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Period (2022/23)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Sub- Total					
Total	1,363,821,611	2,025,068,452	1,822,441,206	4,654,946,619	9,866,277,888

County Government of Kwale
 County Revenue Fund
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Annex 3. Analysis Of Receipts from Own Source Revenue per Quarter

Period (2022/2023)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Cess	5,248,425.00	7,999,562	6,791,020	7,719,316	27,758,323
Land rate	4,041,866.00	7,103,870	25,207,150	26,961,682	63,314,568
Single/Business permits	1,323,220.00	3,188,760	35,792,825	23,467,955	63,772,760
Property rent	492,677.00	1,099,230	1,459,160	2,909,324	5,960,391
Parking fees	3,584,431.00	4,225,237	5,967,821	4,582,323	18,359,812
Market fees	1,773,531.00	2,730,905	2,442,917	2,801,857	9,749,210
Advertising	1,168,300.00	2,359,775	7,527,226	3,897,920	14,953,221
Hospital fees	22,491,568.00	38,121,316	33,608,495	61,262,226	155,483,605
Public health service fees	428,100.00	649,409	2,965,100	3,691,890	7,734,499
Physical planning and development	884,190.00	1,324,733	3,338,686	3,168,110	8,715,719
Hire of County Assets	246,000.00	240,000	240,000	242,500	968,500
Conservancy administration	798,500.00	810,600	843,755	944,345	3,397,200
Administration control fees and charges	1,652,127.00	698,800	2,762,645	2,678,140	7,791,712
Park fees	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Other fines, penalties, and forfeiture fees	-	-	-	-	-
Miscellaneous	158,360.00	1,654,236	680,288	3,226,636	5,719,520
Others (<i>Specify</i>)	-	-	-	-	-
Total	44,291,295.00	72,206,433	129,627,088	147,554,224	393,679,040

County Government of Kwale
County Revenue Fund
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Annex 4: Analysis of Transfers from the County Revenue Fund

Bank Account/Entity	Account Number	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total (Kshs.)
Executive Accounts						
Kwale County Executive -Recurrent Account	1000170441	1,532,075,431	1,670,271,654	698,820,292	2,120,208,921	6,021,376,298
Kwale County Executive -Development Account	1000170476	5,000,000	52,995,068	504,992,425	1,355,464,649	1,918,452,142
Sub-Total		1,537,075,431	1,723,266,722	1,203,812,717	3,475,673,570	7,939,828,440
Assembly Accounts						
Kwale County Assembly -Recurrent Account	1000241567	109,980,207	115,197,694	32,515,551	442,856,062	700,549,514
Kwale County Assembly -Development Account	1000282568	35,026,637	44,268,659	20,703,707	154,459,673	254,458,676
Sub-Total		145,006,844	159,466,353	53,219,258	597,315,735	955,008,190
Special Purpose A/c (Specify)						-
Kwale County Primary Health Care Account	1000554274				9,778,500	9,778,500
Kwale County Roads Maintenance Levy Fund Account	1000325526					-
Kwale County Village Polytechnic Account	1000370114					-
Kwale County Health Special Purpose Account	1000282223					-
Kwale County Urban Support Programme Account	1000385863				2,339,915.00	2,339,915
Kwale County NARIGP Account	1000366807			6,500,000	151,597,795	158,097,795

County Government of Kwale

County Revenue Fund

Annual Report and Financial Statements for the financial year ended 30th June 2023

Bank Account/Entity	Account Number	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total (Kshs.)
Kwale County Special Purpose Account	1000335912			8,856,000		8,856,000
Kwale County ASDSP Account	1000366818			11,005,017		11,005,017
Kwale County CWSP Account	1000438509			325,417,009		325,417,009
Kwale County COVID 19 SPA Account	1000454989					-
Kwale County KDSP Account	1000440527					-
Kwale County Ideas Led Project Account	1000399918				10,187,987	10,187,987
Kwale county National value chain development project					67,192,729	67,192,729
Financing locally lead climate action	1000618957				11,000,000	11,000,000
Sub-Total		-	-	351,778,026	252,096,926	603,874,952
Grand Total		1,682,082,275	1,882,733,075	1,608,810,001	4,325,086,231	9,498,711,582