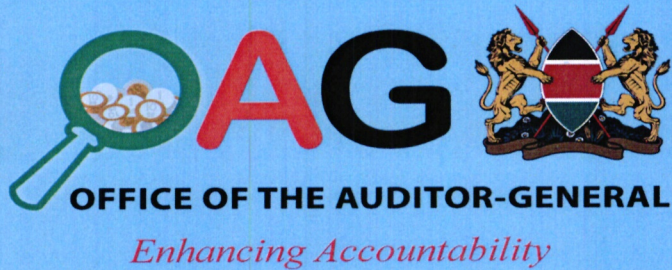


REPUBLIC OF KENYA



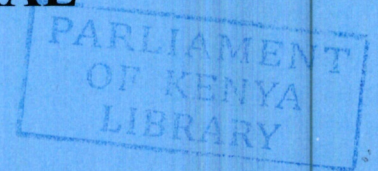
REPORT

OF

PAPERS LAID	
DATE	25/5/2023
TABLED BY	Maj. Leader
COMMITTEE	-
CLERK AT THE TABLE	Chania

THE AUDITOR-GENERAL

ON



COUNTY REVENUE FUND

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

COUNTY GOVERNMENT OF KITUI

Issued June 30th, 2022



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

03 MAR 2023

RECEIVED

COUNTY REVENUE FUND

(County Government of Kitui)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022.

County Government of Kitui
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

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

b) Key Management

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

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

c) Fiduciary Management

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

No.	Designation	Name
1.	CECM Finance and Economic Planning	- Bernard Katungi
2.	Accounting Officer in charge of Finance	- Dr Justus Kalii
3.	Director Accounting Services/Finance	- CPA Joel Muyanga

d) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at the County for the year ended 30th June 2022 were:

- **County Assembly of Kitui** - the Constitution confers the county's legislative authority to the County Assembly. The County Assembly make laws that are necessary to ensure county governments perform their functions under the Fourth Schedule of the constitution. A County Assembly exercises oversight on the county executive committee. County Assembly receives and approves plans and policies that affect the management and exploitation of the county's resources. County Assembly approves development and management of county infrastructure, resources and institutions.
- **Kitui County Assembly Public Investment and Accounts Committee** - Examine accounts showing appropriations by the County assembly to meet public expenditure and reports on the workings of the County public investments.
- **Kitui County Assembly County Budget and Appropriation Committee** - Investigate inquire into and report on all matters related to the budget and county budget policy

statement. The committee also review the county budget estimates and make recommendations to the County Assembly.

- **Kitui County Assembly Finance and Economic Planning Committee** – investigate reports on the implementation of County budget.
- **Kitui County Budget and Economic Forum** - coordinate and collect views from the public during the budgeting process and the forum act as a think-tank for the County government in terms of financial and economic management. Assist the county to analyse and identify its priorities as they budget for programs. The forum improves coordination between the citizens and government as they bring about harmonization of project implementation and funding.
- **Audit Committee** - promote the integrity and quality of internal and external reports by providing a high level of assurance and check. The audit committee also foster and promotes a more effective and efficient audit process by providing an independent review of the internal audit annual work plan and reports.
- **Controller of Budget** - oversees the implementation of the budgets of both national and county governments. The Controller of budget monitors the use of public funds in-year and reports to Parliament on how the funds have been utilized. The office authorises withdrawals from county revenue fund as per the County Appropriation Act.
- **National Treasury** - Formulate, implement, and monitor macroeconomic policies involving expenditure and revenue. National treasury also assists county governments to develop their capacity for efficient, effective, and transparent financial management.
- **The Senate Committee on Public Investments and Accounts** - investigate on the reports and accounts of the public investments. They also examine the reports, if any, of the Auditor General on the public investments; and checks the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments, are being managed in accordance with sound financial practices.
- **Donor Appointed Auditors for the various grants** - promote the integrity and quality of internal and external reports by providing a high level of assurance and check. They ensure the county spending is in agreement with donor conditions and guidelines.

e) County Headquarters

P. O. Box 33 90200
Kitui County Headquarters Building
KITUI, KENYA

f) County Contacts

Telephone: 044-4422041, 044-4422304
E-mail: info@kituicounty.go.ke
Website: www.kitui.go.ke

g) County Bankers

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

h) Independent Auditors

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

i) Principal Legal Adviser

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
NAIROBI, KENYA

Statement by the CECM Finance

Performance of the County Revenue Fund

Analysis of Revenues

During the financial year under review, the County Government of Kitui had a total revenue of **Kshs 10.980** billion, comprising of **Kshs 9.562** billion being equitable share and other receipts totalling to **Kshs. 1.417** billion. Other receipts comprised of **Kshs 0.205** billion being conditional grants, **Kshs 0.359** billion local revenues and **Kshs 0.846** billion being funds carried over from the previous financial year (revote). The county did not receive equitable share funds of **Kshs 0.83 billion** for the year ending June 2022, being the June disbursement for the financial year 2021/2022.

Overall, the county government was able to realise Kshs 10.98 billion (or 88%) of all the budgeted revenue due to underperformance in all the revenue estimate sources. The equitable share for month of June never received by closure of the financial year led to underperformance of 8% or **Kshs 0.83 billion**. Receipts from grants amounted to **Kshs 205 million**, being occasioned by the delays in the approval of the grants financing framework by the National Assembly. This happened later in the financial year and counties received the first disbursement of grants in June 2022. Own source revenue also failed to meet target by collecting **Kshs 359 million** against a target of **Kshs 800 million** leading to an adverse variance of 55%.

Table 1: Budget Analysis by Revenue Streams (Kshs. Millions)

Revenue Streams	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Equitable share	8,652	8,729	8,830	9,589	10,393
Local Revenue	528	760	600	600	800
Conditional grants	744	1,005	1,599	831	434
Revote	1,318	1,193	765	818	846
Total	11,243	11,688	11,795	11,839	12,473

Source: Kitui County Treasury

An analysis of the composition of County revenue reveals that the equitable share accounts for about **83%** of total revenue while grants accounted for slightly more than **3%**, local revenues accounted for **6%** and revote brought forward accounted for **7%** of the Budget. Both local and foreign grants have grown over time to replace a portion of equitable share, reducing its percentage from over **90%** at the inception of devolution in 2013 to about **83%** in 2021-2022 financial years. Over the years conditional grants from National Government and National Government entities have also grown in numerical terms as well as a percentage of the overall budget.

Disbursement of County Revenue Fund for the Year

The table below shows how the total CRF receipts for the financial year ended 30 June 2022 were disbursed.

Period (2021/22)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
County Executive -Recurrent	1,492,842,711	1,895,435,602	693,720,995	2,301,093,606	6,383,092,914
County Executive -Development	45,786,918	503,648,479	717,796,908	995,579,098	2,262,811,403
County Assembly -Recurrent	176,375,489	199,408,522	303,487,215	237,277,236	916,548,462
County Assembly -Development	-	-	-	-	-
Special Purpose Accounts (Specify)					
Agricultural Sector Development Support Program (ASDSP)		2,500,000		14,426,637	16,926,637
Transforming Health Systems				23,942,835	23,942,835
Emergency Locust Response Program				14,076,914	14,076,914
National Agriculture and Rural Inclusive Growth Project (NARIGP)				150,349,620	150,349,620
Total	1,715,005,118	2,600,992,603	1,715,005,118	3,736,745,946	9,767,748,785

There were delays in the release of grants during the period under review. All grants were received in the last quarter of 2021/22 except for ASDSP which had disbursed Kshs 2.5m in the second quarter.

Sign



CECM Finance and Economic Planning

County Government of Kitui

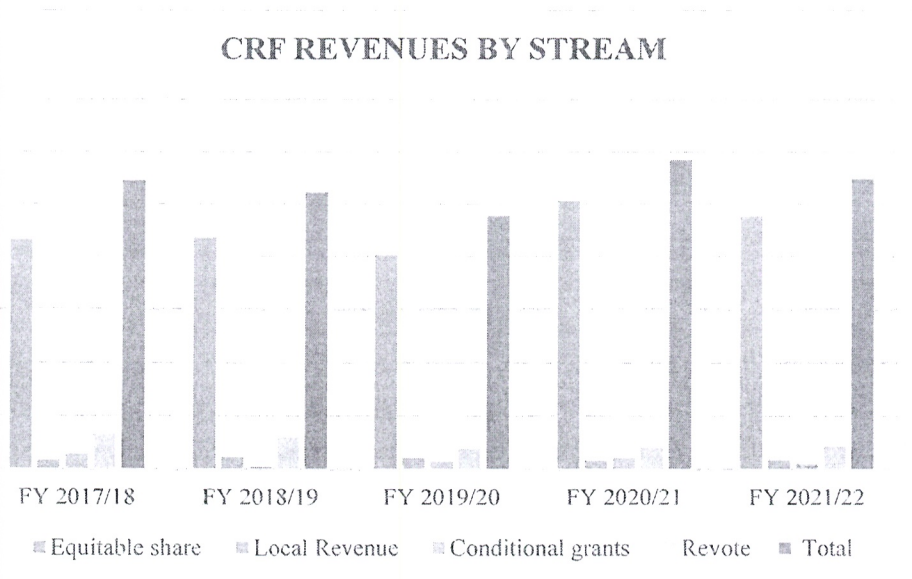
2. Management Discussion and Analysis

A trend wise analysis of the County Revenue Fund (CRF) per item classification as a proportion of the total revenue over the last five years reveals that of all the major sources, equitable share has increased by 11% through the FY 2021/22, own source revenue has remained at an average of 373 million per year while conditional grants decreased between the FY 2017/18 and 2018/19 but picked up again to 428M in 2020/21. There was a major decline recorded in the financial year under review since most of the donors withheld funds it being an election year.

A comparison of revenue streams to the CRF account over a period of five years;

Revenue Streams	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Equitable share	8,652	8,729	8,070	10,135	9,562
Local Revenue	335	447	408	316	359
Conditional grants	584	73.5	308	428	212
Revote	1,318	1,193	765	818	846
Total	10,889	10,443	9,551	11,697	10,979

Source; County Treasury



The revote has greatly reduced in the current years as compared to the financial years 2017/18 and 2018/19 an indication that the budget absorption rate has increased over the years as devolution continues to mature. The revote amount has remained significant only for period when equitable share for the month of June is delayed and disbursed in the following financial year.

3. Statement of Management Responsibility

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


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

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

The Accounting Officer further confirms the completeness of the accounting records maintained for the County Revenue Fund which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control. The Accounting Officer confirms that the County Revenue Fund has complied fully with applicable Government Regulations and the terms of external financing covenants. 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 _____ 2022.

Signature 
Name _____
Chief Officer - Finance
County Government of Kitui

4. 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.


.....
Name

John Makau

Chief Officer – Finance

REPUBLIC OF KENYA

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



Enhancing Accountability

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 KITUI

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Revenue Fund - County Government of Kitui set out on pages 1 to 11, which comprise of the statement of receipts

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Revenue Fund - County Government of Kitui 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). The Public Financial Management Act 2012 and comply with Article 207 of the Constitution of Kenya for the establishment of County Revenue Fund.

Basis for Qualification

1. Inaccuracies in the Financial Statements

Review of the financial statements for County Revenue Fund presented for audit revealed the following inaccuracies:

1.1 Discrepancies Between the Financial Statements and the Notes Amounts

Review of statement of receipts and payments figures against the corresponding Notes to the financial statements revealed the following variances;

Item	Figures in the Statement of Receipts and Payments (Kshs.)	Note	Figures in the Notes (Kshs.)	Variances (Kshs.)
Exchequer Releases	9,767,748,785	1	9,921,672,021	153,923,236
Transfers from Other Government Agencies	0	2	205,296,005	205,296,005
Closing Fund Balance	1,347,043,064	11	860,015,254	487,027,810
Other Transfers	0	10	672,174,541	672,174,541

The following variance were observed between the opening balances for components in the statement of receipts and payments and the corresponding Notes as detailed below;

Item	Opening Balance Figures in the Statement of Receipts and Payments (Kshs.)	Note	Opening Balance Figures in the Notes (Kshs.)	Variances (Kshs.)
Exchequer Releases	10,563,746,353	1	10,879,990,989	316,244,636
Transfers from Other Government Agencies	0	2	874,167,390	874,167,390

Item	Opening Balance Figures in the Statement of Receipts and Payments (Kshs.)	Note	Opening Balance Figures in the Notes (Kshs.)	Variances (Kshs.)
Closing Fund Balance	1,344,713,837	11	818,657,700	526,056,137
Other Transfers	0	10	508,462,408	508,462,408

1.2 Misstatements in the Statement of Receipts and Payments

- i. The statement of receipts and payments reflects total closing fund balances of Kshs.1,347,043,064 and Kshs.1,344,713,837 for 2021/2022 and 2020/2021 financial years while recasting yielded Kshs.372,987,444 and Kshs.292,601,563 resulting to unreconciled difference of Kshs.974,055,620 and Kshs.1,052,112,274 respectively.
- ii. The statement of receipts and payments references Note 11 to the closing balance while Note 11 to the financial statements references to the opening fund balance.
- iii. The statement of receipts and payments reflects total receipts of Kshs.9,280,720,975 which differs from Kshs.10,980,411,887 reflected in the statement of comparison of budget and actual amounts resulting to unreconciled difference of Kshs.1,699,690,912.

2. Inaccuracies in Own Generated Revenue

The statement of receipts and payments and Note 6 to the financial statements reflects Kshs.359,219,242 as own source revenue. However, analysis of the CRF statement for inward receipts from revenue collection account (KCB) reflects Kshs.358,676,513 resulting to unexplained variance of Kshs.542,729.

Further review of the KCB Collections account against the CRF statements showed that revenues amounting to Kshs.352,196,374.00 were collected and transferred to the CRF account resulting to untransferred revenue of Kshs.7,022,868. In addition, the County receiver of revenue statement of receipts and disbursements and the supporting schedules provided for audit review by the County Executive showed own generated revenue amounting to Kshs.361,271,341 which varies with the reported amount of Kshs.359,219,242 by Kshs.2,052,099.

In the circumstances, the accuracy and the completeness of the County own source revenue could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Revenue Fund - County Government of Kitui Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were 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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the County Revenue Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the basis of accounting unless Management is aware of the intention to terminate the Fund 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 County Revenue Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

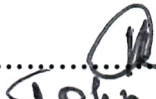

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 May, 2023

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


		2021/22	2020/21
	Notes	Kshs.	Kshs.
Receipts			
Exchequer releases	1	9,767,748,785	10,563,746,353
Transfers from other government agencies	2	-	-
Other grants	3	-	-
Proceeds from Domestic Borrowing	4	-	-
Proceeds from Foreign Borrowing	5	-	-
Own Source Revenue	6	359,219,242	316,244,636
Return to CRF issues	7	(846,247,052)	(842,300,773)
Total Receipts		9,280,720,975	10,037,690,216
Payments			
Transfers to County Executive	8	8,851,200,323	9,771,904,953
Transfers to County Assembly	9	916,548,462	791,841,400
Other Transfers	10	-	-
Total Payments		9,767,748,785	10,563,746,353
Net increase (decrease) in cash for the year		487,027,810	526,056,137
Add Opening fund balance b/f	11	860,015,254	818,657,700
Closing Fund balance for the period	11	1,347,043,064	1,344,713,837

.....

 Name John Makau

Chief Officer - Finance

ICPAK Member No. 6571

Date: 2/3/2023

.....

 Name Joel Mwangi

Director Accounting Services

ICPAK Member No. 17969

Date: 2/3/2023

County Government of Kitui
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7. Statement of Comparison of Budget vs Actual Amounts for the year ended 30th June, 2022.

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
Receipts						
Exchequer releases (Transfers from the CRF)	10,393,970,413	-	10,393,970,413	9,562,452,779	831,517,634	92%
Other receipts	2,105,804,862	(31,032,713)	2,074,772,149	1,417,959,108	656,813,041	68%
Total	12,499,775,275	(31,032,713)	12,468,642,561	10,980,411,887	1,488,230,674	88%
Payments						
Compensation of employees	4,733,971,569	20,599,483	4,754,571,052	4,325,180,836	429,390,216	91%
Use of goods and services	2,397,544,862	(209,718,76)	2,187,726,094	1,961,942,463	225,783,631	90%
Subsidies	50,000,000	-	50,000,000	50,000,000	-	100%
Transfers to other government units	1,007,399,062	53,958,369	1,061,357,431	916,548,462	144,808,969	86%
Other grants and transfers	829,573,515	179,664,839	1,009,238,354	672,174,541	337,063,813	67%
Social security benefits	-	-	-	-	-	0%
Acquisition of assets	3,481,286,267	(155,536,63)	3,325,749,630	2,737,376,629	588,373,001	82%
Other payments	-	80,000,000	80,000,000	-	80,000,000	0%
Total	12,499,775,275	(31,032,714)	12,468,642,561	10,663,222,931	1,805,419,630	86%

(a) The low realization rate of other receipts is a result of undisbursed donor funds amounting to **Kshs. 292,152,573** that had been budgeted for the **Kitui County Empowerment Fund** as well as unrealized own source revenue **Kshs. 364,660,468**

(b) Other grants and transfers amounting to **Kshs. 337,063,813** and a total budget of **Kshs. 80M** were not absorbed due the late disbursement of funds to the CRF account by the National Treasury.

(The changes between the original and final budgets are as a result of reallocations that happened through supplementary budgets within the year.)

8. Significant Accounting Policies

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

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

c) Receipts

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

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

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

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

d) Payments

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

Significant Accounting Policies (Continued)

e) Fund Balances

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

f) Restriction on Cash

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

9. 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)	9,562,452,779	10,563,746,353
Level 5 hospitals (b)	-	-
Others (<i>Specify</i>) (c) (<i>own source revenue</i>)	359,219,242	316,244,636
Total (d=a+b+c)	9,921,672,021	10,879,990,989

2. Transfers from other government agencies**

	2021/22	2020/21
	Kshs.	Kshs.
Road Maintenance Levy	-	264,131,437
Covid-19	-	-
Development of Youth Polytechnics-State Department of TVETS	-	92,149,894-
User Fees Foregone -Ministry of Health		22,499,906
World Bank -Transforming Health Systems for Universal Care Project (THUSP)-Ministry of Health	23,942,835	36,872,242
Word Bank-NARIGP-State Department of Crop Development	150,349,619	199,218,201
World Bank Kenya Climate Smart Agriculture (KCSAP) - State Department of Crop Development	-	-
DANIDA Grant -Primary Health care in devolved context -Ministry of Health	-	25,110,000
IDA (World Bank) Credit: Water & Sanitation Development Project (WSDP)-Min. Water, Sanitation and Irrigation	-	-
SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development	16,926,637	12,929,648
Word Bank-Emergency Locust Response Project (ELRP) State Department of Crop Development	14,076,914	-
Word Bank-Kenya Informal settlement improvement project (KISIP 11)-State Department of Housing & Urban Development	-	-

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	2021/22	2020/21
UNFPA-9th County Programme Implementation - Ministry of Health	-	-
Ministry of Agriculture - LOCUST PROJECT(ELRP)		29,223,000
Kenya Urban Support Programme	-	126,367,908
Kenya Devolution Support Programme		157,815,048
	205,296,005	874,167,390

3. Other grants**

	2021/22	2020/21
	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

	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	-	-

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.
Rents	1,999,800	2,580,457
Other Property Income	10,374,824	11,858,506
Sales of Market Establishments		
Receipts from Administrative Fees and Charges	14,190,148	19,202,870
Receipts from Incidental Sales by Non-Market Establishments		6,610,845
Receipts from Sales by Non-Market Establishments	6,030,092	
Receipts from Sale of Incidental Goods	1,318,276	1,638,738
Fines, Penalties and Forfeitures	106,400	1,270,153
Receipts from Voluntary transfers other than grants		
Liquor Licences	9,128,100	11,970,550
Business Permits	61,506,705	60,956,577
Cess	7,389,550	10,180,551
Sign Boards and Advertising fees	16,063,191	20,371,750
Poll Rates		
Plot Rents/Rates	13,450,023	28,677,704
Lease / Rental Of Council's Infrastructure Assets	1,044,537	26,000
Other Miscellaneous Receipts		6,855,418
Market/Trade Centre Fee	10,941,907	16,297,960
Vehicle Parking Fees	10,347,962	13,759,590
Social Premises Use Charges	116,540	

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Other Education-Related Fees		
Other Education Receipts		
Public Health Services		5,020
Public Health Facilities Operations	188,556,171	92,746,560
Environment & Conservancy Administration		8,600
Slaughter Houses Administration	1,788,290	4,265,678
Water Supply Administration		
Sewerage Administration		
Other Health & Sanitation Revenues		
Technical Services Fees	4,866,727	4,099,764
External Services Fees		2,672,516
Other receipts not Classified elsewhere		188,829
TOTAL	359,219,242	316,244,636

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

Notes to the Financial Statements (Continued)

7. Return to CRF Issues

	2021/22	2020/21
	Kshs.	Kshs.
Recurrent Account (<i>County Executive</i>)	846,247,052	842,300,773
Development Account (<i>County Executive</i>)	-	-
Recurrent Account (<i>County Assembly</i>)	-	-
Development Account (<i>County Assembly</i>)	-	-
Others (<i>Specify</i>)	-	-
Total	846,247,052	842,300,773

(Returned CRF issues are as a result of late disbursement of funds to the CRF account by the National treasury leading to delays in payment especially at the closure of the financial year. As a result, the desired absorption rate of funds is not met)

8. Transfers to County Executive

	2021/22	2020/21
	Kshs.	Kshs.
Recurrent Account	6,383,092,914	7,402,637,539
Development Account	2,262,811,403	2,369,267,414
Special purpose Accounts	205,296,006	-
Others (<i>Specify</i>)	-	-
Total	8,851,200,323	9,771,904,953

(On the basis of the Division of Revenue Bill passed by Parliament under Article 218, each county government shall prepare and adopt its own annual budget and appropriation Bill in the form, and according to the procedure, prescribed in an Act of Parliament.

Withdrawal of the funds was authorized through the Kitui County appropriation Act, 2021 No. 4 of 2021. AN ACT of the County Assembly of Kitui to authorize the issue of a sum of money out of the County Revenue Fund and its application towards the service of the year ending the 30th of June 2022 and to appropriate the funds for certain public services and purposes.)

The difference in figure between the amounts reported for special purpose accounts in the submitted County Executive Annual Financial statements (212,492,814) and the CRF Financial Statement (205,296,006) is as a result of receipts (7,196,808) for the KCEP-CRAL donor project whose funds do not go through the CRF account but are credited directly to the operations account.

Notes to the Financial Statements (Continued)

9. Transfers to County Assembly

	2021/22	2020/21
	Kshs.	Kshs.
Recurrent Account	916,548,462	791,841,400
Development Account	-	-
Special purpose accounts	-	-
Others (<i>Specify</i>)	-	-
Total	916,548,462	791,841,400

(As per the Kitui County appropriation Act, 2021 No. 4 of 2021, the amount required and authorized in the year ending 30 June 2022 for salaries and expenses of the County assembly including general administration, planning and support services amounted to Kshs. 936,616,229)

10. Other Transfers

Description	2021/22	2020/21
	Kshs.	Kshs.
Scholarships and other Educational Benefits	46,943,795	45,450,020
Emergency Relief and Refugee Assistance	-	-
Transfers to Level IV Hospitals	358,935,045	359,988,397
Other Current Transfers, Grants and Subsidies	194,531,675	25,812,246
Other Capital Grants and Transfers	71,764,026	77,211,745
TOTAL	672,174,541	508,462,408

(Scholarship and other educational benefits is a program that supports needy and bright students by disbursing bursaries to various schools and colleges while other capital grants and transfers is donor program that supports farmers to grow drought-resistant crops like sorghum in order to boost their economic activities)

11. Fund balance

	2021/22	2020/21
	Kshs.	Kshs.
County Exchequer Account - (<i>CBK Account number 1000171111</i>)	860,015,254	818,657,700
Total	860,015,254	818,657,700

10. 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)

(The County Revenue Fund Financial statement for Kitui County Executive has not been audited before and therefore there are no unresolved audit issues)

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John Makau

Name

Chief Officer Finance

ICPAK Member No 6571

Date

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	1,715,005,118	2,598,492,603	1,715,005,118	3,533,949,940	9,562,452,779
Level 5 Hospitals	-	-	-	-	-
DANIDA - Universal Healthcare in Devolved Units Programme	-	-	-	-	-
World Bank – THUSCP	-	-	-	23,942,835	23,942,835
National Agricultural & Rural Inclusive Growth Project (NARIGP)	-	-	-	150,349,620	150,349,620
Kenya Devolution Support Programme	-	-	-	-	-
Youth Polytechnic support grant	-	-	-	-	-
Abolishment of user fees in health centres and dispensaries	-	-	-	-	-
Kenya Urban Support Programme	-	-	-	-	-
Agriculture Sector Development Support Project (ASDSP)	-	2,500,000	-	14,426,637	16,926,637
Emergency Locust Response Project	-	-	-	14,076,914	14,076,914
Water and Sanitation Development Project	-	-	-	-	-
Total	1,715,005,118	2,600,992,603	1,715,005,118	3,736,745,946	9,767,748,785

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	1,492,842,711	1,895,435,602	693,720,995	2,301,093,606	6,383,092,914
County Executive -Dev	45,786,918	503,648,479	717,796,908	995,579,098	2,262,811,403
County Assembly -Rec	176,375,489	199,408,522	303,487,215	237,277,236	916,548,462
County Assembly -Dev	-	-	-	-	-
Special Purpose Accounts (Specify)	-	-	-	-	205,296,006
Agricultural Sector Development Support Program (ASDSP)	-	2,500,000	-	14,426,637	-
Transforming Health Systems	-	-	-	23,942,835	-
Emergency Locust Response Program	-	-	-	14,076,914	-
National Agriculture and Rural Inclusive Growth Project (NARIGP)	-	-	-	150,349,620	-
Total	1,715,005,118	2,600,992,603	1,715,005,118	3,736,745,946	9,767,748,785