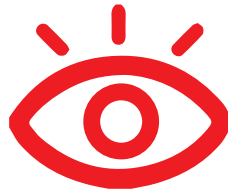


AUDITOR-GENERAL'S REPORT ON COUNTY GOVERNMENTS REVENUE FUNDS

2022-2023



VISION

Making a difference in the lives and livelihoods of the Kenyan people



MISSION

Audit services that impact on effective and sustainable service delivery



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• Accountability • Independence

AUDITOR-GENERAL'S REPORT

ON

COUNTY GOVERNMENTS

REVENUE FUNDS

2022/2023

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Foreword

This Report is a compilation of the audit reports of the forty-seven (47) County Government Receivers of Revenue and County Revenue Funds for the year ended 30 June, 2023.

The Auditor-General is mandated by the Kenyan Constitution, under Article 229, to audit and report on the use of public resources by all entities funded from public funds. These entities include the National Government, County Governments, the Judiciary, Parliament, Statutory Bodies/State Corporations, Commissions, Independent Offices, Public Debt, Political Parties funded from public funds, other Government Agencies and any other entity funded from public funds. In addition, Article 229(6) requires the Auditor-General to confirm whether or not public resources have been applied lawfully and effectively. The mandate of the Auditor-General is further expounded by the Public Audit Act, 2015.

Article 229(7) of the Constitution requires the Auditor-General to audit and submit reports to Parliament or the relevant County Assembly within six (6) months after the end of the financial year. However, Section 81(4) of the Public Finance Management Act, 2012, reduces the timeline to three (3) months by giving entities leeway to prepare and submit financial statements for audit at the end of September each year. This reduces the duration of audit and reporting from the six (6) months given by the Constitution to three (3) months. This has adversely affected the timelines for reporting, leading to backlogs and affecting the efficiency and effectiveness of oversight by Parliament, the Senate and the County Assemblies.

Further, as previously reported, an effective mechanism for follow-up on the implementation of audit recommendations is lacking. As a result, most audit queries recur in subsequent audit reports due to a lack of requisite action. As outlined in Section 204(1)(g) of the Public Finance Management Act, 2012, a National Government entity that fails to address issues relating to finance raised by the Auditor-General, to the satisfaction of the Auditor-General, may be sanctioned by the Cabinet Secretary for Finance.

However, despite numerous reports indicating a lack of accountability and adequate documents to support the legality and effectiveness in the use of public resources, failure to apply the requisite sanctions and consequences has resulted in some Accounting Officers not adequately accounting for the management and use of public resources with impunity. Lack of action and sanctions has also led to fiscal indiscipline including misallocations, wastage of resources, lack of value for money in the implementation of projects and loss of public funds, thereby impacting negatively on development programmes. This in turn threatens economic growth and service delivery sustainability. There are also instances where some Accounting Officers are in breach of Section 62 of the Public Audit Act, 2015 by failing to adequately prepare for audit which is exhibited by numerous inaccuracies in financial statements presented for audit, lack of requisite

supporting documents, several revisions of financial statements and, in some cases, reluctance to cooperate with the auditors during the audit process.

The Office of the Auditor-General has, however, continuously improved the effectiveness and quality of the audit process to ensure that the audit results and the recommendations thereof are credible, relevant, reliable and value-adding. This is geared towards influencing an improved decision-making process and making a difference in the lives and livelihoods of the Kenyan people through a positive impact on the lives and livelihoods of citizens and other stakeholders. The provision of quality and effective audit services and confirmation of the lawfulness and effectiveness in programme implementation requires comprehensive scrutiny and evaluation of supporting documents. Most critical is the physical confirmation of the existence and utilization of projects or programmes implemented throughout the country. Achieving this requires an independent and well-resourced audit office with guaranteed adequate funding to enable efficient, effective and timely execution of the audit cycle as well as retention of optimal professional staffing levels to ensure continuous, quality and sustainable audit operations.

The Office continues to seek financial independence and support from Parliament and The Executive through The National Treasury for the enhancement of resources. This will enable it to build technical capacity, expand its presence in the counties, and widen the scope and comprehensiveness of audits. I continue to devolve my services closer to the people through the establishment of regional offices and the construction of office premises to address the audit needs at the grassroots level.

Currently, we have fifteen (15) regional offices following the establishment of two (2) additional regional offices in Kilifi and Kericho during the year under review. We have constructed our own offices in Garissa, Kakamega and Eldoret. Construction works in Embu are almost complete, and the procurement process for the Mombasa offices has commenced. Plans for the construction of our Headquarters in Nairobi, currently at the design stage, have been delayed due to a lack of funding. However, the Office continues to appeal to Parliament and The National Treasury to provide adequate funds to enable us to perform our functions and achieve our mandate in enhancing accountability across Government, both at the national and county levels and in all other entities funded from public funds.

Over the years, the audit scope has been expanding due to the expansion of Government programs to ensure sustainable development and delivery of continuous and quality services to the citizens. This has led to the growth in the national budget and the formation of additional entities that I am required to audit and report on. Over nine thousand (9,000) Public Secondary Schools were directed by the Principal Secretary for the State Department for Basic Education, to prepare and submit financial statements to the Auditor-General for audit from 30 June, 2021.

Further, I am required to separately audit and report on financial statements for all three hundred and fifty-eight (358) Level 4 hospitals and fourteen (14) Level 5 hospitals. I am also required to audit a total of two hundred and eighteen (218) Technical and Vocational

Education and Training (TVET) Institutions. This number continues to increase as we are currently undertaking an evaluation exercise with the State Department for Technical, Vocational Education and Training to identify all institutions funded through the Exchequer which will include Community Vocational Training Institutions that are estimated to be over one thousand two hundred (1,200).

During the period under review, the Office of the Auditor-General made significant strides in enhancing audit services delivery to Kenyans. The Office entered into partnerships with other Supreme Audit Institutions (SAIs) regionally and globally and with local oversight institutions such as the Ethics and Anti-Corruption Commission (EACC), the State Corporations Advisory Committee (SCAC) and the Salaries and Remuneration Commission (SRC) among other organizations, to enhance the impact of audit through learning, knowledge sharing, innovation and collaboration.

Specific reports together with my opinion for each Revenue Fund are contained in the respective County Governments Revenue Fund's audited revenue statement for the year ended 30 June, 2023, which I have already submitted to the Senate, County Assemblies and each Accounting Officer.

I wish to sincerely thank the entire staff of the Office of the Auditor-General for their commitment, passion and professionalism in carrying out their duties despite the challenges posed by the lack of proper accommodation and adequate funding. Special appreciation goes to the team that prepared this Consolidated Report.

I wish also to appreciate my audit clients for the cooperation they accorded my staff during the audit.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 May, 2024

Introduction

Constitutional Mandate of the Auditor-General

The Auditor-General is mandated under Article 229, of the Constitution of Kenya, to audit and report on the use of public resources by all entities funded from public funds. These entities include; the National Government, County Governments, the Judiciary, Parliament, Statutory bodies/state corporations, Commissions, Political Parties funded from public funds, other Government agencies and any other entity funded from public funds. The mandate of the Auditor-General is further expounded by the Public Audit Act, 2015.

The Constitution requires the Auditor-General to submit the audit reports of the public entities to Parliament and the relevant County Assemblies by 31 December, every year. In carrying out the mandate, the Auditor-General is also required, under Article 229 (6) to assess and confirm whether the public resources have been applied lawfully and in an effective way by public entities.

Further, the objects and authority of the Auditor-General, as outlined in Article 249 of the Constitution, are: to protect the sovereignty of the people; to secure the observance by all State Organs of democratic values and principles; and to promote constitutionalism. The Auditor-General has also been given powers by the Constitution, under Article 252(1), to conduct investigations, conciliations, mediations and negotiations and to issue summons to witnesses for the purpose of investigations.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS)-Cash Basis, as prescribed by the Public Sector Accounting Standards Board (PSASB), and 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.

Management is also responsible for maintaining effective internal control environment necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for the assessment of the effectiveness of internal control, risk management and governance.

Further, Management is required to ensure that the activities, financial transactions and information reflected in the financial statements are in compliance with the law and other relevant or applicable authorities, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the County'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 Responsibility

My responsibility is to conduct audits of the financial statements in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report. The audit report includes my opinion as provided by Section 48 of the Public Audit Act, 2015, and the report submitted to Parliament or relevant County Assembly in compliance with Article 229(7) of the Constitution.

In addition, Article 229(6) of the Constitution requires me to express a conclusion on whether or not, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the law and other authorities that govern them, and that public resources are applied in an effective way. I also consider the entities' control environment 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.

I am independent in accordance with Article 249(2) of the Constitution of Kenya, and 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 public entities in the Republic of Kenya.

Reporting Structure

The structure of my report is in fulfilment of the reporting requirements of Article 229(6) of the Constitution of Kenya, which provides that an audit report shall confirm whether or not public money has been applied lawfully and in an effective way. Section 7(1)(a) of the Public Audit Act, 2015 also requires that I provide assurance on the effectiveness of internal controls, risk management and governance in National and County Governments entities.

In addition, the International Standards of Supreme Audit Institutions (ISSAIs), now require the incorporation of Key Audit Matters in the report on the financial statements, which are those matters that I determine in my professional judgment, are of most significance in the audit of the financial statements as a whole, for the year under review. In order to address these requirements, my audit reports contain the following:

- i. **Report on Revenue and Financial Statements**, in which I give an audit opinion on whether the financial statements present fairly, in all material respects, the financial position and performance of the entity.
- ii. **Report on Lawfulness and Effectiveness in Use of Public Resources**, in which I give a conclusion on whether or not public resources have been applied lawfully and in effective way.
- iii. **Report on Effectiveness of Internal Controls, Risk Management and Governance**, in which I give a conclusion on whether internal controls, risk management and overall governance were effective.

Audit Opinions

I have expressed the different types of audit opinions based on the following criteria: -

i) Unmodified Opinion

The books of accounts and underlying records agree with the financial statements and no material misstatements were found. The financial statements present fairly in all material respects the operations of the entity.

ii) Qualified Opinion

Financial transactions were recorded and are to a large extent in agreement with the underlying records, except for cases where I noted material misstatements or omissions in the financial statements. The issues though material, are not widespread or persistent.

iii) Adverse Opinion

The financial statements exhibit significant misstatement with the underlying accounting records. There are significant disagreements between the financial statements and the underlying books of accounts and/or standards. The problems are widespread, persistent and require considerable interventions by the Management to rectify.

iv) Disclaimer of Opinion

The financial statements exhibit serious and significant misstatements that may arise from inadequate information, limitation of scope, inadequacy or lack of proper records such that I was not able to form an informed opinion on the financial operations.

Audit Findings

Forty-six (46) County Governments presented their revenue statements and financial statements for audit. The County Government of Isiolo did not submit its financial statements for audit. The various audit opinions issued in the revenue statements and financial statements are summarized in **Appendix 1 to Appendix 7**.

The key audit findings noted during the audit of Receiver of Revenue and County Revenue Funds for the year ended 30 June, 2023 are presented in the ensuing paragraphs.

COUNTY GOVERNMENT OF MOMBASA – NO.1

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

1. Unsupported Revenue Disbursement to Facility Improvement Fund (FIF)

The statement of receipts and disbursements and as disclosed in Note 19 to the revenue statements reflects an amount of Kshs.1,367,393,078 in respect of revenue disbursed to Facility Improvement Fund (FIF). However, details and analysis of this disbursement were not provided for audit.

In the circumstances, the accuracy and completeness of disbursement amount of Kshs.1,367,393,078 could not be confirmed.

Emphasis of Matter

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts target and actual amounts on comparable basis of Kshs.5,004,354,326 and Kshs.3,998,628,848 respectively, resulting to under realization of Kshs.1,005,725,478 or 20% of the target. However, no report was provided by the Receiver of Revenue to the County Executive Committee Member (CECM)-Finance and Economic Planning detailing the reasons for difficulties in revenue collection as required of Regulation 63(2) of the Public Finance Management (County Governments) Regulations, 2015 which provides that where there are difficulties in revenue collection, a receiver of revenue shall report the circumstances to the CECM-Finance.

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

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

3. Failure to Prepare Statement of Arrears of Revenue

Review of the revenue statements revealed that the Receiver of Revenue did not prepare the statement of arrears of revenue contrary to Section 165 of Public Finance Management Act, 2012 which states that; (1) At the end of each financial year, a receiver of revenue for a County Government shall prepare an account in respect of the revenue collected, received and recovered by the receiver during that financial year; and (2) The account under subsection (1) shall include; (a) a statement of

receipts and disbursement in a form prescribed by the Accounting Standards Board from time to time; and (b) a statement of arrears of revenue.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

4. There were no material noted raised on internal controls, risk management and governance.

COUNTY GOVERNMENT OF MOMBASA – NO.1

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

5. There were no material issues noted during the audit of the financial statements.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

6. Late Submission of Prior Year Financial Statements

The financial statements for the County Revenue Fund for the year ended 30 June, 2022 were submitted on 20 December, 2023 over one year after expiry of the statutory date of submission of financial statements. This was contrary to Section 167(3) of the Public Finance Management Act, 2012 which requires that not later than three months after the end of each financial year, the administrator of a county public fund shall prepare the financial statements and submit to the Auditor-General.

In the circumstances, Management was in breach of the law.

7. Unspent Balances

The statement of receipts and payments reflects closing fund balance of Kshs.600,038,042 which relates to the County Revenue Fund unspent cash balances as at 30 June, 2023. The County had a budget under-absorption of Kshs.3,038,337,357 while pending bills amounting to Kshs.4,255,150,058 remained unsettled. This was contrary to Section 149(1)(b) of the Public Finance Management Act, 2012 which states that an Accounting Officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is effective, efficient, economical and transparent.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

8. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KWALE – NO.2

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

9. Unsupported Cash in Hand

The statement of financial assets and liabilities and as disclosed in Note 21 to the revenue statements reflects cash in hand balance of Kshs.341,779. However, the balance was not supported with a board of survey report.

In the circumstances, the accuracy and completeness of the cash in hand balance of Kshs.341,779 could not be confirmed.

10. Cashbook for Mpesa Mobile Money Platform

The statement of financial assets and liabilities and as disclosed in Note 20 to the revenue statements reflects bank balances of Kshs.1,065 held in three (3) bank accounts maintained at KCB Bank. However, five (5) Mpesa pay bills operated by the hospitals and one pay bill operated for other revenue streams did not have cashbooks prepared and maintained but instead the receipts and payments in the pay bill accounts were recorded in the KCB accounts cash books.

In the circumstances, the accuracy and completeness of the bank balances of Kshs.1,065 could not be confirmed.

Emphasis of Matter

11. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts target and actual amounts on comparable basis of Kshs.454,276,121 and Kshs.393,294,651 respectively, resulting to under realization of Kshs.60,981,470 or 13% of the target. However, no report was provided by the Receiver of Revenue to the County Executive Committee Member (CECM) Finance and Economic Planning detailing the reasons for difficulties in revenue collection as required by Regulation 63(2) of the Public Finance Management (County Governments) Regulations, 2015 which provide that where there are difficulties in revenue collection, a Receiver of Revenue shall report the circumstances to the CECM-Finance.

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

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

12. Lack of Vetting of Liquor Licenses Applicants

Included in the statement of receipts and disbursements and as disclosed in Note 13 to the revenue statements is administration control fees and charges of Kshs.6,757,860 which include Kshs.4,277,500 from liquor licenses. The receiver of revenue failed to provide evidence that the liquor sub county committees vetted all the vendors of alcohol and inspected their premises for conformity with Public Health Act and Physical Planning Act and therefore the basis for the invoicing and payments received by the receiver of revenue for liquor license was therefore, not explained or supported.

In the circumstances, the accuracy and completeness of liquor licenses fees and charges amount of Kshs.4,277,500 could not be confirmed.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

13. Designated Parking Slots Register

The statement of receipts and disbursement and as disclosed in Note 5 to the revenue statements reflect parking fees revenue amount of Kshs.17,658,087. However, register of designated parking lots that generated the reported revenue and evidence that the County had parking infrastructure with marked and secured parking areas in place were not provided for review.

In the circumstances, the accuracy and completeness of parking fees revenue amount of Kshs.17,658,087 reported revenue could not be confirmed.

COUNTY GOVERNMENT OF KWALE – NO.2

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

14. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

15. 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 services to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

16. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

17. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KILIFI – NO.3

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Adverse Opinion

18. Inaccuracies in the Revenue Statements

Review of the revenue statements revealed the following inaccuracies;

- i. The statement of receipts and disbursements reflects County own source revenue totalling Kshs.1,003,644,804. However, the schedule provided from revenue collection system revealed several unexplained variances as detailed in the table below:

Revenue Source	Amount as Per Revenue Statement (Kshs.)	Amount as Per Kilifi Pay (Kshs.)	Variance (Kshs.)
Single Business Permit	61,516,823	80,074,543	18,557,720
Property Rent	23,332,067	9,094,250	14,237,817
Conservancy Administration	2,224,900	2,167,200	57,700
Fire Services	8,001,100	8,331,200	330,100

- ii. The statement of receipts and disbursements reflects a balance brought forward at the beginning of the year of Kshs.728,756,252 while the corresponding Note 22 to the revenue statements refers to prior year adjustment of balance due to County Revenue Fund which is not supported/explained and is not in line with the template provided by The National Treasury. Further, the amount does not agree with previous audited financial statements balance adjustment of Kshs.816,045,933 resulting to an unexplained variance of Kshs.87,289,681.
- iii. The statement of arrears of revenue reflects Nil balance in respect of property rent and single/business permits while review of the County records revealed arrears on property rent balance of Kshs.45,734,884,937 and house stalls balance of Kshs.139,881,551 respectively. In addition, Management did not disclose the aging analysis of arrears of revenue.

In the circumstances, the accuracy and completeness of the revenue statements could not be confirmed.

19. Inaccuracies in County Own Source Revenue

The statement of receipts and disbursements reflects County own source revenue amount of Kshs.1,003,644,804. However, review of records revealed the following anomalies:

i. Unsupported Revenue

The trial balance reflected bank and cash balances which were not supported by ledgers.

ii. Unsupported Physical Planning and Development Revenue

The statement of receipts and disbursements and as disclosed in Note 10 to the revenue statements reflects revenue from physical planning and development amount of Kshs.35,680,021 in respect of building plans approvals out of which an amount of Kshs.14,395,003 relates to revenue collected between January and June, 2023. However, the register for July to December, 2022 was not provided for audit review. In addition, summary of revenue performance for the year under review indicates no revenue in respect of this stream, while Kilifi pay system reflects revenue collected amounting to Kshs.1,905,957 in respect of development control. This inconsistency was not explained.

iii. Unsupported Conservancy Administration/Refuse Collection Fees

The statement of receipts and disbursements and as disclosed in Note 12 to the revenue statements reflects revenue amount of Kshs.2,224,900 in respect of conservancy administration/refuse collection fees. However, supporting schedule was not provided for audit review. Further, included in this amount is revenue of Kshs.44,000 classified as cesspit emptying/sewerage fees which is not defined in the Finance Act, 2023.

iv. Unsupported Revenue from Liquor Licenses

The statement of receipts and disbursements and as disclosed in Note 13 to the revenue statements reflects revenue amount of Kshs.16,579,560 in respect of administration control fees and charges out of which an amount of Kshs.7,352,700 was in respect of liquor licenses. However, a register of all the alcoholic drink outlets in the County (all new applicants during the year under review and renewed licenses) were not provided for audit.

v. Unsupported Revenue from Agriculture Stream

The statement of receipts and disbursements and as disclosed in Note 14 to the revenue statements reflects revenue amount of Kshs.7,241,403 in respect of revenue from agriculture which was not supported by schedules, daily receipts and cash books.

vi. Inaccuracies in Cess Revenue

The statement of receipts and disbursements and as disclosed in Note 1 to the revenue statements reflects cess revenue amount of Kshs.233,503,005 while KCB cess collection account reflects total receipts of Kshs.200,037,252 resulting to unexplained variance of Kshs.33,465,753. In addition, Kilifi Revenue Management System reported collections totalling Kshs.93,446,641 resulting to unexplained variance of Kshs.140,056,364. Further, an incorrect Mpesa reversal of Kshs.41,000 captured in the cashbook for the month of April, 2023 was not reported in the bank and other unpaid cheques and Mpesa reversals totalling Kshs.2,825,278 were long outstanding in the bank reconciliation statements.

vii. Doubtful Recovery of Accumulated Land Rates, Arrears, Penalties and Interest

The statement of receipts and disbursements and as disclosed in Note 2 to the revenue statements reflects land/poll rates of Kshs.147,899,106. During the year under review, revenue realized from arrears in land rates amounted to Kshs.18,131,470. However, analysis of the list of land rates defaulters revealed that the County was owed Kshs.31,043,400,120 in land rates, rate in arrears, penalties and interests. No plausible explanation was provided why the revenue was not collected from the defaulters.

viii. Unsupported Revenue from Property Rent

The statement of receipts and disbursements and as disclosed in Note 4 to the revenue statements reflects an amount of Kshs.23,332,067 being property rent in respect to County housing, plot rent and stalls/kiosk rent. However, the county housing register provided indicated that there were one hundred and seventy-five (175) housing units, ninety-two (92) with monthly rent income of Kshs.396,000 which were under the County's management while eighty-three (83) were still managed under National Housing Cooperation. Out of the ninety-two (92) houses, twenty-five (25) houses had rent arrears amount of Kshs.1,560,255 which was however not disclosed in the statement of arrears of revenue. In addition, ageing analysis for the outstanding amount was not provided for audit review. Further, sixty-two (62) houses with monthly rent amount of Kshs.113,000 were occupied by non-staff tenants. Review of stalls/kiosks rent records revealed rent arrears of Kshs.140,903,018 which was not disclosed in the revenue arrears statement. In addition, records revealed property rent amount of Kshs.6,003,684 relating to house rent, Kshs.7,360,159 relating to plot rent and Kshs.9,968,225 relating to kiosks and stall rent respectively whose tenancy and lease agreements were not provided for audit.

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

20. Unsupported Financial Assets Balance

The statement of financial assets and liabilities reflects total financial assets balance of Kshs.676,044,262 which includes bank balance of Kshs.674,593,438 and cash in hand balance of Kshs.1,450,824. However, cashbooks and reconciliation statements for main revenue account, land rates revenue, NBK Kilifi, ATC revenue, KCB Mtwapa, Lands and Housing revenue collection, ABSA Kilifi; payroll commissions and NIC Kilifi were not provided for audit. Further, the cash in hand balance of Kshs.1,450,824 was not supported by a board of survey certificate.

In the circumstances, the accuracy and completeness of the total financial assets balance of Kshs.676,044,262 could not be confirmed.

21. Irregular Disbursements

The statement of receipts and disbursements reflects balance due for disbursements of Kshs.1,125,753,352. Included in these disbursements is an amount of Kshs.45,171,180 in respect of transfers to a company contracted by the County Government for collection of cess and parking fees revenue on 20 February, 2014. The disbursements to the service provider were irregular since it was deducted at

source. Further, monthly payment to the service provider amounting to Kshs.3,969,015 was only paid in the first three (3) months and irregularly changed to Kshs.3,696,015 in the subsequent nine (9) months against the court order provisions.

In the circumstances, the disbursements of salaries to service provider is irregular and Management was in breach of the law.

22. Inaccuracy in Statement of Arrears of Revenue

The statement of arrears of revenue reflects total arrears of Kshs.46,738,989,911 in respect of land rates whose accuracy could not be confirmed due to redundancy of data in the system as explained by Management.

Emphasis of Matter

23. Budgetary Control and Performance

Statement of comparison of budget and actual amounts reflects final targets of revenue collection from County own source revenue totalling Kshs.1,371,385,905 and actual on comparable basis totalling Kshs.1,003,644,804 resulting to under-collection of Kshs.367,741,101 or 27%. A review of the revenue streams revealed that out of the 16 revenue streams only three (3) realised above 50% as nine (9) of them did not realize 50% of their respective budgets. In addition, four (4) streams of revenue surpassed their respective budgets by collecting more than 100%. The County may not have realized projected project implementation and expected objectives due to the under collections.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

24. Non-Compliance with Court Order

As previously reported, on 17 January, 2022, interim orders were issued by the Court restraining the County Government of Kilifi and/ or any other third party by themselves and/ or their servants and or agents and/ or employees from taking over collection of cess and parking revenue and those orders were extended until 3 February, 2022 when the matter would have been placed before the Court for directions. However, on 15 January, 2022, the County Department of Finance issued a public notice warning to traders against paying money to the outsourced service provider, and instead directed them to pay their dues to the County revenue officers effective from 17 January, 2022. The direct collection and banking of cess and parking fees revenues from 17 January, 2022 to 3 February, 2022 amounting to Kshs.22,437,037 by the County Government was therefore in contravention of the Court order. In addition, the resumption of cess and parking fees revenue collection by the County was before termination of the contract between the outsourced service provider and the County Government.

In the circumstances, Management was in breach of the law.

25. Failure to Designate a Receiver of Revenue

Information disclosed under key County Government information and Management indicates that the Receiver of Revenue is under the Department of Finance and Economic Planning while at the County Executive Committee level, the Receiver of Revenue is represented by the County Executive Committee Member (CECM) for Finance and Economic Planning who is responsible for the general policy and strategic direction of the Receiver of Revenue. The revenue statements have been signed by the CECM for Finance and Economic Planning. Even though it is indicated that the Receiver of Revenue was designated as a receiver in July, 2022 by the CECM for Finance and Economic Planning, it was observed that during the year under review, the CECM for finance and economic planning docket was occupied by two (2) CECMs at different times. In the circumstances, proper designation of the Receiver of Revenue could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

26. Failure to Fully Automate Revenue Collection

During the period under review, the County used both the manual and electronic methods of revenue collection. Official receipt books were issued from the central stores and received in the revenue department for distribution to the revenue collectors within the County. However, review of records revealed the following anomalies:

- a. The counter receipt book register was not properly maintained as details of when the receipt books were returned, examined and audited were not posted.
- b. Collection control sheets used to account for the money collected through manual receipt books were not being maintained and sequentially filed to confirm which months had not been surrendered.
- c. Daily collection sheets were not signed by Sub-County revenue officers and supervisors.
- d. Cash survey was not performed.
- e. Summaries of daily collections of parking fees were not reviewed/confirmed by supervisors.

In the circumstances, the effectiveness and efficiency of the revenue collection systems could not be confirmed.

COUNTY GOVERNMENT OF KILIFI – NO.3

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

27. Inaccurate Amount of Return to CRF Issues

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects return to CRF issues totalling Kshs.932,071,174. Included in this amount is Kshs.931,327,436 which is disclosed as receipts from County Revenue Fund and which relate to exchequer disbursement dated 28 July, 2022 from The National Treasury.

In the circumstances, the accuracy and completeness of return to CRF issues amount of Kshs.932,071,174 could not be confirmed.

28. Unsupported Balances in Revenue Collection Accounts

Note 8 to the financial statements reflects bank account balances in revenue collection accounts of Kshs.676,044,352 held in twelve (12) bank accounts. However, two (2) of these accounts, both with SBM Bank have unusual high balances of Kshs.508,663,465 and Kshs.137,016,975. Management indicated that these amounts are in escrow accounts which were in use when revenue company was contracted to collect cess and parking fees for the County and therefore could not be transferred to County Revenue Fund due to an active court case. Evidence of this was not provided for audit.

In the circumstances, the accuracy of the balances in the revenue collection account amounting to Kshs.645,680,440 could not be confirmed.

Emphasis of Matter

29. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget on total receipts and actual on comparable basis of Kshs.15,701,765,714 and Kshs.14,556,341,320 respectively resulting to underfunding of Kshs.1,145,424,394 or 7%. The statement further reflects a final payment budget of Kshs.15,765,743,320 against Actual payments of Kshs.13,079,336,120 resulting to under disbursement of Kshs.2,686,407,200 or 17%. The underfunding and under disbursements may affect the planned activities of the County.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

30. Late Exchequer Disbursements

Review of the bank statements for the year under review reflects exchequer receipts of Kshs.13,950,804,789. It was however noted that equitable share amounting to Kshs.2,968,606,200 representing 21% of the total receipts was received in months of June and July, 2023. The late disbursement of exchequer releases may have affected timely implementation of approved projects/activities in the County which may impact negatively on the service delivery to the public. This was contrary to Section 17(6) of Public Finance Management Act, 2012 which provides that The National Treasury shall, at the beginning of every quarter, and in any event not later than the fifteenth day from the commencement of the quarter, disburse monies to county governments.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 31.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF TANA RIVER – NO.4

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Adverse Opinion

32. Failure to Prepare Prior Year Revenue Statements

The revenue statements for the previous year were not prepared and submitted for audit contrary to Section 165 of Public Finance Management Act, 2012 which states that; (1) At the end of each financial year, a receiver of revenue for a County Government shall prepare an account in respect of the revenue collected, received and recovered by the receiver during that financial year; and (2) The account under subsection (1) shall include; (a) a statement of receipts and disbursement in a form prescribed by the Accounting Standards Board from time to time; and (b) a statement of arrears of revenue.

In the circumstances, the accuracy and completeness of the revenue statements could not be confirmed and the Management was in breach of the law.

33. Inaccuracies in the Revenue Statements

Review of the revenue statements revealed the following anomalies:

- i. The statement of receipts and disbursements reflects unexplained variances in receipts and disbursements under various items and corresponding schedules as indicated below:

Revenue Stream	Revenue Statements Account (Kshs.)	Schedules Amount (Kshs.)	Variance (Kshs.)
Cess	12,084,700	12,596,670	511,970
Single Business Permit	18,010,000	18,270,870	260,870
Property Rent	1,210,800	1,585,000	374,200
Market Fees	2,650,827	2,427,566	223,261
County's Natural Resources Exploitation	13,325,000	13,625,000	300,000

- ii. The statements of receipts and disbursements reflects bank charges amount of Kshs.17,471 while the actual bank charges as indicated in the collection bank account statement was Kshs.16,385 resulting to an unreconciled variance of Kshs.1,086.
- iii. The statements of receipts and disbursements reflects disbursements to CRF totalling Kshs.59,176,171 while the corresponding receipts in the statement of receipts and payments in the CRF was an amount of Kshs.59,173,171 resulting to an unexplained variance of Kshs.3,000.

- iv. The statement of arrears of revenue reflects Nil total arrears while Note 13 to the revenue statements reflects total arrears of Kshs.184,646,253 resulting to a variance of Kshs.184,646,253 which has not been explained.

In the circumstances, the accuracy and completeness of the revenue statements could not be confirmed.

34. Unsupported County Own Source Revenue

The statement of receipts and disbursements reflects County own source revenue amounting to Kshs.64,041,750. However, review of bank statements revealed that total amount collected was Kshs.65,265,529 resulting in an unreconciled variance of Kshs.1,223,779. In addition, the following inadequacies were also noted:-

34.1 Unsupported Cess Revenue Amount

Included in the total County own source revenue is Kshs.12,084,700 in respect of cess revenue. The Tana River County Finance Act, 2020 revealed that cess charges were to be paid by all vehicles carrying goods entering and offloading in Tana River County. However, the County has two (2) weigh bridges out of which one was under construction and the other one was complete but not functional. In the circumstances, the basis for collection of cess could not be confirmed.

34.2 Unconfirmed Revenue Amount on Single Business Permits

Included in the total County own source revenue and as disclosed in Note 3 to the revenue statements is revenue from single business permits of Kshs.18,010,000. However, the revenue was not supported with formal applications for single business permits and detailed analysis of revenue collected daily showing date, mode of payment and payees. In addition, sources of revenue from the single business permit stream could not be confirmed since the ledger provided for audit was not categorized as business permit application fees, annual business permit fees, business permit penalties and interest, business permit fees arrears as required by the reporting template.

34.3 Lack of a Valuation Roll for Collection of Land Rates

The statement of receipts and disbursements reflects land/poll rates revenue amounting to Kshs.5,573,330 and as disclosed in Note 2 to the revenue statements. However, the County updated valuation roll was not provided for audit review.

34.4 Unsupported Parking Fees

The statement of receipts and disbursements reflects parking fees of Kshs.1,490,000 and as disclosed in Note 5 of the revenue statements. However, this amount was not supported with a register of all designated parking slots/bays within the County and the serial numbers of revenue machines issued to each collector of revenue.

34.5 Unconfirmed Revenue from Property Rent

The statement of receipts and disbursements reflects property rent totalling Kshs.1,210,800 and as disclosed in Note 4 to the revenue statements. However, the

revenue amount was not supported with a register of plots which generated property rent.

In the circumstances, the accuracy and completeness of County own source revenue of Kshs.64,041,750 could not be confirmed.

35. Unsupported Cash and Cash Equivalents Balance

The statement of financial assets and liabilities reflects bank balance of Kshs.6,012,709 and as disclosed in Note 12 to the revenue statements. However, the balance was not supported with a certificate of bank balance.

In the circumstances, the accuracy and completeness of the bank balance of Kshs.6,012,709 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

36. Collection of Revenue Without a Finance Act

The statement of receipts and disbursements reflects County own source revenue amount of Kshs.64,041,750. However, Management used the Finance Act, 2020 as a basis to collect revenue. This was contrary to Section 132 (1) and 133 of the Public Finance Management Act, 2012 which provides that, each financial year, the County Executive Member for Finance shall, with the approval of the County Executive Committee, make a pronouncement of the revenue raising measures for the County Government and that not later than ninety days after passing the Appropriation Bill, the County Assembly shall consider and approve the Finance Bill with or without amendments.

In the circumstances, Management was in breach of the law.

37. Irregular Engagement of Casual Employees in Revenue Collection

Review of the staff list for Receiver of Revenue provided for audit verification revealed that Management had sixty-nine (69) staff members out of which fifty-seven (57) were on contract, ten (10) on permanent basis, one (1) on secondment while one (1) was on probation. Interview with the revenue collection officers at Hola revenue collection office revealed that the staff had been engaged for more than ten (10) years without being absorbed by the County Government on permanent basis. This was contrary to paragraph B.16 of the County Public Human Resource Policy which provides that the casual workers shall be engaged only on urgent short-term tasks and shall not be engaged for more than three months.

In the circumstances, Management was in breach of the Public Human Resource Policy.

38. Uncollected Revenue from Parastatals

The statement of arrears of revenue reflects a balance of Kshs.200,000 arrears in revenue. However, ageing analysis of revenue in arrears as disclosed in Note 15 to

the revenue statements reflects a closing balance of Kshs.184,646,253 for land rates which is owed by three parastatals namely National Irrigation Authority, KETRACO and ADC Galana Ranch.

However, no evidence of efforts to collect the revenue in arrears was provided for audit review. This was contrary to Section 157 (2) of the Public Finance Management Act, 2012 which provides that a receiver of county government revenue is responsible to the County Executive Committee Member for finance for ensuring that the revenue for which the receiver is responsible is collected or recovered and is accounted for.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

39. Non-Automation of Revenue Collection

Interview with the Director of revenue revealed that the County Receiver of Revenue does not have an automated revenue collection system but instead revenue was collected manually using miscellaneous receipts. Management did not automate their revenue collection system to minimize revenue leakages contrary to Regulation 22 1(b) of The Public Finance Management (County Governments) Regulation, 2015 which states that accounting officers are responsible for maintaining effective systems of internal control and the measures taken to ensure that they are effective.

In the circumstances, Management was in breach of the law.

COUNTY GOVERNMENT OF TANA RIVER – NO.4

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

40. Non-Compliance with the International Public Sector Accounting Standards

The statement of comparison of budget and actual amounts did not conform to the disclosure requirements of the International Public Sector Accounting Standards Board format which requires the entity to provide a commentary on significant under realization (below 90% of realization). There was no explanation on whether the changes between the original and final budget were as a result of reallocations within the budget or other causes.

In the circumstances, the financial statements did not conform to the International Public Sector Accounting Standards Board format.

41. Unreconciled Variances in Receipts on Transfers from Other Government Agencies

The statement of receipts and payments and as disclosed in Note 2 to the financial statements reflects receipts in respect of transfers from other Government agencies totalling Kshs.222,227,697. Review of the amounts received and amounts transferred from the County Executive in respect of six (6) agencies revealed unexplained variances as detailed below:

Description	Amount		
	Amount Transferred (Kshs.)	Amount Received (Kshs.)	Variance (Kshs.)
DANIDA - Universal Healthcare in Devolved Units Programme	25,393,152	18,733,152	6,660,000
IDEAS LED Project	49,017,637	19,563,267	29,454,370
Kenya Climate Smart Agriculture Project (KCSAP)	87,386,194	82,386,194	5,000,000
Financing Locally –Led Climate Action (FFLoCA)	61,000,000	22,000,000	39,000,000
Youth Polytechnic Support Grant VTC	20,656,327	0	20,656,327
Agriculture Sector Development Support Project (ASDSP II)	12,512,439	10,012,439	2,500,000

In the circumstances, the accuracy and completeness of the receipts in respect of transfers from other Government agencies could not be confirmed.

42. Unreconciled Transfers to the County Assembly

The statement of receipts and payments and as disclosed in Note 6 to the financial statement reflects transfers to county assembly totalling Kshs.997,412,490 while the corresponding receipts in the statement of receipts and payments reflected by the Tana River County Assembly amounted to Kshs.947,412,490 resulting to an unexplained variance of Kshs.50,000,000.

In the circumstances, the accuracy and completeness of the transfers to the County Assembly amounting to Kshs.997,412,490 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 43.** There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 44.** There were no material issues noted on effectiveness of internal controls, risk management and governance.

COUNTY GOVERNMENT OF LAMU – NO.5

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Adverse Opinion

45. Unsupported Receipt Amounts

The statement of receipts and disbursements reflects County own source revenue amount of Kshs.154,574,526 as detailed in the Notes to the revenue statements. However, Management did not provide detailed schedules of revenue collection indicating the names of payees, receipts, transaction numbers and the specific amounts collected. In addition, revenue collections were not reconciled against the amount banked or paid through the Mpesa pay bill numbers as required.

In the circumstances, the accuracy and completeness of the total amount totalling Kshs.154,574,526 could not be confirmed.

46. Failure to Disclose Arrears of Revenue

The statement of arrears of revenue reflects Nil receipt arrears. However, as previously reported the property and land rates revenue records indicated that various property owners had arrears of land rates totalling Kshs.630,000,000 as at 30 June, 2022. However, Management did not provide an updated register to confirm the amount that was collected in the year and the outstanding balance as at 30 June, 2023.

In the circumstances, the accuracy and completeness of the statement of arrears of resource could not be confirmed.

47. Unsupported Hospital Fees

The statement of receipts and disbursements reflects hospital fees amount of Kshs.91,819,260 which relates to revenue collected from level 4 hospitals whose breakdown is not provided in Note 8 to the revenue statements. This amount includes Kshs.82,682,198 which relates to claims paid by National Hospital Insurance Fund (NHIF). However, a detailed breakdown and bank statements were not provided to support the NHIF claims received in the year. In addition, Management did not provide contract agreements entered into with the health insurer and a schedule of unpaid claims.

In the circumstances, the accuracy and completeness of revenue from hospital fees of Kshs.91,819,260 could not be confirmed.

48. Under Collection of Single Business Permit Fees

Review of documents revealed that the statement of receipts and disbursements reflects single business permits amount of Kshs.13,293,600 as disclosed in Note 3 to the revenue statements. Management invoiced a total of Kshs.13,399,200 in respect

of single business permit revenue as recorded in the register. However, only Kshs.13,293,600 was collected during the year leaving a balance of Kshs.105,600. No explanations have been provided for the non-collection of revenue and the arrears have not been disclosed in the statement of arrears of revenue.

In the circumstances, the accuracy of revenue amount from single business permit could not be confirmed.

Other Matter

49. Mapping of Revenue Sources

During the year under review, Management realized revenue collection of Kshs.154,574,526 which was above the budgeted amount of Kshs.131,000,000 by Kshs.23,574,526. However, the County integrated development plan covering the period 2023-2027 indicate that the County had anticipated to collect Kshs.350,000,000 per year and therefore it was not clear why the Management set unrealistic revenue target in the development plan.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

50. Unauthorized Revenue Waivers

The statement of receipts and disbursements reflects hospital fees amount of Kshs.91,819,260 which includes Kshs.2,707,920 collected from Mpektoni Level 4 Hospital. The amount collected from the hospital excluded revenue waivers amounting to Kshs.1,277,862 which were granted by the hospital administrator which were not approved by the County Executive Member for Finance. In addition, there was no record of waivers granted by the other three level 4 hospitals namely King Fahard, Faza and Witu which recorded revenues of Kshs.7,142,961, Kshs.1,196,020 and Kshs.476,610 respectively. Further, no disclosure has been made in the financial statements on the waivers granted in the year contrary to Section 159(1)(a) of Public Finance Management Act, 2012 requires that any waiver of a county tax or fee or charge be authorized by the County Executive Committee Member for Finance and that County Treasury is required to maintain a public record of each waiver together with the reason for the waiver.

In the circumstances, Management was in breach of the law.

51. Delay in Appointment of Head of Revenue

The County Executive Member of Finance appointed the Director of Accounting Services as the receiver of revenue on 15 February, 2023, seven (7) months after the commencement of the financial year. In addition, the appointment letter did not indicate the officers' specific responsibilities and the manner in which the officer was to delegate the duties of collection of revenue to officers under him. It was also noted that the receiver of revenue had not appointed persons collecting revenues at the Sub-Counties as collectors of revenue as required by Section 157(1) of the Public Finance Management Act, 2012 which states that the County Executive Committee Member

for finance shall in writing designate persons to be responsible for collecting, receiving and accounting for such County Government revenue.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

52. Unjustified Return to Manual System

As previously reported, Management procured a digital revenue system from three (3) companies at a cost of Kshs.54,000,000. In June, 2020, one of the suppliers was paid Kshs.285,000 as consultancy and maintenance fee. However, Management reverted back to manual collection of revenue which is prone to manipulation.

In the circumstances, the efficiency and effectiveness of the revenue collection could not be confirmed.

53. Failure to Update a Valuation Roll

Included in Note 2 to the revenue statements is income from land rates amount of Kshs.7,388,702. However, the income was collected based on an expired valuation roll that was last updated in the year 2005 by the defunct Municipal Council of Lamu. In addition, Management did not provide the valuation rolls applied to collect rates in Hindi, Mokowe, Mpeketoni and Witu and did not record any collection of rates from these zones. This is contrary to the provisions of Section 3 of the Valuation for Rating Act, Cap. 266 laws of Kenya which provides that the roll should remain valid for a period of ten (10) years and therefore lapsed in the year 2015.

In the circumstances, the efficiency and effectiveness of the valuation roll could not be confirmed.

54. Procurement of Receipt Books

The County purchased accountable documents from the Government printer by use of imprests. The accountable documents included fees and charges receipt books, land rate payment receipts, single business permits and motor cycle stickers. However, Management did not keep any record indicating the quantity and serial numbers of accountable documents purchased from the Government printer during the year contrary to Regulation 117(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that Accounting Officer shall keep his or her stock of accountable documents whether manual under lock and key, issuing them in accordance with the daily needs of the service, and keeping an accurate up-to-date record of their use by means of continuity control sheets.

In the circumstances, the efficiency and effectiveness of the usage of accountable documents could not be confirmed.

55. Failure to Reconcile and Record Revenue Collection

Review of revenue records maintained revealed the following anomalies:

- i. Revenue collections at the Sub-County level was not supported by collection control sheets, reconciled against Bank/Mpesa deposits and recorded in the cash book on a daily basis.
- ii. The land rate payment receipts were printed without making a provision for date, and the amounts received from land rates were not posted to the land rates register.
- iii. According to the Finance Act, the County is required to levy land rates at the rate of 1% of the site value. However, the County did not invoice its ratable customers at the start of the year to establish the annual revenue potential.
- iv. Receipt book serial number 0001-00100 indicate that Kshs.1,628,185 was collected from annual rates. It was however noted that the receipt book also indicated that a similar amount was collected from ground rate arrears which was not supported with Mpesa payment receipt.
- v. The revenue collected from building plans was not approved by the County Executive Committee Member (CECM) for Lands, Physical Planning, Urban Development, and Energy as required.
- vi. The Municipality Manager was overseeing the collection of revenue from buildings plans. However, there was no evidence that the officer had been appointed as a collector of revenue. Furttther, a register of building plans approved during the year was not maintained.
- vii. Inspection of the fuel register indicated that the Department of Agriculture issued 9,904 litres of diesel to the Agricultural Machinery Services (AMS) vide detail order dated 1 October, 2023. However, the fuel drawn from the departmental register was not recorded in the AMS fuel register. The work tickets were not serially filed and fuel consumption was not reconciled on a monthly basis against mileage.

This is contrary to Regulation 63(6) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer or receiver of revenue or collector of revenue shall ensure adequate books of accounts relating to revenue collection and management are kept.

In the circumstances, the effectiveness of the internal controls on revenue due to the County could not be confirmed.

COUNTY GOVERNMENT OF LAMU – NO.5

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

56. Unreconciled Fund Balance

The statement of receipts and payments reflects closing fund balance of Kshs.779,667,820 while the statement of comparison of budget and actual amounts reflects a closing fund balance of Kshs.1,006,893,374 resulting to an unexplained variance of Kshs.227,225,554.

In the circumstances, the accuracy of the closing fund balance amount of Kshs.779,667,820 could not be confirmed.

Emphasis of Matter

57. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects actual receipts of Kshs.4,393,118,713. However, total amount transferred to the County Executive and County Assembly was Kshs.3,386,225,339 leaving an unutilized balance of Kshs.1,006,893,374 or 23% of the available resources.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 58.** There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 59.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF TAITA TAVETA – NO.6

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

60. Unexplained Variance in the Revenue Statements and Revenue Systems Report

The statement of receipts and disbursements reflects own source generated revenue amounting to Kshs.424,845,006. This revenue was recorded using the Local Integrated Financial Operations Management Systems (LAIFOMS) and County Integrated Revenue Management Information System (CIRMIS). However, the systems data from LAIFOMS did not indicate the revenue streams making it difficult to determine the revenue collected from each revenue stream as reflected in the revenue statements. In addition, records provided for audit indicated that revenue from various revenue streams generated through LAIFOMS system was Kshs.129,021,680, while the revenue statements reflected an amount of Kshs.116,898,914 resulting in an unreconciled variance of Kshs.12,122,766.

In the circumstances, the accuracy and completeness of the own generated revenue amount of Kshs.424,845,006 could not be confirmed.

61. Undisbursed Revenue to Facilities Improvement Fund

The statement of receipts and disbursements reflects Kshs.152,897,744 and Kshs.12,036,361 in respect to hospital and public health service fees respectfully and as disclosed in Notes 8 and 9 to the revenue statements. This translates to total fees of Kshs.164,934,105 from the health facilities in the County. However, the financial statements for Taita-Taveta County Facilities Improvement Fund (FIF) reflects receipts from Receiver of Revenue amounting to Kshs.67,042,652 resulting in an unreconciled variance of Kshs.97,891,453. Further, this variance represents disbursements in the form of Authority to Incur Expenditure (AIE) from the Receiver of Revenue to the health facilities whose details are not included in the FIF financial statements. In addition, no explanation was provided as to why this amount was spent from the collection accounts instead of being channeled through the FIF for allocation.

In the circumstances, the disbursements of Kshs.164,934,105 to FIF could not be confirmed.

Emphasis of Matter

62. Budgetary Control and Performance

During the year under review, actual revenue collection amounted to Kshs.424,845,006 against budgeted amount of Kshs.541,118,780, resulting to an under collection of Kshs.116,273,774 or 21% of the budget. No explanation was provided for the underperformance as required by the International Public Sector Accounting Standards (IPSAS) Reporting Template

63. Unexplained Budget Variance

The foreword by the CECM Finance and Economic Planning on budget performance against actual amounts indicate that the County had total projected revenue of Kshs.541,118,780, consisting of own source revenue of Kshs.387,373,977, Mwatate Municipality own source of Kshs.51,716,156 and Facility Improvement Fund of Kshs.100,000,000. However, the reported budget amount differed with the Facility Improvement Fund budget of Kshs.229,051,349 reflected in the Fund's statement of comparison of budget and actual amounts. Neither the breakdown for the Mwatate Municipality revenue budget of Kshs.51,716,156 nor the explanation for the variance in the budget amounts between the two statements were provided for audit review.

My opinion is not modified in respect of these matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 64.** There were no material issues noted on awfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

65. Underperformance on Own Source Revenue Generation

The statement of receipts and disbursements reflects own source generated revenue amounting to Kshs.424,845,006 for the year under review. However, the Receiver of Revenue could be under-performing because of the following inadequacies:

65.1 Outdated Finance Act

During the year under review, the Finance Act, 2020 rates were used to generate revenue for the County Government instead of the updated Finance Act, 2022.

65.2 Outdated Valuation Rolls

The County Government of Taita Taveta Management used Voi Municipality Valuation Roll, 2006 and Taveta Sub County Valuation Roll, 2006. Further, Mwatate Sub County, Wundanyi Sub County and Maungu Town used the valuation roll from the defunct County Council, which was reviewed in 2009 and came into force in 2012. This was contrary to the Rating Act which requires that the valuation roll be reviewed after every ten(10) years. The County Government was therefore using outdated valuation rolls despite appreciation in property values.

65.3 Unregistered Point of Sale Devices

The County Government of Taita Taveta Management procured sixty (60) Point of Sales (POS) devices to help in collection of revenue. However, the devices were neither integrated with the revenue management system in place nor registered in the

revenue collection system making it difficult to confirm whether all revenue generated from the POS devices had been recorded into the system.

In the circumstances, the effectiveness of own source revenue generation systems could not be confirmed.

COUNTY GOVERNMENT OF TAITA TAVETA – NO.6

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

66. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

67. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.7,193,658,663 and Kshs.6,327,041,045 respectively resulting to an under-receipt of Kshs.866,617,619 or 12% of the budget. Similarly, the Fund transferred Kshs.6,143,184,159 against an approved budget of Kshs.7,193,658,663 resulting to an under-transfer of Kshs.1,050,474,504 or 15% of the budget.

The under-receipt and under-transfer affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

68. Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, Management has not resolved the issues. This is contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which requires accounting officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

69. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

70. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF GARISSA – NO.7

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

71. Unsupported County Own Source Revenue

The statement of receipts and disbursements reflects County own source revenue from fifteen (15) revenue streams amounting to Kshs.78,741,423. Management provided monthly schedules to support the reported receipts. However, primary revenue records such as daily and weekly revenue registers indicating actual transactions of revenue collections such as revenue source, date and amount which are linked to monthly schedules were not provided for audit review.

In the circumstances, the accuracy and completeness of County own source revenue amounting to Kshs.78,741,423 could not be confirmed.

72. Unaccounted for Revenue from Hospital Fees

The statement of comparison of budget and actual amounts reflects final budget of Kshs.49,840,000 in respect to hospital fees, however, the statement indicates Nil collection. The Hospital Management explained that the hospitals collected revenue amounting to Kshs.61,072,841 and spent at source. This was contrary to Section (109) (2)(b) of the public Finance Management Act, 2012 which states that the County Treasury for each County Government shall ensure that all money raised or received by or on behalf of the county government is paid into the County Revenue Fund.

In the circumstances, the accuracy and completeness of the revenue from hospital fees could not be confirmed.

73. Inaccurate Amount Transfers to County Revenue Fund (CRF)

The statement of receipts and disbursements reflects disbursement to CRF amounting to Kshs.82,592,800 while the CRF statement of receipts and payments reflects receipts from receiver of revenue amounting to Kshs.81,999,052. The difference of Kshs.593,748 has not been explained or reconciled. Further, the statement of receipts and disbursements reflects balance brought forward of Kshs.3,851,377 while the comparative show that all the collected funds were transferred to the CRF during the year.

In the circumstances, the accuracy of the amount of transfers to CRF could not be confirmed.

74. Inaccurate Bank Balance

The statement of financial assets and liabilities reflects a bank balance of Kshs.575,659. However, the statement of receipts and disbursements shows a Nil balance of other receipts as all the receipts and brought forward balances were transferred to the CRF. No explanation has been provided for the anomaly.

In the circumstances, the accuracy and completeness of bank balance of Kshs.575,659 could not be confirmed.

Emphasis of Matter

75. Under Collection of Own Source Revenue

The statement of comparison of budget and actual amounts reflects revenue budget and actual amounts on comparable basis of Kshs.130,000,000 and Kshs.78,741,423 respectively, resulting to revenue shortfall of Kshs.51,258,577 or 39% of the budget amount. Review of revenue records provided for audit revealed that hospital fees totalling Kshs.61,072,841 was collected. Management attributed the under-collection of revenue to non-remittance of revenue from the Level 5 Hospital.

The under-collection affected implementation of planned activities and programs and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

76. Unresolved Prior Year Audit Matters

In the audit of the previous year, several issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or explained the failure to adhere to the provisions of the Public Sector Accounting Standards Board Template and The National Treasury Circular AG No.3/88/Vol.II(27) of 9 May,2023.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

77. Collection of Revenue without a Finance Act

Management collected revenue amounting to Kshs.78,741,423 from own source revenue. However, the County Finance Bill submitted to the County Assembly setting out the revenue raising measures by the County Government was not approved by the County Assembly. This was contrary to Section 133 of the Public Finance Management Act, 2012 which provides that, not later than ninety (90) days after passing the Appropriation Bill, the County Assembly shall consider and approve the Finance Bill with or without amendments.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

78. Weak Revenue Collection System Controls

Review of revenue records revealed that Management collected revenue manually using miscellaneous receipts contrary to requirements of Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the accounting officer and receiver of revenue are personally responsible for ensuring adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies.

In the circumstances, the effectiveness of controls on revenue collection and the reliability of the revenue collection system could not be confirmed.

COUNTY GOVERNMENT OF GARISSA – NO.7

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

79. Closing Fund Balance

The statement of receipts and payments reflects a closing fund balance of Kshs.1,091,985,636 which includes an opening fund balance brought forward from 2021/2022 financial year of Kshs.7,839,087. However, the statement reflects a closing fund balance for the 2021/2022 financial year of Kshs.15,689,587 resulting in an unexplained variance of Kshs.8,300,500.

In the circumstances, the accuracy of the fund balance of Kshs.1,091,985,636 could not be confirmed.

Emphasis of Matter

80. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final total revenue budget and actual on comparable basis of Kshs.9,370,153,475 and Kshs.9,267,054,422 respectively, resulting in an under-funding of Kshs.122,922,604 or 1% of the budget. Similarly, the statement reflects final net budget balance and actual on comparable basis of Kshs.1,187,245,602 and Kshs.1,084,146,549 resulting in under-absorption of Kshs.103,099,053 or 1 % of the budget.

The under-funding and under-absorption affected the planned activities and may have impacted negatively on service delivery to the public.

81. Late Exchequer Issues

The statement of receipts and payments reflects total receipts comprising of exchequer receipts of Kshs.8,561,389,232, transfers from other Government agencies of Kshs.603,842,587, own source revenue of Kshs.81,999,052 and return to County Revenue Fund (CRF) issues of Kshs.19,823,551, and totalling Kshs.9,267,054,422. It was however, noted that exchequer releases totalling Kshs.2,021,439,125 were received in the month of June, 2023, thus denying Management a chance to spend the monies as earmarked in the approved budget.

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

My opinion is not modified in respect of these matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 82.** There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 83.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF WAJIR – NO.8

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Unmodified Opinion

84. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

85. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual amounts on comparable basis of Kshs.100,000,000 and Kshs.46,563,994 respectively, resulting to revenue shortfall of Kshs.53,436,006 or 53% of the budgeted amount.

The decline and under-collection affected implementation of planned activities and programs and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

86. Unresolved Prior Year Audit Issues

Review of the progress on follow up on prior year auditor's recommendations reveal that, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues remained unresolved contrary to Section 149(2) (I) of the Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

87. Collection of Revenue Without a Finance Act

Management of the County Executive collected revenue amounting to Kshs.46,563,994 from County own sources revenue. However, the County Assembly approved the Finance Bill on 13 March, 2023 and therefore, revenue collected for nine (9) months totalling Kshs.32,136,116 representing 69% was not supported by the approved finance bill. This is contrary to Section 133 of the Public Finance Management Act, 2012, which stipulates that, not later than ninety (90) days after passing the Appropriation Bill, the County Assembly shall consider and approve the Finance Bill with or without amendments.

In the circumstances, Management was in breach of the law.

88. Delay in Transfer of Receipts to the County Revenue Fund

The statement of receipts and disbursements reflects total county own source revenue of Kshs.46,563,994, out of which Kshs.46,550,977 was banked during the year in addition to balance brought forward from the year ended 2021/2022 totalling Kshs.14,245,245, resulting to Kshs.60,796,103 held in the bank. However, transfers to the County Revenue Fund amounted to Kshs.55,785,107, leaving a balance of Kshs.5,010,996 unremitted to the County Revenue Fund account contrary to Regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires the receiver of revenue to pay the revenue received into the County Revenue Fund as soon as possible and in any case not later than five (5) working days after receipt.

In the circumstances, Management was in breach of the law.

89. Lack of Quarterly Revenue Statements

During the year under review, the County Executive collected revenue amounting to Kshs.46,563,994. However, quarterly statements were not provided for audit, contrary to Section 158(3) of the Public Finance Management Act, 2012 which requires a receiver of revenue to prepare and provide quarterly revenue statements to the County Treasury with copies to the National Treasury and the Commission on Revenue Allocation.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

90. Anomalies in M-Pesa Pay Bill Collection Account

During the year under review, an amount totalling Kshs.5,537,500 was collected through a M-Pesa pay bill. However, details of the authorizing officer responsible for overseeing and authorizing transactions for the pay bill account were not provided for audit. Further, Management did not provide details when the paybill was opened.

In the circumstances, the effectiveness of operations and controls in place for the Mpesa account could not be confirmed.

COUNTY GOVERNMENT OF WAJIR – NO.8

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

91. Unsupported Closing Fund Balance

The statement of receipts and payments reflects closing fund balance of Kshs.1,000,328,595. However, details to support the huge fund balance were not provided for audit review. The fund balance as reported under the County Government financial statement was Nil and the funds not transferred to the County Executive and the County Assembly of Kshs.763,589,637 were not accounted for in any bank balance.

In the circumstances, the accuracy and completeness of closing Fund balance of Kshs.1,000,328,595 could not be confirmed.

92. Inaccurate Own Source Revenue Amount

The statement of receipts and payments reflects own source revenue of Kshs.46,789,602. However, the receiver of revenue statement of receipts and disbursements reflected disbursements to County Revenue Fund totalling Kshs.55,785,107 resulting to a difference of Kshs.8,995,505. The financial statements are prepared based on cash basis of accounting and therefore any disbursements by the Receiver of Revenue should be accounted for when received.

In the circumstances, the accuracy and completeness of own source revenue amount of Kshs.46,789,602 could not be confirmed.

Emphasis of Matter

93. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual amounts on comparable basis of Kshs.11,234,680,625 and Kshs.11,058,050,793 respectively, resulting to revenue shortfall of Kshs.176,629,832 or 1% of the budget amount. Similarly, Management spent Kshs.10,057,722,198 against a budget of Kshs.11,234,680,625 resulting to under absorption of Kshs.1,176,958,427 or 11% of the budget amount.

The under-collection and under-expenditure affected implementation of planned activities and programs and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

94. Late Exchequer Issues

The statement of comparison of budget and actual amounts reflects total actual receipts of Kshs.11,058,050,793. However, exchequer receipts and proceeds from domestic and foreign grants amounting to Kshs.2,391,731,907 representing 22% of the total receipts were received in the month of June, 2023.

Due to late remittances by The National Treasury, the County Government could not undertake all the planned and budgeted programs in time and thereby impacting negatively on service delivery.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 95.** There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 96.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF MANDERA – NO.9

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Unmodified Opinion

97. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

98. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual amounts on comparable basis of Kshs.290,436,786 and Kshs.123,310,531 respectively, resulting to revenue shortfall of Kshs.167,126,255 or 58% of the budget amount.

In addition, review of performance for the past three (3) years indicated a declining trend in actual own source local revenue against the budgeted revenue as shown in the table below:

Year	Budgeted Revenue (Kshs.)	Actual Revenue (Kshs.)	Variance (Kshs.)	Variance Percentage (%)
2020-2021	200,037,792	143,313,898	56,723,894	28.4%
2021-2022	200,037,792	132,899,851	67,137,941	33.6%
2022-2023	290,436,786	123,310,531	167,126,265	57.5%

The under-collection affected implementation of planned activities and programs and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

99. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

100. Weak Revenue Collection System Controls

The Receiver of Revenue collects revenue through an automated revenue collection system provided by a local Company for all income streams. As previously reported, review of the records indicated that the revenue department used two hundred and

ninety (290) Point of Sale (POS) machines for revenue collection. However, the state of these POS devices revealed that eighty (80), one hundred thirty-three (133) and seventy-seven (77) were active, faulty and not in use respectively. In addition, there was no evidence of effort by the Management to repair the faulty gadgets. Management has not updated the valuation roll and still uses valuation roll prepared by the defunct Town Council of Mandera, the system is unable to generate transactions for each revenue stream to support the monthly totals and the system has no front-end service portal to enable the County citizens to access and procure county services, register individual profiles and manage their accounts.

Further, revenue is collected using an ICT based revenue collection system with thirteen (13) streams and transmitted to three (3) revenue collection bank accounts via M-Pesa Pay Bills systems which is manually extracted from bank statements and M-Pesa statements. In addition, the revenue collection system does not have in-built or linked to revenue recognition and reporting module which can produce periodical financial reports needed for internal management and control purposes or for external analysis purposes.

In the circumstances, the effectiveness of Management controls on the revenue collection and the reliability of the revenue collection system could not be confirmed.

COUNTY GOVERNMENT OF MANDERA – NO.9

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

101. There were no material issues noted during the audit of the financial statements.

Other Matter

102. Late Exchequer Issues

The statement of comparison of budget and actual amounts reflects total actual receipt of Kshs.12,443,649,553. The amount includes exchequer receipt of Kshs.12,085,613,204. However, exchequer release totalling Kshs.2,853,547,563 were received in June, 2023.

Due to late remittances by the National Treasury, the County Government of Mandera could not undertake the planned and budgeted programs and thereby adversely affecting service delivery. The under-performance of the budget affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

103. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

104. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF MARSABIT – NO.10

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Disclaimer of Opinion

105. Unsupported County Own Source Revenue

The statement of receipts and disbursement reflects revenue amounts from the eighteen (18) revenue streams totalling Kshs.221,927,688 which were not supported with schedules and other revenue collection records such as revenue collection registers, cash books, valuation rolls, bank statements, bank pay in slips, miscellaneous receipt books and counter foils.

In the circumstances, the accuracy and completeness of the County Own Source revenue could not be confirmed.

106. Inaccurate Balance Due for Disbursement

The statement of receipts and disbursements reflects Kshs.18,514,246 in respect of balance due for disbursement, however, computation of the same reflects Kshs.18,498,007 resulting to unexplained variance of Kshs.16,239.

In the circumstances, the accuracy of the balance due for disbursement of Kshs.18,514,246 could not be confirmed.

107. Unconfirmed Prior Year Comparative Balances

The statement of receipts and disbursements, statement of financial assets and liabilities, and Notes to the revenue statements reflects prior year comparative balances amounting to Kshs.100,204,094 and balance brought forward at the beginning of the year totalling Kshs.15,039,480. However, the County Government prepared the receiver of revenue statements for the first time in the 2022-2023 financial year and as such there were no audited revenue statements for the prior year against which the balances could be compared.

In the circumstances, the accuracy of the prior year comparative balances could not be confirmed.

108. Uncollected Rent from Market Stalls

The statement of receipts and disbursements and as disclosed in Note 6 reflect Kshs.1,384,283 in respect of market fees. However, the revenue statement for the year shows that the collections do not include revenue from market stalls from the new Saku Market contrary to Regulation 63(1) of the Public Financial Management (County Governments) Regulations, 2015, which provides that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all County Government revenue and other public moneys relating to their County departments or agencies.

No evidence was provided to show the measures put in place to ensure collection of the uncollected revenue from market stalls.

In the circumstances, the adequacy of safeguards for prompt collection and proper accounting of revenue could not be confirmed.

109. Presentation and Disclosure of Revenue Statements

The revenue statements presented for audit revealed the following anomalies:

- i) The statement of receipts and disbursement and the statement of financial assets and liabilities do not indicate the titles of financial years against which the reported balances relate.
- ii) The table of content, various non-revenue statements, the statement of comparison of budget and actual amount, significant accounting policies and Notes to the revenue statements are indicated as XX instead of populating the same with the relevant information.
- iii) The cover page of the financial statement indicates the caption (Revised 30 June, 2023 and (Leave This Page Blank) which require to be deleted or transferred to the relevant page.
- iv) The Statement of Receipts and Disbursement indicates that the explanatory Note on donations/grants not received through CRF shall be found at Note 18. However, Note 18 to the financial statement is on Veterinary-Meat Inspection hence the information is misleading.

In the circumstances, the revenue statements have not been presented in compliance with the requirements of the reporting template issued by Public Sector Accounting Standards Board in June, 2023.

110. Un-Surrendered Receipt Books

The County Revenue Department collected revenue manually during the year. Counterfoil receipts book registers revealed that one hundred and seven (107) receipt books issued to various revenue collectors in the four sub counties had not been surrendered and revenue collected vide those books had not been accounted for.

Further, the revenue department had not made efforts to recover the outstanding books contrary to Regulation 118 of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting officer shall keep his or her stock of accountable documents for a stipulated period of time.

In the circumstances, revenue collected through the receipt books may not have been accounted for.

111. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual amounts on comparable basis of Kshs.170,000,000 and Kshs.142,663,012

respectively, resulting to revenue shortfall of Kshs.27,336,988 or 16% of the budget amount.

The under-collection affected implementation of planned activities and programs and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

- 112.** Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

- 113.** Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

COUNTY GOVERNMENT OF MARSABIT – NO.10

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

114. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

115. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final receipts budget of Kshs.8,832,676,815 and actual receipts of Kshs.8,349,942,479 resulting to underfunding of Kshs.482,734,336 or 5 % of the budget. Similarly, the statement reflects total actual expenditure of Kshs.7,901,068,759 against an approved budget of Kshs.8,832,676,814 resulting to an under-expenditure of Kshs.931,608,055 or 11% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

116. Unresolved Prior Year Audit Matters

In the previous audit report several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Control, Risk Management and Governance. However, Management has indicated that they were awaiting County Assembly invitation and as a result, the issues remain unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

117. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

118. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF ISIOLO– NO.11

RECEIVER OF REVENUE

- 119.** The County Government of Isiolo did not submit financial statements for receiver of revenue. This was contrary to Section 164(4)(a) of the Public Finance Management Act, 2012 which requires the Accounting Officer of a County entity to submit financial statements to the Auditor-General for audit within three (3) months after the end of each financial year.

In the circumstances, Management was in breach of the law.

COUNTY GOVERNMENT OF ISIOLO – NO.11

COUNTY REVENUE FUND

- 120.** The County Government of Isiolo did not submit financial statements for county revenue funds. This was contrary to Section 164(4) (a) of the Public Finance Management Act, 2012 which requires the Accounting Officer of a County entity to submit financial statements to the Auditor-General for audit within three (3) months after the end of each financial year.

In the circumstances, Management was in breach of the law.

COUNTY GOVERNMENT OF MERU – NO.12

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Adverse Opinion

121. Inaccuracies in the Presentation and Disclosure of the Revenue Statements

Examination of the revenue statements reflects the following anomalies;

- i. Management did not provide ledgers and trial balance to support the revenue statements.
- ii. Further, Management did not prepare the statements of cash flows.
- iii. The statement of receipts and disbursements and as disclosed in Note 14 to the financial statements reflects an amount of Kshs.115,000 in respect of bank charges while the supporting schedules reflects Nil amount resulting to an unexplained variance of Kshs.115,000.
- iv. The statement of receipts and disbursements reflects own source revenue collected totalling Kshs.396,641,415 with an amount brought forward, transfers to County Revenue Fund and bank charges amounting to Kshs.4,453,670, Kshs.393,647,506 and Kshs.115,000, respectively resulting to undisbursed revenue totalling Kshs.7,332,579. However, the undisbursed revenue amount differs with the balance of Kshs.7,784,436 reflected in the statement of assets and liabilities resulting to an unreconciled variance of Kshs.451,857.
- v. The statement of receipts and disbursements reflects County own source revenue totalling Kshs.396,641,415 which differs with the County own source revenue collections amount of Kshs.393,647,505 reflected in the statement of Meru County Revenue Fund resulting to a variance of Kshs.2,993,910.

In the circumstances, the accuracy, completeness, presentation and disclosure of the revenue statements could not be confirmed.

122. Unsupported Revenue and Loss of Revenue Data

The statement of receipts and disbursements reflects County own source revenue amount of Kshs.396,641,415. Review of records revealed that Management entered into a contract with a local service provider for the supply, delivery, implementation, customization and commissioning of a revenue collection and management automation system for Meru County at a contract sum of Kshs.49,905,910 for a period of five (5) years commencing 24 April, 2018.

Further, the service provider was paid transaction fees equivalent to 4% of all the funds collected through payment gateway for revenue up to Kshs.499,999,999

exclusive of any taxes applicable and additional 1.5% on revenue above Kshs.500,000,000.

Upon the expiry of the contract on 23 April, 2023, the parties agreed to extend the contract for a period of six (6) months ending 26 October, 2023 with no changes on the terms of contract. However, as at the time of audit in November, 2023, the Management was not able to provide key reports due to the inability to retrieve the reports after the rights were withdrawn by the service provider immediately the contract expired.

Further, the Board's statement of cashflows reflects revenue collection fees of Kshs.17,700,000 which was paid to the vendor of the revenue collection system. No documents were provided for audit to support Management claims that the amount paid was part of the previous financial year 2021/2022 outstanding collection fee balance of Kshs.26,194,047.

In the circumstances, the accuracy, completeness, regularity, presentation and disclosure of County own generated revenue amounting to Kshs.396,641,415 could not be confirmed.

123. Unsupported and Undisclosed Arrears of Revenue

The statements of arrears of revenue reflects a balance of Kshs.12,108,000. However, Management did not provide necessary records for audit review. Further, the total revenue balance was omitted in the statement.

In addition, the statement of receipts and disbursements and as disclosed in Note 2 to the revenue statements reflects County own generated land and rates receipts amount of Kshs.26,921,066. The receipts include an amount of Kshs.25,769,000 and Kshs.1,152,065 in respect of land rates and penalties respectively. However, Management has not demonstrated efforts being undertaken to recover the outstanding rates contrary to Section 157(2) of the Public Finance Management Act, 2012 which requires the receiver of County Government revenue to ensure that the revenue for which the receiver is responsible is collected or recovered and is accounted for.

In the circumstances, the accuracy and completeness of the arrears of revenue balance of Kshs.12,108,000 could not be confirmed.

124. Failure to Collect Hawking Revenue

The statement of receipts and disbursements and as disclosed in Note 6 of the revenue statements reflects an amount of Kshs.33,533,526 in respect to market fees, which includes Nil hawking fees amount. The County failed to collect hawking fees which is charged at Kshs.20 on a daily basis to every hawker. Further, during the year under review the County collected an amount of Kshs.33,533,526 against set target amount of Kshs.69,552,215 resulting to revenue shortfall of Kshs.36,018,689.

In addition, the revenue dropped by an amount of Kshs.11,141,207 or 25% during 2022/2023 financial year compared to 2021/2022 financial year amount of Kshs.44,674,733.

Although, the County had automated its revenue collection, Management did not provide any data such as the e-receipt books and e-invoices issued to customers for audit review.

In the circumstances, the accuracy, regularity and completeness of market fees amount of Kshs.33,533,526 could not be confirmed.

125. Inaccuracies in the Single Business Permits Revenue

The statement of receipts and disbursements and as disclosed in Note 3 to the revenue statements reflects an amount of Kshs.129,343,568 in respect of Single Business Permits collected during the year which includes an amount of Kshs.6,467,178 and Kshs.122,876,389 for application fees and annual business permits respectively. However, the Management did not disclose penalties and interests accrued charged on outstanding licenses.

Further, details of businesses with outstanding licenses, penalties, non-renewed licenses or permits and accrued interests relating to single business permits were not provided for audit review. In addition, the Receiver of Revenue did not maintain an updated register of the businesses in the County.

In the circumstances, the accuracy, regularity and completeness of Single Business Permits amounting to Kshs.129,343,568 could not be confirmed.

126. Irregularities in the Meru Alcoholic Licensing and Control Board Revenue

The Meru County Receiver of Revenue had an approved final budget receipts amount of Kshs.595,140,000 which excludes budget and actual revenue of Kshs.56,797,233 Kshs.59,260,515, respectively in respect of Meru Alcoholic Licensing and Control Board. Further, review of the County own generated receipts revealed that the Board collects and spends the funds at source instead of remitting to the County Revenue Fund for accountability.

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

Emphasis of Matter

127. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.595,140,000 and Kshs.396,641,415, respectively resulting to under-collection of Kshs.198,498,585 or 33% of the budget.

In the circumstances, under collection affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

128. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not resolved the issues or given any explanation for failure to implement the recommendations. In addition, the prior year issues have not been reflected in the progress on follow up of prior year auditors' recommendations as required by the reporting template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

129. Non-Submission of the Revenue Board Reports

During the year under review, the Management did not prepare quarterly financial reports detailing the activities and plans of the Board, the performance of the Board, details of financial and non-financial performance of the Board. This was contrary to Section 15 of Meru County Revenue Act, 2014 which states that the Board shall within fifteen days from the close of every quarter, submit quarterly report on the performance of the Board which should be annexed to the County Quarterly Report.

In the circumstances, Management was in breach of the law.

130. Undisbursed Funds

The statement of receipts and disbursements reflects own source revenue collected totalling Kshs.396,641,415 with an amount brought forward, transfers to County Revenue Fund and bank charges amounting to Kshs.4,453,670, Kshs.393,647,506 and Kshs.115,000, respectively, resulting to undisbursed revenue totalling Kshs.7,332,579. This was contrary to Section 17(1) of Meru County Revenue Act, 2014 which states that; all revenue collected by or payable under this Act shall be collected by the Board and paid into the County Revenue Fund.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

131. Weaknesses in Monitoring and Controls in Revenue Collection

The statement of receipts and disbursements reflects own source revenue collected totalling to Kshs.396,641,415. However, daily revenue control sheets detailing the M-pesa and cash deposit references for cess, street parking fees, market entry fees and slaughter fees were not provided for audit review. Further, there were no daily or weekly revenue reconciliation and monitoring reports to confirm the accuracy of revenue receipts recorded per revenue stream against actual banking.

In the circumstances, there were no adequate internal controls and safeguards applied for the collection and accounting for revenue.

132. Lack of Risk Management Policy Framework

The County Executive operated without a documented Risk Management Policy Framework contrary to the requirements of The National Treasury Circular No.3/2009 of 23 February, 2009 which requires all Heads of public institutions to develop and implement a risk management framework as a fundamental step towards establishing an accountable and innovative public service. In addition, there was no effective reporting system that includes hotlines, report centers and whistle blower policy.

Failure to enforce internal control procedures may lead to fraudulent practices, possible loss and leakage of data due to lack of security and knowledge of handling information.

COUNTY GOVERNMENT OF MERU – NO.12

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

133. Inaccuracies of Own Source Revenue

The statement of receipts and payments reflects own source revenue amounting to Kshs.393,647,505 which differs with the county own source revenue collections reflected in the statement of County Government of Meru - Receiver of Revenue amounting to Kshs.396,641,415 resulting to unexplained variance of Kshs.2,993,910. Further, the amount excludes proceeds from sale of assets amounting to Kshs.160,000 which was recorded in the cashbooks.

In the circumstances, the accuracy and completeness of the own source revenue amounting to Kshs.393,647,505 could not be confirmed.

134. Inaccuracy of Fund Balance

The statement of receipts and payments reflects fund balance amounting to Kshs.30,854,770 as disclosed in Note 7 to the financial statements. However, the amount differs with the bank statement balance of Kshs.1,410,416,341 resulting to an unreconciled variance of Kshs.1,379,561,571. Further, monthly bank reconciliation statements were not prepared and provided for audit review contrary Section 90 (1) and (3) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officers to ensure bank accounts reconciliations are prepared for each bank account held by that Accounting Officer, every month and any discrepancies noted during bank reconciliation exercise are investigated immediately and appropriate action taken including updating the relevant cash books

In the circumstances, the accuracy and completeness of the fund balance amounting to Kshs.30,854,770 could not be confirmed.

Emphasis of Matter

135. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.11,971,705,228 and Kshs.11,063,319,759 respectively resulting to underfunding of Kshs.908,385,469 or 8% of the budget. Similarly, the County Revenue Fund disbursed Kshs.11,108,766,718 against an approved budget of Kshs.11,971,705,228 resulting to an under-funding of Kshs.862,938,510 or 7% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Meru County.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

136. Revenue not Declared by the Meru Alcoholic Licensing and Control Board

The County Government of Meru Receiver of Revenue had an approved final receipts budget amounting to Kshs.595,140,000. The amount excludes budget amounting to Kshs.56,797,233 and actual receipts amounting to Kshs.59,260,515 in respect to Meru Alcoholic Licensing and Control Board. However, the actual receipts amounting to Kshs.59,260,515 was not remitted to the County Revenue Fund but was directly spent by the Board. This was contrary to Section 109(2) of the Public Finance Management Act, 2012 which provide that the County Treasury shall ensure that all money raised or received by or on behalf of the County Government is paid into the County Revenue Fund, except money that may, in accordance with other legislation, be retained by the county government entity which received it for the purposes of defraying its expenses.

In the circumstances, Management was in breach of the law.

137. Irregular Transfers to the County Assembly

The statement of receipts and payments reflects transfers to County Assembly amounting to Kshs.1,316,083,088 or 12% of the total revenue of Kshs.11,063,319,759. This was contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that the approved expenditure of a County Assembly shall not exceed seven per cent of the total revenue of the county government or twice the personnel emoluments of the County Assembly whichever is lower.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 138.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF THARAKA-NITHI – NO.13

RECEIVER OF REVENUE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

139. Unsupported Revenue

The statement of receipts and disbursements reflects receipts totalling Kshs.286,737,650. However, review of records revealed unsupported revenue as detailed below:

139.1 Rent / Lease of County Houses and Stalls

The statement of receipts and disbursements and as disclosed in Note 5 to the financial statements reflects rent/ lease of County houses and stalls amount of Kshs.2,892,341. However, details of houses and stalls owned by the County Government were not provided for audit verification.

Further, the statement of arrears of revenue reflects stalls rent arrears balance of Kshs.3,198,777 which had not been recovered as at 30 June, 2023.

In addition, the County collected only Kshs.2,892,341 from County houses and stalls against an approved budget of Kshs.4,700,420, representing 62% revenue realization. The Management did not provide plausible explanation for the under-performance of revenue collection.

In the circumstances, the accuracy and completeness of the receipts totalling Kshs.2,892,341 could not be confirmed.

139.2 Barter Market and Slaughter Fees

The statement of receipts and disbursements and as disclosed in Note 4 to the financial statements reflects barter market and slaughter fees amount of Kshs.9,688,716 collected via Mpesa platform. However, the Mpesa statements for the period under review were not provided for audit verification.

In the circumstances, the accuracy and completeness of receipts of Kshs.9,688,716 could not be confirmed.

139.3 Miscellaneous Receipts

The statement of receipts and disbursements and as disclosed in the Note 15 to the financial statements reflects miscellaneous receipts amount of Kshs.714,453, collected via Mpesa platform. However, the amount was not supported with Mpesa statements and revenue monitoring reports.

In the circumstances, the accuracy and completeness of the receipts amount of Kshs.714,453 could not be confirmed.

139.4 Unsupported Livestock and Agriculture Produce Cess

The statement of receipts and disbursements and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.1,720,230 in respect to livestock and agriculture produce cess. However, detailed reports showing revenue collection from livestock and agriculture produce cess, respective cess collection points/stations, the categories of cess charged, approved fees and charges in respect to cess fee collection were not provided for audit review.

In the circumstances, the accuracy and completeness of the receipts amount of Kshs.1,720,230 could not be confirmed.

139.5 Unsupported Rent

The statement of receipts and disbursements and as disclosed in Note 9 to the financial statements reflects Kshs.2,178,508 in respect to property rent. However, the amount was not supported with tenancy agreements, monthly rental receipt books and details of houses and stalls owned by the County Government.

In addition, the County collected property fees of only Kshs.2,178,508 against an approved budget of Kshs.17,300,000 representing 13% revenue realization. However, the Management did not provide a plausible explanation for the underperformance of revenue from property fees.

In the circumstances, the accuracy and completeness of the receipts totalling Kshs.2,178,508 could not be confirmed.

139.6 Unsupported Revenue from Technical Services (Building Plan Approval)

The statement of receipts and disbursements and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.4,246,180 in respect of technical services, being revenue from building plans approval. However, the Management did not provide records showing the nature and the number of building plans approved, amount invoiced, approved fees and charges schedule used and receipts issued in respect to revenue from building plan approvals.

Further, receipts from building plans approval declined by Kshs.494,387 from an amount of Kshs.4,740,567 reported in the financial year 2021/2022 to Kshs.4,246,180 representing 12% decrease in revenue whose cause was not explained.

In the circumstances, the accuracy and completeness of technical services fees amount of Kshs.4,246,180 could not be confirmed.

139.7 Unsupported Hospital Fees

The statement of receipts and disbursements and as disclosed in Note 8 to the financial statements reflects Kshs.125,046,463 in respect to hospital fees. However, the Management did not provide monthly reconciliations of the revenue collected by

the revenue officers, making it difficult to track the movement of cash from the cashiers to the County Revenue Fund Account.

In the circumstances, the accuracy and completeness of the hospital fees amount of Kshs.125,046,463 could not be confirmed.

139.8 Unsupported Single Business Permit and Advertisement

The statement of receipts and disbursements and as disclosed in Note 3 to the financial statements reflects single business permit and advertisement amount of Kshs.69,084,571. Field visit across the County in the month of August, 2023 revealed that there were bill boards and posters placed along major roads and towns. The Management did not however, provide records of revenue collected from the posters and bill boards.

In the circumstances, the accuracy and completeness of the receipts of Kshs.69,084,571 for the year ended 30 June, 2023 could not be confirmed.

Emphasis of Matter

140. 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.380,000,000 and Kshs.286,737,650 respectively resulting to a revenue shortfall of Kshs.93,262,350 or 25% of the budget.

The revenue shortfall of Kshs.93,162,350 affected implementation of the planned activities and programs and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

141. Delayed Transfer of Collected Revenue to County Revenue Fund Account

The statement of receipts and disbursements reflects total revenue of Kshs.286,737,650. Further, bank and cash balance brought forward was Kshs.10,821,177 resulting to total available balance of Kshs.297,558,827. However, the Receiver of Revenue disbursed Kshs.263,519,874 to the County Revenue Fund, as at 30 June, 2023, leaving a balance of Kshs.33,922,721. Thus, Receiver of Revenue failed to promptly disburse the amount received into the County Revenue Fund Account, contrary to Regulation 81(1) and (2) of the Public Finance Management (County Governments) Regulations, 2015, which states that receivers of revenue shall promptly deposit into the County Exchequer Account all receipts due to the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof.

In the circumstances, Management was in breach of the law.

142. Natural Resources Excavation Cess

The statement of receipts and disbursements and as disclosed in Note 7 to the financial statements reflects natural resources excavation cess revenue of Kshs.37,432,401, against an approved budget of Kshs.55,084,200, representing 68% revenue realization. The Management did not provide plausible explanation for the under-performance of the revenue collection.

The revenue shortfall affected implementation of the planned activities and programs and may have impacted negatively on services delivery to the public.

143. Parking Fees

The statement of receipts and disbursements and as disclosed in Note 1 to the financial statements reflects parking fees receipts of Kshs.8,684,840 against a budget of Kshs.19,900,390. Further, the annual collection for parking fees of Kshs.8,684,840 means that average monthly collection was Kshs.723,000, which may be low given the number of sub counties.

The revenue shortfall affected implementation of the planned activities and programs and may have impacted negatively in services delivery to the public.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

144. Lack of Risk Assessment on Revenue Management

During the year under review, the Receiver of Revenue collected an amount of Kshs.286,737,650 from various sources of own revenue against budgeted receipts of Kshs.380,000,000 resulting to under collection of Kshs.93,262,350 or 25% of the budget. However, Management did not have a formal risk assessment policy on revenue. In addition, there was no evidence of periodic risk assessments performed for revenue to identify threats, assess vulnerability, and design automated systems that could enhance revenue collection.

In the circumstances, the effectiveness of internal control system on revenue management could not be confirmed.

145. Lack of Approvals, Procedures and Guidelines on the Use of MPESA Pay Bills and Hospital Management Systems

As previously reported, the County Executive operated Safaricom M-Pesa pay bill numbers for revenue collection in hospitals. However, the Management did not provide the approvals from the County Treasury for pay bill numbers opening and operation. Further, the Management did not provide details of the users of the pay bill numbers and their access rights together with the approved guidelines on the use of the pay bill numbers.

In addition, Management did not provide a monthly pay bill statements and monthly reconciliations to facilitate an audit trail of the revenue collected from the pay bill numbers to the commercial banks and eventual transfer to the County Revenue Fund (CRF) Account.

Review of the Hospital Management Systems at Chuka Level 5 Hospital revealed that cancellation or reversal of transactions in the system were done by the ICT Director. However, it was noted that requests for the approval of the same were done manually and no reason was provided for the reversal or cancellations of the transactions. Further, the cancelled or reversed transactions could not be confirmed in the patient's statements.

In the circumstances, Management failed to carry out necessary measures to ensure revenue collection was effective.

COUNTY GOVERNMENT OF THARAKA-NITHI – NO.13

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

146. There were no material issues noted during the audit of the financial statements

Emphasis of Matter

147. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts budget and actual on comparable basis of Kshs.5,681,363,406 and Kshs.5,237,689,660 respectively, resulting to an underfunding of Kshs.443,673,746 or 8% of the budget.

Similarly, the Fund expended Kshs.5,007,901,760 against a budgeted amount of Kshs.5,681,363,406 resulting to under-expenditure of Kshs.673,461,646 or 12% of the budget.

The underfunding and under-expenditure affected implementation of the planned activities and programs and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

148. Delayed Remittances of Revenue to the County Revenue Fund Account

The statement of receipts and payments and Note 3 to the financial statements reflects own source revenue amount of Kshs.263,519,894. Note 8 to the financial statements, on disclosure of balances in the revenue collection accounts revealed a balance of Kshs.34,273,158. Review of the county revenue collection bank accounts also revealed that the amount remained held in the accounts as at 30 June, 2023. The amount should have been promptly deposited into the County Revenue Fund Account, as required by Regulation 81(1) and (2) of the Public Finance Management (County Governments) Regulations, 2015, which provides that Receivers of Revenue shall deposit into the County Exchequer Account all receipts due to the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 149.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF EMBU – NO.14

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Adverse Opinion

150. Inaccuracies in the Revenue Statements

Examination of the revenue statements revealed the following anomalies;

- i. The statement of receipts and disbursements reflects County own source revenue totalling Kshs.680,779,467 out of which revenue amounting to Kshs.627,289,358 was disbursed to County Revenue Fund. However, the County Revenue Fund reflects an amount of Kshs.593,759,434 in respect to disbursements from Receiver of Revenue resulting to an unexplained variance of Kshs.33,529,924. Further, County Revenue Fund cashbook reflects funds received amounting to Kshs.659,809,031. However, no reconciliation has been provided for the inconsistency between the three sets of record. In addition, Management did not give reasons for not banking an amount of Kshs.62,919,534 to County Revenue Fund.
- ii. The statement of comparison of budget versus actual amounts reflects final targets and actual on comparable basis of Kshs.932,247,612 and Kshs.680,779,467, respectively resulting to budget realization difference of Kshs.253,132,972. However, recast of the same revealed budget realization difference of Kshs.251,468,145 resulting to a variance of Kshs.1,664,827.
- iii. The following variances were noted between balances disclosed in the statement of receipts and disbursements and the respective revenue reports:

Revenue Stream	Amount Reported in the Statement of Receipts and Disbursements (Kshs.)	Amount as per Revenue Summary (Kshs.)	Variance (Kshs.)
Hospital Fees	230,368,331	245,111,091	(14,742,760)
Public Health Service Fees	19,782,087	17,997,927	1,784,160
Miscellaneous Receipts	16,381,754	14,244,707	2,137,047
Slaughter House Fees	0	1,784,160	(1,784,160)
Administration Control Fees and Charges	47,259,501	290,282	46,969,219

In the circumstances, the accuracy and completeness of County own source revenue amounting to Kshs.680,779,467 could not be confirmed.

151. Unconfirmed and Unsupported Opening Balances

The first set of financial statements in respect of the Receiver of Revenue - County Government of Embu were prepared in the current financial year (2022/2023).

However, the financial statements reflects comparative balances from the previous year which were not supported by financial statements. Further, Management has

made various adjustment in respect of comparable amounts and balances which have not been supported with journal vouchers.

In the circumstances, the accuracy and completeness of the opening balances could not be confirmed.

152. Irregularities in the Management of Revenue Management System

The statement of receipts and disbursements reflects County own source revenue amounting to Kshs.680,779,467. However, contrary to Clause 5.2.2 of the contract agreement, the total County own source revenue was not supported with monthly bills from the service provider. Further, the computing of the transaction fees of 6.0% of all funds collected through the system to enable reconciliation and confirmation of the total County own source revenue declared in the financial statements was not supported. Further, review of the contract agreement revealed that the five (5) year contract period commenced on 06 April, 2018 and expired on 05 April, 2023. However, the system was in use in November, 2023 during the audit exercise, eight (8) months after the expiry of the contract. No evidence was provided to confirm that authority had been granted for the extension of the contract.

In the circumstances, the regularity and accuracy of the financial statements could not be confirmed.

153. Inaccuracies in the Cash and Cash Equivalents

The statement of financial assets and liabilities reflects a balance of Kshs.62,188,861 in respect of bank balances while Note 20 to the financial statements reflects a balance of Kshs.62,919,534 resulting in an unreconciled variance of Kshs.730,673.

Further, records provided revealed that the Management used five (5) Mpesa paybill numbers. However, there was no disclosure of balances held in the paybill numbers as at the close of the financial year.

In addition, the audited financial statements reflects previous year bank balance of Kshs.12,173,600 and as disclosed in Note 20 to the financial statements. However, the statement of financial assets and liabilities reflects Nil comparative balance.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.62,919,534 could not be confirmed.

154. Unsupported Hire of County Assets

The statement of receipts and disbursements reflects an amount of Kshs.128,600 in respect of receipts from hire of County assets. However, the receipts were not supported by daily, weekly or monthly revenue summaries, hire receipt books, banking slips, details and a list of County Halls, stadia, machines and equipment owned by the County Government.

Further, review of the fourth schedule of Embu County Finance Act, 2019 revealed that Management had provided for hire of Embu Stadium and other play grounds with charges ranging from Kshs.2,000 to Kshs.200,000 per day. However, budget and actuals did not reflect revenue from hire of the stadium and other playgrounds.

In the circumstances, the accuracy and completeness of hire of County assets amounting to Kshs.128,600 could not be confirmed.

155. Unsupported Land Rate

The statement of receipts and disbursements and as disclosed in Note 2 to the financial statements reflects an amount of Kshs.34,591,764 in respect of land rate. However, the amount was not supported with updated valuation roll for the four (4) Sub-Counties detailing the plot owners, plot numbers, location, plot value, and land rates payable per year. Further, Management did not provide records of invoicing and detailed ledger to show the amount of land rates invoiced, amount received and outstanding balance as at 30 June, 2023.

In addition, the County Government relied on a 2016 draft valuation roll to collect plot rent and land rates revenue.

In the circumstances, the accuracy, completeness and regularity of land rate amounting to Kshs.34,591,764 could not be confirmed.

156. Unsupported Long Outstanding Revenue Arrears

Note 24 to the revenue statements reflects ageing analysis of revenue arrears amounting to Kshs.439,971,428 in respect of land rates ageing over three (3) years. However, Management did not provide supporting documents of revenue arrears including invoicing and individual ledgers.

In the circumstances, the accuracy and completeness of revenue arrears amounting to Kshs.439,971,428 could not be confirmed.

157. Irregular Spending at Source

The statement of receipts and disbursements reflects an amount of Kshs.230,368,331 in respect of hospital fees which, as disclosed in Note 8 to the financial statements includes revenue from Embu Level 5 Hospital amounting to Kshs.209,383,168. However, review of bank statements of Embu Level 5 Hospital Operation Account revealed that Management spent at source a total of Kshs.29,011,887 contrary to Regulation 63(4) of the Public Finance Management (County Governments) Regulations, 2015. Further, the amount spent at source was not included in the revenue thus understating the disclosed revenue by the same amount.

In the circumstances, the regularity, completeness and accuracy of hospital fees amounting to Kshs.230,368,331 could not be confirmed.

Emphasis of Matter

158. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.932,247,612 and Kshs.680,779,467, respectively resulting to underfunding of Kshs.251,468,145 or 27% of the budget.

In the circumstances, under collection affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

159. Non-Submission of the Revenue Authority Reports

During the financial year under review, the Management did not prepare quarterly and annual financial reports detailing the activities and plans of the Authority, the performance of the Authority, details of financial and nonfinancial performance of the Authority including annual financial statements as required by law. This is contrary to Section 25 of Embu County Revenue Authority Act, 2017 which states that within a period of three months after the end of each financial year, the Board shall submit to the Auditor-General the accounts of the Authority.

In the circumstances, Management was in breach of the law.

160. Lack of a Functional Board for Embu County Revenue Authority

During the financial year under review, Embu County Revenue Authority operated without a functional Board to assist in the management and oversight of the operations of the Authority. This was contrary to Section 7(I) of Embu County Revenue Authority Act, 2017.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

161. Weaknesses in Monitoring and Controls in Revenue Collection

The statement of receipts and disbursement reflects County own source revenue totalling Kshs.680,779,467. However, audit review of controls around revenue collection and recording revealed the following:

- i In some cases, revenue collectors did not maintain daily revenue collection control sheets to record and account for revenue collected. Further, revenue collectors were maintaining daily physical revenue control sheets detailing the M-pesa and cash deposit references. However, there were no daily or weekly revenue reconciliation and monitoring reports to confirm the accuracy of revenue receipts recorded per revenue stream against actual bankings.
- ii Only six (6) POS machines were reported to be working in the County. In the absence of POS machines, the M-pesa and cash deposit references could not be verified and receipted resulting to hanging and unallocated receipts which could be used to settle any other revenue bills.
- iii Records on procurement of the point of sales machines including requisitions, delivery notes, goods received Notes, S11 and S13 were not provided for audit review. It was therefore not possible to determine the number of point of sales

machines procured and distributed to the revenue collectors in the Sub-Counties within the County.

- iv There was no substantive Revenue Officer in Manyatta Sub-County.

In the circumstances, there were no adequate control and safeguards applied for the collection and accounting of revenue.

162. Lack of Risk Management Policy Framework

The County Executive operated without a documented Risk Management Policy Framework contrary to the requirements of The National Treasury Circular No.3/2009 of 23 February, 2009 which requires all heads of Public Institutions to develop and implement a risk management frame work as a fundamental step towards establishing an accountable and innovative public service. In addition, there was no effective reporting system that includes hotlines, report centres and whistle blower policy.

Failure to enforce internal control procedures may lead to fraudulent practices, possible loss and leakage of data due to lack of security and knowledge of handling information.

COUNTY GOVERNMENT OF EMBU – NO.14

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

163. Inaccuracies in the Financial Statements

Examination of the annual report and financial statements revealed the following anomalies;

- i. The statement by the CECM Finance under the section on financial performance indicates projected revenue of Kshs.7,301,073,051 in one paragraph and the next paragraph indicates Kshs.7,323,123,635 for the same item resulting in an unreconciled variance of Kshs.22,050,584.
- ii. The analysis of expenditure on page xv reflects expenditure of Kshs.5,241,639,654 while the statement of receipts and payments and statement of comparison of budget and actual amounts reflect total payments of Kshs.6,121,666,634 resulting to a variance of Kshs.880,026,980.
- iii. The statement of receipts and payments reflects comparative exchequer releases balance of Kshs.5,006,417,724 and refers to disclosure Note 1 to the financial statements. However, the note reflects a balance of Kshs.5,398,613,622 resulting in an unexplained variance of Kshs.392,195,898.
- iv. The statement of receipts and payments reflects previous year's transfers from other government agencies amount of Kshs.275,872,607 and refers to Note 2 to the financial statements. However, the note does not have a comparative column and balances.
- v. The statement of receipts and payments reflects return to CRF issues of a nil balance and refers to disclosure Note 7 to the financial statements which however, reflects a balance of Kshs.6,963,774.
- vi. The statement of receipts and payments reflects comparative transfers to County Executive of Kshs.5,006,417,724 and refers to Note 8 to the financial statements. However, the note reflects Kshs.5,515,185,635 resulting in an unexplained variance of Kshs.508,767,911. Further, review of records from The National Treasury revealed total actual transfers to the County Executive of Kshs.5,535,263,261 resulting to further inconsistencies.
- vii. The statement of receipts and payments reflects comparative transfers to County Assembly balance of Kshs.613,862,000 and refers to Note 9 to the financial statements. However, the note reflects a Nil balance.
- viii. The statement of receipts and payments reflects opening fund balance of Kshs.6,963,774 and refers to Note 11 to the financial statements. The Note

however, reflects a balance of Kshs.137,997,740 resulting in an unexplained variance of Kshs.131,033,966

- ix. The analysis of receipts from exchequer releases on page 13 reflects total exchequer receipts of Kshs.5,884,435,028. The statement of receipts and payments and the statement of comparison of budget and actual amounts however, reflect Kshs.5,535,263,261 resulting in an unexplained variance of Kshs.349,171,767.

In the circumstances, the financial statements do not present a true and fair view of the financial performance and position of the Fund.

164. Unsupported Own Source Revenue

The statement of receipts and payments reflects own source revenue amount of Kshs.593,759,434 from thirteen (13) revenue streams as disclosed in Note 6 to the financial statements. The revenue streams disclosed were however, not supported with monthly summaries of actual cash received. Further, review of the County Revenue Fund Cashbook revealed that the Fund received a total of Kshs.659,809,031 during the year, resulting in an unexplained variance of Kshs.66,049,597.

In addition, review of the statement of Receiver of Revenue revealed own source revenue of Kshs.680,779,467 out of which revenue totalling Kshs.627,289,358 was disbursed to County Revenue Fund. However, no explanation or reconciliation was provided for the inconsistencies between the three sets of record.

In the circumstances, the accuracy and completeness of own source revenue amount of Kshs.593,759,434 could not be confirmed

165. Unsupported County Revenue Fund Balance

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects fund balance of Kshs.363,491,602. The balance was however, not supported with cashbook, monthly bank reconciliation statements and certificate of bank balance.

In the circumstances, the accuracy of the Fund balance of Kshs.363,491,602 could not be confirmed.

166. Unsupported Comparative Balances

The statement of receipts and payments reflects comparatives for total receipts, total payments and fund balance of Kshs.5,676,831,059, Kshs.5,620,279,724 and Kshs.6,963,774 respectively. Management did not however, submit financial statements for the previous financial year (2021/2022) for audit contrary to the requirements of Section 167(1) of the Public Finance Management Act, 2012 which requires the Administrator of a County Public Fund established by the Constitution, an Act of Parliament or County legislation to prepare financial statements for the Fund for each financial year in a form prescribed by the Accounting Standards Board.

In the circumstances, the accuracy and completeness of the comparative balances could not be confirmed.

Emphasis of Matter

167. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.7,301,073,049 and Kshs.6,485,158,236 respectively, resulting in an underfunding of Kshs.815,914,813 or 11% of the budget. Similarly, the Fund expended Kshs.6,121,666,634 against an approved budget of Kshs.7,301,073,051 resulting in net under-expenditure of Kshs.1,083,561,545 or 15% of the budget.

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

168. Presentation and Disclosures in the Financial Statements

Examination of the annual report and financial statements for the year ended 30 June, 2023 revealed the following anomalies;

- i. There was inconsistency in page numbering in the table of contents with the acronyms and glossary of terms and the statement of comparison of budget and actual amounts both sharing page 2. The acronyms and glossary of terms should be in page ii. Key entity information and management is indicated as being in page 3 instead of iii.
- ii. Disclosure of balances in revenue collection accounts was omitted from the financial statements, contrary to Note 12 of the Public Sector Accounting Standards Board reporting template for the County Revenue Fund.
- iii. Analysis of receipts from own source revenue per quarter in page 15 reflected only total amounts per quarter without showing the amount received from specific revenue streams.

In the circumstances, Management did not comply with the reporting requirements as prescribed by the Public Sector Accounting Standards Board (PSASB).

My opinion is not modified in respect of these matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 169.** There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 170.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KITUI – NO.15

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

171. Misstatement of Opening Balance

The statement of arrears of revenue reflects total arrears opening balance of Kshs.692,130,002 while the audited revenue statements for year ended 30 June, 2022 reflected a balance of Kshs.626,005,795. This resulted to an unexplained and unreconciled variance of Kshs.66,124,207.

In the circumstances, the accuracy and completeness of total arrears opening balance of Kshs.692,130,002 could not be confirmed.

172. Inaccuracies in Bank Balances

The statement of financial assets and liabilities reflects bank balances of Kshs.1,468,018 and as disclosed in Note 20 to the financial statements. The amount includes a bank account balance of Kshs.299,678 while the cashbook reflects Kshs.11,704,438 resulting to an unreconciled and unexplained variance of Kshs.11,404,760. In addition, Note 20 reflects another bank account balance of Kshs.1,168,340 whose cashbook, bank reconciliation statements and certificate of bank balances were not provided for audit.

In the circumstances, the accuracy and completeness of bank balance of Kshs.1,468,018 could not be confirmed.

Emphasis of Matter

173. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.420,000,000 and actual on comparable basis of Kshs.473,138,519 resulting to an over collection of Kshs.53,138,519 or 13% of the budget.

The over-collection of Kshs.53,138,519 may be an indication of under-budgeting in some of own source revenue items.

My opinion is not modified in respect of this matter.

Other Matter

174. Unresolved Prior Year Matters

In the audit report for the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

175. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

176. Failure to Collect Revenue from County Investments

Review of county own source revenue documents revealed investments in ballast crusher at Kshs.220 million, cabro processing plant at Kshs.14 million and chicken slaughterhouse at Kshs.6.3 million but no revenue was reported from these activities in the year under review. In addition, rent on leased land for the ballast crusher is accrued annually at Kshs.360,000. However, physical verification of the ballast crusher and cabro processing plant in October and November, 2023 revealed that the equipment were not operational and had deteriorated due to adverse weather conditions.

Further, there were raw materials and finished products lying idle at the cabro processing plant site without any security arrangements. Management did not provide satisfactory explanations on why the projects were not operational or highlight the measures being put in place to revive them.

In the circumstances, value for money from the investments of ballast crusher, cabro processing plant and chicken slaughterhouse of Kshs.220 million, Kshs.14 million and Kshs.6.3 million respectively could not be confirmed.

177. Lack of Integration of Revenue Systems

The statement of receipts and disbursements reflects revenue from hospital fees of Kshs.274,835,744. However, the revenue management system in the hospitals is not integrated to the County revenue collection system and the revenues from the hospital facilities are collected and transferred independently into the County revenue collection bank account. As a result, the County is not able to centrally oversee the revenue collection and reporting process for the same.

In the circumstances, effectiveness of internal controls on the revenue management systems could not be confirmed.

COUNTY GOVERNMENT OF KITUI – NO.15

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

178. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following inaccuracies in the financial statements:

- i. The statement of receipts and payments reflects a closing fund balance of Kshs.2,209,387,481 while the corresponding Note 11 to the financial statements reflects an amount of Kshs.1,574,824,601 resulting to an unexplained and an unreconciled variance of Kshs.634,562,880.
- ii. The statement of receipts and payments reflects balances of Kshs.372,987,443 and Kshs.487,027,810 in respect of comparative closing fund balance and net decrease in cash for the year, respectively which are at variance with the previous year's audited balances of Kshs.1,347,043,064 and Kshs.487,027,810 respectively, each resulting in an unexplained variance of Kshs.974,055,620.
- iii. The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects own source revenue amount of Kshs.462,592,621. Review of the County Revenue Fund bank statements and schedule for disbursements revealed that an amount of Kshs.467,089,152 was transferred from the Kitui County Executive to County Revenue Fund during the year under review, resulting in an unexplained variance of Kshs.4,496,531.
- iv. The statement of receipts and payments and as disclosed in Note 8 to the financial statements reflects an amount of Kshs.9,466,567,852 in respect of transfers to the County Executive. However, the statement of receipts and payments included in the County Executive's financial statements reflects an amount of Kshs.11,225,488,047 as being transfers from County Revenue Fund. The resulting variance of Kshs.1,758,920,195 was not explained or reconciled.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Emphasis of Matter

179. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.12,306,052,565 and Kshs.10,496,504,550 respectively, resulting to an under-expenditure of Kshs.1,809,548,015 or 15% of the budget.

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

My opinion is not modified in respect of this matter.

Other Matter

180. Unresolved Prior Year Audit Matters

In the audit report for the previous year, several issues were raised under the Report on Financial Statements. However, Management did not resolve the prior year audit issues or provide an explanation for the delay in resolving them.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

181. Failure to Comply with the Financial Reporting Template

Review of the financial statements revealed the following non-compliance issues:

- i. The section on the financial statements and Notes to the financial statements had been paginated from page 12 instead of page 1.
- ii. The details of County Attorney had been omitted from key entity information and Management.
- iii. The report on progress on follow up of the auditor's recommendations had been included in the wrong section of the report.

In the circumstances, the Fund's Management did not comply with the financial reporting template prescribed by the Public Sector Accounting Standards Board (PSASB).

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 182.** There were no material issues noted on Internal Controls, Risk Management and Governance.

COUNTY GOVERNMENT OF MACHAKOS – NO.16

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

183. Inaccuracy in Revenue Recognition

The statement of receipts and disbursements reflects total own source revenue of Kshs.1,429,791,259. However, review of the cashbooks revealed actual revenue collection of Kshs.1,383,356,138 resulting to a variance of Kshs.46,435,121. It was noted that this amount relates to revenue collected after the closure of the financial year but reported in the current period.

In the circumstances, the accuracy, presentation and disclosure of own source revenue amount of Kshs.46,435,121 could not be confirmed.

184. Non-Disclosure of Land/ Poll Rates and Property Rent Arrears

The statement of receipts and disbursements reflects land / poll rates amount of Kshs.204,509,754 and property rent amount of Kshs.6,147,779 as disclosed in Notes 2 and 4 to the financial statements respectively. However, review of land rates and property rent revenue records revealed that various property and stall/kiosks owners had arrears of land rates and rent amounting to Kshs.38,411,794,210 and Kshs.5,555,406 respectively which had not been disclosed in the financial statements. Further, there was no evidence of measures put in place to recover land rates and property rent arrears.

In the circumstances, the accuracy and completeness of land / poll rates amount of Kshs.204,509,754 and property rent of Kshs.6,147,779 could not be confirmed.

185. Un-Supported Public Health Service Fees

The statement of receipts and disbursements reflects public health service fees revenue of Kshs.120,317,958 as disclosed in Note 9 to the financial statements. However, the revenue was not adequately supported by way of Mpesa paybill and collection bank account statements.

In the circumstances, the accuracy and completeness of public health service fees amount of Kshs.120,317,958 could not be confirmed.

186. Failure to Reconcile Revenue Accounts

The statement of receipts and disbursements reflects total county own source revenue amount of Kshs.1,429,791,259 from twenty-nine (29) revenue streams in nine (9) Sub-Counties. However, reconciliations of the revenue collection accounts for the months of February, 2023 to June, 2023 were not included and the cess revenue analysis schedules were not provided for audit review. In addition, one commercial bank account had an un-cleared balance of Kshs.944,715 which was not explained.

In the circumstances, the accuracy and completeness of county own source revenue amount of Kshs.1,429,791,259 could not be confirmed.

187. Inaccuracy of Payables Due to County Revenue Fund (CRF)

The statement of financial assets and liabilities reflects payables due to County Revenue Fund (CRF) balance of Kshs.5,039,951 and as disclosed in Note 20 to the financial statements. However, analysis of the eleven (11) revenue accounts revealed balances amounting to Kshs.5,079,331 that were due to CRF as at 30 June, 2023, resulting to an unexplained difference of Kshs.39,380.

In the circumstances, the accuracy and completeness of payables due to CRF balance of Kshs.5,039,951 could not be confirmed.

Emphasis of Matter

188. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects own source revenue budget of Kshs.1,717,118,593 and actual on comparable basis of Kshs.1,429,791,259 resulting to under collection of Kshs.287,327,334 or 17% of the final budget. Management did not explain the measures being put in place to ensure prompt and effective collection of own source revenue.

The shortfall in revenue collection may have affected the implementation of planned activities and programs and impacted negatively on service delivery.

My opinion is not modified in respect to this matter.

Other Matter

189. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management did not resolve the issues or give any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board reporting template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

190. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

191. Weak Internal Controls on County Housing Revenue Collection

Review of revenue records revealed property rent of Kshs.1,792,252 collected from County Housing. However, there was no complete inventory of houses owned by the County and the respective occupants. In addition, most tenants do not have tenancy agreements, no records of outstanding rent arrears or demand notices for the rent arrears.

In the circumstances, the effectiveness of internal controls on identification of county houses occupancy and collection of rent could not be confirmed.

192. Failure to Establish Regulations

The County Government had not established revenue administration regulations and guidelines. In addition, the Liquor Licensing Regulations, County Designated Parking Spaces Regulations, the County Trade License Regulations and Quarry Management Regulations have not been developed.

In the circumstances, the effectiveness of internal controls on revenue collection and enforcement could not be confirmed.

COUNTY GOVERNMENT OF MACHAKOS – NO.16

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

193. Inaccuracies in the Financial Statements

193.1 Variance in Transfers to County Executive

The statement of receipts and payments and as disclosed in Note 8 to the financial statements reflects transfers to County Executive of Kshs.9,176,212,851. However, the County Executive financial statements reflect receipts of Kshs.10,530,966,030 being transfers from CRF resulting to a variance of Kshs.1,354,753,179 which was not explained or reconciled.

In the circumstances, the accuracy and completeness of the reported transfers to County Executive of Kshs.9,176,212,851 could not be confirmed.

193.2 Anomalies in Own Source Revenue

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.1,429,791,259 as own source revenue. However, review of the County Revenue Fund bank statements revealed revenue amounting to Kshs.1,392,641,680 deposited on account of own source revenue for the year under review resulting in an under-banking of Kshs.37,149,579 that had not been explained or reconciled.

Further, the reported own source revenue excludes balances in eleven (11) revenue accounts amounting to Kshs.5,079,331, being revenue deposited in the accounts but not transferred to the county revenue fund bank account contrary to Regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the accuracy and completeness of own source revenue amounting to Kshs.1,429,791,259 could not be confirmed.

193.3 Variance in Comparative Return to CRF Issues

The statement of receipts and payments reflects comparative return to CRF issues of Kshs.1,011,417 which varies with the audited financial statements amount of Kshs.821,174,784 resulting in a variance of Kshs.820,163,367 which had not been explained or reconciled.

In the circumstances, the accuracy and completeness of the comparative return to CRF issues of Kshs.1,011,417 could not be confirmed.

194. Non-Adherence to End of the Year Cut-Off Procedures

The statement of receipts and payments reflects an amount of Kshs.260,773,524 in respect of transfers from other government agencies which, as disclosed in Note 2 to the financial statements includes receipts from Climate Change Fund and Danish International Development Agency (DANIDA) amount of Kshs.11,000,000 and Kshs.8,590,313 respectively. However, these funds totalling Kshs.19,590,313 were received after the end of the financial year.

In the circumstances, the transfers from other government agencies were overstated by Kshs.19,590,313.

Emphasis of Matter

195. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.12,544,591,439 and Kshs.11,591,488,431 respectively, resulting in underperformance of Kshs.953,103,008 or 8% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Machakos County.

My opinion is not modified in respect of this matter.

Other Matter

196. Unresolved Prior Year Matters

In the audit reports of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not resolved the issues or given any explanation for failure to adhere to the provisions of the standards prescribed by the financial reporting template issued by the Public Sector Accounting Standards Board (PSASB).

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis of Conclusion

197. Presentation and Disclosure in the Financial Statements

Review of the financial statements revealed the following anomalies:

- i. Annexes 1 and 3 to the financial statements are blank.
- ii. Note 12 on disclosure of balances in revenue collection accounts is blank.

In the circumstances, the presentation of the financial statements does not comply with the financial reporting template prescribed by the Public Sector Accounting Standards Board (PSASB).

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis of Conclusion

- 198.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF MAKUENI – NO.17

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

199. Inaccuracies in the Revenue Statements

Review of the revenue statements presented for audit revealed the following variances:

	Opening Balance Kshs.	Additions Kshs.	Receipts Kshs.
Statement	6,932,000	4,365,000	3,211,025
Analysis	6,798,000	4,170,000	2,882,025
Variance	134,000	195,000	329,000

In the circumstances, the accuracy and completeness of the above amounts reflected in the revenues statements could not be confirmed.

Emphasis of Matter

200. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects own source revenue budget and actual on comparable basis of Kshs.1,085,000,000 and Kshs.891,595,987 respectively, resulting to under collection of Kshs.193,404,013 or 18% of the budget. Management did not indicate the measures being undertaken to ensure prompt and effective collection of own source revenue.

In the circumstances, the shortfall in own source revenue collection may have affected implementation of planned activities and programs and impacted negatively on service delivery to the residents.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

201. Irregular Expenditure at Source

Note 8 to the financial statements reflects hospital fees amount of Kshs.454,968,896 being Appropriation-In-Aid retained and spent at source by hospitals. In addition, the statement of receipts and disbursements reflects cess revenue of Kshs.47,211,929 out of which Kshs.27,721,334 was spent at source by the Makueni Sand Conservation and Utilization Authority. This was contrary to Regulation 81(2) of the Public Finance Management (County Governments), Regulations, 2015 which states that the Receivers of Revenue shall promptly pay the revenue received into the County

Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof.

Further, the hospital fees were collected through an automated system but manually transferred into another revenue system indicative of human intervention in the revenue reporting.

In the circumstances, Management was in breach of the law.

202. Failure to Remit Revenue Generated by the Sand Authority

The statement of receipts and disbursements reflects amounts held in Sand Authority bank account of Kshs.25,590,132 which was not disbursed into the County Revenue Fund account. This was contrary to Regulations 82(4) and of the Public Finance Management (County Governments) which states that except with the prior authority of the County Treasury, no Accounting Officer may open a bank account for the deposit, custody or withdrawal of public moneys or other moneys for which he or she is responsible in his or her official capacity or for the transaction of official banking business. Further, during the year under review, Makueni Sand Conservation and Utilization Authority spent part of the cess with no authorization from the Makueni County Assembly.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

203. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF MAKUENI – NO.17

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unqualified Opinion

204. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

205. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts budget and actual on comparable basis of Kshs.10,764,741,885 and Kshs.9,512,545,864 respectively resulting to an under-collection of Kshs.1,252,196,021 or 12% of the budget. Similarly, a total of Kshs.9,213,486,764 was transferred to both the County Executive and the County Assembly against budgeted transfers of Kshs.10,764,741,885 resulting to under-disbursement of Kshs.1,551,255,121 or 14% of the budget.

The under-collection and under-disbursement affected planned activities and programs and may have negatively impacted on service delivery to the residents of Makueni County.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

206. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

207. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NYANDARUA – NO.18

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

208. Long Outstanding Arrears of Revenue

The statement of arrears of revenue reflects land rate of Kshs.467,319,823, single business permits of Kshs.2,256,667, property rent of Kshs.15,854,369, hospital fees of Kshs.59,654,967 and administration control fees and charges of Kshs.3,422,355 all totalling Kshs.548,508,181. However, as disclosed in Note 23 to the revenue statements, the balances relate to the financial year 2021/2022 and earlier years and were outstanding for considerably long period of time. Although the Management has attributed the arrears to revenue collection through the manual payment register and an ineffective Local Authority Integrated Financial Management and Operations Systems (LAIFOMS) inherited from the defunct local authorities, no measures were put in place to reconcile, validate and recover the revenue arrears. Further, detailed aging customer analysis and ledger for the various revenue streams were not provided for audit review.

In the circumstances, the accuracy, completeness and recoverability of revenue arrears totalling Kshs.548,508,181 could not be confirmed.

209. Unconfirmed Hospital Fees

The statement of receipts and disbursements and as disclosed in Note 8 to the revenue statements reflects hospital fees of Kshs.188,860,892. Included in the amount is Kshs.110,322,980 collected from Level 4 hospitals. During the year under review, the hospitals used two systems for collection of revenue namely; BSK System, and Hospital Management System. The BSK System was used for revenue collection from July, 2022 to February, 2023 and the collection through the system was Kshs.38,395,960, while the Hospital Management System was used from March, 2023 to 30 June, 2023, and the total collection through the system was Kshs.12,645,352, all totalling Kshs.51,041,312. However, the amount disclosed in Note 8 to the revenue statements was Kshs.110,322,980, resulting in unexplained and unreconciled variance of Kshs.59,281,668.

In the circumstances, the accuracy and completeness of hospital fees amount of Kshs.110,322,980 could not be confirmed.

210. Unexplained Variance in Own Source Revenue

The statement of receipts and disbursements reflects total own source revenue of Ksh.505,913,305. Review of the schedules provided for audit revealed that Kshs.323,053,876 was collected through the BSK revenue collection system, Kshs.133,449,540 was collected through the LAIFOMS System and Kshs.22,984,772 was collected through the Linda Mama Platform, all totalling Kshs.479,488,188 resulting to an unexplained variance of Kshs.26,425,117.

In the circumstances, the accuracy and completeness of total own source revenue of Kshs.505,913,305 could not be confirmed.

211. Uncollected Revenue

The statement of receipts and disbursements reflects total own source revenue of Kshs.505,913,305. However, review of schedule provided for audit revealed that total invoices issued for revenue collection amounted to Kshs.1,644,558,846, resulting to uncollected revenue of Kshs.1,138,645,541.

In the circumstances, the collectability of revenue amount of Kshs.1,138,645,541 could not be confirmed.

212. Lack of Tenancy Agreements

Note 4 to the revenue statements reflects property rent amount of Kshs.5,612,685, which includes tenancy agreement revenue of Kshs.1,264,117. However, tenancy agreements for the properties leased were not provided for audit review.

In the circumstances, the validity and accuracy of tenancy agreement revenue of Kshs.1,264,117 could not be confirmed.

Emphasis of Matter

213. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling Kshs.660,000,000 and Kshs.505,913,305 respectively resulting to under collection of Kshs.154,086,695 or 23% of the budget.

The shortfall in revenue may be an indicator of revenue leakages and inefficiencies in revenue collection system. In the circumstances, the under-performance of the budget affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

214. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

215. Revenue Collection System

During the year under review, revenue amounting to Kshs.133,449,540 was collected through LAIFOMS System, which was inherited from the defunct local authorities.

Management explained that the system was outdated and gives inaccurate data. No justification was provided for the use of outdated revenue collection system. Further, during the year under review, revenue amounting to Kshs.11,326,418 was collected from land rate. However, Management had not automated revenue collection from this revenue stream.

In the circumstances, the effectiveness of revenue collection system could not be confirmed.

COUNTY GOVERNMENT OF NYANDARUA – NO.18

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

216. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

217. Revenue Shortfall

The statement of comparison of budget actual amounts for the year ended 30 June, 2023 indicates that Kshs.231,323,323 was received as transfers from other Government agencies against a budgeted amount of Kshs.797,986,580, representing a shortfall of Kshs.566,663,257 or 71% of the budgeted revenue. Similarly, Kshs.491,561,964 was received as own source revenue against a budgeted amount of Kshs.660,000,000 representing a shortfall of Kshs.168,438,035 or 26% of the budgeted revenue. Further the amount received as own source revenue was at variance with the Kshs.569,684,432 reported in the statement of Receiver of Revenue. The variance of Kshs.78,122,468 was not explained or reconciled. The County also operated on an unbalanced budget of Kshs.580,079,270 with final budgeted receipts of Kshs.7,582,066,350 against expected payments of Kshs.7,001,987,080.

In the circumstances, failure to collect revenue as budgeted adversely affected the planned activities and impacted negatively on service delivery to public.

My opinion is not modified in respect of this matter.

Other Matter

218. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, all the issues were not addressed as disclosed in Annex 1 to the financial statements under progress on follow-up of prior year auditor's recommendations. No explanation was provided for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

219. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 220.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NYERI – NO.19

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

221. Long Outstanding Arrears of Revenue

The statement of arrears of revenue reflects total arrears balance of Kshs.1,418,262,002 as at 30 June, 2023. However, as disclosed in Note 23 to the financial statements, the balance includes arrears of revenue totalling Kshs.1,255,749,426 relating to financial year 2021/2022 and prior years. No measures were put in place to recover the revenue arrears.

In the circumstances, the accuracy, completeness and recoverability of revenue arrears totalling Kshs.1,418,262,002 could not be confirmed.

Emphasis of Matter

222. Budgetary Control and Performance - Under Collection of Revenue

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.800,000,000 and Kshs.610,737,307 respectively resulting to under collection of Kshs.189,262,693 or 24% of the budget. The shortfall in revenue may be an indicator of revenue leakages and inefficiencies in revenue collection system.

The under-performance of the budget affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

223. Unresolved Prior Year Matters

In the audit report of the previous year, various issues were raised under Report on Financial Statements, and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the issues were not resolved as indicated under annex 2 to the financial statements under progress on follow up of prior year auditor's recommendations. No explanation was provided for failure to resolve the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

224. Failure to Operationalize Valuation Roll

As reported in the previous year, Management procured the services of a firm at a contract price of Kshs.25,334,400 to develop valuation roll during the financial year

2019/2020. However, the evidence of operationalization of the valuation roll during the year under review was not provided for audit review. This was contrary to Regulation 63(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer and a Receiver of Revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all County Government revenue and other public moneys relating to their County departments or agencies.

In the circumstances, the County was denied opportunity to raise more revenue from land rates and land rent. In addition, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 225.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NYERI – NO.19

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

226. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

227. Budgetary Control and Performance

During the year under review, the Fund transferred Kshs.6,645,044,483 against an approved budget of Kshs.7,608,472,106 resulting to an underpayment of Kshs.963,427,623 or 13% of the budget.

In the circumstances, the under-performance of the budget affected the planned activities and may have impacted negatively on service delivery to the public.

Other Matter

228. Unresolved Prior Year Matters

In the audit report of the previous year, two issues were raised under Report on Financial Statements and Other Matter. However, the issues have not been resolved as indicated in Annex 1 to the financial statements under progress on follow-up of prior year auditor's recommendations. No explanation was provided for failure to resolve the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

229. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

230. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KIRINYAGA – NO.20

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

231. Unsupported Hospital Fees

The statement of receipts and disbursements reflects hospital fees of Kshs.197,458,744 generated from various hospitals as disclosed in Note 8 to the financial statements. However, Management did not provide detailed bills for the services provided in the hospitals to support the amount.

In the circumstances, the accuracy and completeness of the hospital fees amount of Kshs.197,458,744 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for conclusion

232. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

233. Weak Controls in Collection of Rental Income

The statement of arrears of revenue reflects arrears of Kshs.2,570,332 in respect property rent arrears. Examination of documents provided revealed that the balance included uncollected revenue of Kshs.673,332 and Kshs.1,897,000 from County staff and other tenants respectively. It was not clear how County staff had balances yet deductions were made through check-off system in the payroll. In addition, Management did not provide tenancy agreements between the County Government and the tenants for audit review.

In the circumstances, the effectiveness of internal controls on collection of rental income could not be confirmed.

COUNTY GOVERNMENT OF KIRINYAGA – NO.20

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

- 234.** There were no material issues noted during the audit of the financial statements.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 235.** There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 236.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF MURANG'A – NO.21

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

237. Inaccuracies in the Revenue Statements

237.1 Unsupported Financial Statements Adjustment

The amended statement of receipts and disbursements reflects total county own source revenue balance of Kshs.682,310,169, while the original statement of receipts and disbursements submitted for audit reflected Kshs.682,439,852 resulting to a variance of Kshs.129,683. However, the adjustment was not supported, and approved journal voucher was not provided for audit to explain the reasons for the adjustment.

In the circumstances, the accuracy and completeness of the total own source revenue balance of Kshs.682,310,169 could not be confirmed.

237.2 Variance Between Receiver of Revenue Statements Balance and the County Revenue Fund Financial Statements

The statement of receipts and disbursements reflects disbursements to County Revenue Fund of Kshs.684,492,269. However, this balance is at variance with the reported County Revenue Fund (CRF) financial statements balance of Kshs.682,260,619 resulting to an unexplained and unreconciled variance of Kshs.2,231,650.

In the circumstances, the accuracy and completeness of disbursements to County Revenue Fund balance of Kshs.684,492,269 could not be confirmed.

238. Long Outstanding Arrears of Revenue

The statement of arrears of revenue reflects total outstanding revenue arrears of Kshs.87,434,762 in respect of land rates/ plot rent and dormant plot arrears. However, as disclosed in Note 22 to the revenue statements, the balance includes revenue arrears of Kshs.76,625,972 relating to the financial year 2021/2022 and earlier years. Management did not provide evidence of measures put in place to recover the arrears.

In the circumstances, the accuracy, completeness and recoverability of revenue arrears totalling Kshs.87,434,762 could not be confirmed.

Emphasis of Matter

239. Shortfall in Own Source Revenue Collection

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling Kshs.1,500,000,000 and Kshs.682,310,169 respectively resulting to under-collection of Kshs.817,689,831 or

55% of the budget. The shortfall in revenue may be an indicator of revenue leakages and inefficiencies in revenue collection system.

In the circumstances, the under-collection of revenue affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

240. Irregular Waivers at Murang'a Level 4 Hospital

As reported in the previous year, Note 8 to the revenue statement reflects hospital fees balance of Kshs.124,611,367 which includes Level 4 Hospitals balance of Kshs.123,750,039. However, review of waiver register maintained at Murang'a Level 4 Hospital revealed that waivers totalling Kshs.11,833,676 were granted to inpatients and outpatients under medical treatment without an approved policy or guidelines on waivers. Further, the details of the waivers were not included in Appendix 1 to the revenue statements as required by the reporting template issued by the Public Sector Accounting Standards Board.

In the circumstances, the regularity and authenticity of waiver granted of Kshs.11,833,676 could not be confirmed.

241. Lack of Official Appointment of Revenue Collectors

Review of records provided for audit revealed that during the year under review, County employees collected and accounted for revenue without official appointments by the County Receiver of Revenue contrary to Section 158(1) of the Public Finance Management Act, 2012 which requires that a receiver of Revenue for a county government may authorize any public officer employed by that County Government or any of its entities to be a Collector of Revenue for the purpose of collecting revenue for that County Government and remitting it to the receiver.

In the circumstances, Management was in breach of the law.

242. Failure to Use Updated Valuation Roll

Review of records provided for audit revealed that during the year under review, Management used a valuation roll inherited from the defunct Municipal Council of Murang'a. Further, information provided by Management indicated that the new valuation roll had been finalized but had not been put to use. This was contrary to Regulation 63(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies.

In the circumstances, the County was denied the opportunity to raise more revenue from land rates and land rent. In addition, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 243.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF MURANG'A – NO.21

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

244. Failure to Return Unspent Funds to County Revenue Fund

The statement of receipts and payments for the year ended 30 June, 2023 reflects return to County Revenue Fund (CRF) issues amount of Ksh.498,396.

The County Executive statement of financial assets and liabilities reflects prior year cash and cash equivalents balance of Kshs.18,064,672 being bank balances in various bank accounts. However, bank balances amounting to Kshs.8,732,361 were not transferred to the County Revenue Fund account after the closure of the financial year.

This was contrary to Section 136(2) of the Public Finance Management Act, 2012 which provides that if, at the end of a financial year, a county government entity is holding appropriated money that was withdrawn from the County Exchequer Account but has not been spent, it shall repay the unspent money to the County Exchequer Account and prepare a refund statement which shall be forwarded to the Controller of Budget.

Further, the statement of receipts and payments did not have column headings reflecting the relevant periods to which they relate. Additionally, the fund balances are at variance with Note 11 to the financial statements.

In the circumstances, the accuracy and completeness of return to CRF issues amount of Kshs.498,396 could not be confirmed.

Emphasis of Matter

245. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actuals on a comparable basis of Kshs.9,803,879,955 and Kshs.8,793,360,250 respectively, resulting in an under-funding of Kshs.1,010,519,705 or 10% of the budget. Similarly, the Fund transferred Kshs.8,445,289,754 against approved budget of Kshs.9,803,879,955 resulting to an under-payment of Kshs.1,358,590,201 or 14% of the budget.

My opinion is not modified in respect of this matter.

Other Matter

246. Late Exchequer Releases

The statement of receipts and payments reflects exchequer releases totalling Ksh.7,754,568,322 and as disclosed in Note 1 to the financial statements. The amount

includes Kshs.574,412,467 received on 28 July, 2022 from The National Treasury relating to the previous financial year, 2021/2022.

The late release of the budgeted funds contravened Section 4(2)(a) and (b) of the County Allocation of Revenue Act, 2022. The Act requires transfers of County Government allocations to be made as scheduled by the Senate and published in the gazette by the Cabinet Secretary as provided for in Section 17 of the Act, and without undue delay or deduction, unless stopped under Article 225 of the Constitution.

In the circumstances, the late release of the Exchequer delayed implementation of the County Executive's activities for the year under review.

247. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Other Matter. However, the progress made in resolving the issues was not disclosed in Annex 1 to the financial statements under progress on follow up of prior year auditor's recommendations.

In the circumstances, the issues remain unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

248. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

249. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KIAMBU – NO.22

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Adverse Opinion

250. Inaccuracies in the Financial Statements

The statement of receipts and disbursements and as disclosed in Note 20 to the financial statements reflects disbursements to County Revenue Fund amounting to Kshs.2,424,936,833 which differs with the revenue received from the County Receiver of Revenue amounting to Kshs.2,426,605,897 as reflected in the statement of receipts and payments of the County Revenue Fund. The variance of Kshs.1,669,064 was not reconciled.

In the circumstances, the accuracy and completeness of the revenue statements as presented could not be confirmed.

251. Variances Between Revenue Statements and Kiambu Pay System Balances

The statement of receipts and disbursements reflects total County own source revenue of Kshs.3,608,767,153. Included in the amount are disbursements of Kshs.1,182,161,856 to Facility Improvement Fund (FIF) and Kshs.2,424,936,833 to County Revenue Fund. Further, analysis of the billing and receipts report from the Kiambu Pay Revenue System revealed total billings of Kshs.2,277,977,354 and total receipts of Kshs.14,810,610,695 which varies with the reported revenue of Kshs.3,608,767,153. Management explained that the total receipts of Kshs.14,810,610,695 were not own source revenue generated for the year but an aggregate of various duplicate lump sum bills in the individual receipts issued. However, it was not explained why the revenue system could not produce accurate revenue receipts report for the year under review.

In the circumstances, the accuracy and completeness of the total County own source revenue of Kshs.3,608,767,153 could not be confirmed.

252. Unsupported Own Source Revenue

The statement of receipts and disbursements and as disclosed in Note 1-16 to the revenue statements reflects total County own source revenue of Kshs.3,608,767,153. However, the supporting schedules for the itemized revenue components disclosed in Note1-16 totalling Kshs.3,608,767,153 were not provided for audit.

In the circumstances, the accuracy and completeness of the total own source revenue of Kshs.3,608,767,153 could not be confirmed.

253. Inconsistencies in Revenue Arrears

The statement of arrears of revenue reflects total revenue arrears balance of Kshs.4,744,682,548 for land rates and property rent. However, the Kiambu Pay

Revenue System reflects total revenue arrears of Kshs.8,579,317,749 relating to housing, land rates, business register and stalls resulting to unexplained variance of Kshs.3,834,635,201. Further, Management did not provide ageing analysis of the revenue arrears of Kshs.4,744,682,548.

In the circumstances, the accuracy and completeness of the revenue arrears balance of Kshs.4,744,682,548 could not be confirmed.

254. Unrecorded Liquor Revenue

The Kiambu Pay Revenue Collection System reflected total receipts from liquor license fees of Kshs.35,308,200. However, the liquor fees collection account bank statement reflected total receipts of Kshs.133,529,837 for the year under review resulting to unreconciled variance of Kshs.98,221,637.

In the circumstances, the accuracy and completeness of liquor revenue amounting to Kshs.35,308,200 could not be confirmed.

Emphasis of Matter

255. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final own source revenue budget of Kshs.4,436,821,507 and actual revenue of Kshs.3,608,767,153 resulting to revenue under collection of Kshs.828,054,354 or 19% of the budget. Further, the statement reflects final own source revenue budget of Kshs.4,436,821,507 out of which receipts of Kshs.2,988,291,374 differed with the approved budget of Kshs.3,065,615,115 resulting to unreconciled variance of Kshs.77,323,741 as detailed below:

Receipts	Statement of Budget vs Actual Amount (Kshs.)	Approved Budget Amount (Kshs.)	Variance (Kshs.)
Cess	217,660,838	156,832,634	60,828,204
Hospitals Fees and Public Health Service Fee	1,201,798,980	1,310,388,412	108,589,432
Physical Planning and Development	873,678,890	910,939,476	37,260,586
Administration Control Fees and Charges	561,602,050	540,636,040	20,966,010
Advertising	133,550,616	146,818,553	13,267,937

The under-collection of revenue implies that some programmes budgeted for in the year were not realized due to lack of funds which negatively impacted on service delivery to the residents of Kiambu County.

My opinion is not modified in respect of this matter.

Other Matter

256. Unresolved Prior Year Audit Issues

In the audit report of the previous year, several matters were raised under the Report on the Revenue Statements and Report on Effectiveness of Internal Controls, Risk Management and Governance. Appendix 2 on progress on follow-up of prior year Auditor's recommendations indicate that most of the issues were resolved. However, Management did not provide evidence on how the issues were resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

257. Failure to Receipt Own Source Revenue Collected

The statement of receipts and disbursements indicates that the Receiver of Revenue collected a total of Kshs.3,608,767,153 as own source revenue. Included in the amount is a total of Kshs.48,425,718, which was money paid into the County bank account but not receipted. This was in contravention of Regulation 63(1)(c) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an Accounting Officer and receiver of revenue are personally responsible for ensuring that official receipts are issued for all monies paid to County Government.

In the circumstances, Management was in breach of the law.

258. Missing Invoice Numbers

The statement of receipts and disbursements indicates that during the year under review, physical planning and land rates streams contributed revenue of Kshs.603,139,463 and Kshs.350,185,735 respectively. Analysis of the invoices from the two revenue streams revealed a total of 29,369 gaps with a possible combined revenue loss of Kshs.1,531,236,000. Missing invoices could be a result of the collusion to cancel high value invoices and replace them with low value amounts. The Kiambu Pay System only maintained paid invoices and therefore it was not possible to confirm the status of the missing invoices. This was contrary to Regulation 117(1) and (3) of the Public Finance Management (County Governments) Regulations, 2015 which states that accountable documents whether manual or electronic shall be under strict control at all times. Where the accountable documents are in electronic form, the Accounting Officer shall ensure appropriate mechanisms are put in place for safeguarding and tracking them.

In the circumstances, Management was in breach of the law.

259. Irregular Reversals in Revenue Collection Accounts

Examination of Kiambu County revenue collection accounts revealed irregular reversals of revenue collected and banked amounting to Kshs.10,171,416. Management did not provide approval for the reversals.

This was contrary to Regulation 63(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which requires that "an Accounting Officer and a Receiver of Revenue are personally responsible for ensuring that adequate

safeguards exist and are applied for the prompt collection and proper accounting for, all County Government revenue and other public money relating to their County departments or agencies.

In the circumstances, Management was in breach of the law.

260. Failure to Provide Reasons for not Meeting Revenue Targets

Review of the budget implementation status report for the year under review revealed that the Receiver of Revenue did not achieve revenue targets as planned in the budget. The Receiver of Revenue did not provide reports outlining the reasons for the failure to achieve revenue targets in the following revenue streams:

Own Source Revenue Stream	Target (Kshs.)	Collection (Kshs.)	Variance (Kshs.)	%
Agriculture, Livestock and Fisheries	60,828,204	40,209,220	20,618,984	33.9
Physical Planning Unit	1,048,263,855	748,533,502	299,730,353	28.59
Cess Management Unit	156,832,634	65,911,033	90,921,601	57.97
Housing Management Unit	27,478,865	23,568,132	3,910,733	14.23
Land Rates Management Unit	599,889,714	398,533,520	201,356,194	33.57
Market Management Unit	55,043,525	8,296,562	46,746,963	84.93
Vehicle Parking Management Unit	380,731,615	308,621,876	72,109,739	18.94
Liquor Licenses Management Unit	433,681,180	133,529,237	300,151,943	69.21

This was contrary to Regulation 63(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer or Receiver of Revenue who experience difficulty in collecting revenues due to the County Government to report the circumstance to the County Executive Committee Member without delay.

In the circumstances, Management was in breach of the law.

261. Accumulated Uncollected Ground Rent, House Rent and Land Rates Arrears and Penalties

During the year under review, the Receiver of Revenue collected Kshs.391,204,532 from land rates and penalties as per the records provided. Analysis of the properties' data maintained in the Kiambu Pay System revealed that the County had net accumulated arrears and penalties on properties totalling Kshs.4,582,461,144. However, the ground rent and land rates arrears were not collected and the County did not put appropriate measures to recover the arrears.

Further, analysis of the data on houses maintained in the Revenue System revealed that the County had uncollected house rent of Kshs.128,077,565 and stalls rent arrears of Kshs.34,056,499 all amounting to Kshs.162,134,064 as at 30 June, 2023.

This was contrary to Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that an Accounting Officer and a Receiver of Revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all County Government revenue and other public money relating to their County departments or agencies and adequate measures, including legal action where appropriate, are taken to obtain payment.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

262. Duplicate Bank Transaction Numbers

Analysis of the receipts transaction file in the Kiambu Pay System revealed duplicate numbers for bank transactions worth Kshs.201,878,935 of revenue. The system had been configured to fetch payments from the bank and receipts per billing. Duplicate bank transaction numbers pose a risk of receipting unpaid services since it is difficult to substantiate paid for services from unpaid services and from duplicated records.

In the circumstances, the effectiveness of internal control measures put in place could not be confirmed.

263. Receipts with Zero Collection

Analysis of the transaction file in the Kiambu Pay System revealed three (3) receipts with Nil amounts which were not among the exempted services.

In the circumstances, it was not possible to confirm the effectiveness of controls in relation to Kiambu County revenue collection system.

264. Weaknesses in the Kiambu Pay System Controls

During the year under review, the Kiambu Pay System generated 501,012 receipts valued at Kshs.2,277,993,464. The system was unable to generate sequential serialized receipt numbers during the year under review for ease of tracking missing records. The receipts numbers were generated randomly per month, per revenue stream and maintained in two formats: 02201157B2303R000062 and 022268C202306/0000154 each with a fluctuating length of between 18 and 21 characters.

Further, there were seven (7) receipts with the description “testing” implying that the live system was used for testing purposes, which may interfere with the integrity of the receipts records.

In the circumstances, the integrity of the records generated from the system could not be confirmed.

265. Property Records Lacking Critical Details

Review of property records in the Kiambu Pay System database revealed that 4,890 properties did not have plot numbers and 42,716 properties did not have block numbers.

In the circumstances, it was not possible to confirm whether effective controls were in place to ensure completeness of the data maintained in the system.

COUNTY GOVERNMENT OF KIAMBU – NO.22

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

266. Inaccuracies in Own Source Revenue

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects own source revenue amounting to Kshs.2,426,605,897. However, the amount differs with the disbursements from the Receiver of Revenue amounting to Kshs.2,424,936,833 as reflected in the statement of receipts and disbursements of the Receiver of Revenue resulting in unreconciled variance of Kshs.1,669,064.

In the circumstances, the accuracy and completeness of own source revenue amounting to Kshs.2,426,605,897 could not be confirmed.

Emphasis of Matter

267. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.16,431,808,798 and Kshs.15,430,307,379, respectively, resulting to a shortfall of Kshs.1,001,501,418 or 6% of the total budget.

The revenue shortfall implies that some programs budgeted for in the year were not realized due to lack of funds. This negatively impacted on service delivery to the residents of Kiambu County.

My opinion is not modified in respect of this matter.

Other Matter

268. Unresolved Prior Audit Matter

In the audit report of the previous year, several issues were raised under the report on Financial Statements. However, the issues were not resolved and Management did not provide an explanation for the failure to address the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

269. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 270.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF TURKANA – NO.23

RECEIVER OF REVENUE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

271. Unsupported Revenue from Property Rent, Physical Planning and Development

The statement of receipts and disbursements reflects revenue receipts of Kshs.3,100,000 and Kshs.2,451,800 in respect of property rent and physical planning and development respectively. However, lease agreements, rent assessment/valuation reports and records of rent arrears for the County's rented houses/kiosks/stalls and register of land survey/application/building approval applications, summary of issued invoices during the year, field inspection and enforcement reports were not provided for audit review.

In the circumstances, the accuracy and completeness of the revenue from property rent and physical planning and development of Kshs.3,100,000 and Kshs.2,457,800 respectively could not be confirmed.

272. Unsupported Balances in the Statement of Arrears of Revenue

The statement of arrears of revenue reflects a balance of Kshs.6,820,660 comprising of uncollected single business permit revenue arrears for the year under review of Kshs.2,387,008 and arrears brought forward from prior years of Kshs.4,433,652. However, the detailed analysis of the arrears was not provided for audit to establish their completeness and ageing analysis. In addition, records of arrears in respect of land rates, property rent, advertising, hospital fees and other revenue streams were not provided for audit review.

In the circumstances, the accuracy and completeness of the balances reflected in the statement of arrears of revenue could not be confirmed.

Emphasis of Matter

273. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of KShs.198,000,003 and Kshs.177,717,811 resulting in under-collection of Kshs.20,282,192 or 10% of the approved budget amount.

The under-collection may have resulted in non-implementation of planned programmes negatively impacting on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

274. Delay in Transfer of Own Source Revenue to County Revenue Fund

The statement of receipts and payments reflects disbursement to County Revenue Fund amount of Kshs.174,374,614. However, the amount was transferred into the County Revenue Fund in eighteen (18) tranches instead of on a weekly basis, contrary to Regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the receivers of revenue shall promptly pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

275. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF TURKANA – NO.23

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

276. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

277. Delayed Disbursement of Equitable Share

The statement of receipts and payments reflects exchequer releases amounting to Kshs.13,618,145,020. The amount includes equitable share totalling Kshs.12,609,305,994 which was disbursed quarterly. However, the quarterly transfers were not equally disbursed in accordance with the payment schedule approved by the Senate and gazetted by the Cabinet Secretary for The National Treasury and Planning as shown below:

Quarter	Amount as Per Disbursement Schedule (Kshs)	% of Total Disbursement as per Schedule	Actual Disbursement (Kshs)	Under/(Over) Disbursement (Kshs)	% Actual Disbursements
1	3,152,326,504	25	1,071,791,010	2,080,535,494	9
2	3,089,279,967	25	2,080,535,494	1,008,744,473	17
3	3,152,326,497	25	3,089,279,967	63,046,530	25
4	3,215,373,026	25	6,367,699,523	(3,152,326,497)	51
Total	12,609,305,994	100	12,609,305,994	-	100

This was contrary to Section 4(2) of the County Allocation of Revenue Act, 2022 which states that each county government's allocation under Subsection (1) shall be transferred to the respective County Revenue Fund in accordance with a payment schedule approved by the Senate and published in the gazette by the Cabinet Secretary for the time being responsible for matters relating to finance in accordance with Section 17 of the Public Finance Management Act, 2012.

In addition, the statement of comparison of budget and actual amounts reflects budgeted exchequer releases of Kshs.18,211,129,261 against actual receipts of Kshs.13,618,145,020 resulting in a shortfall of Kshs.4,592,984,241 or 25% of the budget.

The exchequer releases shortfall and late disbursement of equitable share affected timely implementation of approved programmes which may have negatively affected service delivery to the residents of the County.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 278.** There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 279.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF WEST POKOT - NO.24

RECEIVER OF REVENUE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

280. Unsupported Parking Fees

The statement of receipts and disbursements and as disclosed in Note 5 to the revenue statements reflects parking fees of Kshs.2,566,190. However, a register of parking slots available within the urban centres was not provided. Physical verification conducted on 2 November, 2023 revealed that the parking slots were not labelled or well demarcated. Further, parking slots reserved for saloon cars were used as matatu and motorcycle picking stages.

In addition, monthly motor cycle parking fee of Kshs.300 per motor cycle was not collected in the year under review. This was contrary to Part IX of the Fifth Schedule of the West Pokot County Finance Act, 2022 which provides for a monthly motor cycle parking fee of Kshs.300.

In the circumstances, the accuracy and completeness of the parking fees amounting to Ksh.2,566,190 could not be confirmed.

281. Unsupported Hospital Fees

The statement of receipts and disbursements and as disclosed in Note 8 to the revenue statements reflects hospital fees amounting to Kshs.79,035,500 relating to revenue collected for services provided by level 4 hospitals. The amount includes Kshs.6,919,864 collected at Sigor Kacheliba and Chepararia Sub-County hospitals. However, the weekly and monthly revenue reports for three Sub-County hospitals were not provided for audit review. Further, Sigor and Kacheliba Sub-County hospitals had not automated their revenue collection.

In the circumstances, the accuracy and completeness of the hospital fees amounting to Kshs.79,035,500 could not be confirmed.

Emphasis of Matter

282. Budgetary Control and Performance

The statement of receipts and disbursements reflects County own generated revenue of Kshs.128,691,150 against final budget amount of Kshs.170,000,000 resulting to an under collection of Kshs.41,308,850 or 24% of the budget. Further, analysis of revenue streams as detailed in the revenue collection summaries revealed that only one (1) revenue stream realized its revenue target while the other ten (10) did not realize their revenue targets.

In addition, the Receiver of Revenue did not formulate strategies to enhance own source revenue collection.

The own source revenue under collection impacted negatively on delivery of services and implementation of programs in the County.

My opinion is not modified in respect of this matter.

Other Matter

283. Un-Resolved Prior Year Audit Matters

The audit report of the year ended 30 June, 2022 highlighted various issues under the Report on Revenue Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. Although Management indicated in the report on progress made in follow up of auditor's recommendations that the matters were resolved immediately, no evidence was provided to support the resolution of the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

284. Ineffective Automation of Revenue Collection System

Review of the revenue collection management system revealed that liquor license, building plan approval, single business permit, property rate, land rate and miscellaneous receipts modules of the system were not implemented despite the system developer having been paid for the modules. Further parking fee and sand/ballast cess modules were fully integrated with Mpesa Paybill. However, cash receipts were still accepted resulting to a risk of non-banking of all the revenue collected.

In addition, Kapenguria County Referral Hospital had automated their revenue collection through Facility Improvement Fund module with the patient fee collection being an end to end encryption. However, despite the hospital having a Paybill Number for the collection of the patient fee charges, it still continued to accept cash as an alternative mode of collection for patient fees.

In the circumstances, value for money on the revenue automation system could not be confirmed.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

285. Weakness in Information Technology (IT) Internal Controls

As previously reported, the Receiver of Revenue was not fully automated to improve the efficiency and effectiveness in revenue collection and recording. Further, there was no disaster recovery plan in place to guide on recovery process or a backup and retention strategy developed to aid in continuity of services in case of any eventualities.

In the circumstances, the security and efficient processing of information by the Receiver of Revenue could not be confirmed.

COUNTY GOVERNMENT OF WEST POKOT - NO.24

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

286. Inaccuracies in Exchequer Receipts

The statement of receipts and payments reflects exchequer receipts of Kshs.6,297,284,329 while records maintained by The National Treasury indicated that a total of Kshs.6,801,067,076 in respect of exchequer issues was disbursed to the County Revenue Fund. The variance of Kshs.503,782,747 was not reconciled.

In the circumstances, the accuracy and completeness of the Exchequer receipts of Kshs.6,297,284,329 could not be confirmed.

Emphasis of Matter

287. 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.7,664,537,189 and Kshs.6,715,402,844 respectively resulting to an underfunding of Kshs.949,134,345 or 12% of the budget. Similarly, the Fund disbursed Kshs.7,099,396,838 against an approved budget of Kshs.7,664,537,189 resulting to an under disbursement of Kshs.565,140,351 or 7% of the budget.

The underfunding and subsequent under disbursement is an indication that all the planned programs and activities were not implemented, and may have negatively affected service delivery to the residents of the County.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

288. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

289. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF SAMBURU – NO.25

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

290. Unsupported Revenue Arrears

The statement of arrears of revenue reflects revenue arrears amounting to Kshs.119,252,791 in relation to land rates, single/business permits, administration control fees and charges, and park fees. However, administration control fees and charges of Kshs.11,408,249 and park fees arrears of Kshs.18,140,000 were not supported by arrears registers, invoices issued to the clients and demand letters for arrears overdue.

In the circumstance, the accuracy and completeness of arrears of revenue on administration control fees of Kshs.11,408,249 and park fees arrears of Kshs.18,140,000 could not be confirmed.

Other Matter

291. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Revenue Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of internal Controls, Risk Management and Governance. However, the Management did not provide reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

292. Failure to Disclose National Hospital Insurance Fund (NHIF) Collections at Maralal Referral Hospital

Note 8 to the revenue statements indicate that hospital fees collected by the Receiver of Revenue was Kshs.10,027,783 during the year. However, the amount declared was not inclusive of NHIF collections amounting to Kshs.23,996,980 which were yet to be remitted to the County revenue collection account and eventually to the County Revenue Fund. This was contrary to Regulation 63(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires that all public moneys collected by a receiver of revenue or collector of revenue or collected and retained by a County Government entity, shall be paid into the designated bank accounts of the County Government and shall not be used by any public officer in any manner between the time of their receipts and payment into the bank except as provided by law.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

293. Accumulation of Land Rates Arrears

The statement of receipts and disbursements and as disclosed in Note 2 to the revenue statements reflects land rates receipts of Kshs.19,306,856. However, information available indicated that the County had net accumulated arrears and penalties on properties totalling Kshs.81,618,371. The Receiver of Revenue did not indicate clear actionable plan on debt collection which may have resulted to the accumulation of the amounts.

Further, the plot registers for ratable properties provided for review were incomplete as key data of the owners was missing including Identity Card numbers, miscellaneous receipt numbers and telephone numbers. Some plot numbers were also blank with no owners indicated.

In the circumstances, the effectiveness of internal controls on land rates arrears management could not be confirmed.

COUNTY GOVERNMENT OF SAMBURU – NO.25

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

- 294.** There were no material issues noted during the audit of the financial statements.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 295.** There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 296.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF TRANS NZOIA – NO.26

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

297. Unconfirmed Balance Brought Forward

The statement of receipts and disbursements reflects balance brought forward at the beginning of the year of Kshs.39,794,932. However, the balance was not supported by cash books, bank balance certificates and bank reconciliation statements.

In the circumstances, the accuracy of the balance of Kshs.39,794,932 could not be confirmed.

298. Unconfirmed Bank Balance

The statement of financial assets and liabilities reflects bank balance of Kshs.57,148,256. However, the balance was not supported by cash books, bank balance certificates and bank reconciliation statements.

In the circumstances, the accuracy of the bank balance of Kshs.57,148,256 could not be confirmed.

Emphasis of Matter

299. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total County own source revenue final budget of Kshs.629,500,000 against actual receipts of Kshs.493,306,859 resulting to revenue under collection of Kshs.136,193,141 or 22% of the budgeted amount. Further, out of the thirteen (13) revenue streams, only six (6) achieved the target while the remaining seven (7) did not achieve the targets. The Receiver of Revenue did not indicate the strategies in place to enhance own source revenue collection.

The under collection of own source revenue negatively affected the execution of planned programs and activities and service delivery to the residents of Trans Nzoia County.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

300. Delay in Transfer of Revenue to County Revenue Fund

The statement of receipts and disbursement reflects total County own source revenue of Kshs.493,306,859. Review of bank statements for the revenue collection accounts revealed that the revenue collected was not transferred to the County Revenue Fund account within five (5) working days after receipt. In some instances it was transferred after one (1) or two (2) months. This was contrary to Regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Receivers of Revenue shall promptly pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof.

Further, the financial statements for the year ended 30 June, 2022 were not prepared and submitted for audit. This was contrary to Section 165(3) of the Public Finance Management Act, 2012, which provides that not later than three (3) months after the end of the financial year, the receiver of revenue for the County Government shall submit the accounts to the Auditor-General.

In the circumstances, Management was in breach of the law.

301. Revenue Spent at Source

The statement of assets and liabilities reflects accounts receivables of Kshs.7,100,000 being amount transferred from the revenue collection account to the imprest account. This represents revenue funds that were irregularly spent at source through imprest system. No explanation was provided on why the funds were spent at source contrary to Paragraph 5.3 of the County Finance Accounting and Reporting Manual that requires all funds collected to be banked intact in an agreed commercial bank account for onward transfer to the County Revenue Fund.

In the circumstances, the Management was in breach of the County Finance Accounting and Reporting Manual guidelines.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

302. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF TRANS NZOIA – NO.26

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

303. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

304. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.9,116,682,520 and Kshs.8,385,516,126 respectively resulting to an underfunding of Kshs.731,166,394 or 8% of the budget. Similarly, the Fund disbursed Kshs.7,752,954,391 against an approved budget of Kshs.9,116,682,520 resulting to an under-disbursement of Kshs.1,363,728,129 or fifteen (15) percent of the budget.

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

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis of Conclusion

305. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis of Conclusion

306. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF UASIN GISHU – NO.27

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

307. Variances in County Own Source Revenue

The statement of receipts and disbursements reflects total county own source revenue amount of Kshs.979,779,764 which was at variance with Uasin Gishu Pay system generated report amount of Kshs.913,738,658 resulting in unexplained variance of Kshs.66,041,106.

In the circumstances, the accuracy and completeness of the county own source revenue amount of Kshs.979,779,764 could not be confirmed.

308. Unsupported Cess Revenue

The statement of receipts and disbursements and as disclosed in Note 16 to the financial statements reflects revenue from cess amount of Kshs.124,171,718 which includes Kshs.71,844,103 and Kshs.25,713,660 collected from cess on farm produce and quarrying respectively. However, weighbridge receipts/booklets justifying the weights on which the charges were based on so as to arrive at the revenue collected were not provided for audit review.

In the circumstances, the accuracy and completeness of cess collected from farm produce and quarrying amounts of Kshs.71,844,103 and Kshs.25,713,660 respectively, all totalling Kshs.97,557,763 could not be confirmed.

309. Unsupported Land Rates

The statement of receipts and disbursements reflects land rates amount of Kshs.104,760,334. However, Management did not maintain an updated record of all land owners within the County and the valuation rolls used in the collection of land rates were those used by the defunct local government authorities and were last updated in the year 2000. In addition, the list of land rate defaulters, the ageing analysis, and evidence to show the measures Management was taking to collect land rates from the defaulters was not provided.

In the circumstances, the accuracy and completeness of the land rates amount of Kshs.104,760,334 could not be confirmed.

310. Unsupported Property Rent

The statement of receipts and disbursements and as disclosed in Note 4 to the financial statements reflect property rent amount of Kshs.30,346,956 which includes county housing and public toilets amounts of Kshs.29,358,555 and Kshs.988,400 respectively. Review of the rent arrears report revealed that the County Government was owed rent amounting to Kshs.142,037,838. However, there were no demand notices issued to the rent defaulters to clear their rent arrears.

Further, the lease agreements/contracts between the County Government and tenants, an ageing analysis of the County housing arrears and register of the houses owned and managed by the County Government were not provided for audit review.

In the circumstances, the accuracy and completeness of property rent amount of Kshs.30,346,956 could not be confirmed.

311. Inaccuracy in Market Fees

The statement of receipts and disbursements and as disclosed in Note 6 to the financial statements reflects market fees amount of Kshs.19,251,535 which includes market entry fees amount of Kshs.18,716,539. Audit revealed that Management had installed point of sale machines in the main markets while in the other markets in the County, traders paid their market fees using a pay bill number after which they were issued with receipts. However, review of the revenue collection records and related controls revealed that miscellaneous receipt books were issued to various revenue officers in charge of different markets across the County without accounting for the earlier issued and used up receipt books. This made it difficult to account for the revenue collected using the receipt books.

In the circumstances, the accuracy and completeness of market entry fees amount of Kshs.18,716,539 could not be confirmed.

312. Unsupported Advertising Fees

The statement of receipts and disbursements reflects advertising fees amount of Kshs.80,079,400. However, review of records provided showed that invoices issued amounted to Kshs.87,508,824 resulting to unexplained variance of Kshs.7,429,424 which could not be accounted for since the statement of arrears of revenue reflects nil advertising fee arrears.

In addition, review of financial records also indicated that Management did not have billboard and compliance registers to show the number of billboards within the County and whether the companies had complied with the laid down and approved procedures. Further, a register of all the adverts done on the billboards and quarterly payments from the billboard companies was not provided for audit review.

Further, an updated register of signages within the County indicating the company name, type of signage, size of signage and the amount payable were not provided for audit review.

In the circumstances, the accuracy and completeness of advertising fees revenue amount of Kshs.80,079,400 could not be confirmed.

313. Unsupported Public Health Service Fees

The statement of receipts and disbursements reflects public health service fees amount of Kshs.15,007,412. However, a listing of the businesses charged under public health services for food quality inspection fee and food hygiene license fee was not provided for audit review. Therefore, it was not possible to confirm whether all the businesses are correctly categorized by size, location or nature.

In addition, the public health service fees includes vaccination against yellow fever and typhoid amount of Kshs.2,534,969. However, review of the register of the monthly records of the service fees, yellow fever vaccines and yellow fever cards indicated a total of Kshs.2,242,000 leading to a difference of Kshs.292,969 which was neither explained nor reconciled.

In the circumstances, the accuracy and completeness of the public health service fees amount of Kshs.15,007,412 could not be confirmed.

314. Unsupported Other Fines, Penalties and Forfeiture Fees

The statement of receipts and disbursements and as disclosed in Note 16 to the financial statements reflect other fines, penalties and forfeiture fees amount of Kshs.18,161,687 which includes impounding fees and others (clamping fee, court fines and surcharge) amounts of Kshs.4,227,319 and Kshs.13,934,368 respectively. However, the amounts were not supported by registers of impounding fees and others (clamping fee, court fines and surcharge).

In the circumstances, the accuracy and completeness of other fines, penalties and forfeiture fees of Kshs.18,161,687 could not be confirmed.

315. Unsupported Cash in Hand Balance

The statement of financial assets and liabilities and as disclosed in Note 21 to the financial statements reflects cash in hand balance of Kshs.401,516 being mobile money balance. Although Management explained that the cash in hand balance of Kshs.401,516 related to balance in M-Pesa account, the M-Pesa statement supporting the closing balance of Kshs.401,516 in the M-Pesa account was not provided for audit verification.

In the circumstances, the accuracy and completeness of cash in hand balance of Kshs.401,516 could not be confirmed.

Emphasis of Matter

316. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amount of Kshs.1,400,471,851 and Kshs.979,779,764 respectively, resulting to an under-collection of Kshs.420,692,086 or 30% of the approved budget.

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

My opinion is not modified in respect of this matter.

Other Matter

317. Unresolved Prior Year Audit Matters

Review of the progress on follow up on prior year auditor's recommendations reveal that, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on

Effectiveness of Internal Controls, Risk Management and Governance. However, the issues remained unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

318. Lack of Water Resources Authority (WRA) Permit

Review of the records and documents provided for audit verification revealed that during the year under review, the receiver of revenue collected revenue totalling Kshs.44,461 from the sale of water. Section 36 of the Water Act, 2016 states that a permit is required for the use of water from a prescribed water resource. However, the receiver of revenue did not provide for audit verification the permits issued by the Water Resources Authority for the sale of water.

In the circumstances, it was not possible to confirm whether the water sold by the Management met the prescribed legal provisions.

319. Lack of Enabling Law

The statement of comparison of budget and actual amounts for the period reflects final budget and actual amounts of Kshs.1,400,471,851 and Kshs.979,779,764 respectively. However, Finance Act, 2022 which would set out the revenue raising measures for the County Government, together with a policy statement expounding on those measures, was not provided for audit review. This was contrary to Section 133 of the Public Finance Management Act, 2012 which states that not later than ninety days after passing the Appropriation Bill, the County Assembly shall consider and approve the Finance Bill with or without amendments.

In the circumstances, Management was in breach of the law.

320. Property Rent Arrears

The statement of receipts and disbursements and as disclosed in Note 4 to the financial statements reflects property rent amount of Kshs.30,346,955 which includes county housing amount of Kshs.29,358,555 and public toilet amount of Kshs.988,400. Review of the rent arrears report revealed that the County Government was owed rent amounting to Kshs.142,037,838. However, no explanation was provided on why they have failed to collect the outstanding rent as stipulated in Regulation 83(2)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that, as part of sound cash management practices, the County Treasury shall pursue debtors with appropriate sensitivity and vigour to ensure that amounts receivable by the County Government are collected and banked promptly. In addition, the County Government did not have an approved tenancy policy.

In the absence of a tenancy policy, Management may not be able to charge appropriate rent to tenants and take appropriate action in case of default.

321. Revenue Targets and Customer Details

During the period under review, Management of the County Government had not set revenue targets on the revenue management system, therefore it was not possible to do an analysis between the revenue collected and the set targets. In addition, the standard customers like business owners and landlords had not been added to the revenue system. This was contrary to Regulation 63(1)(a)-(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer and Receiver of Revenue to ensure that adequate safeguards exist and are applied for prompt collection and proper accounting for revenue.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

322. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF UASIN GISHU – NO.27

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

323. Inaccurate Opening and Closing Fund Balances

The statement of receipts and payments reflects a closing fund balance of Kshs.531,355,952 while the corresponding Note 11 to the financial statements reflects a fund balance of Kshs.533,091,927 resulting to unexplained variance of Kshs.1,735,975. In addition, the statement reflects a comparative fund balance of Kshs.738,036,536 while Note 11 to the financial statements reflects a comparative fund balance of Kshs.818,639,291 resulting to a further unexplained variance of Kshs.80,602,755.

In the circumstances, the accuracy of the opening and closing fund balances could not be confirmed.

324. Inaccurate Own Source Revenue Amount

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects own source revenue amount totalling Kshs.979,779,764. However, review of the cash book, bank statements and reports from the receiver of revenue reveals that a total amount of Kshs.981,515,739 was disbursed to County Exchequer Account maintained at the Central Bank of Kenya, resulting to an unexplained variance of Kshs.1,735,975.

In the circumstances, the accuracy of receipts from own source revenue totalling Kshs.979,779,764 could not be confirmed.

Emphasis of Matter

325. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.11,823,658,569 and Kshs.9,957,582,794 respectively resulting to an under-funding of Kshs.1,866,075,775 or 16% of the budget. Similarly, the Fund expended Kshs.10,244,866,133 against an approved budget of Kshs.11,823,658,569 resulting to an under-expenditure of Kshs.1,578,792,436 or 13% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

326. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, no report or recommendations from Uasin Gishu County Executive Management and oversight bodies were submitted for audit verification. Further, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

327. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

328. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF ELGEYO/MARAKWET – NO.28

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

329. Unsupported Arrears of Revenue

The statement of arrears of revenue reflects a balance of Kshs.159,923,743. This amount was made up of opening balance of Kshs.152,507,342, additions during the year of Kshs.9,648,841 and arrears received during the year of Kshs.2,232,440. However, the opening balance of Kshs.152,507,342 differs with the prior year closing balance of Kshs.10,880,000 resulting in an unexplained difference of Kshs.141,627,342. In addition, no records were provided to support the additions during the year. Management did not explain why the arrears continued to increase over the years and the columns on measures to be taken to recover the arrears and assessment on the recoverability of arrears had no comments.

In the circumstances, the accuracy, completeness and recoverability of arrears of revenue balance of Kshs.159,923,743 could not be confirmed.

330. Unreceipted Deposits

The statement of receipts and disbursements and as disclosed in Note 17 to the revenue statements reflect miscellaneous receipts amount of Kshs.8,885,984. Review of the documents provided for audit revealed the amount of Kshs.8,885,984 were direct bank deposits in the revenue collection accounts for which revenue receipts were not issued for subsequent posting into the respective revenue streams. Further, no reconciliations were provided to show whether the bank deposits were revenue earnings by the County Government.

In the circumstances, the completeness and accuracy of miscellaneous receipts amount of Kshs.8,885,984 could not be confirmed.

Emphasis of Matter

331. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.246,139,212 and Kshs.213,564,131 respectively resulting to an under-collection of Kshs.32,575,081 or 13% of the budget. The under-collection affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

332. Unresolved Prior Year Audit Matters

Review of the progress on follow up on prior year auditor's recommendations revealed that, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance which remained unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 333.** There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 334.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF ELGEYO/MARAKWET – NO.28

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

335. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

336. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.6,256,186,220 and Kshs.5,395,831,542 respectively resulting to an under-funding of Kshs.860,454,678 or 14% of the budget. Similarly, the Fund expended Kshs.5,194,962,959 against an approved budget of Kshs.6,256,186,220 resulting to an under-expenditure of Kshs.1,061,323,262 or 17% of the budget.

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

337. Late Disbursements of Funds

The statement of receipts and payments and as disclosed in Note 1 to the financial statements reflects exchequer releases amount of Kshs.4,975,055,076 being equitable share of revenue. Included in the balance is an amount of Kshs.368,522,596 that was received in County Revenue Fund Account on 27 July, 2022, being arrears for the financial year 2021/2022.

In the circumstances, late disbursements of funds by The National Treasury affected the implementation of approved programmes and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

338. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

339. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NANDI – NO.29

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

340. Lack of Valuation Roll

The statement of receipts and disbursements reflects county own generated receipts amount of Kshs.196,596,982 which includes land rates amount of Kshs.4,613,618 as disclosed in Note 2 to the revenue statements. However, records provided for audit indicated that land rates charged were based on defunct local authority rates. In the absence of an updated valuation roll, the land rate collections could be misstated.

In the circumstance, the accuracy and completeness of land rates collections of kshs.4,613,618 could not be confirmed.

341. Accuracy of Street Parking Fees

The statement of receipts and disbursements reflects county own generated receipts totalling Kshs.196,596,982 which includes parking fees amount of Kshs.38,479,112 comprising revenue from four sources as disclosed in Note 5 to the revenue statements. However, Management did not maintain a register of the parking slots available within the sub-counties, which, would otherwise give an indication of the amount of collection of revenue from street parking fees. Further, it was not possible to establish the total number of street parking slots within the county.

In the circumstances, the accuracy and completeness of revenue from street parking fees of Kshs.38,479,112 could not confirmed.

342. Unconfirmed Cash and Cash Equivalents Balance

The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.5,503,600 which includes Ksh.2,626,016 held in a commercial bank account. However, the cash book and bank reconciliation statement for June, 2023 was not provided for review.

In the circumstance, the accuracy and completeness of cash and cash equivalents balance of Kshs.2,626,016 could not be confirmed.

Emphasis of Matter

343. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amount of Kshs.373,234,444 and Kshs.196,596,982 respectively resulting to an under-collection of Kshs.176,637,462 or 47% of the approved budget. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

344. Unresolved Prior Year Audit Matters

Review of the progress on follow up on prior year auditor's recommendations revealed that, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues remained unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 345.** There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 346.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NANDI – NO.29

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

347. There were no material issues noted during the audit of the financial statements.

Other Matter

348. Unresolved Prior Year Audit Matters

In the audit report of the previous year, two (2) issues were raised under Report on the Financial Statements. However, the issues remained unresolved, as the relevant committee of Senate and County Assembly had not discussed them.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

349. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

350. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF BARINGO – NO.30

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

351. Inaccuracies in the Revenue Statements

Review of the revenue statements revealed the following inaccuracies;

- i. The statement of receipts and disbursements reflects comparative balance for total County own source revenue of Kshs.264,898,800 which differs from the recomputed amount of Kshs.263,990,939 resulting in an unreconciled variance of Kshs.907,861.
- ii. Further, the statement of receipts and disbursements reflects disbursements to County Revenue Fund of Kshs.357,166,840 which differs from the own source revenue recorded receipts in the County Revenue Fund of Kshs.160,348,609 resulting in unreconciled variance of Kshs.196,818,231.
- iii. The statement of financial assets and liabilities reflects total financial assets balance of Kshs.39,948,034 which differs from the total financial liabilities balance of Kshs.39,674,212 resulting in a variance of Kshs.273,822 which has not been reconciled.
- iv. Further, the statement of financial assets and liabilities reflects payables due to County Revenue Fund balance of Kshs.39,674,212 and as disclosed in Note 22 to the revenue statements. However, the balance differs from the recomputed amount of Kshs.40,091,002 resulting in unreconciled variance of Kshs.416,790.

In the circumstances, the accuracy and completeness of balances reflected in the revenue statements could not be confirmed.

352. Unsupported Receipts from Hire of County Assets

The statement of receipts and disbursements reflects County own source revenue from hire of county assets of Kshs.3,203,644 and as disclosed in Note 11 to the revenue statements. However, invoices in support of the hire of county assets were not provided for audit. Further, review of the supporting schedules revealed that different rates were charged for the hiring of the exhaustor services. No explanation was provided for the difference in rates used.

In the circumstances, the propriety, completeness and accuracy of the reported revenue on hire of county assets could not be confirmed.

Emphasis of Matter

353. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total own source revenue budget and actual on comparable basis of Kshs.387,429,514

and Kshs.312,102,220 respectively resulting to revenue shortfall of Kshs.75,327,294 or 19% of the budget. The revenue shortfall affected the planned activities and may have impacted negatively on service delivery to the public.

354. Long Outstanding Land Rates and Property Rent

Note 23 to the revenue statements reflects arrears in land rates and property rent amounting to Kshs.71,552,190 and Kshs.96,957,457 respectively all totalling Kshs.168,509,647. The amount includes Kshs.158,625,584 which has been outstanding for more than one year. The Management did not put in place any measures to enforce the collection of the long outstanding revenue. The County Government may not be able to fully collect the arrears which may affect delivery of goods and service to residents of Baringo County. Further, recoverability of the long outstanding rent and rates remains doubtful.

My opinion is not modified in respect of these matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

355. Failure to Disburse Revenue to the County Revenue Fund

The statement of receipts and disbursements reflects Kshs.39,674,211 as total balance due for disbursement. This is contrary to Regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the receivers of revenue shall promptly pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof.

In the circumstances, Management was in breach of the law.

356. Unbudgeted Own Source Revenue

The Receiver of Revenue received an amount of Kshs.40,660,945 from four sources which were not budgeted for. This is contrary to Regulation 31(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that all revenue and expenditure shall be entered into the County Government budget estimates. No explanation was provided for failure to budget for revenue from the four sources.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

357. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF BARINGO – NO.30

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

358. Inaccuracies in Own Source Revenue Balance

The statement of receipts and payments reflects own source revenue amounting to Kshs.160,348,609. However, the amount differs with the county receiver of revenue disbursements to County Revenue Fund (CRF) for the year under review amount of Kshs.357,166,840 reflected in the statement of receipts and disbursements. The variance of Kshs.196,818,231 has not been explained or reconciled. Further, the amount differs with the statement of comparison of budget and actual amount own source revenue actual on comparable basis amount of Kshs.160,102,007 resulting to a variance of Kshs.246,602 that has also not been explained or reconciled.

In addition, the reported own source revenue of Kshs.160,348,609 is net of hospital fees under fund of Kshs.153,444,583. This is opposed to gross basis reporting in accordance with the reporting template prescribed by the Public Sector Accounting Standards Board.

In the circumstances, the accuracy and completeness of the County's own source revenue amounting to Kshs.160,348,609 could not be confirmed.

359. Inaccuracies in the Fund Closing Balance

The statement of receipts and payments reflects closing Fund balance of Kshs.816,643,394 and as disclosed in Note 11 to the financial statements. However, the amount differs with County Revenue Fund bank account balance of Kshs.1,812,798,913 resulting to an unreconciled variance of Kshs.996,155,519.

In the circumstances, the accuracy and completeness of closing fund balance amounting to Kshs.816,643,394 could not be confirmed.

360. Inaccuracies in Comparative Balances

The statement of receipts and payments reflects transfers from other government agencies comparative amount of Kshs.360,389,817 which differs with the Kshs.86,062,899 disclosed in Note 2 to the financial statements resulting in unexplained variance of Kshs.274,326,918. In addition, Note 11 to the financial statements reflects comparative fund balance of Kshs.878,990,114 which differs from the previous year audited fund balance of Kshs.882,492,589 resulting in unreconciled variance of Kshs.3,502,475.

In the circumstances, the accuracy and completeness of the comparative balances could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

361. Partial Return of Fund Closing Balances to the County Revenue Fund

The statement of receipts and payments reflects return to County Revenue Fund issues amounting to Kshs.78,167,436 which, as disclosed in Note 7 to the financial statements, includes development account (county executive) returns of Kshs.76,388,101. However, the amount differs from the confirmed returns of Kshs.76,616,593 resulting to unreturned balances totalling Kshs.228,492. This is contrary to Regulation 84 of Public Finance Management (County Government) Regulations, 2015 which states that not later than the 31 January of each year, each Accounting Officer shall surrender to the County exchequer account unexpended voted money or excess Appropriations-in-Aid, as confirmed by Auditor-General in the audit report.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

362. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF LAIKIPIA – NO.31

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

363. Long Outstanding Arrears of Revenue

The statement of arrears of revenue and as disclosed in Note 21 to the revenue statements reflects total arrears of Kshs.604,095,325. However, no ledger billings, arrears register and demand letters for arrears which are overdue were provided for audit review. In addition, there was no indication of Management having taken effective action to recover the arrears.

In the circumstances, the validity and recoverability of the arrears of revenue amount of Kshs.604,095,325 could not be confirmed.

364. Unsupported Land Rates

The statement of receipts and disbursements and as disclosed in Note 2 to the revenue statements reflect an amount of Kshs.74,410,569 for land rates. However, the revenue collections were not supported by assessments from the department of lands and physical planning.

Further, the land rates collected were assessed using an outdated valuation roll dating back to year 1995, and which does not reflect the current property values hence leading to revenue shortfalls.

In the circumstances, the completeness and accuracy of the land rates amount of Kshs.74,410,569 could not be confirmed.

Emphasis of Matter

365. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling Kshs.1,307,000,000 and Kshs.1,002,253,650 respectively, resulting to an under collection amounting to Kshs.304,746,350 or 23% of the budget.

The under-collection affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

366. Unresolved Prior Year Issues

In the report of the previous year, several issues were raised under Report on the Revenue Statements. However, although the Management had indicated that some

were resolved, the matters remained unresolved as the relevant Senate and County Assembly committees had not deliberated on the Report for 2021/2022.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

367. Land Rates Waiver

The statement of arrears of revenue reflects land rate arrears of Kshs.574,464,967 and a disclosure that a waiver was issued for land rates during the financial year. Examination of the county's records revealed that the request for waiver dated 25 April, 2023 was made by the County Executive Committee (CEC) Member for Finance and Economic Planning to waive land rates amounting to Kshs.5,842,944,626 between 15 May, 2023 to 15 June, 2023. However, no evidence was provided to show that the waiver was gazetted within fourteen (14) days after an approval was granted contrary to Section 83 of the Laikipia County Revenue Administration Act, 2022 which states that every waiver shall be published in the Gazette not more than fourteen (14) days after it is granted.

In the circumstances, Management was in breach of the law.

368. Failure to Transfer Revenue Collected to the County Revenue Fund

The statement of financial assets and liabilities and as disclosed in Note 20 to the revenue statements reflects a balance of Kshs.16,564,466 in respect of payables due to the County Revenue Fund (CRF) and which represents the County's own generated revenues collected during the year but not transferred to the County Revenue Fund by the close of the financial year. This is contrary to Regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015 requiring the receivers of revenue to promptly pay the revenue received into the County Revenue Fund as soon as possible and not later than five (5) working days after receipt thereof.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

369. Failure to Set Data Back-Up Server for the Laikipia Revenue Management System

The Laikipia revenue management system's server is domiciled in Nanyuki. However, there is no other backup server in place hence exposing the receiver of revenue to the risk of total data loss should anything happen to the only server in Nanyuki.

In the circumstances, the effectiveness of risk mitigation measures in respect of the revenue management system could not be confirmed.

COUNTY GOVERNMENT OF LAIKIPIA – NO.31

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

370. There were no material issues noted during the audit of the financial statements.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

371. Late Exchequer Releases

The statement of receipts and payments for the year ended 30 June, 2023 reflects Exchequer releases balance of Kshs.5,547,166,932 as disclosed in Note 1 to the financial statements. Included in this balance is Kshs.2,724,087,343 relating to Exchequer released by The National Treasury to the Laikipia County for Quarter 4, which further includes Kshs.783,524,175 which was released and received on 7 and 10 July, 2023, contrary to the International Public Sector Accounting Standards (IPSASs)-Cash Basis of accounting and Regulation 97(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the accounts of the County Government entities shall record transactions which take place during a financial year running from the 1st July to 30th June.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

372. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NAKURU – NO.32

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Adverse Opinion

373. Un-Receipted Payments

The statement of receipts and disbursements reflects un-receipted payments totalling Kshs.14,547,463. However, no documents in support of the un-receipted amounts were provided for audit review.

In the circumstances, the accuracy and completeness of the un-receipted payments amount of Kshs.14,547,463 could not be confirmed.

374. Inaccuracy of Total County Own Source Revenue

The statement of receipts and disbursements reflects total County own source revenue of Kshs.3,290,572,261. However, the amount differs with the recomputed amount of Kshs.3,144,971,182, resulting to an unexplained and unreconciled variance of Kshs.145,601,079.

In the circumstances, the accuracy of total County own source revenue amounting to Kshs.3,290,572,261 could not be confirmed.

375. Understatement of Balance Due for Disbursement

The statement of receipts and disbursements reflects balance due for disbursement of Kshs.184,319,532. However, the amount differs with the recomputed balance of Kshs.1,729,543,283, resulting to an unexplained and unreconciled variance of Kshs.1,545,223,751.

In the circumstances, the accuracy and completeness of the balance due for disbursement of Kshs.184,319,532 could not be confirmed.

376. Failure to Transfer Revenue into the County Revenue Fund

The statement of receipts and disbursements reflects total County own source revenue amounting to Kshs.3,290,572,261. However, only Kshs.1,618,072,215 was disbursed to the County Revenue Fund (CRF) bank account, resulting to unexplained variance of Kshs.1,672,500,046 representing undisbursed revenue.

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

Emphasis of Matter

377. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects County own source revenue budget and actual amounts on comparable basis amounts of Kshs.3,580,000,000 and Kshs.3,290,572,261 respectively, resulting to under collection of revenue of Kshs.289,427,739, or 8% of the budgeted receipts. Management did not indicate the measures being instituted to ensure prompt and effective collection of own source revenue.

In the circumstances, the shortfall in collection of County own source revenue affected implementation of planned activities and programs and may have impacted negatively on service delivery to the residents of Nakuru County.

My opinion is not modified in respect of this matter.

Other Matter

378. Unresolved Prior Year Matters

In the audit of the previous years, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources sections. However, Management had neither resolved the issues as at 30 June, 2023 nor given reasons for delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

379. Doubtful Arrears of Revenue

The statement of arrears of revenue reflects arrears of revenue amounting to Kshs.8,997,461,398 being an increase of Kshs.1,079,946,278 from the previous year arrears balance of Kshs.7,917,515,120. However, the balance was not supported with a movement schedule. Further, Management did not provide evidence on measures put in place to recover the arrears in line with Section (157)(2) of the Public Finance Management Act, 2012 which requires the Receiver of County Government Revenue to ensure that the revenue for which the receiver is responsible is collected or recovered.

In the circumstances, the recoverability of the revenue in arrears could not be confirmed and Management was in breach of the law.

380. Failure to Prepare Bank Reconciliation Statements

The statement of financial assets and liabilities reflects bank balance of Kshs.184,039,139 in respect of six (6) bank accounts as disclosed in Note 20 to the financial statements. However, the bank reconciliation statements provided for audit were for the month of June, 2023 only. This is contrary to Regulation 90(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires an accounting officer to ensure that bank account reconciliations are

completed for each bank account every month and a bank reconciliation statement submitted not later than the 10th of the subsequent month to the County Treasury with a copy to the Auditor-General.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 381.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NAKURU – NO.32

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

382. Variance in Inaccuracies in the Financial Statements

Review of financial statements prepared and submitted for audit revealed the following anomalies;

382.1 Transfers to County Executive

The statement of receipts and payments reflects transfers to the County Executive amounting to Kshs.12,751,235,858 as disclosed in Note 8 to the financial statements. However, the amount differs with the transfers from County Revenue Fund amounting to Kshs.14,521,305,049 reflected in the County Executive's statement of receipts and payments, resulting in a variance of Kshs.1,770,069,191 which was neither explained nor reconciled.

382.2 Unconfirmed Accuracy of Fund Balance Brought Forward

The statement of receipts and payments reflects opening fund balance brought forward amount of Kshs.902,313,262, which differs with the prior year closing balance of negative Kshs.1,665,460,599, resulting to unexplained variance of Kshs.2,567,773,861.

382.3 Variance in Transfers to County Executive Comparative Amount

The comparative amount of Kshs.17,671,790,195 reflected in the statement of receipts and payments in respect of transfer to County Executive differs with the amount reflected in the audited financial statements for the year ended 30 June, 2022 of Kshs.17,690,796,338, resulting to an unexplained and unreconciled variance of Kshs.19,106,143, thus misstating the total payments and net decrease in cash for the year with the same amount.

In the circumstances, the accuracy and completeness of the amounts reflected in the financial statements could not be confirmed.

383. Unsupported Cash in Transit

The statement of receipts and payments reflects exchequer releases amounting to Kshs.14,564,043,605. The amount includes equitable share cash in transit of Kshs.1,042,089,307 as disclosed in Note 1 to the financial statements, which was neither explained nor supported with transit documents.

In the circumstance, the accuracy and completeness of exchequer releases totalling Kshs.1,042,089,307 could not be confirmed.

384. Inaccuracy of Own Source Revenue

The statement of receipts and payments reflects own source revenue amount of Kshs.1,618,950,540. However, this amount differs with the disbursements totalling Kshs.1,812,844,751 received in the County Revenue Fund bank account held in the Central Bank of Kenya, resulting to an unexplained variance of Kshs.193,894,211.

In the circumstances, the accuracy and completeness of the own source revenue amount of Kshs.1,618,950,540 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

385. Failure to Return Unspent Balances to County Revenue Fund

The statement of receipts and payments reflects Return to County Revenue Fund issues amounting to Kshs.1,478,558. The amount includes Development Account (County Executive) returns of Kshs.1,021,242 which is less than the confirmed amount of Kshs.1,865,226, resulting to unreturned balance of Kshs.457,316. This was contrary to Regulation 84 of Public Finance Management (County Governments) Regulations, 2015 which state that, not later than the 31st January of each year, each Accounting Officer shall surrender to the County exchequer account unexpended voted money or excess Appropriations-in-Aid, as confirmed by Auditor-General in the audit report.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

386. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NAROK – NO.33

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Adverse Opinion

387. Non-Preparation of the Statement of Arrears of Revenue

The revenue statements prepared and presented for audit did not include the statement of arrears of revenue as at 30 June, 2023. This was contrary to the framework and template issued by the Public Sector Accounting Standards Board for preparation of revenue statements for the County Government receiver of revenue.

In the circumstances, it was not possible to establish the revenue arrears as at 30 June, 2023.

388. Unexplained Revenue Under Collection

The statement of receipts and disbursements reflects total county own source revenue of Ksh.3,067,671,084. This is indicative of revenue growth of Kshs.1,733,104,418 or 130% from the prior financial year's collection of Kshs.1,334,563,666. However, out of the fifteen (15) revenue sources reflected in the statement, ten (10) showed a notable collection decline from total of Kshs.125,975,825 in the previous year to Kshs.73,848,098. The decline of Kshs.52,127,727, or about 41% was not explained.

In the circumstances, the accuracy and completeness of own source revenue amounting to Kshs.73,848,098 could not be confirmed.

389. Unsupported Cess Revenue

The statement of receipts and disbursements reflects cess revenue of Kshs.155,884,943 as disclosed in Note 1 to the revenue statements. However, the revenue summary provided for audit review reflects a balance of Kshs.149,143,949, resulting to an overstatement of Kshs.6,40,994.

In the circumstances, the accuracy and completeness of the cess revenue of Kshs.155,884,943 could not be confirmed.

390. Unsupported Parking Fees

The statement of receipts and disbursements reflects parking fees amount of Kshs.11,879,853 as disclosed in Note 5 to the revenue statements. However, the amount was unsupported by way of serialized receipt books, register of parking bays, collection control sheets and cashbooks. Further, the supporting monthly summaries to the revenue reflects an amount of Kshs.10,398,700, resulting to an unreconciled variance of Kshs.1,481,153.

In the circumstance, the accuracy and completeness of the parking fees amount of Kshs.11,879,853 could not be confirmed.

391. Unsupported Market Fees

The statement of receipts and disbursements reflects market fees of Kshs.11,633,961 as disclosed in Note 6 to the revenue statements. However, the amount was not supported by way of accounting documentation such as register of all markets in the County, register of all slaughterhouses, receipt book numbers issued to collect revenue, collection control sheets and cashbooks.

In the circumstance, the accuracy and completeness of the market fees amount of Kshs.11,633,961 could not be confirmed.

392. Inaccurate Hospital Fees

The statement of receipts and disbursements reflects hospital fees of Kshs.46,384,910 as disclosed in Note 8 to the revenue statements. However, collection summaries provided for audit revealed that hospital fees collected amounted to Kshs.107,989,702, resulting to understatement on the reported revenue of Kshs.61,114,022. Further, the Kshs.46,384,910 collected under Facility Improvement Funds was not transferred to the County Revenue Fund as required under the law but were instead spent at source.

In the circumstances, the completeness and accuracy of the reported hospital fees amount of Kshs.46,384,910 could not be confirmed.

393. Unsupported Physical Planning and Development Amount

The statement of receipts and disbursements reflects physical planning and development receipts of Kshs.1,856,544 as disclosed in Note 10 of the revenue statements. However, the receipts were not supported by way of accounting documentation such as register of all approvals in the County, register of all physical planning, receipt book numbers issued to collect revenue, collection control sheets and cashbooks.

In the circumstance, the accuracy and completeness of the physical planning and development fees of Kshs.1,856,544 could not be confirmed.

394. Unsupported Conservancy Administration Revenue

The statement of receipts and disbursements reflects revenue from conservancy administration of Kshs.268,100 as disclosed under Note 11 to revenue statements. However, the amount was not supported by either receipts, schedules or statements.

In the circumstance, the accuracy and completeness of the Conservancy Administration revenue of Kshs.268,100 could not be confirmed.

395. Unsupported Administration Control Fees and Charges

The statement of receipts and disbursements reflects administration control fees and charges (weights and measures) of Kshs.799,400 that were not supported by way of relevant accounting documentation such as receipt book numbers issued to collect revenue, collection control sheets, cashbooks, bank statements and revenue statements.

In the circumstances, the accuracy and completeness of the administration control fees and charges of Kshs.799,400 could not be confirmed.

396. Unsupported Park Entry Fees

The statement of receipts and disbursement reflects park fees of Kshs.2,779,024,930 as disclosed in Note 13 to the revenue statements. However, records provided for audit revealed that the County Government contracted a private company to collect and account for the revenue. However, the firm was not appointed as a designated receiver of revenue, contrary to Section 61 of Public Finance Management (County Governments) Regulations, 2015.

Further, the reported amount was not supported by daily, quarterly and monthly park entry fees schedules or statements generated and reconciliation of collections and bankings. In addition, schedule of designated entry points to the park, inventory and serial numbers of revenue collection machines used at the park were not provided for audit examination.

In the circumstance, the accuracy and completeness of the park fees amount of Kshs.2,779,024,930 could not be confirmed.

397. Unsupported Miscellaneous Receipts

The statement of receipts and disbursements reflects miscellaneous receipts of Kshs.11,107,350 that were not supported by relevant accounting documentation such as receipt book numbers issued to collect revenue, collection control sheets and cashbooks.

In the circumstances, the accuracy and completeness of the miscellaneous receipts amount of Kshs.11,107,350 could not be confirmed.

398. Discrepancy in Disbursements to CRF

The statement of receipts and disbursements reflects disbursements to County Revenue Fund (CRF) amount of Kshs.2,969,338,112. However, analysis of the four revenue bank accounts maintained by the County revealed transfers of Kshs.3,061,029,161, resulting to an unexplained and unreconciled variance of Kshs.91,691,049. Further, analysis of the US Dollar (USD) collection account revealed that a debit transfer of USD 2,834,730 amounting to Kshs.425,209,500 could not be traced to the CRF account.

In the circumstances, the accuracy and completeness of the disbursements to County Revenue Fund (CRF) of Kshs.2,969,338,112 could not be confirmed.

399. Unsupported Bank Charges

The statement of receipts and disbursements reflects bank charges of Kshs.95,688 and as disclosed in Note 16 to the revenue statements. However, the amount was not supported by payment schedule and journals and other accounting documentation contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the accuracy and completeness of bank charges of Kshs.95,688 could not be confirmed.

400. Unconfirmed Bank Balances

The statement of financial assets and liabilities and as disclosed in Note 17 to the revenue statements reflects bank balances of Kshs.150,934,233 in relation to four (4) bank accounts maintained by the Receiver of Revenue. However, Management did not provide cashbooks, certificates of bank balances and boards of survey reports for audit verification.

In the circumstances, the accuracy and completeness of bank balances of Kshs.150,934,233 could not be confirmed.

401. Unexplained Variance in Unremitted CRF Balance Brought Forward

The statement of comparison of budget and actual amounts reflects unremitted CRF balance of Kshs.311,813,069 from the prior year, which differs with the audited balance of Kshs.177,914,851, resulting to an unexplained and unreconciled variance of Kshs.133,898,218.

In the circumstances, the accuracy of the reported unremitted CRF balance of Kshs.311,813,069 could not be confirmed.

Emphasis of Matter

402. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total final receipts budget and actual on comparable basis amounts of Kshs.4,516,596,907 and Kshs.3,067,671,084 respectively, resulting to under-collection of Kshs.1,137,112,754, or 25% of the budget.

The under-collection of County own source revenue may have affected implementation of planned activities and programs and impacted negatively on service delivery to the residents.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

403. Incomplete Revenue Statements - Unresolved Prior Year Matters

The revenue statements for the year under review do not include the section on the progress on the follow-up of auditor's recommendations, contrary to the requirements of the Public Sector Accounting Standards Board (PSASB) reporting template.

In the circumstance, the revenue statements as prepared and presented for audit are not in accordance with the PSASB reporting framework.

404. Ineffectiveness of Own Source Revenue Identification, Collection and Accounting

404.1 Appointment of Receiver of Revenue

The Narok County Government does not have a duly appointed Receiver of Revenue. This is in breach of Section 157(1) of the Public Finance Management Act, 2012 that states that, the County Executive Committee member for finance shall in writing designate persons to be responsible for collecting, receiving and accounting for such county government revenue as the County Executive Committee member for finance may specify in their letters of designation. The current holder of the office (Director of Revenue) is therefore not validly appointed.

In the circumstances, Management was in breach of the law.

404.2 Lack of a County Revenue Raising Strategies

The County Integrated Development plan (CIDP) for 2018-2023 does not have the revenue raising strategies as required by Section 108(4) (c) of the County Government Act, 2012 that requires a County Integrated Development Plan to include revenue raising strategies.

In the circumstances, Management was in breach of the law.

404.3 Under Achievement of Revenue Targets not Reported

The County Government of Narok did not meet its revenue targets by 27%, or Kshs.1.1 billion in the year under review. However, the Receiver of Revenue did not report on the challenges in revenue collection to the County Executive Committee Member (CECM) Finance as required by Regulation 63(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires that where there are difficulties in revenue collection, an accounting officer or receiver of revenue shall report the circumstances to the CECM Finance.

In the circumstances, Management was in breach of the law.

405. Non-Operationalization of County Healthcare Services Improvement Fund

The County Assembly of Narok passed the County Healthcare Services Improvement Fund Act, 2017 on 24 June, 2017 and an amended County Healthcare Services Improvement Fund Act, 2020 to facilitate the establishment and administration of a Fund to manage level 4 health facilities through the appointment of a Health Services Board. The County Executive appointed a Board to manage these facilities on 10 May, 2023. The health services therefore operated for 10 months of the financial year ended 30 June, 2023 without a substantive Board. In addition, at the time of audit in November, 2023, there was no evidence that the Board held any meeting as required by the law.

In the circumstances, Management was in breach of the law.

406. Late Disbursements of Collected Revenue

The statement of financial assets and liabilities as at 30 June, 2023 reflects payables due to County Revenue Fund of Kshs.150,934,233 as disclosed in Note 18 to the financial statements. Management did not disburse revenue from Receiver of Revenue to County Revenue Fund regularly as required by Regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires that revenue collected to be paid into the County Revenue Fund (CRF) not later than five (5) working days after receipt thereof. No satisfactory explanations were given for failure to transfer the funds into the CRF account on regular basis.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 407.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NAROK – NO.33

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

408. Inaccuracies in the Statements of Receipts and Payments

The statement of receipts and payments reflects total receipts of Kshs.12,847,763,528 while the report of the Controller of Budget (CoB) reflects corresponding receipts of Kshs.12,940,788,820, resulting to unreconciled variance of Kshs.93,025,292.

The statement also reflects Return to CRF issues of Kshs.568,277 while the bank account statement holding the balance reflects Kshs.962,887, resulting to an unexplained and unreconciled variance of Kshs.394,610.

In the circumstances, the accuracy and completeness of the total receipts amount of Kshs.12,847,763,528 and Return to CRF issues of Kshs.568,277 could not be confirmed.

409. Unsupported Closing Fund Balance

The statement of receipts and payments reflects closing fund balance of Kshs.93,319. However, the cash book and bank reconciliation statement in support of the balance were not provided for audit.

In the circumstances, the accuracy and completeness of the closing fund balance of Kshs.93,319 as at 30 June 2023 could not be confirmed.

Emphasis of Matter

410. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total final receipts budget and actual on comparable basis amounts of Kshs.14,981,115,820 and Kshs.12,849,687,569 respectively, resulting to an under-collection of revenue of Kshs.2,131,428,251, or 14% of the budget.

The under-collection of the budgeted receipts may have impacted negatively on the delivery of services to the residents of Narok County.

My opinion is not modified in respect of this matter.

Other Matter

411. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Other Matter sections. However, Management had not resolved the issues as at 30 June, 2023.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

- 412.** There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 413.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KAJIADO – NO.34

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

414. Inaccuracies in the Revenue Statements

Review of the revenue statements revealed errors in the presentation and disclosures to the financial statements as detailed below:

414.1 Overstatement of Revenue in Arrears

The statement of arrears of revenue reflects land/poll rate balance of Kshs.12,007,761,090. However, the supporting schedule provided for audit reflects a balance of Kshs.11,988,405,145, resulting to an unexplained and unreconciled variance of Kshs.19,355,945.

In the circumstances, the accuracy and completeness of the land/poll rate balance of Kshs.12,007,761,090 could not be confirmed.

414.2 Inaccuracies in Cash and Cash Equivalents Comparative Balances

The statement of financial assets and liabilities reflects a comparative opening balance of Kshs.198,990,023 as cash in hand (FIF & NHIF). However, the corresponding disclosure Note 19 to the revenue statements reflects a Nil comparative cash in hand balance. Further, the comparative bank balance of Kshs.4,979,369 differs with the audited balance of Kshs.643,196,858 resulting in unreconciled variance of Kshs.638,217,489.

In the circumstances, the accuracy and fair presentation of the comparative bank and cash in hand (FIF & NHIF) balances could not be confirmed.

414.3 Inconsistencies in Reported Own Source Revenue

The statement of receipts and disbursements reflects own source revenue total amount of Kshs.908,053,798, while the statement of comparison of budget and actual amounts reflects actual revenue of Kshs.905,429,461, resulting in an unreconciled variance of Kshs.2,624,337.

In the circumstances, the accuracy and completeness of the total own source revenue amount of Kshs.908,053,798 could not be confirmed.

414.4 Errors in Presentation

The statement of receipts and disbursements does not disclose the name of the entity and the headers refer to the period ended instead of the year ended. Further, information on principal legal adviser and progress on follow-up of prior year Auditor's recommendations were omitted.

In the circumstances, the accuracy and completeness of the revenue statements could not be confirmed.

Emphasis of Matter

415. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.1,583,536,109 and Kshs.905,429,461 respectively, resulting to under collection of Kshs.678,106,648, or 43% of the budget. Management did not indicate measures being instituted to ensure prompt and effective collection of own source revenue.

The under collection of receipts affected the implementation of planned activities and programs and may have impacted negatively on service delivery to the residents of Kajiado.

My opinion is not modified in respect of this matter.

Other Matter

416. Unresolved Prior Year Matters

In the audit report of the previous year, several audit matters were raised under the Report on Revenue Statements and Report on Lawfulness and Effectiveness in Use of Public Resources Section. However, Management did not resolve any of the issues or given any explanation for failure to adhere to the disclosure provisions of the Public Sector Accounting Standards Board reporting template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

417. Late Submission of Revenue Statements

Management of the County Government of Kajiado submitted the Revenue Statements - Receiver of Revenue for the year ended 30 June, 2023 for audit on 7 November, 2023, which was one month and seven (7) days after the stipulated deadline of 30th September. This was contrary to provisions of Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

In the circumstances, Management was in breach of the law.

418. Long Outstanding Revenue in Arrears

The debt ageing analysis reflects revenue in arrears of Kshs.12,007,761,090 owed by several debtors which comprise uncollected land rent, rates and royalties. However, Management did not provide evidence of the measures put in place to collect the revenues in arrears. Further, Management indicated that the County contracted a firm

to collect revenue arrears from the defaulters. However, the contract agreement was not provided for audit review.

In the circumstances, failure to collect revenue may have impacted negatively on service delivery to the residents of Kajiado County.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

419. Failure to Undertake Property and Land Valuation

The County collected own source revenue on land/poll rate and property rent of Kshs.31,941,475 and Kshs.13,653,278 respectively during the year under review. However, review of records provided in support of own generated revenue revealed that the County did not have in place a valuation roll. It was therefore not possible to confirm whether the land and property rates charged and applied during the year were regular and reflective of the current property value in the County.

In the absence of the valuation roll, the County rent and rates applied may have been below the market rates, resulting to low revenue collections.

COUNTY GOVERNMENT OF KAJIADO – NO.34

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

420. Unexplained Variances in Financial Statements

Review of the financial statements presented for audit revealed the following unexplained variances;

- i. The statement of receipts and payments reflects transfers to County Executive amount of Kshs.8,474,140,643 while the County Executive financial statements reflects receipts from County Revenue Fund amount of Kshs.8,614,812,503, resulting to an unexplained and unreconciled variance of Kshs.140,671,860.
- ii. The statement of receipts and payments reflects comparative closing Fund balance amount of Kshs.632,566,286 while Note 11 to the financial statements, reflects Kshs.638,217,489, resulting to an unexplained and unreconciled variance of Kshs.5,651,203.
- iii. The statement of receipts and payments reflects own source revenue amount of Kshs.905,429,461 while the Receiver of Revenue - County Government of Kajiado statement reflects Kshs.630,873,637, resulting to an unexplained and unreconciled variance of Kshs.274,555,824.

In the circumstances, the accuracy and completeness of the above amounts reflected in the financial statements could not be confirmed.

Emphasis of Matter

421. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.10,642,675,897 and actual on comparable basis amount of Kshs.9,646,178,780, resulting to under-collection of Kshs.996,497,117, or 9.3% of the budget.

The under collection may have affected the implementation of planned activities and programs and impacted negatively on service delivery to the residents of Kajiado County.

My opinion is not modified in respect to this matter.

Other Matter

422. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public

Resources. However, Management has not resolved the issues or given any explanation for the failure to adhere to the disclosure provisions of the Public Sector Accounting Standards Board reporting template.

423. Variance in the Report on Management Discussion and Analysis

The report on management discussion and analysis on revenue performance section reflects total original budget amount of Kshs.10,740,079,629 while re-casting revealed an amount of Kshs.10,103,698,168, resulting to an unexplained variance of Kshs.636,381,461.

In the circumstances, the accuracy of total original budget amount of Kshs.10,740,079,629 in the report on management discussion and analysis could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

424. Late Submission of the Financial Statements

The Fund's financial statements for the year ended 30 June, 2023 were submitted to the Office of the Auditor-General on 07 November, 2023, which was one month and seven (7) days after the stipulated deadline of 30th September. This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that, the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

In the circumstances, Management was in breach of the law.

425. Non-Compliance with the Public Sector Accounting Standards Board Reporting Framework

Review of the County Revenue Fund - County Government of Kajiado revealed that the template guiding notes were not updated to reflect the County Government's specific information. In addition, the numbering in the table of contents was inconsistent and no information was disclosed under the progress on follow up on prior year auditor's recommendations section.

In the circumstances, the financial statements as prepared and presented do not comply with IPSAS cash basis reporting framework.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

426. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KERICHO – NO.35

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Adverse Opinion

427. Failure to Maintain Cash Book

Review of the financial records in respect of revenue collected during the year under review revealed that Management did not maintain a cash book in respect to revenue collected by the County Government as required by Regulation 100 of the Public Finance Management (County Governments) Regulations, 2015 which provides that Accounting Officers shall keep in all offices concerned with receiving cash or making payments, a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible.

In the circumstances, Management was in breach of the law.

428. Inaccuracies in the Revenue Statements

428.1 Unexplained Variances Between Revenue Statements Amounts and Ledger Amounts

The statement of receipts and disbursements reflects an amount of Kshs.501,291,247 in respect to total county own source revenue. However, review of revenue collection supporting schedules revealed that revenue from five (5) streams were at variance with amounts reflected in the revenue statements as shown below;

Items	Amounts in Revenue Statements (Kshs.)	Amounts in Supporting Schedules (Kshs.)	Variance (Kshs.)
Single Business Permit	65,370,907	60,858,695	4,512,212
Hospital Fees	219,603,767	211,258,979	8,344,788
Cess	7,465,662	2,165,766	5,299,896
Administration Control Fee	13,492,485	13,447,485	45,000
Vehicle Parking Fees	30,583,202	30,582,302	900

428.2 Variance Between Revenue Statements and Revenue Collected from Health Facilities Schedules

The statement of receipts and disbursements reflects an amount of Kshs.501,291,247 in respect to total county own source revenue which includes hospital fees amount of Kshs.219,603,767, as disclosed in Note 8 to the revenue statements. However, review of revenue collections from six health facilities revealed revenue collected of Kshs.217,155,616 and Kshs.274,666,812 from Facility Improvement Fund (FIF) and

National Hospital Insurance Fund (NHIF) respectively, totalling Kshs.491,822,428. However, the total collection was at variance with the reported amount of Kshs.219,603,767, resulting to an unexplained and unreconciled variance of Kshs.272,218,661.

Further, review of the bank statements of revenue collection bank account revealed that Kshs.274,666,812 from NHIF was not transferred to the County Revenue Fund, contrary to Section 109(2) of the Public Finance Management Act, 2012, which states that, the County Treasury for each county government shall ensure that all money raised or received by or on behalf of the county government is paid into the County Revenue Fund.

428.3 Unexplained Variance in Disbursements to County Revenue Fund Amount

The statement of receipts and disbursements reflects disbursements to County Revenue Fund (CRF) account of Kshs.447,246,120. However, review of the CRF bank account statements for the year under review revealed that Kshs.489,161,120 was transferred to the account, resulting to unexplained and unreconciled variance of Kshs.11,915,000.

In the circumstances, the accuracy and completeness of the disbursements to County Revenue Fund amount of Kshs.447,246,120 could not be confirmed.

429. Failure to Map Revenue Sources

The statement of receipts and disbursements reflects total county own source revenue of Kshs.501,291,247, which includes Kshs.65,370,907, Kshs.92,673,207 and Kshs.7,212,429 in respect of single business permit, land rate and property rent as disclosed in Notes 3, 2 and 4 to the revenue statements. Review of supporting documents in respect of own generated receipts for the three revenue streams revealed that the County Government did not maintain a register of land rate, property rent and licenses and only updated them when traders and individuals presented themselves for renewal or application of the permits and payments.

In the circumstances, the accuracy and completeness of the own source revenue amount of Kshs.165,256,543 could not be confirmed.

430. Unsupported Cash and Cash Equivalents Balance

The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.24,089,226 as disclosed in Note 18 to the revenue statements. However, the balance was not supported by documents including bank statements, bank reconciliation statements and board of survey report.

In the circumstances, the accuracy and completeness of the balance of Kshs.24,089,266 in respect of cash and cash equivalents could not be confirmed.

431. Unsupported Long Outstanding Land Rates and Property Rates Arrears

Review of Note 20 to the revenue statements revealed accumulated land rates and property rent in arrears amounting to Kshs.158,607,975. However, the outstanding revenue was not supported by control ledger. In addition, the County did not maintain

an updated valuation roll or land register thus making it difficult to identify all the chargeable property, the annual rates charged and any adjustments made.

In the circumstances, the accuracy, regularity, completeness and fair statement of revenue in arrears could not be confirmed.

Emphasis of Matter

432. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.1,019,388,053 and Kshs.501,291,247 respectively, resulting in under-collection of revenue of Kshs.518,096,806, or 51% of the budget.

As a result of under collection of revenue, the planned activities may not have been realized thus impacting negatively on service delivery to the residents of Kericho County.

My opinion is not modified in respect of this matter.

Other Matter

433. Unresolved Prior Year Matters

As disclosed under the progress on follow up of auditor's recommendations section of the revenue statements, Management indicated four (4) prior year audit issues out of which two (2) were resolved and two (2) not resolved. However, Management did not provide evidence to support were two issues which were resolved. Further, Management has not provided satisfactory reasons for the delay in resolving the two outstanding issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

434. Non-Compliance with the Public Sector Accounting Standards Board Requirement on Presentation of the Revenue Statements

The revenue statements for the year under review did not comply with reporting format as prescribed and published by the Public Sector Accounting Standards Board as the preamble information in respect of the statement of receiver of revenue responsibilities was not customized to replace the word entity with the actual name of the revenue statement, while the revenue statements and headers of the statements were indicated as for the period ended 30 June, 2023 instead of the year ended 30 June, 2023.

Further, paragraph 6 on page 8 on the significant policies in respect of disbursements to CRF did not provide the receiver's actual policy on disbursement as required.

In the circumstances, the financial statements were not presented in accordance with the applicable financial framework as prescribed by the Public Sector Accounting Standards Board (PSASB).

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 435.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KERICHO – NO.35

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

436. Inaccuracy in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.8,447,182,783 and Kshs.7,601,952,324 respectively, resulting to underfunding of Kshs.845,230,459, which differs with Kshs.850,908,459 reflected in the statement, resulting in an unexplained and unreconciled variance of Kshs.5,678,000.

Further, the statement reflects original payments budget of Kshs.7,878,728,947 and an adjustment of negative Kshs.574,844,154 totalling final expenditure budget of Kshs.7,303,884,793, which differs with the reflected amount of Kshs.8,453,573,101, resulting to an unexplained and unreconciled variance of Kshs.1,149,688,308.

In the circumstances, the accuracy and completeness of the amounts in the statement of comparison of budget and actual amounts could not be confirmed.

437. Variance in Transfers from Other Government Agencies

The statement of receipts and payments reflects transfers from other government agencies amount of Kshs.179,423,861 as disclosed in Note 2 to the financial statements. However, review of the County Revenue Fund (CRF) bank statements for the year under review revealed total transfers from other government agencies amounting to Kshs.162,463,236, resulting to unexplained and unreconciled variance of Kshs.16,960,625.

In the circumstances, the accuracy and completeness of transfers from other government agencies amount of Kshs.179,423,861 could not be confirmed.

438. Variance in Own Source of Revenue

The statement of receipts and payments reflects own source revenue amount of Kshs.477,246,120 as disclosed in Note 3 to the financial statements. However, the CRF bank statements for the year under review reflects transfer of amounts totalling Kshs.489,161,120 transferred from revenue collection bank account to CRF bank account, resulting to unexplained and unreconciled variance of Kshs.11,915,000.

In the circumstances, the accuracy and completeness of own source revenue amount of Kshs.477,246,120 could not be confirmed.

439. Total Payments

The statement of receipts and payments reflects amounts transferred to County Executive and County Assembly of Kshs.6,681,961,783 and Kshs.914,130,822

respectively as disclosed in Notes 5 and 6 to the financial statements totalling Kshs.7,596,092,605. However, review of the CRF funds bank statements revealed total transfers to County Executive amount of Kshs.7,079,664,623, resulting to unexplained and unreconciled variance of Kshs.516,427,982.

In the circumstances, the accuracy and completeness of total payments of Kshs.7,596,092,605 could not be confirmed.

440. Fund Closing Balances

The statement of receipts and payments reflects closing fund balance for the year ended 30 June, 2023 totalling Kshs.6,572,036 as disclosed in Note 7 to the financial statements. However, the CRF certificate of bank balance reflects closing balance of Kshs.1,043,465,482, resulting to unexplained and unreconciled variance of Kshs.5,528,571. Further, the statement reflects opening balance brought forward of Kshs.712,317 which is at variance with the comparative County revenue fund opening balance brought forward as at 1 July, 2022 and County executive financial statements comparative balance of Kshs.526,223,407 as reflected in Note 13A to the financial statements, resulting to unexplained and unreconciled variance of Kshs.525,511,090.

In the circumstances, the accuracy and completeness of the fund balance of Kshs.6,572,036 could not be confirmed.

Emphasis of Matter

441. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.8,447,182,783 and Kshs.7,601,952,324 respectively, resulting to an under-funding of Kshs.850,908,459, or 10% of the budget. Similarly, the statement reflects final budgeted payments and actual on comparable basis amounts of Kshs.8,453,573,101 and Kshs.7,596,092,605 respectively, resulting to an under-absorption of Kshs.857,480,496, or 10% of the budget.

The under-funding and under-absorption may have adversely affected the planned activities of Kericho County Government and delivery of services to the residents of the County.

My opinion is not modified in respect of this matter.

Other Matter

442. Prior Year Matters

As disclosed under the progress on follow up of auditor's recommendations section of the financial statements, all the prior year audit issues are indicated as resolved as at 30 June, 2023. However, Management did not provide supporting documents, including the letter of invitations to appear before the Senate and County Assembly committees and recommendations on the resolved issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

443. Unbalanced Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2023 reflects receipt final budget of Kshs.8,447,192,783 and an expenditure final budget of Kshs.8,453,573,101, resulting in a variance of Kshs.6,390,318. The budget imbalance is contrary to the provisions of Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that, 'budget revenue and expenditure appropriations shall be balanced.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

444. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF BOMET – NO.36

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

445. Inaccuracies in the Statement of Receipts and Disbursements

445.1 Total County Own Source Revenue

The statement of receipts and disbursements reflects total own source revenue amount of Kshs.244,066,652. However, review of revenue collection bank disbursement to County Revenue Fund and balance due for disbursement revealed amounts of Kshs.220,094,217 and Kshs.116,676 totalling Kshs.220,210,892, resulting to an unexplained and unreconciled variance of Kshs.23,855,759.

In the circumstances, the accuracy and completeness of the total county own source revenue amount of Kshs.244,066,652 could not be confirmed.

445.2 Parking Fees

The statement of receipts and disbursements reflects parking fees of Kshs.7,868,410 which includes an amount of Kshs.2,457,820 in respect of revenue collection from motorbike fees and a Nil amount in respect of reserved parking fee as disclosed in Note 5 to the revenue statements. However, review of the counterfoil receipt book register (CRBR) and official receipt books issued during the year revealed total collections from motorbike fees amounting to Kshs.3,480,000, resulting to an unexplained and unreconciled variance of Kshs.1,022,180. In addition, the County Executive has forty-five (45) registered reserved parking areas in Bomet Town, which are invoiced at Kshs.25,000 annually and hence projected annual total fees of Kshs.1,125,000.

In the circumstances, the accuracy and completeness of the amount of Kshs.7,868,410 in respect of parking fees could not be confirmed.

445.3 Revenue from Hospital Fees

The statement of receipts and disbursements reflects hospital fees of Kshs.101,174,514 which includes an amount of Kshs.14,478,058 in respect of hospital fees from level 4 hospitals, which in turn includes hospital fees from Cheptalal sub-county hospital of Kshs.1,903,690 as disclosed in Note 8 to the revenue statements. However, review of the hospital's two (2) cash books for bank accounts held at local banks and their bank statements revealed total transfers to county collection bank account of Kshs.2,447,820, resulting to revenue collections of Kshs.544,820 which remained unaccounted for.

Further, review of the cash books and bank statements in respect of collections from Sigor sub-county hospital and Kapkoros health center revealed total collections of

Kshs.5,290,030 and Kshs.239,156 respectively, which were recorded in the respective hospital operations bank accounts but were not transferred to the county revenue collection bank accounts.

In the circumstances, the accuracy and completeness of the amount of Kshs.14,478,058 in respect of hospital fees from level 4 hospitals could not be confirmed.

446. Unaccounted for Sale of Tea from Embomos Tea Farm

As disclosed in Note 14 to the revenue statements, the statement of receipts and disbursements reflects an amount of Kshs.14,920,364 in respect of receipts from sale of tea from Embomos tea farm which is partly owned by the County Government of Bomet. Physical audit verification carried out on 18 October, 2023 of the farm and on discussions with the Farm Manager revealed that the County Government owns approximately 95 acres of the land out of which a total of 73 acres was under tea cultivation. However, the ledger records in respect to tea leaves harvested and sold during the year was not provided for audit review.

Further, review of the supporting documents including the title-deed for Embomos tea farm revealed that the acreage of 252.5 acres belongs to the County Government of Bomet resulting to unexplained existence and utilization of 179.5 acres of the farm. In addition, the Farm Manager indicated that there is a dispute between Kenya Forest Service and County Government of Bomet regarding the ownership of the land whose details and records were not provided for audit review.

In the circumstances, the existence of 179.5 acres of Embomos tea farm which is a revenue generating unit and revenue amount of Kshs.14,920,364 could not be confirmed.

447. Unaccounted for Single Business Permit Fees

The statement of receipts and disbursements reflects an amount of Kshs.22,288,214 in respect of single business permits (SBP) as disclosed in Note 3 to the revenue statements. However, review of the counterfoil receipt book register (CRBR) revealed that a total of eighty-one (81) SBP receipt books issued to revenue officers during the year were not surrendered back to the revenue officer together with the revenue collected using the receipt books which remained unaccounted for. Further, the revenue system used by the County could not generate a list of all registered businesses in the County headquarters and its sub-counties and the invoices issued.

In the circumstances, the completeness and accuracy of the single business permits revenue amount of Kshs.22,288,314 could not be confirmed.

448. Unaccounted for Parking Fees

The statement of receipts and disbursements reflects parking fees amount of Kshs.7,868,410 which includes amounts of Kshs.2,595,100 and Kshs.2,815,490 in respect of street parking fees and bus park fees respectively as disclosed in Note 5 to the revenue statements. However, review of street parking fee collections ledger revealed that there were no collections in the months of May and June, 2023. Similarly, bus park fee collections ledger showed that there were no revenue collections in the

months of August, September and October, 2022. Management did not provided explanations for failure to collect revenue during the said months.

Further, supporting documents including the revenue statements from the revenue system in respect of parking fees from non-designated parking slots/bays within Bomet town and the serial numbers of revenue machines issued to each collector were not provided for audit review.

In the circumstances, the accuracy and completeness of the amounts of Kshs.2,595,100 and Kshs.2,815,490 in respect of street parking fees and bus park fees respectively could not be confirmed.

449. Unsupported Advertising Revenue

The statement of receipts and disbursements reflects an amount of Kshs.642,850 in respect of advertising as disclosed in Note 7 to the revenue statements. The amount includes branding fees of Kshs.200,300, billboard advertising of Kshs.150,550, signage of Kshs.82,000 and roadshows of Kshs.200,000. However, the supporting schedules for the disclosed revenue amounts were not provided for audit review.

In the circumstances, the accuracy and completeness of the amount of Kshs.642,850 in respect of advertising could not be confirmed.

450. Unsupported Public Health Service Fees

The statement of receipts and disbursements reflects an amount of Kshs.2,230,350 in respect of public health service fees as disclosed in Note 9 to the revenue statements. However, review of the CRBR revealed that twenty-three (23) receipt books for hygiene license and fifty-eight (58) for medical examinations which were issued to revenue officers during the year were not surrendered by the year end. Further, the supporting schedules for inspection for issuance of hygiene license, application for medical examination, and public health permit were not provided for audit review.

In the circumstances, the accuracy and completeness of the amount of Kshs.2,230,350 in respect of public health service fees could not be confirmed.

Emphasis of Matter

451. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.300,000,000 and Kshs.244,066,652 respectively, resulting in under collection of revenue of Kshs.55,933,348, or 19% of the budget.

As a result of under collection of revenue, the planned activities may not have been realized thus impacting negatively on service delivery to the public.

452. Long Outstanding Land Rate Arrears

The statement of receipts and disbursements reflects an amount of Kshs.4,000,997 in respect of land rates and as disclosed in Note 2 to the revenue statements, which was a drop of Kshs.776,094, or 16% from an amount of Kshs.4,777,093 reported in the

previous year 2021/2022 audited revenue statements. Further, review of Note 23 to the revenue statements revealed accumulated land rates in arrears amounting to Kshs.403,948,178, which is equivalent to one hundred and sixty seven percent (167%) of the County own generated revenue for the year under review amounting to Kshs.242,395,023. The revenue drop and huge arrears is an indication of inadequate enforcement mechanism on revenue collection particularly on land rate.

My opinion is not modified in respect of these matters.

Other Matter

453. Unresolved Prior Year Matters

As disclosed under the progress on follow up of auditor's recommendation section of the revenue statements, Management included three (3) prior year audit issues which were not related to issues raised in the previous year 2021/2022 audited revenue statements. Further, Management did not provided satisfactory reasons for the delay in resolving the prior year issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

454. Non-Compliance with the Public Sector Accounting Standards Board Requirement on Presentation of the Revenue Statements

The revenue statements for the year under review did not comply with reporting format as prescribed and published by the Public Sector Accounting Standards Board as follows:

- (i) Preamble information in respect of the statement of receiver of revenue responsibilities was not customized to replace the word entity with the actual name of the revenue statement.
- (ii) The revenue statements and headers of the statements were indicated as for the period ended 30June, 2023 instead of the year ended 30 June, 2023.
- (iii) The name of the County receiver of revenue and head of revenue reporting was not indicated in the revenue statements.
- (iv) Paragraph 6 of the significant policies in respect of disbursement to CRF did not provide the receiver's actual policy on disbursement as required.
- (v) Notes 16,17 and 18 in respect of other fines, penalties and forfeitures, miscellaneous receipts and, donations and grants not received through CRF did not indicate the current year of reporting and the comparative year.

In the circumstances, the revenue statements were not presented in accordance with the applicable financial reporting framework as prescribed by the Public Sector Accounting Standards Board (PSASB).

455. Application of Outdated Finance Act

The statement of receiver of revenue reflects total county own source revenue amounted to Kshs.244,066,852 and disbursements amounting to Kshs.244,066,652 to County Revenue Fund. However, review of the financial records provided for audit revealed that Management applied Bomet County Finance Act, 2021 that was enacted on 6 April, 2021 to implement revenue collection for the year under review. This is contrary to Section 133 of the Public Finance Management Act, 2012 which states that not later than ninety (90) days the County Assembly shall approve a finance bill with or without amendments.

In the circumstances, Management was in breach of the law.

456. Lack of an Updated Valuation Roll and Land Register

Management of County Government of Bomet did not maintain an updated valuation roll and land register thus making it difficult to identify all the chargeable property, the annual rates charged and any adjustments that were made during the year.

In the circumstances, the Receiver of Revenue may have lost revenue due to lack of maintained and updated valuation roll and land register

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 457.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF BOMET – NO.36

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

458. Unexplained Variances in Comparative Amounts

The statement of receipts and payments reflects two (2) comparative amounts of Kshs.1,486,045 in respect of closing fund balance and deficit for the year of Kshs.1,822,285, both of which are at variance with the prior year audited financial statements reported amounts of Kshs.1,291,426,427 and Kshs.1,288,118,097 respectively, resulting to unexplained and unreconciled variances of Kshs.1,289,940,382 and Kshs.1,286,295,812 respectively.

In the circumstances, the accuracy and completeness of the comparative amounts of Kshs.1,486,045 and deficit amount of Kshs.1,822,285 in respect of closing fund balance for the year and opening fund balance brought forward for the year under review could not be confirmed.

459. Inaccuracy in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects amounts of Kshs.8,287,338,500, Kshs.7,682,213,143 and Kshs.605,716,922 in respect of final receipts budget, actual receipts on comparable basis and budget realization difference respectively. However, re-casting the accuracy of budget realization difference in the statement revealed an amount of Kshs.605,125,357, resulting to an unexplained and unreconciled variance of Kshs.591,565.

In the circumstances, the accuracy and completeness of the amount of Kshs.605,716,922 in respect of budget realization difference could not be confirmed.

460. Transfers from Other Government Agencies

As disclosed in Note 2 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.211,513,973 in respect of transfers from other government agencies. However, review of the County Revenue Fund (CRF) bank statements revealed transfers from other government agencies totalling Kshs.182,798,598, resulting to unexplained and unreconciled variance of Kshs.28,715,380.

In the circumstances, the accuracy and completeness of transfers from other government agencies amount of Kshs.211,513,973 could not be confirmed.

461. Own Source Revenue

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.244,066,652 in respect of own source revenue.

However, review of CRF bank statements for the year under review reflects own source revenue transfer totalling Kshs.220,094,217 from revenue collection bank accounts to CRF bank account, resulting to an unexplained and unreconciled variance of Kshs.23,972,435.

In the circumstances, the accuracy and completeness of the amount of Kshs.244,066,652 in respect of own source revenue could not be confirmed.

462. Transfers to County Executive

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.5,966,951,222 in respect of transfers to county executive. However, review of the CRF bank statements revealed transfers to county executive totalling Kshs.5,594,512,931, resulting to an unexplained and unreconciled variance of Kshs.372,438,291.

In the circumstances, the accuracy and completeness of the amount of Kshs.5,966,951,222 in respect of the transfers to county executive could not be confirmed.

463. Fund Closing Balance

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.640,875,127 in respect of closing fund balance. However, review of the cash book balance, bank statements and certificate of bank balance as at 30 June, 2023 revealed a balance of Kshs.960,625,607, resulting to unexplained and unreconciled variance of Kshs.319,750,480. Further, the closing fund balance for the year under review was not supported with bank reconciliation statements. There was also no reconciliation of the opening fund balance of Kshs.1,486,045 to the closing fund balance.

In the circumstances, the accuracy and completeness of the amount of Kshs.640,875,127 in respect of closing fund balance for the year could not be confirmed.

Emphasis of Matter

464. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.8,287,338,500 and Kshs.7,682,213,143 respectively, resulting to an under-realization of revenue amount of Kshs.605,716,922, or 7% of the budget. Similarly, the statement reflects final budgeted payments and actual on comparable basis amounts of Kshs.8,287,338,500 and Kshs.7,042,824,061 respectively, resulting to an under-absorption of an amount of Kshs.1,244,514,439, or 15% of the budget.

The under-realization and under-absorption may have adversely affected the planned activities of County Government of Bomet and delivery of services to the public.

My opinion is not modified in respect of this matter.

Other Matter

465. Unresolved Prior Year Matters

The report of the Auditor-General for the prior year had several issues under Report on the Financial Statements that remained unresolved as at 30 June, 2023. However, Management has not given any explanation for the delay to resolve the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

466. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

467. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KAKAMEGA – NO.37

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

468. Inaccurate Comparative Amount of Donations/Grants not Received Through CRF

The statements of receipts and disbursements reflects a comparative amount of Kshs.43,553,015 in respect of donations/grants not received through CRF, while the corresponding Note 19 to the revenue statements reflects a comparative amount of Kshs.32,017,452, resulting to unexplained variance of Kshs.11,535,563.

In the circumstances, the accuracy and completeness of the comparative amount of donations/grants not received through CRF of Kshs.43,553,015 could not be confirmed.

469. Inaccurate Balance Due for Disbursement

The statement of receipts and disbursements reflects a balance of Kshs.83,651,495 in respect of balance due for disbursement. However, the statement of financial assets and liabilities and Note 24 to the revenue statements reflect a corresponding balance in respect of payables due to CRF of Kshs.57,789,736, resulting to unexplained variance of Kshs.25,861,759.

In the circumstances, the accuracy and completeness of the balance due for disbursement of Kshs.83,651,495 could not be confirmed.

470. Inaccurate Disbursements to County Revenue Fund

The statement of receipts and disbursements reflects disbursements to CRF totalling Kshs.1,295,770,449. However, the statement of receipts and payments of the County Revenue Fund reflects corresponding receipts totalling Kshs.1,309,633,895 in respect of own source revenue, resulting to unexplained variance of Kshs.13,863,446.

In the circumstances, the accuracy and completeness of the disbursements to County Revenue Fund totalling Kshs.1,295,770,449 could not be confirmed.

471. Unsupported Land/Poll Rate Arrears

The statement of arrears of revenue reflects land/poll rate arrears of Kshs.2,435,499,723 as at 30 June, 2023. However, an ageing analysis indicating the list of defaulters and the dates the arrears arose was not provided for audit.

In the circumstances, the accuracy and completeness of the land/poll rate arrears of Kshs.2,435,499,723 could not be confirmed.

Emphasis of Matter

472. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue targets and actual on comparable basis amounts of Kshs.1,800,000,000 and Kshs.1,303,007,265 respectively, resulting in under-collection of Kshs.496,992,735 or 28% of the target.

The under-collection of revenue affected the planned activities and may have negatively impacted on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

473. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for conclusion

474. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KAKAMEGA – NO.37

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

475. Unsupported Returns to County Revenue Fund (CRF) Issues

The statement of receipts and payments reflects an amount of Kshs.57,247,727 in respect of returns to CRF issues. However, the amount includes Kshs.41,566,259 whose supporting bank statements were not provided for audit.

In the circumstances, the accuracy and completeness of the returns to CRF amount of Kshs.57,247,727 could not be confirmed.

Emphasis of Matter

476. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects approved receipts budget and actual on comparable basis amounts of Kshs.16,198,042,547 and Kshs.15,034,020,103 respectively, resulting to under-collection of revenue of Kshs.1,164,022,444, or 7% of the budget. Similarly, the Fund spent an amount of Kshs.14,385,097,134 out of the approved expenditure budget of Kshs.16,198,042,547 resulting in an under expenditure of Kshs.1,812,945,413 or 11 % of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

477. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

478. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF VIHIGA – NO.38

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

479. Variances in Farm Produce Cess Revenue

The statement of receipts and disbursements reflects cess amount of Kshs.5,003,685 which as disclosed in Note 1 to the revenue statements, includes an amount of Kshs.2,576,435 in respect of farm produce (tea cess). However, review of the supporting schedules revealed corresponding farm produce (tea cess) receipts amounting to Kshs.3,157,151, resulting in an unexplained variance of Kshs.580,715.

In the circumstances, the accuracy and completeness of farm produce (tea cess) amount of Kshs.2,576,435 could not be confirmed.

480. Variances in Revenue Amounts Between Revenue Statements and Supporting Schedules

The statement of receipts and disbursements reflects total receipts of Kshs.107,355,435. However, included in this amount are various revenue amounts which differ with corresponding amounts shown in the supporting schedules, resulting to unexplained variances as summarized below;

	Account Item	Notes	Amount as per the Statement of Receipts and Disbursements (Kshs.)	Supporting Schedules Amounts (Kshs.)	Variance (Kshs.)
1	Property Rent	4	8,343,202	7,032,473	1,902,558
2.	Market Fees	6	13,840,932	13,340,932	500,000
3.	Miscellaneous Receipts	15	1,490,005	2,625,516	1,135,511
4.	Conservancy Administration	12	143,200	90,200	53,000

In the circumstances, the accuracy and completeness of own source revenue amount of Kshs.107,355,435 could not be confirmed.

Emphasis of Matter

481. Budgetary Control and Performance

The statement of comparison of budget versus actual amounts reflects final County own source revenue budget and actual on comparable basis amounts of Kshs.177,134,862 and Kshs.107,355,435 respectively, resulting to an under-collection of Kshs.69,779,427 or 39% of the budget.

The under-collection affected the planned activities and may have impacted negatively on service delivery to the public.

482. Unexplained Significant Decrease in Revenue Collection

Review of the statement of receipts and disbursements revealed significant decrease in revenue collection from Kshs.120,012,772 in 2021/2022 to Kshs.107,355,435 during the year under review. This was mainly contributed by the revenue streams listed below:

Revenue stream	Amount as Per Financial Statements for 2022/2023 (Kshs.)	Amount as Per Financial Statements for 2021/2022 (Kshs.)	Variance (Kshs.)
Land /Poll Rate	1,526,368	2,569,263	(1,042,895)
Single/Business Permits	19,949,841	22,405,402	(2,455,561)
Parking fees	31,041,300	35,198,018	(4,156,718)
Market Fees	13,840,932	14,624,916	(783,984)
Advertising	10,699,772	15,780,090	(5,080,318)
Veterinary Service Fees	2,445,694	3,158,030	(712,336)
Hire of County Assets	1,552,010	405,960	(1,146,050)
Administration Control Fees and Charges	3,959,527	5,779,720	(1,820,193)

No reason was provided for this significant drop in the revenues.

My opinion is not modified in respect of these matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

483. Failure to Surrender FM Radio Advertising Receipts

The statement of receipts and disbursements reflects receipts of Kshs.10,699,772 from advertising which, as disclosed in Note 7 to the revenue statements, includes income from advertising through FM Radio of Kshs.380,780. Similarly, the cash book balance as at 30 June, 2023 of Kshs.110,197 was not transferred to the County Revenue Fund Account. This was contrary to Regulation 63(4) of the Public Finance Management (County Governments) Regulations, 2015, which states that all public moneys collected by a receiver of revenue or collector of revenue or collected and retained by a County Government entity, shall be paid into a designated bank account of the County Government and shall not be used by any public officer in any manner between the time of their receipt and payment into the bank except as provided by law.

In the circumstances, Management was in breach of the law.

484. Non-Remittance of Farm Produce Cess

The statement of receipts and disbursements reflects Cess amount of Kshs.5,003,685 which, as disclosed in Note 1 to the revenue statements, includes farm produce of Kshs.3,157,151 which was paid into the County Revenue Fund

Account instead of Tea Cess Development Fund Account, contrary to Section 12(4) of the Vihiga County Tea Cess Act, 2019, which states that the funds collected shall be remitted on monthly basis to the Vihiga Tea Cess Development Account.

In the circumstances, Management was in breach of the law.

485. Failure to Account for Revenue in Arrears

The statement of arrears of revenue reflects opening balance of Kshs.38,352,635, arrears received during the year amount of Kshs.9,511,902 and total arrears as at 30 June, 2023 of Kshs.28,840,733. The total arrears comprises Kshs.26,991,591 and Kshs.1,849,142 in respect of land /poll rate and county housing and stalls respectively.

However, no detailed ageing analysis of the individuals and firms owing the County Government was provided in the notes to the revenue statements to confirm the period in arrears. In addition, the amount of Kshs.9,511,902 was not recorded in any register or cash book.

In the circumstances, the County may lose revenue if the arrears are not recovered and properly documented.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

486. Non-Automation of Revenue Collection System

During the year under review, the County Government had not automated collection of all its internally generated revenue except for Vihiga Sub County. The other four (4) sub counties in Vihiga continued to rely on manual revenue collection method which was prone to abuse.

In the circumstances, the effectiveness of the County revenue collection system could not be confirmed.

487. Inadequate Internal Controls over Revenue Collection

Review of the accountable documents maintained in the office of the Director of Revenue revealed that laid down controls were not followed. Although the receipts issued and returned were supposed to be recorded in a register indicating details such as the name of issuing and receiving officer and their signatures, receipt book serial numbers, date of issue and the dates when they were returned among others. The dates the books were completed and returned, and the dates the registers were audited were not recorded. Further, the cash books did not contain details of the receipt numbers in the year under audit. This was contrary to Regulation 117(1) and (2) of the Public Finance Management (County Governments) Regulations, 2015, which provides that accountable documents including receipt books whether manual or electronic shall be under strict control at all times and the County Executive Member of Finance shall keep the stock of accountable documents whether manual or electronic under lock and key, and issue them in accordance with the daily needs of the service, and keeping an accurate up to date record of their use by means of

continuity control sheets.

In the circumstances, inadequate control of receipt books may result to possible loss of public funds.

COUNTY GOVERNMENT OF VIHIGA – NO.38

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

488. Unexplained Variances in Own Source Revenue

The statement of receipts and payments reflects own source revenue amount of Kshs.106,807,182, while the statement of comparison of budget and actual amounts shows a corresponding amount of Kshs.229,848,536, resulting in an unreconciled variance of Kshs.123,041,354. The amount of Kshs.106,807,182 also differs with total own source revenue of Kshs.107,355,436, reflected in the supporting Note 3 to the financial statements, resulting in an unreconciled variance of Kshs.548,254.

In the circumstances, the accuracy and completeness of the reported own source revenue amount of Kshs.106,807,182 could not be confirmed.

489. Irregular and Unsupported Returns to CRF Issues

The statement of receipts and payments reflects return to CRF issues amount of Kshs.1,521,115 which comprises Kshs.1,426,160 and Kshs.48,073 returns by the County Executive and County Assembly respectively. This was contrary to paragraph 2.2.2.1 (viii) of The National Treasury Circular Ref:AG.4/16/2 Vol.3 (72), dated 30 June, 2021 on Revised Annual Financial Reporting Templates which states, “the note on Return to CRF Issues has been reviewed to cover funds returns to the CRF by County Assemblies. The note ceases to include returns to CRF for County Executives since these Funds are included in the CRF bank account under the County Executive.” Further, cash books supporting the Return to CRF issues were not provided for audit.

In the circumstances, the accuracy of the return to CRF issues amount of Kshs.1,521,115 could not be confirmed.

Emphasis of Matter

490. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amount of Kshs.6,488,021,712 and Kshs.5,855,459,634 respectively, resulting to a revenue shortfall of Kshs.632,562,078 or 10% of the budget.

Similarly, the Fund disbursed Kshs.5,548,569,606 against an approved budget of Kshs.6,488,021,712, resulting to an under-disbursement of Kshs.939,452,106, or 14% of the budget.

The shortfall in receipts and under disbursements affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

491. Late Disbursement of Funds to the County Executive

The statement of receipts and payments reflects transfers to County Executive of Kshs.4,928,188,384 from the CRF account. It was however observed that an amount of Kshs.4,497,527,947 had been received by the County Executive as at 30 June, 2023. The balance of Kshs.430,660,437 was received between 3 and 7, July, 2023 after the closure of the financial year. It was also observed that the receipts of Kshs.430,660,437 was recognized in the cash book even before the amount was actually received, which was contrary to International Public Sector Accounting Standards (Cash Basis) reporting requirement and provisions of Regulation 97(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

492. Closing of Fund Balance

The statement of receipts and payments reflects a closing balance for the period of Kshs.272,777,636 being funds that had not been absorbed by the County Government of Vihiga as at 30 June, 2023.

In the circumstances, the intended programs and projects for which the funds were set to implement may not have been achieved.

493. Decrease in Collection Compared to the Prior Year

The statement of receipts and payments reflects own source revenue amount of Kshs.106,807,182 as at 30 June, 2023 which when compared with the Kshs.123,646,865 reported in the previous year, results to a decrease in own source revenue by Kshs.16,839,683 or 14%.

In the circumstances, the effectiveness of internal control measures over revenue collection could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

494. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF BUNGOMA – NO.39

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

495. Variances Between Statement of Receipts and Disbursements and Supporting Schedules

The statement of receipts and disbursements reflects several balances that are at variance with the corresponding balances shown in supporting schedules as shown below:

Item	Balance in the Financial Statements (Kshs.)	Balance in the Supporting Schedules (Kshs.)	Variance (Kshs.)
Land Rates (Area rates)- Note 2	26,728,668	2,921,048	23,807,620
Land Penalties and Interests - Note 2	884,948	1,918,333	(1,033,385)
Annual Business permit Fees (Single Business Permit) - Note 3	72,597,745	19,456,825	53,140,920
Business Permit Penalties and Interest (Accrued Penalties for Single Business Permit) - Note 3	2,381,825	276,350	2,105,475
Business Permit Renewal Fees (Renewal of SBP) - Note 3	3,579,191	1,364,120	2,215,071
Single Business Permit Advertisement Fees - Note 3	1,993,020	645,512	1,347,508
Street Parking Fees - Note 5	3,589,000	2,357,313	1,231,687
Monthly Toll/Sticker Fees/Bus Park (Consolidated County Bus Park Sticker) - Note 5	59,336,273	34,233,843	25,102,430
Market Entry Fees (Mkt fees) - Note 6	30,106,045	24,645,185	5,460,860
Branding- Note 7	6,991,291	1,951,900	5,039,391
Billboard Advertising - Note 7	2,221,500	341,000	1,880,500
Level 3 Hospitals- Note 8	87,221,737	99,786,131	(12,564,394)
Vocational Training Centres Fees - Note 8	17,257,490	30,935,275	(13,677,785)

In the circumstances, the accuracy and completeness of the respective statement of receipts and disbursements balances could not be confirmed.

496. Unsupported Cash and Cash Equivalents Balance

The statement of financial assets and liabilities reflects a balance of Kshs.126,836,649 in respect of bank balances which, as disclosed in Note 18 to the revenue statements,

comprises balances in twenty-seven (27) bank accounts maintained by the Receiver of Revenue in various local banks. However, bank reconciliation statements for the accounts were not provided to support the balances.

In addition, included in the statement is a balance of Kshs.978,600 in respect of cash in hand as disclosed in Note 19 to the revenue statements. However, a board of survey report was not provided to support the balance.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.127,815,249 shown in the statement of financial assets and liabilities could not be confirmed.

497. Unsupported Receipts - Hire of County Assets

The statement of receipts and disbursements reflects an amount of Kshs.19,457,432 in respect of hire of County assets which, as disclosed in Note 11 to the revenue statements, relates to revenue obtained from three (3) categories of County assets. However, detailed schedules showing the specific assets under the three categories and how much was raised from each specific asset were not provided for audit review.

In the circumstances, the accuracy and completeness of the revenue of Kshs.19,457,432 could not be confirmed.

498. Outdated Valuation Roll

The statement of receipts and disbursements reflects an amount of Kshs.32,765,835 which, as disclosed in Note 2 to the revenue statements, relates to land rates. However, during the audit, it was observed that the County Government had not updated its valuation roll since 2005 to help determine the current rates of its property.

In the circumstances, the accuracy and completeness of the receipts of Kshs.32,765,835 from land rates could not be confirmed.

Emphasis of Matter

499. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.1,347,382,860 and Kshs.1,110,829,943 respectively, resulting to under-collection of own source revenue of Kshs.236,552,916, or 18% of the target.

The under-collection of revenue affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

500. Unresolved Prior Year's Matters

In the audit report for the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources sections. However, Management had not resolved the issues or given explanation for the failure to resolve the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

501. Revenue Spent at Source

The statement of receipts and disbursements reflects an amount of Kshs.852,194,429 in respect of expenditure (at source) by facilities (Mabanga and Agricultural Training Centre). This was contrary to Regulation 63(4) of the Public Finance Management (County Governments) Regulations, 2015, which provides that moneys collected by a county government entity should not be utilized at source but should be banked in the designated bank accounts.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

502. Inadequate Maintenance of Records by Enforcement Department

The Compliance and Enforcement Department of the County Executive was mandated to issue enforcement notices and undertake any other enforcement action in relation to physical development. However, review of records maintained by the Department revealed that the registers were old and mutilated and lacked backup copies. The records included reports on arrests, courts case notice, demolitions and complaints. As a result, the information contained in these records was not secured and there was imminent possibility of being lost.

In the circumstances, internal controls and risk management in Enforcement Department were not effective.

COUNTY GOVERNMENT OF BUNGOMA – NO.39

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

503. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

504. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.14,026,308,243 and Kshs.11,247,736,528 respectively, resulting to under-funding of Kshs.2,778,571,715 or 20% of the budget. Similarly, the statement reflects total actual payments (transfers) of Kshs.11,863,518,430 against approved budget of Kshs.14,026,308,243, resulting to under-payment of Kshs.2,162,789,813, or 15% of the budget.

The under-funding and under-payment affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

505. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

506. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF BUSIA – NO.40

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

507. Unsupported Receipts - Single Business Permit

The statement of receipts and disbursements reflects an amount of Kshs.64,080,118 in respect of revenue from single business permit and as disclosed in Note 3 to the revenue statements. Records provided for audit indicated that the single business permit revenue stream was fully automated, and collections were done through the Busia County Pro-revenue System. However, at the time of audit, no data was provided to support the amount.

Further, during the year under review, the County Executive of Busia did not maintain a database of all the businesses operating in the sub-counties and a register of invoices issued to various business owners requesting for payment for business permits. No revenue registers were also maintained to ascertain the amount invoiced, amount collected and outstanding balances.

In the circumstances, the accuracy and completeness of the revenue of Kshs.64,080,118 from single business permit could not be confirmed.

508. Inaccuracies in the Statement of Arrears of Revenue

The statement of arrears of revenue reflects total arrears of Kshs.119,236,332. However, re-calculation of the total arrears amounted to Kshs.112,973,487, resulting to unreconciled variance of Kshs.6,262,845.

In the circumstances, the accuracy and completeness of total arrears of revenue balance of Kshs.119,236,332 could not be confirmed.

509. Unsupported Bank Balances

The statement of financial assets and liabilities reflects a balance of Kshs.38,593,347 in respect of bank balances which, as disclosed in Note 18 to the revenue statements, comprises of balances in thirteen (13) bank accounts. However, certificates of bank balances for three (3) bank accounts with balances of Kshs.785,023, Kshs.3,638,179 and Kshs.1,830,092 respectively, were not provided for audit review.

In the circumstances, the accuracy and completeness of the bank balances of the three (3) accounts with total balance of Kshs.6,253,294 could not be confirmed.

510. Variances Between Financial Statements and Supporting Schedules

The statement of receipts and disbursements reflects own source revenue amounts of Kshs.153,638,955, Kshs.3,725,150 and Kshs.6,072,514 relating to hospital fees, land rates and public health services, respectively. However, the amounts are at variance with the amounts of Kshs.142,150,611, Kshs.3,649,803 and Kshs.5,966,845

shown in the respective supporting schedules. The resultant variances of Kshs.11,488,344, Kshs.75,347 and Kshs.105,669 were not reconciled.

In the circumstances, the accuracy and completeness of the revenues of Kshs.153,638,955, Kshs.3,725,150 and Kshs.6,072,514 in respect to hospital fees, land rates and public health services respectively, could not be confirmed.

Emphasis of Matter

511. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.469,156,699 and Kshs.355,797,718 respectively, resulting to under-collection of revenue of Kshs.113,358,981, or 24% of the targeted receipts.

The under-collection of revenue affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

512. Unresolved Prior Year Matters

In the audit report for the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, although Management had indicated that the issues were resolved, no documentary evidence was provided to show how the issues were resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

513. Irregular Operation of Revenue Collection Bank Accounts

During the year under review, the County Executive of Busia operated thirteen (13) revenue collection accounts held at commercial banks. This was contrary to Regulation 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which provides that all County Government bank accounts shall be opened at the Central Bank of Kenya except for imprest bank accounts for petty cash.

In the circumstances, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

514. Revenue Collection Automation

During the audit under review, it was revealed that the County Executive automated part of its revenue collection streams through the Busia County Revenue Collection System managed by the County ICT Department, with back up and support from a local company. However, it was not possible to confirm which revenue streams had been automated and the modules in use. Further, there were no reports generated from the system detailing consolidated revenue collection from all the revenue collection streams, including the arrears accruing from non-payment of revenue for the year under review. There were also no well-defined backup and archiving procedures that are central to data management process.

Audit collection in the month of September, 2023 at the Malaba Border office revealed that two (2) revenue streams: bus parking fees and transit produces cess, were managed through the Point of Sale (POS) gadgets. It was observed that there were challenges in collection of fees from moving vehicles and motorcycles. Further, the point of sale gadgets generated more than one receipt causing conflicting reconciliations. The gadgets were also linked whereby a collector could access another collector's information when generating receipts.

In the circumstances, internal controls relating to revenue collection were not effective.

COUNTY GOVERNMENT OF BUSIA – NO.40

COUNTY REVENUE FUND

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

515. Variance in Transfers to County Executive

The statement of receipts and payments reflects an amount of Kshs.6,503,000,153 in respect of transfers to the County Executive as disclosed in Note 8 to the financial statements. However, the supporting schedules and the County Revenue Fund bank statements reflect Kshs.5,895,542,910, resulting in a variance of Kshs.607,457,243 which was not explained or reconciled.

In the circumstances, the accuracy and completeness of transfers to the County Executive amount of Kshs.6,503,000,153 could not be confirmed.

516. Unsupported Prior Year Adjustment

The statement of receipts and payments reflects a prior year adjustments debit amount of Kshs.373,353,129 which, as disclosed in Note 12 to the financial statements, includes balances of Kshs.648,061, Kshs.1,971,800 and Kshs.3,606,858 relating to cash in hand, outstanding imprest and deposits/retention respectively. However, documentation, including schedules, in support of the amount were not provided for audit.

In the circumstances, the accuracy and completeness of the prior year adjustments debit amount of Kshs.373,353,129 could not be confirmed

Other Matter

517. Unresolved Prior Year Matters

In the audit report for the previous year, several issues were raised under the Report on the Financial Statements. However, Management had not resolved the issues or given satisfactory explanation for not resolving the prior audit matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

518. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 519.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF SIAYA – NO.41

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

520. Unsupported Revenue from Single Business Permit

The statement of receipts and disbursements reflects single business permits amount of Kshs.73,947,724. However, the Receiver of Revenue did not have a comprehensive register of all businesses and traders and the existing records had not been validated by senior Management.

In the circumstances, the accuracy and completeness of the revenue collected from single business permits of Kshs.73,947,724 could not be confirmed.

521. Lack of General Valuation Roll

The statement of receipts and disbursements reflects revenue collected from land rates amounting to Kshs.20,176,756. However, it was established that the County Receiver of Revenue did not keep a comprehensive general valuation roll of all the land parcels owned by the County Government.

In the circumstances, the accuracy and completeness of the revenue from land rates amounting to Kshs.20,176,756 could not be confirmed.

522. Unsupported Arrears of Revenue

The statement of arrears of revenue reflects a balance of Kshs.323,674,531 as at 30 June, 2023. However, records of arrears of revenue, waivers and variations of fees or charges granted were not provided for audit.

In the circumstances, the accuracy and completeness of the arrears of revenue balance of Kshs.323,674,531 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

523. Irregular Use of the Appropriation in Aid (Health Services) at Source

Review of records revealed that an amount of Kshs.281,331,381 relating to Appropriation In Aid (Health Services) was expended at source, contrary to Regulation 63(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires that all public moneys collected by a receiver of revenue or collector of revenue or collected and retained by a County Government entity, shall be paid into a designated bank account of the County Government and

shall not be used by any public officer in any manner between the time of their receipt and payment into the bank except as provided by law.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

524. Failure to Automate Revenue Collection System

Review of the revenue collection system revealed that the Receiver of Revenue had not automated all its revenue collection sources of internally generated revenue and continued to rely on manual method which was prone to abuse.

In the circumstances, it was not possible to detect revenue collection frauds and achieve real-time payments and revenue reporting within the County Government.

525. Poor Maintenance of the Cash Book

Review of the cash books revealed that the County Government did not use F.O 17 receipts vouchers to receive and support revenue recorded in the cash book and the entries in the cash book were not adequately supported.

In the circumstances, the effectiveness of the internal controls over cash recordings in the cash book could not be confirmed.

COUNTY GOVERNMENT OF SIAYA – NO.41

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

526. There were no material issues noted during the audit of the financial statements.

Other Matter

527. Unresolved Prior Year Matters

In the audit report for the previous year, several issues were raised under the Report on Financial Statements. However, the Management did not resolve the issues or give satisfactory explanation for failure to resolve the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

528. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

529. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KISUMU – NO.42

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Adverse Opinion

530. Unsupported Other Receipts

The statement of financial assets and liabilities reflects a balance of Kshs.612,285,307 described as other receipts not through CRF. However, no explanatory note was given as to the nature of these receipts.

In the circumstances, the accuracy, completeness and disclosure of the other receipts balance of Kshs.612,285,307 could not be confirmed.

531. Inaccuracies in the Statement of Receipts and Disbursements

The statement of receipts and disbursements reflects total County Own Source Revenue totalling Kshs.1,209,024,497. However, the general ledger reflects corresponding receipt amounts in eight (8) revenue streams which vary from the statement as indicated below:

	Revenue Stream	General Ledger Kshs.	Revenue Statements Kshs.	Variance Kshs.
1.	Land/Plot Rent	145,480,536	149,897,898	4,417,362
2.	Single Business Permit	154,882,699	164,156,629	9,273,930
3.	Property Rent	17,184,654	20,039,683	2,855,029
4.	Parking Fees	72,076,273	99,417,554	27,341,281
5.	Market Fees	38,364,159	51,638,574	13,274,415
6.	Advertisement Fee	135,808,694	148,606,083	12,797,389
7.	Hospital Fees	491,502,497	476,989,463	(14,513,034)
8.	Public Health Service Fee	5,723,849	4,810,842	(913,007)

In the circumstances, the accuracy and completeness of the statement of receipts and disbursements could not be confirmed.

532. Inaccuracies in Comparative Balances

The statement of financial assets and liabilities reflects comparative balances in respect of other receipts not through CRF and payables due to CRF of Kshs.234,663,172 and Kshs.250,458,520 respectively both of which vary by Kshs.80,444,167 with the corresponding balances in the audited financial statements for 2021/2022 financial year.

In addition, the statement of receipts and disbursements reflects a Nil comparative balance in respect of balance brought forward at the beginning of the year and a balance due for disbursements of Kshs.250,458,520 both of which vary by

Kshs.80,444,157 with the audited financial statements for 2021/2022 financial year of Kshs.80,444,167 and Kshs.330,902,677 respectively. The explanation for the variances was not provided.

In the circumstances, the accuracy of the revenue statements could not be confirmed.

533. Unsupported Bank Balances

The statement of financial assets and liabilities and as disclosed in Note 18 to the revenue statements reflect bank balances totalling Kshs.53,582,514 held in five (5) bank accounts. However, bank reconciliation statements and bank statements were not provided for audit review.

In the circumstances, the accuracy and completeness of the bank balances totalling Kshs.53,582,514 could not be confirmed.

534. Unsupported Receipts

The statement of receipts and disbursements and as disclosed in Notes 1 to 16 to the revenue statements reflect County own-generated revenue totalling Kshs.1,209,024,497 which, includes revenue totalling Kshs.58,259,756 generated from cess, administration control fees and charges, park fees, other fines penalties and forfeiture fees and miscellaneous receipts.

However, the receipts were not adequately supported by detailed analyses and ledgers. In addition, the supporting documentation for the disbursement of the receipts to County Revenue Fund bank account was not provided.

In the circumstances, the regularity, completeness and accuracy of receipts totalling Kshs.58,259,756 could not be confirmed.

535. Long Outstanding Land Rates

The statement of arrears of revenue as at year end reflected land/poll rate and property rent arrears of Kshs.1,247,369,194 and Kshs.1,862,474 respectively. However, Management did not provide an ageing analysis of the arrears as required by the Public Sector Accounting Standards Board reporting template. Further, the Management did not provide evidence of measures taken to recover the amount owed to the County Government. In addition, review of registered land indicated that the plot rates had duplicate numbers whereas others had no plot numbers and the collector of revenue did not provide satisfactory reasons for failure to collect the arrears by making a report to the County Executive Committee Member of Finance and Economic Planning.

In the circumstances, the accuracy and recoverability of arrears of revenue could not be confirmed.

Emphasis of Matter

536. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted and actual receipts totalling Kshs.1,762,226,587 and Kshs.1,209,024,497 respectively

resulting to a deficit of Kshs.553,202,090 or 32% of the budget. The shortfall in collection may have constrained execution of planned activities and delivery of services to the residents of Kisumu County.

My opinion is not modified in respect of this matter.

Other Matter

537. Unresolved Prior Year Audit Matters

In the audit of the previous year, several issues were raised under Report on Revenue Statements. However, Management did not resolve the issues or explain the failure to adhere to the provisions of the Public Sector Accounting Standards Board reporting template and the National Treasury Circular AG.3/88/VoL.II (27) dated 9 May, 2023.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

538. Irregular Waiver of Land Rates

The statement of comparison of budget and actual amounts reflects that the County Executive had budgeted to raise an amount of Kshs.243,083,466 from land/poll rate. However, the statement reflected an actual receipt of Kshs.149,897,898, resulting to an under collection of Kshs.93,185,568 or 39%. Further, an updated register of land and properties, a ledger of billings, waivers and outstanding payments by defaulters were not provided for audit.

During the year under review, Management granted a waiver of fees totalling Kshs.4,337,833 to ten (10) individuals and three (3) Companies and/or associations and waiver of undetermined amount to all property owners. The beneficiaries were required to pay conditional outstanding arrears for them to benefit. However, Management did not provide any evidence of payment of the arrears and justification of the waiver contrary to Section 159 (1) of the Public Finance Management Act, 2012 which provides that the County Executive Committee member for finance may waive a county tax, fee or charge imposed by a County Government provided that the County Treasury shall maintain a public record of each waiver with a reason for waiver and that such waiver or variation has been authorised by an Act of Parliament or County legislation.

In the circumstances, Management was in breach of the law.

539. Lack of a Revenue Bank Account at Kombewa Sub-County Hospital

Review of records maintained at Kombewa Sub-County Hospital revealed that the facility which has automated its revenue collection process was banking its revenue into the County Revenue Fund contrary to the Facilities Improvement Fund Act, 2021 which requires the facility to bank in its own account. Further, the Management of the facility had no access to bank statements and monthly bank reconciliation statements were not prepared and provided for audit. In addition, the revenue collection system was not integrated with the Mpesa platform.

In the circumstances, the revenue collected using the Mpesa platform could not be confirmed and Management was in breach of the law.

540. Lack of Valuation Roll

Review of the County's 2018-2022 County Integrated Development Plan (CIDP) revealed that the County had identified sector programmes under Kisumu City whose objective was revision of the City Valuation Roll. The expected outcome of this programme was to capture 5,000 additional parcels of land not in the current Valuation Roll. However, own generated revenue records indicate that the County Executive did not have in place a valuation roll contrary to Section 3 of the Valuation for Rating Act, (Revised 2015) which provides that at least once in every ten years or such longer period, a valuation to be made of every rateable property in respect of which a rate on the value of land is, or is to be imposed and the values to be entered in a valuation roll.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

541. Failure to Automate Revenue Collection

Review of records at the Kisumu District and Referral Hospital and Lumumba Sub-County Hospital revealed that the revenue collection process was not mapped and automated and was dependent on manual collections contrary to Regulation 22(1) of the Public Finance Management (County Governments) Regulations, 2015 on effective internal controls.

In the circumstances, the effectiveness of the controls on County own generated revenues budgeting, monitoring of revenue collection and banking could not be confirmed.

COUNTY GOVERNMENT OF KISUMU – NO.42

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

542. Unreconciled Variances in Own Source Revenue

The statement of receipts and payments and as disclosed in Note 2 to the financial statements reflect own source revenue totalling Kshs.695,113,273. However, the corresponding disbursements in the receiver of revenue's statement of receipts and disbursements amount to Kshs.793,513,146 resulting to unexplained variance of Kshs.98,399,873. In addition, six (6) revenue streams reflects unexplained variances between the CRF and receiver of revenue as indicated below:

Revenue Stream	Amount as per County Revenue Fund (Kshs.)	Amount as per Receiver of Revenue (Kshs.)	Variance (Kshs.)
Parking Fees	99,445,054	99,417,554	(27,500)
Hire of County Assets	-	3,711,768	3,711,768
Conservancy Administration	-	586,001	586,001
Park Fees	-	2,546,840	2,546,840
Other Fines, Penalties, and Forfeiture Fees	10,637,259	27,500	(10,609,759)
Miscellaneous Receipts	-	26,764,620	26,764,620

In the circumstances, the accuracy and completeness of own source revenue totalling Kshs.695,113,273 could not be confirmed.

543. Unreconciled Closing Fund Balance

The statement of receipts and disbursements and as disclosed in Note 6 to the financial statements reflect a closing fund balance of Kshs.2,021,612,102 while the CRF bank account reflect a balance of Kshs.234,335,252 resulting to unexplained variance of Kshs.1,787,276,850.

In the circumstances, the accuracy of the closing fund balance could not be confirmed.

Emphasis of Matter

544. Late Exchequer Releases

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflect transfers to County Executive totalling Kshs.8,533,526,659 which, includes an amount of Kshs.594,888,816 received by the County Executive from The National Treasury towards the end of the month of June, 2023. In addition, other exchequer releases amounting to Kshs.1,389,758,573 were disbursed in the month of July, 2023 for the budgeted funds for 2022/2023 financial year.

In the circumstances, the late exchequer releases had adverse effects on the implementation of the planned activities and projects by the County Executive. My opinion is not modified in respect of this matter.

Other Matter

545. Progress on Follow Up of Prior Year Auditor's Recommendations

Appendix I to the financial statements on progress on follow up of prior years' auditor's recommendations had not been updated to include the status of audit issues raised in financial year 2021/2022. The reporting and disclosure requirements prescribed by the Public Sector Accounting Standards Board had therefore not been met. Further, Management had not provided satisfactory explanation for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

546. Unauthorized Transfers to the County Executive

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflect an amount of Kshs.8,533,526,659 in respect of transfers to County Executive. Included in the amount are transfers from CRF totalling Kshs.1,380,291,492 representing recurrent and development withdrawals as at 30 June, 2023. However, there was no documentary evidence provided to support authorization of requisitions from the County Government by the Controller of Budget (CoB) contrary to Section 109(6) of the Public Finance Management Act, 2012 which states that the County Treasury shall obtain the written approval of the Controller of Budget before withdrawing funds from the CRF.

In the circumstances, the accuracy and regularity of transfers to the County Executive for the year could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

547. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF HOMA BAY – NO.43

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Unmodified Opinion

548. There were no material issues noted during the audit of the revenue statements.

Emphasis of Matter

549. Budgetary Control and Performance

The statement of comparison of budget vs actual amounts reflects actual revenue collected totalling Kshs.859,454,023 against an approved budget of Kshs.818,315,811 resulting to over-collection of Kshs.41,138,212 or 5% of the budget. However, revenue collection targets for three (3) revenue streams were not achieved. The under performance may have affected the planned activities and negatively impacted on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

550. Delayed Finalization of the Valuation Roll

During the year under review, Management of Homa Bay County Government engaged a local consultant towards preparation of valuation roll for Homabay Municipality at a contract sum of Kshs.20,515,760. The contract commenced on 15 May, 2023 with an initial expected completion date of 31 August, 2023. The terms of contract specified that thirty-percent (30%) of the contract sum, equivalent to Kshs.6,154,728 be paid upon submission of inception report and the balance of (70%) in various specified percentages throughout the implementation of the project, the final being upon submission and presentation of the draft valuation roll.

Review of records at the time of audit in the month of November, 2023 revealed that the consultant had delivered an inception report and had not been paid the full 30% of the contract sum amounting to Kshs.6,154,728. In addition, apart from presentation of inception report, the other three (3) milestones namely; delivery of status report and scheduling of ratable land, preparation of draft report and tabling of adoption of draft valuation roll report on or before 31 October, 2023 had not been achieved.

In the circumstances, the effectiveness of the revenue generation of the County could not be confirmed.

551. Spending of Revenue at Source by Health Facilities

The statement of receipts and disbursements reflects hospital fees of Kshs.626,646,994 as disclosed in Note 8 to the financial statements. However, review of revenue reports revealed that revenue totalling Kshs.394,183,495 was spent at source. This is contrary to Section 109(2) of the Public Finance Management Act, 2012 which provides that the County Treasury for each County Government shall ensure that all money raised or received by or on behalf of the County Government is paid into the County Revenue Fund.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

- 552.** There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF HOMA BAY – NO.43

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

553. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

554. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted receipts totalling Kshs.10,079,114,198 against actual receipts of Kshs.9,543,269,969 resulting to under realization of Kshs.535,844,229. Similarly, Management made actual payments totalling Kshs.9,438,156,388 against budgeted amount of Kshs.10,079,114,198 resulting to an under absorption of Kshs.640,957,810.

In the circumstances, the under realization and under absorption may have affected the planned activities and impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

555. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

556. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF MIGORI - NO.44

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Unmodified Opinion

557. There were no material issues noted during the audit of the revenue statements.

Emphasis of Matter

558. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects actual collection totalling Kshs.406,364,909 against an approved budget of Kshs.600,000,000 resulting to under collection of Kshs.193,635,091 or 32% of the budget.

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

My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

559. Spending of Revenue at Source by Health Facilities

The statement of receipts and disbursements reflects a balance due for disbursement of Kshs.171,575,909. Review of records revealed that as at the time of audit, only Kshs.53,466,000 had been transferred to the County Revenue Fund bank account while the balance of Kshs.118,109,909 was spent at source by various hospitals contrary to Section 109(2) of the Public Finance Management Act, 2012 which provides that the County Treasury for each County Government shall ensure that all money raised or received by or on behalf of the County Government is paid into the County Revenue Fund.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

560. Weakness of Controls in the Automation of the Revenue System

Management implemented a revenue collection system. However, as previously reported, the revenue targets had not been set on the Revenue Management System to compare actual verses targets. The system allows collection of revenue through M-

Pesa and in Cash but M-Pesa statements were not provided for audit. Further, the system had not been enabled to capture all logs while there is no power backup for the desktop computers used by the administrators and cashiers.

In the circumstances, the effectiveness internal controls of the revenue automation system could not be confirmed.

COUNTY GOVERNMENT OF MIGORI - NO.44

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

561. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

562. Budgetary Control and Performance

The statement of comparison of budget actual amounts reflects payments totalling Kshs.8,615,837,245 against budgeted payments of Kshs.10,356,987,742 resulting to under absorption of Kshs.1,741,150,497 or 17% of the budget.

The underutilization of funds may have impacted negatively on the delivery of goods and services to the public or may be an indication of over-budgeting.

563. Late Exchequer Releases

The statement of receipts and payments and as disclosed in Note 1 to the financial statements reflect Exchequer releases totalling Kshs.8,645,422,084. Included in this balance is an amount of Kshs.2,041,280,214 received by the County Government from The National Treasury in the month of June, 2023 out of which Kshs.1,320,828,374 was received in the second half of the month.

Late Exchequer releases could have adverse effects on the implementation of the planned activities and projects by the County Government.

My opinion is not modified in respect of these matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

564. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

565. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF KISII – NO.45

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

566. Unexplained Variance in County Own Source Revenue Amount

The statement of receipts and disbursements reflects total County own source revenue totalling Kshs.415,285,664, while the revenue streams report generated from the system shows total revenue totalling Kshs.143,032,158, resulting in an unexplained variance of Kshs.272,258,506.

In the circumstances, the accuracy and completeness of the total County own source revenue totalling Kshs.415,285,664 could not be confirmed.

567. Long Outstanding Land Rates

The statement of arrears of revenue reflects land rates balance of Kshs.495,446,662 which, as disclosed in Note 23 to the financial statements includes a balance of Kshs.339,950,436 that had been outstanding for more than three (3) years and a further amount of Kshs.59,447,444 relating to the year under review. Management had indicated that out of the outstanding arrears of Kshs.495,446,662, only Kshs.57,634,758 was collectible, leaving an uncollectible balance of Kshs.437,811,904 due to the following reasons:

Reason	Amount (Kshs.)
Duplicated and multiple accounts	83,104,856
Non-regularized market plots (still having freehold titles but are in the system)	52,410,466
Temporal allotment numbers (after lease titles were issued, they remained active in the system).	207,310,898
Plots with names minus lease numbers	10,284,321
Reclaimed land (grabbed Government land but later gotten back)	63,894,118
Disputed and caveated plots	11,430,672
Transferred, amalgamated and sub-divided plots (original numbers still retained in the system).	9,376,573
Total	437,811,904

However, Management did not provide documents to support the reasons on why the arrears of Kshs.437,811,904 are uncollectible.

In addition, the County had been using the 1988 valuation roll to determine the amount to be paid as revenue to the County leading to the County losing revenue due to long over due outstanding land rates and outdated valuation roll against significant change in land price over the years.

In the circumstances, the accuracy, completeness and recoverability of land rates balance of Kshs.495,446,662 could not be confirmed.

568. Unsupported Revenue from Administration Control Fees and Charges

The statement of receipts and disbursements reflects administration control fees and charges totalling Kshs.25,123,410 which, as disclosed in Note 13 to the financial statements, includes revenue from weights and measures of Kshs.1,864,852 whose supporting schedule describes it wrongly as a monthly fees. However, the ledger showing the dates and the individuals or businesses from whom the fees were received was not provided for audit.

In the circumstances, the accuracy and completeness of the weights and measures revenue of Kshs.1,864,852 could not be confirmed.

Emphasis of Matter

569. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounts of Kshs.750,000,000 and Kshs.415,285,664 respectively, resulting in an under collection of Kshs.334,714,336 or 45% of the budget.

Further, the basis of the budget amount of Kshs.750,000,000 had not been explained, given that the revenue collection in the last five years had never surpassed Kshs.489,080,174 with the revenue collected in the previous year totalling Kshs.400,297,869. The revenue target appears unrealistic. In addition, the County did not collect any income under park fee and disposal of assets revenue streams in unexplained circumstances.

The under performance in revenue may have affected planned activities and negatively impacted on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

570. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as disclosed in Progress on Follow Up of Prior Year Auditor Recommendations section of the financial statements. Management did not provide satisfactory reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

571. Unauthorized Deductions in the County Revenue Collection Account

Review of the bank statements of the revenue collection account revealed that deductions totalling Kshs.2,446,800 relating to bank charges, penalties and reversals

were made in the account, contrary to Section 109(2) of the Public Finance Management Act, 2012 which requires the funds to be transferred intact to the County Exchequer account.

In addition, the deduction of bank charges amounts to a double payment since the bank receives a commission for managing the revenue collection for the County together with Riverbank Solutions Limited.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

572. Uncollected Revenue - Property Rates

The statement of comparison of budget and actual amounts reflects own source revenue budget totalling Kshs.750,000,000 which includes Kshs.25,000,000 expected from land rates, while the statement of receipts and disbursements reflects land rates amount of Kshs.10,115,712, resulting in a shortfall of Kshs.14,884,288 from land rates (or 59% of the budgeted revenue).

Further, review of the County Executive's electronic records indicated that Management had not collected long outstanding property rates, inclusive of interest and penalties, totalling Kshs.148,719,938, which were owed by plot owners within Kisii Municipality and other areas in the County. However, records provided in the previous year's audit indicated that the outstanding land rates were Kshs.435,999,218 as at 30 June, 2022. It's unclear what happened to the variance of Kshs.287,279,280 since the amount had not been declared as part of the revenue collected in the year under review. In addition, the valuation rolls used in the collection of land rates were those used by the defunct local authorities.

In the circumstances, Management did not institute effective internal controls to ensure collection of property rates and safeguard of collected rates.

573. Weakness in Revenue Collection System

Review of the Information Communication Technology control environment revealed that Management procured a revenue collection and management system on 17 November, 2016. However, review of the system revealed that the invoicing function was done manually and no electronic record was kept within the system and hence the invoices raised could not be matched with the amount paid into the bank account, leading to unaccounted invoices. Further, the system could only produce revenue reports in terms of revenue streams and not customer names, leading to a loss of audit trail from invoicing, payment of revenue into the bank and final reporting.

In the circumstances, the effectiveness of the internal controls on revenue collection systems could not be confirmed.

COUNTY GOVERNMENT OF KISII – NO.45

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

574. There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

575. Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final receipts budget and actual on comparable basis amounts of Kshs.11,113,855,495 and Kshs.10,331,361,445 respectively, resulting in an under-funding of Kshs.782,494,050 or 7% of the budget. Similarly, Management transferred Kshs.8,095,867,128 out of the approved budget of Kshs.11,113,855,495, resulting in under performance of Kshs.3,017,988,367 or 27% of the budget.

The under-funding and under performance affected the planned activities and may have impacted negatively on service delivery to the public.

576. Late Exchequer Releases

The statement of receipts and payments reflects exchequer releases totalling Kshs.9,605,816,471 which includes Kshs.2,268,040,000 received by the County Government from The National Treasury in the month of June, 2023, out of which Kshs.800,484,706, Kshs.756,013,333 and Kshs.711,541,961 was received on 9 June, 2023, 20 June, 2023 and 26 June, 2023 respectively.

In the circumstances, late exchequer releases may have had adverse effects on the implementation of the planned activities and projects by the County Government.

My opinion is not modified in respect of these matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

577. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

578. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NYAMIRA - NO.46

RECEIVER OF REVENUE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

579. Inaccuracies in Revenue from Advertising

The statement of receipts and disbursements reflects County own source revenue totalling Kshs.97,262,572 which includes an amount of Kshs.4,829,160 in respect of advertising. However, review of the revenue schedule revealed that the total revenue collected from the advertising revenue stream was Kshs.7,288,760 resulting to unexplained and unreconciled variance of Kshs.2,459,600.

In the circumstances, the accuracy and completeness of the revenue amount totalling Kshs.4,829,160 could not be confirmed.

580. Unreported Hospitals Fees and Public Health Service Fees

The statement of receipts and disbursements and as disclosed in Notes 8 and 9 to the revenue statements reflects Nil amounts in respect of hospital fees and public health service fees with comparative amounts of Kshs.79,262,158 and Kshs.2,018,330 respectively. Management did not provide any support or explanation for the non-collection of the revenue from the two streams. Further, supporting documents including bank statements and revenue system generated statements from the hospitals and public health departments were not provided for audit review.

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

581. Unsupported Statement of Arrears of Revenue Balances

The statement of arrears of revenue and Note 19 to the revenue statements on ageing analysis of revenue in arrears reflects Nil amounts in respect of all revenue streams. However, the supporting documents including control ledger balances were not provided for audit review.

In the circumstances, the accuracy and completeness of the statement of arrears of revenue could not be confirmed.

Emphasis of Matter

582. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual on comparable basis amounts of Kshs.113,585,401 and Kshs.97,262,572 respectively, resulting to under collection of revenue of Kshs.16,322,829 or 14% of the

budget. In addition, the statement of receipts and disbursements reflects an amount of Kshs.97,262,572 in respect of total county own source revenue. However, review of the 2021/2022 financial year audited financial statements reveals significant drop in revenue from an amount of Kshs.169,976,000 previously reported resulting to unexplained revenue drop by Kshs.72,713,428 or 43%.

As a result of under collection of revenue, the planned activities may not have been realized and may have impacted negatively on service delivery to the residents of Nyamira County.

My opinion is not modified in respect of this matter.

Other Matter

583. Lack of Valuation Roll and Accompanying Legislation

The County Government of Nyamira did not have a valuation roll which is a public legal document that consists of information of all ratable and exempted properties within the boundaries of a rating authority produced according to legislation.

In the circumstances, the Receiver of Revenue may have lost revenue due to lack of a valuation roll.

584. Unresolved Prior Year Matters

Appendix 2 to the financial statements on progress on follow up of prior year auditor recommendations indicates five (5) prior year audit issues out of which two (2) were resolved and three (3) were not resolved. However, Management did not provide reports and invitations from the oversight committee's detailing the deliberations and recommendations of the committees on the resolved issue. Further, Management did not provide satisfactory reasons for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

585. There were no material issues noted on lawfulness and effectiveness in use of public resources

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

586. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NYAMIRA - NO.46

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

587. Inaccuracies in Transfers from Other Government Agencies

The statement of receipts and payments and as disclosed in Note 2 to the financial statements reflect receipts totalling Kshs.279,739,197 in respect of transfers from other government agencies. However, review of the bank statements revealed total transfers from other government agencies totalling Kshs.259,305,679 resulting to an unexplained and unreconciled variance of Kshs.20,433,518.

In the circumstances, the accuracy and completeness of receipts totalling Kshs.279,739,197 in respect of transfers from other government agencies could not be confirmed.

588. Inaccuracies in Total Payments

The statement of receipts and payments reflects total payments totalling Kshs.5,718,236,200 which includes Kshs.4,566,049,030, Kshs.872,447,972 and Kshs.279,739,198 in respect of transfers to the County Executive, County Assembly and other transfers respectively and as disclosed in Notes 5,6 and 7 to the financial statements. However, review of the bank statements revealed total transfers amounted to Kshs.6,089,804,538 resulting in an unexplained and unreconciled variance of Kshs.371,568,338.

In the circumstances, the accuracy and completeness of the total payments totalling Kshs.5,718,236,200 could not be confirmed.

589. Inaccuracies in the Closing Fund Balance

The statement of receipts and payments and as disclosed in Note 8 to the financial statements, reflect a balance of Kshs.197,133,728 in respect of closing fund balance. However, review of the CRF certificate of bank balance reflects a closing balance of Kshs.309,868,154 resulting in an unexplained and unreconciled variance of Kshs.112,734,426.

In the circumstances, the accuracy and completeness of the closing fund balance of Kshs.197,133,728 could not be confirmed.

Emphasis of Matter

590. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts totalling Kshs.7,094,885,582 and Kshs.5,915,335,084 respectively resulting to an under-funding of Kshs.1,179,550,498

or 17% of the budget. Similarly, the statement reflects final budgeted payments and actual on comparable basis amounts of Kshs.7,094,885,582 and Kshs.5,718,236,200 respectively, resulting to an under-absorption totalling Kshs.1,376,649,382 or 19% of the budget. The under-funding and under-absorption have adversely affected the planned activities and delivery of services to the public.

My opinion is not modified in respect of this matter.

Other Matter

591. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management did not resolve the issues or give any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

592. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

593. There were no material issues noted on internal controls, risk management and governance.

COUNTY GOVERNMENT OF NAIROBI CITY – NO.47

RECEIVER OF REVENUE

REPORT ON THE REVENUE STATEMENTS

Basis for Adverse Opinion

594. Understatement of Revenue

The statement of receipts and disbursement reflects total County own source revenue collections of Kshs.10,561,592,492. The amount includes revenue from land rates, single business permit and property rent amounts of Kshs.2,866,395,246, Kshs.1,633,513,224 and Kshs.450,419,350 respectively, all totalling Kshs.4,950,327,820. However, the statement of arrears of revenue reflects collections from arrears during the year in respect of the three revenue streams of Kshs.112,107,626,257, Kshs.153,034,600, and Kshs.262,459,474 respectively, all totalling Kshs.112,523,120,331, resulting to understatement of revenue by Kshs.107,572,792,511.

In the circumstances, the accuracy and completeness of the total County own source revenue amount of Kshs.10,561,592,492 could not be confirmed.

595. Unexplained Variance in Own Source Revenue

During the year under review, Nairobi County Government regained all functions from the National Government in the month of October, 2023 as defined in the deed of transfer. According to the deed of transfer of function between the National Government and the Nairobi City County Government, as per the Gazette Notice No. 1609 of 25 February, 2020, the National Government was bestowed the responsibility of collecting and remitting all revenue accruing from the transferred functions. The Kenya Revenue Authority (KRA) was appointed as the principal agent for overall revenue collection, which was collected through the Authority's local bank accounts, in line with the deed of transfer of functions.

However, after regaining revenue functions, the County Government did not have full access to the revenue records captured by the Nairobi Revenue Pay (NRP) and Local Authority Financial Operation Management System (LAIFOMS) from the month of July, 2022 to September, 2022. Further, the County Government provided receipts records from the month of October, 2022 to June, 2023 amounting to Kshs.7,615,636,276 against Kshs.9,331,046,235 reflected in the monthly collection report, resulting to unexplained and unsupported variance of Kshs.1,715,409,959.

Further, the total monthly collections report amount of Kshs.9,331,046,235 differed with the total County own source revenue amount Kshs.10,561,592,492 reflected in the statement of receipts and disbursements, resulting in an unexplained variance of Kshs.1,230,546,257.

In the circumstances, the accuracy and completeness of the total County own source revenue of Kshs.10,561,592,492 could not be confirmed.

596. Failure to Provide Ledgers

The statement of receipts and disbursements shows that the County received revenue from thirteen (13) revenue streams all totalling Kshs.10,561,592,492. However, ledgers supporting the reported amount were not provided for audit.

In the circumstances, the accuracy and completeness of the total County own source revenue amounting to Kshs.10,561,592,492 could not be confirmed.

597. Unsupported Arrears of Revenue

The statement of arrears of revenue indicates that the County was owed a total of Kshs.1,370,824,623,200 as at 30 June, 2023. As disclosed in Note 20 to the revenue statements, the County Government was unable to prepare the ageing analysis of revenue arrears due to block data migration from LAIFOMS to Nairobi Pay. As a result of block migration, the arrears could not be matched with the individual debtors.

In the circumstances, the accuracy of the arrears of revenue balance of Kshs.1,370,824,623,200 could not be confirmed.

598. Unsupported Bank Balances

The statement of financial assets and liabilities and Note 18 to the revenue statements reflect bank balances of Kshs.105,280,283. The amount was held in five (5) bank accounts whose cash books, bank reconciliation statements, certificate of bank balances, and board of survey reports were not provided for audit. Further, the bank statements for Cooperative Bank Revenue Collection Bank Account and Solid Waste Bank Account were not provided for audit.

In the circumstances, the accuracy and completeness of the bank balance of Kshs.105,280,283 could not be confirmed.

599. Variances Between the Statement of Receiver of Revenue and County Revenue Fund

The statement of the receipts and disbursements reflects County own source revenue collections of Kshs.10,561,592,492, while the statement of financial assets and liabilities reflects a bank balance of Kshs.105,280,283, implying that Kshs.10,428,753,849 was transferred to the CRF net of bank charges of Kshs.27,558,360. However, the statement of receipts and payments of the County Revenue Fund reflects total own source revenue of Kshs.9,299,452,841 net of hospital fees of Kshs.937,801,901 and liquor fund amount of Kshs.238,309,894, both totalling Kshs.1,176,111,795, resulting to unreconciled variance of Kshs.46,810,787. In addition, accounting documents transferring the opening bank balance of Kshs.26,919,997 to County Revenue Fund were not provided for audit.

In the circumstances, the accuracy and completeness of the statement of financial assets and liabilities and the amount transferred to the CRF could not be confirmed.

600. Accumulated Uncollected Revenue

Analysis of the property's data maintained by the Nairobi Pay System revealed that the County had net accumulated arrears and penalties on property totalling

Kshs.635,797,470,379. However, included in the outstanding land rates debt was Kshs.23,848,010,781 that was noted to belong to the Nairobi County Government indicating that the County owed itself.

In the circumstances, the accuracy, completeness, and recoverability of lands rates arrears amounting to Kshs.23,848,010,781 could not be confirmed.

601. Duplicate Payment Reference Numbers

Review of the land rate collection transaction file and single business permit register file from the Nairobi Pay System revealed duplicated payment reference numbers for transaction totalling Kshs.60,542,683, indicating receipting of unpaid services.

In the circumstances, the accuracy and completeness of the land rate collections amounting to Kshs.60,542,683 could not be confirmed.

602. Unsupported Single Permit Fees

Review of records revealed that Nairobi County had fully automated end-to-end collection of single business permit (SBP) fees including the issuance of an e-permit. Substantive analysis of the SBP fee records revealed that a total of 3,089 permits valued at Kshs.274,489,000 were issued as valid e-permits but their transaction records did not have payment reference code (Mobile money/bank code) and the date the payments were made. Further, review of the records revealed gaps in the application number sequence. The unexplained gaps represented 37,075 SBP application numbers that were unaccounted for, with an estimated value of Kshs.630,275,000 based on the average fee charged for SBP in Nairobi.

In the circumstances, the accuracy and completeness of the single business permit fees amounting to Kshs.274,489,000 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

603. Nairobi Pay Vendor Operating without a Valid Contract

During the year ended 30 June, 2023, Nairobi County operated a revenue management system called Nairobi Pay. The system automated the entire revenue streams in the County and held all information on critical matters such as land details, customer records, unpaid debts and all matters related to revenue.

We identified weaknesses in how the County managed the engagement with the vendor, which exposed the confidentiality, integrity, and availability of the system. In particular, the County did not have a valid contract with the vendor, nor did they have any Service Level Agreement (SLA) defining the terms of support of the revenue system. Management did not satisfactorily explain why the County did not have a contract and an SLA. This was contrary to Section 48(4)(b) of the Public Procurement and Asset Disposal Act, 2015, which provides that the inspection and acceptance committee shall ensure that the goods, works or services meet the technical standards defined in the contract.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

604. Ineffective Systems of Collection of Rent Arrears

Review of the data relating to houses maintained by the Nairobi Pay and LAIFOM system revealed that the County had uncollected house rent and land rent arrears amounting to Kshs.1,093,631,651.

In the circumstances, the effectiveness of the system used in the collection of house rent and land rent arrears could not be confirmed.

605. Duplicate Single Business Permit Application Numbers

Review of the single business permit transaction file for the Nairobi Pay system revealed eight (8) duplicated application numbers. This posed a risk of receipting unpaid services since it would be difficult to substantiate paid-for services from unpaid services from duplicated receipts.

In the circumstances, the effectiveness of internal controls over single business permit fees collections could not be confirmed.

606. Use of End of Life (EOL) Server Versions

Nairobi County was running a revenue system on Microsoft products both for the database and operating system during the year ended 30 June, 2023. Examination of the software asset register revealed instances of Windows servers and database servers that had reached end of life and support from Microsoft. Obsolete software did not receive security updates from the original equipment manufacturer, which exposed Nairobi County network resources to serious cybersecurity threats and vulnerabilities in the form of risk from viruses, malware, and targeted malicious attacks.

In the circumstances, the effectiveness of internal controls over server security could not be confirmed.

COUNTY GOVERNMENT OF NAIROBI CITY – NO.47

COUNTY REVENUE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

607. Variances Between Financial Statements and Bank Statement

The statement of receipts and payments reflects closing fund balance of Kshs.395,404,941 as disclosed in Note 9 to the financial statements. However, the balance differs with the corresponding bank statement balance of Kshs.4,172,047,648, resulting to an unreconciled variance of Kshs.3,776,642,707. Further, the statement reflects transfers to County Executive amount of Kshs.25,010,373,025 as disclosed in Note 6 to the revenue statements. This amount includes transfers to recurrent and development bank accounts of Kshs.20,481,838,377 and Kshs.3,537,611,860 respectively. However, the amounts differ with the computed receipts in the recurrent and development bank accounts of Kshs.20,435,527,857 and Kshs.3,970,625,540, resulting in unreconciled variances of Kshs.46,310,520 and Kshs.433,013,680 respectively.

In the circumstances, the accuracy and completeness of the statement of receipts and payments could not be confirmed.

608. Inaccuracies in the Statement of Comparison of Budget Versus Actual Amounts

The statement of comparison of budget versus actual amounts reflects Nil amount in respect of liquor fees budget realization difference. However, re-computation revealed a corresponding amount of Kshs.250,000,000, resulting in an unexplained variance of Kshs.250,000,000. As a result of this error, the total receipts budget utilization difference amount of Kshs.9,755,872,123 differs with the re-computed amount of Kshs.10,005,872,123, resulting in the variance of Kshs.250,000,000.

In the circumstances, the accuracy and completeness of the statement of comparison of budget versus actual amount could not be confirmed.

609. Variances in Receipts

The statement of receipts and payments reflects total receipts of Kshs.29,608,044,156, while the County Revenue Fund bank statement shows receipts amounting to Kshs.29,642,112,935, resulting to an unreconciled variance of Kshs.34,068,779. Further, the statement reflects own-source revenue of Kshs.9,299,452,841 as disclosed in Note 4 to the financial statements, while the supporting schedules indicates a corresponding amount of Kshs.9,331,046,235, resulting to an unreconciled variance of Kshs.31,593,394.

In the circumstances, the accuracy and completeness of the total receipts amount of Kshs.29,608,044,156 could not be confirmed.

610. Unremitted Revenue to the County Revenue Fund

The statement of receipts and payments reflects own-source revenue amount of Kshs.9,299,452,841 as disclosed in Note 4 to the financial statements. However, review of records revealed that this amount excludes Kshs.238,856,549 collected by the Nairobi City County Alcoholic Drinks and Licensing Board. The exclusion is contrary to Regulation 80(1)(a) of the Public Finance Management (County Governments) Regulations, 2015, which requires all revenue receipts by county government to be paid into the County Exchequer Account.

In the circumstances, the accuracy and completeness of own-source revenue amount of Kshs.9,299,452,841 could not be confirmed.

Emphasis of Matter

611. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis amounts of Kshs.39,613,916,279 and Kshs.29,608,044,156 respectively, resulting in an under-funding of Kshs.10,005,872,123, or 25% of the budget. Similarly, the statement reflects final payments budget and actuals on comparable basis of Kshs.39,613,916,279 and Kshs.30,485,249,863 respectively, resulting in under-absorption of Kshs.9,128,666,416, or 23 % of the budget.

The under-funding and under-absorption affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

612. Unresolved Prior Year Matters

In the audit report for the previous year, several issues were raised under the Report on Financial Statements. However, Management did not resolve the issues or give any explanation for failure to do so, as part of the contents provided for in the reporting format prescribed by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

613. There were no material issues noted on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

614. Incomplete Payment Process

Review of records revealed that item codes and vote book balances were not indicated on the Fund's payment vouchers as required. Further, the payment vouchers were not authorized by both the person with Authority to Incur Expenditure (AIE) and Accounting Officer.

In the circumstances, the effectiveness of internal controls over processing of payments could not be confirmed.

615. Incomplete Fixed Assets Register

Review of records revealed that the Fund had fixed assets in the form of property, plant and equipment. However, the fixed assets register provided for audit did not indicate details of the assets including date of purchase, description of assets including model and serial number, cost, specific location, asset number, responsible official, class, category of assets and its condition. Further, the assets were not coded or tagged for ease of identification and tracking.

In the circumstances, the effectiveness of controls over fixed assets management could not be confirmed.

APPENDICES

Appendix 1: Unmodified Opinion – Receiver of Revenue

S/N	County Code	County Name
1.	8	Wajir
2.	9	Mandera
3.	43	Homa Bay
4.	44	Migori

Appendix 2: Unmodified Opinion – County Revenue Fund

S/N	County Code	County Name
1.	1	Mombasa
2.	2	Kwale
3.	6	Taita/Taveta
4.	9	Mandera
5.	10	Marsabit
6.	13	Tharaka-Nithi
7.	17	Makueni
8.	18	Nyandarua
9.	19	Nyeri
10.	20	Kirinyaga
11.	23	Turkana
12.	25	Samburu
13.	26	Trans Nzoia

S/N	County Code	County Name
14.	28	Elgeyo/Marakwet
15.	29	Nandi
16.	31	Laikipia
17.	39	Bungoma
18.	41	Siaya
19.	43	Homa Bay
20.	44	Migori
21.	45	Kisii

Appendix 3: Qualified Opinion – Receiver of Revenue

S/N	County Code	County Name
1.	1	Mombasa
2.	2	Kwale
3	6	Taita/Taveta
4	7	Garissa
5	13	Tharaka-Nithi
6	15	Kitui
7	16	Machakos
8	17	Makueni
9	18	Nyandarua
10	19	Nyeri
11	20	Kirinyaga
12	21	Murang'a

S/N	County Code	County Name
13	23	Turkana
14	24	West Pokot
15	25	Samburu
16	26	Trans Nzoia
17	27	Uasin Gishu
18	28	Elgeyo/Marakwet
19	29	Nandi
20	30	Baringo
21	31	Laikipia
22	34	Kajiado
23	36	Bomet
24	37	Kakamega
25	38	Vihiga
26	39	Bungoma
27	40	Busia
28	41	Siaya
29	45	Kisii
30	46	Nyamira

Appendix 4: Qualified Opinion – County Revenue Fund

S/N	County Code	County Name
1.	3	Kilifi
2.	4	Tana River
3.	5	Lamu

S/N	County Code	County Name
4.	7	Garissa
5.	12	Meru
6.	14	Embu
7.	15	Kitui
8.	16	Machakos
9.	21	Murang'a
10.	22	Kiambu
11.	24	West Pokot
12.	27	Uasin Gishu
13.	30	Baringo
14.	32	Nakuru
15.	33	Narok
16.	34	Kajiado
17.	37	Kakamega
18.	38	Vihiga
19.	40	Busia
20.	42	Kisumu

Appendix 5: Adverse Opinion – Receiver of Revenue

S/N	County Code	County Name
1.	3	Kilifi
2.	4	Tana River
3.	5	Lamu

S/N	County Code	County Name
4.	12	Meru
5.	14	Embu
6.	22	Kiambu
7	32	Nakuru
8	33	Narok
9	35	Kericho
10	42	Kisumu
11	47	Nairobi City

Appendix 6: Adverse Opinion – County Revenue Fund

S/N	County Code	County Name
1.	8	Wajir
2.	35	Kericho
3.	36	Bomet
4.	46	Nyamira
5.	47	Nairobi City

Appendix 7: Disclaimer of Opinion – Receiver of Revenue

S/N	County Code	County Name
1	10	Marsabit

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