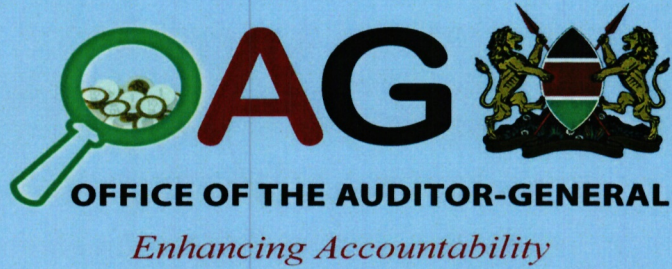


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY	
REPORT	
DATE:	15 FEB 2022
TABLED BY:	
CLERK AT THE TABLE:	OF

THE AUDITOR-GENERAL

PARLIAMENT
OF KENYA
LIBRARY

ON

COUNTY ASSEMBLY OF EMBU

**FOR THE YEAR ENDED
30 JUNE, 2020**

PAPERS LAID	
DATE	23/02/2022
TABLED BY	SML
COMMITTEE	-
CLERK AT THE TABLE	CAROLYN E. CHEROP

REPUBLIC OF KENYA



COUNTY ASSEMBLY OF EMBU REPORTS AND FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2020

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

Embu County Assembly
Reports and Financial Statements
For the year ended June 30, 2020

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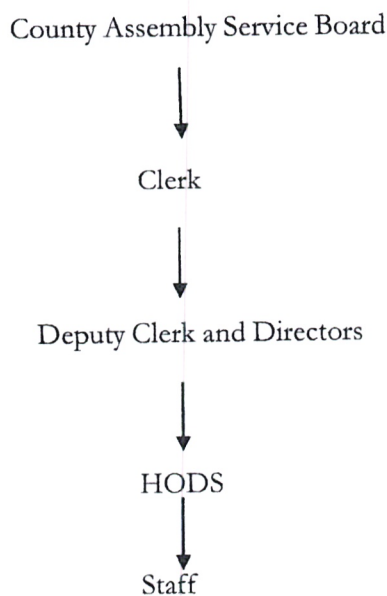
1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The County Assembly of Embu is constituted as per Article 176 of the constitution of Kenya and is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes 20 Members of County Assembly (MCAs) elected to represent members of the public from their respective wards and 13 others appointed by Political Parties according to their representation in the Assembly. The MCAs are responsible for making any laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Executive.

b) Key Management

The County Assembly of Embu day-to-day management is under the following key organs:



c) Fiduciary Management

No.	Designation	Name
1.	Accounting Officer	Jim Gitonga Kauma
2.	Deputy Clerk	James Munyi Ireri
3.	Director Financial and Accounting Services	Josiah Muhia Karanja
4.	Principal Finance Officer	Kamau Wachiuri

Embu County Assembly
Reports and Financial Statements
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d) Fiduciary Oversight Arrangements

- County Government of Embu.
- The County Assembly Service Board
- Public Accounts Committee
- Internal Audit Department

e) County Assembly of Embu Headquarters

County Assembly of Embu
Along James Nyaga Crescent road Off
Embu Meru Highway Opposite Faith
House
P. O. Box 140 – 60100 Embu

f) County Assembly of Embu Contacts

Telephone: (254) 068-2231208
E-mail: info@embuaassembly.go.ke
Website: www.assembly.Embu.go.ke

g) Bankers

Central Bank of Kenya Haile
Selassie Avenue
P. O. Box 60000-00200, Nairobi, Kenya
Tel/fax: +254-20-2860000/2861000/2863000

h) Independent Auditors

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

NAIROBI

i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P. O. Box 40112
City Square 00200
Nairobi Kenya

2. FORWARD BY THE CLERK OF THE ASSEMBLY

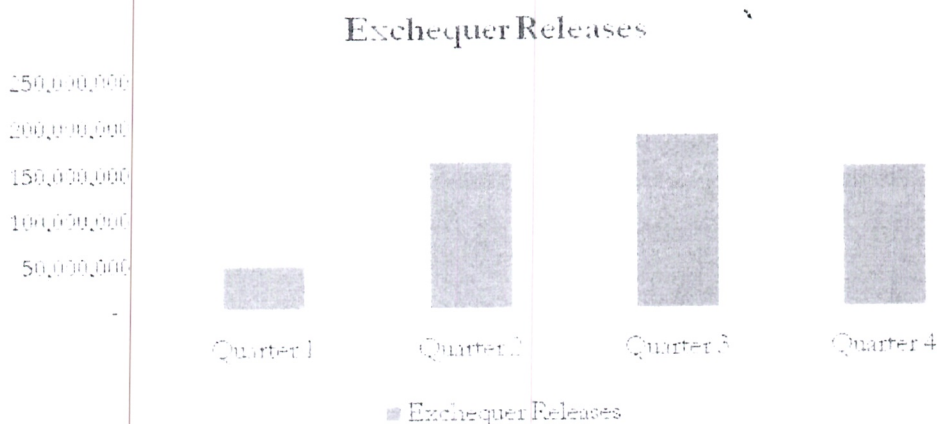
a) Budget Performance

In the financial year 2019/2020 the County Assembly had a combined budget implementation rate of 80%. This was an average of 84% on the Recurrent budget and 56% on the Development budget. The slow absorption rate of the budget was occasioned by the delays in release of funds from the National Government. By the end of the financial year Kshs. 92,004,588 and 43,498,174 on Recurrent and Development Account respectively had not been released despite the necessary fund requisitions being made. It is also worth noting that the main component of the Development budget is the Construction of the Office Complex and Chambers. The total contract price is Kshs. 349,707,101. This is a 3 years rolling project and in the Financial year 2019/2020 Ksh. 100,000,000 had been set aside for works.

RECEIPTS

The County Assembly received Kshs. 556, 551,826 which was 80.6 % of the total budget amount.

The receipts were received in 4 quarters as follows

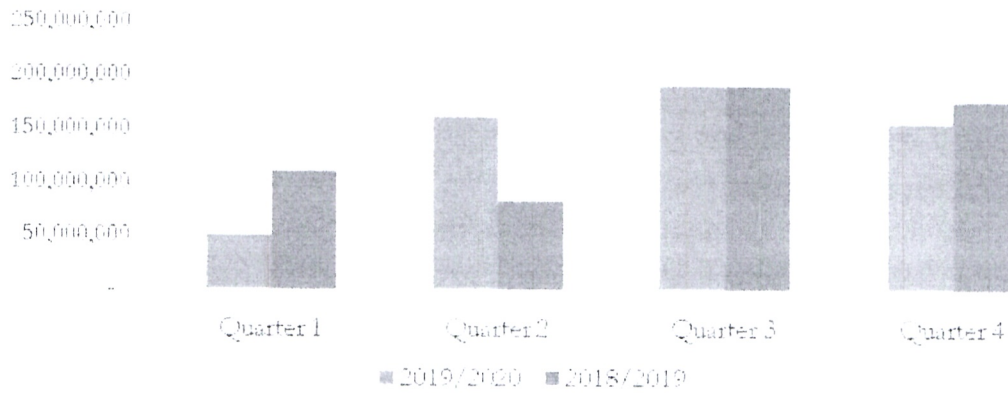


Receipts from exchequer were in four quarters. The first quarter the County Assembly received Kshs. 50,000,000/=. In the second quarter the Assembly received 161,000,000/=. In the third quarter the Assembly received 190,551,826/= and in the final quarter the County Assembly received 155,000,000.

Compared with the financial year 2018/2019 the trends of receipts were as follows

Embu County Assembly
Reports and Financial Statements
For the year ended June 30, 2020

Exchequer releases from National Treasury 19/20 and 18/19

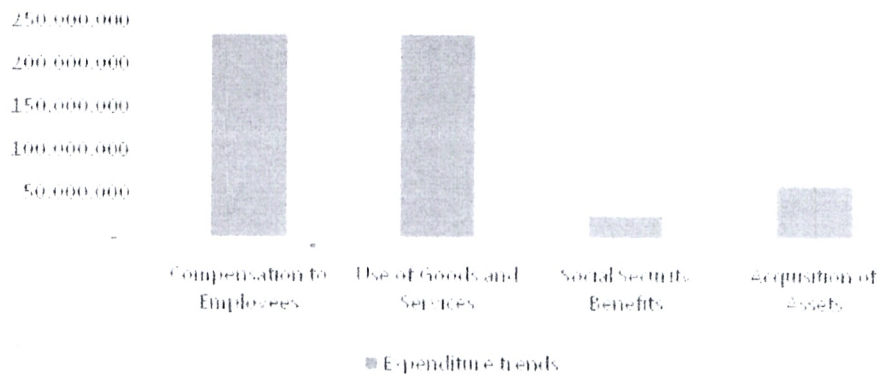


PAYMENTS

On Compensation to employees the County Assembly spent Kshs 234,722,082 against a budget of Kshs. 238,685,352 being 98.34 %. On the Use of goods and services, the actual expenditure was Kshs. 235,073,234 against a budget of 302,607,122 which was 77.78% budget utilization.

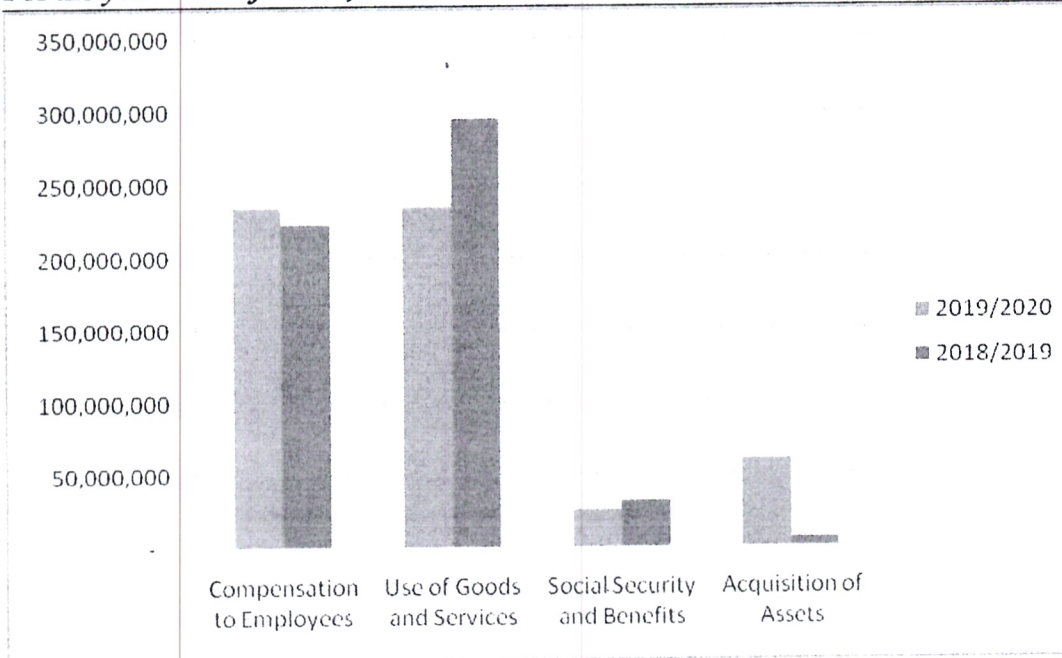
The County Assembly spent Kshs. 25,791,236 on Social Security Benefits against a budget of 30,991,235 This was also 83.22% of the budget. On acquisition of Assets the County Assembly spent Kshs. 60,837,654 against a budget of 120,220,879 which was a budget performance rate of 50.6%.

Expenditure trends



In comparison with the financial year 2018/2019 the expenditure trends were as follows

**Embu County Assembly
Reports and Financial Statements
For the year ended June 30, 2020**



b) Operational Performance

During this financial year 2019/2020 different committees of the Assembly continued discharging their mandates as follows

COMMITTEE	REPORTS
A. REPORTS SUBMITTED AND ADOPTED	
Liaison Committee	<p>a. Report of the Liaison Committee on Select Committees' Progress Report for the period 1/7/2019 to 31/12/2019 tabled and adopted on 26th February 2020.</p> <p>b. Report of the Liaison Committee on Select Committees' Progress Report for the period 1/1/2019 to 30/06/2019 tabled on 18th February 2020 and adopted on 20th February 2020.</p> <p>c. Report of the Liaison Committee on the First 2020 Supplementary Budget for the County Government of Embu for the Financial Year 2019/2020 tabled on 27th March 2020.</p> <p>d. Report of the Liaison Committee on the County Government of Embu Annual Development Plan for the Financial Year 2020/2021 tabled on 5th May 2020</p> <p>e. Report of the Liaison Committee on the County Government of Embu Fiscal Strategy Paper tabled on 23rd June 2020</p> <p>f. Report of the Liaison Committee on the County Government of Embu Second Supplementary Budget for the Financial Year 2019/2020 tabled on 25th June 2020.</p>

Embu County Assembly
Reports and Financial Statements
For the year ended June 30, 2020

		g. Report of the Liaison Committee on the County Government of Embu Budget Estimates for the Financial Year 2020/2021 tabled on 22 nd July 2020.
	Trade, Tourism investment and Industrialization	❖ Report on the Assessment of the County Government Preparedness and Response to the Laid down Protocols to Mitigate the Spread of Corona Virus Disease in the Markets and Trading Centres
	Agriculture, Livestock and Fisheries	❖ None
	Education, Science and Technology	❖ None
	7. Public Accounts and Investments	The report of the Committee on the Auditor General's report on the Financial Statements of the County Executive for the year ended 30 th June 2016 – Adopted on 8 th August 2019 The report of the Committee on the Auditor General's report on the Financial Statements of the County Executive for the year ended 30 th June 2017 – Adopted on 12 th November 2019
	Gender, children Culture and Social Services	❖ None
1.	Health	❖ Report on the Embu County Government preparedness and mitigation measures to combat the spread of Corona Virus pandemic in Embu County.
2.	Finance and Economic Planning	❖ None
3.	Lands and Urban and Development	❖ None
	Public Participation	❖ Report on the public participation for the Embu County Cooperative Societies Bill, 2020
	Infrastructure, Works, Housing and Energy	❖ None
	Administration and Public Service	Report on the vetting of the Embu County Public Service Board nominees Bill on Village administration.
	Selection	❖ Report on Comparative Study Visit to various county assemblies.
4.	Justice and Legal Affairs	❖ Report on The <i>Punguza Mizigo</i> (Constitutional of Kenya Amendment) Bill, 2019

**Embu County Assembly
Reports and Financial Statements
For the year ended June 30, 2020**

	Powers and Privileges	❖ None
	Members' Welfare	❖ None
	Implementation	❖ None
B. LEGISLATIVE PROPOSALS		
1. BILLS		
	<p>The Embu County Public Participation in Governance Bill, 2019- enacted The Embu County Persons With Disabilities Bill, 2019- enacted The Embu County Cooperative Societies Bill, 2019 The Embu County Village Administration Bill, 2019 The Embu County Alcoholic Drinks Control Bill, 2019. Punguza Mizigo (Constitutional of Kenya Amendment) Bill, 2019 The Embu County First Supplementary Appropriations Bill, 2020 The Embu County Second Supplementary Appropriations Bill, 2020 The Embu County Appropriations Bill, 2020 The Embu County Finance Bill, 2019</p>	
2. REGULATIONS AND POLICIES		
	<p>Committee on Delegated Legislation considered and approved the following Regulations</p> <p>Embu County Emergency Fund (Public Finance Management)Regulations, 2020 Embu County Mortgage and Car Loan (Public Finance Management) County Assembly Staff Regulations, 2020. The Embu County Climate Change Policy Framework</p>	
3. PUBLIC HEARINGS ON THE BILLS		
	<p>Public hearings were conducted in the sub-counties on 11th and 13th December 2019 where the views, proposals, memoranda and recommendations on the Bills were received.</p> <ul style="list-style-type: none"> ❖ The Embu County Public Participation in Governance Bill, 2019- enacted ❖ The Embu County Persons With Disabilities Bill, 2019- enacted ❖ The Embu County Cooperative Societies Bill, 2019 ❖ The Embu County Village Administration Bill, 2019 ❖ The Embu County Alcoholic Drinks Control Bill, 2019. <p>Public hearing conducted in all the twenty wards of the county from 18th to 23rd September 2019 on the <i>Punguza Mizigo</i> (Constitutional of Kenya Amendment) Bill, 2019</p>	

c) Performance of key development projects

The County Assembly is in the process of constructing Office Complex and Chambers. The total budget for the project is Kshs. 349,707,101 out of which the contractor has raised 3 certificates amounting to 94,550,179 out of which 56,050,179 had been honored by the 30th June 2020.

d) Comments on value for money achievement

Its expected that once the Construction is completed the County Assembly will save on rent that is paid for the MCA's offices and there will also increased efficiency now that the Assembly's operations will be concentrated in one place.

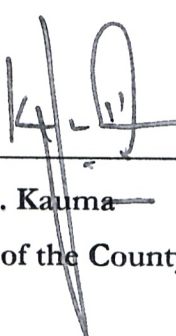
e) Challenges and recommended way forward

In 2019/2020 several challenges affected the Assembly in the process of trying to achieves its mandates. These includes

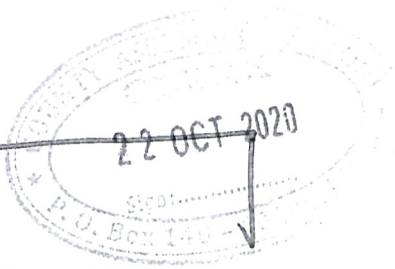
- Delays in release of Funds from National Treasury leading into accumulation of pending bills
- Delays in approval of budgets
- Covid 19 that caused the Assembly

To mitigate this the County Assembly is liaising with several statutory bodies to ensure that there are no exaggerated delays in release of funds and at the same time ensure that there are no delays in approval of budgets

Sign



Jim G. Kauma
Clerk of the County Assembly



3. STATEMENT OF PERFORMANCE AGAINST COUNTY PREDETERMINED OBJECTIVES

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key mandate of the County Assembly of Embu is legislation, oversight, and representation. To achieve this, the assembly's program was documented in terms of objective, key performance indicators, and output.

Below were the expected outputs of the assembly in FY 2019/20

Program 1	Objective	Outcome	Indicator	Performance
Legislation, oversight and representation	Enhanced professional development of MCAs	Increased ability of MCA in legislation	No of bills passed in the County Assembly	10 Bills considered
	Enhanced professional development of MCAs through training.	Increased capability of MCA's in undertaking their mandates	% increase in efficient Assembly operation	2 training to Water Committee 1 training to Justice and legal affairs Committee 1 training to Welfare Committee
General administration planning and Support Services	Enhance professionalism , build human resource capacity and provide effective services to the legislature to enable it meet its constitutional mandate	Prompt production of management reports	No. of reports generated	38 reports from various departments and directorates

4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT / SUSTAINABILITY REPORTING

County Assembly of Embu exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 3 pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile -

The County Assembly has endeavoured to be in the front line in achieving its main mandates of Representation, oversight and legislation. This is achieved through a combination of activities geared towards ensuring that Embu citizens are well served and are able to get value for resources that they contributes. The Assembly has also developed Standard Operating Procedures to enhance service delivery.

2. Environmental performance

In Environmental performance the County Assembly has in its mandates evaluated issues that have affected Embu residents the main one being the consumption of illicit brews. Several policies have been enacted to moderate this issues and the highlight of them all being the enactment of Embu County Alcoholic Drinks Control Bill 2019

3. Employee welfare

The County Assembly of Embu has endeavored to be compliant with gender ratio which stands at 48:52 of female to male employees. The ethic distribution has also been achieved. Through partnership with CPST, KSG and professional bodies, the Assembly has been able to improve the skills and development of it staff and members. To comply with OSHA policy all members and staff have been insured under Group Personal Accident and Group Life Insurance.

4. Market place practices-

The County Assembly has continuously participated in activities that enables it compare its performance with other County Assemblies in Kenya. This has been through the several forums organized by SOCCATT, CAF National Treasury etc. Its has also endeavoured to adopt recommendations and reports from National regulators .e.g EACC, KRA , PPRA and other institutions.

5. Community Engagements-

The County Assembly has made mandatory and in line with CoK 2010 that every bill that is taken to plenary is subjected to public participation. This ensures that Embu residents are fully involved in making of the law that governs them.

5. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a Government entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

The County Assembly Service Board is in charge of the County Assembly of Embu and is responsible for the preparation and presentation of the Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly as at the end of the financial year ending on 30th June 2020.

This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
- c) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- d) Safeguarding the assets of the County Assembly of Embu
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

The County Assembly Service Board accepts responsibility for the Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate

***Embu County Assembly
Reports and Financial Statements
For the year ended June 30, 2020***

accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The County Assembly Service Board is of the opinion that the Assembly's financial statements give a true and fair view of the state of Assembly's transactions during the financial year ended June 30, 2020, and of the Assembly's financial position as at that date.

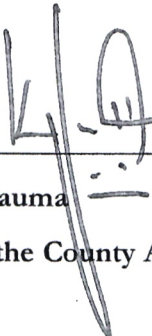
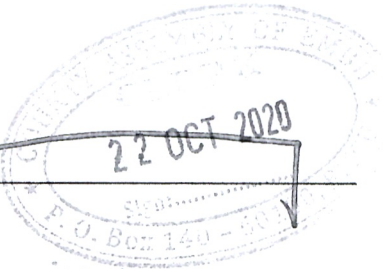
The County Assembly Service Board further confirms the completeness of the accounting records maintained for the Assembly which have been relied upon in the preparation of the Assembly financial statements as well as the adequacy of the systems of internal financial control.

County Assembly Service Board further confirms that the Assembly has complied fully with applicable Government Regulations and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

County Assembly Service Board confirms that the Assembly financial statements have been prepared in a form that complies with relevant accounting standards prescribed and published by the Accounting Standards Board.

Approval of the financial statements

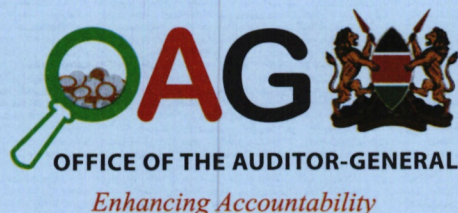
The County Assembly's financial statements were approved and signed by the Clerk of the County Assembly on 22/10/2020 2020

Jim G. Kauma
Clerk of the County Assembly / Secretary CASBE

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF EMBU FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Embu set out on pages 16 to 38, which comprise the statement of financial assets and liabilities as at 30 June, 2020 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the County Assembly of Embu as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS Cash) and comply with the Public Finance Management Act, 2012 and the County Governments Act, 2012.

Basis for Qualified Opinion

1. Presentation of Financial Statements

The financial statements reflect the following anomalies:

- i) The statement of budget execution by programme and sub-programme does not show revenue and expenditure item balances contrary to the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB).
- ii) The statement of cash flows reflects a prior year comparative balance for acquisition of assets totalling Kshs.5,910,020. However, the 2018/2019 financial statements had reflected the sum as a net credit balance.
- iii) Annex 1 to the financial statements reflects pending accounts payables totalling Kshs.117,462,816. However, the Annex does not reflect comparative balances for the previous (2018/2019) financial year contrary to IPSAS 1 which requires that comparative prior period information to be presented for all amounts shown in the financial statements and the Notes to the financial statements.

- iv) Contrary to the reporting format prescribed by the PSASB, the other disclosures section of the financial statements does not contain a report on Management's follow-up on issues raised in the audit report for the previous year.
- v) The statement of financial assets and liabilities as at 30 June, 2020 reflects a debit (negative) fund balance amounting to Kshs.13,727 brought forward from the previous (2018/2019) financial year. However, the balance was reflected as a credit balance in the audited financial statements as at 30 June, 2019.

In view of these issues, the financial statements have not been prepared in accordance with IPSAS and the format prescribed by the PSASB.

2. Unconfirmed Balances

2.1 Receipts and Payments Variances

The statement of comparison of budget and actual amounts - recurrent and development combined reflects budgeted receipts totalling Kshs.692,504,588. However, the statement of comparison of budget and actual amounts: recurrent and statement of comparison of budget and actual amounts: development reflect Kshs.592,518,588 and Kshs.100,000,000 for the same item respectively or Kshs.692,518,588 in total, resulting to an unexplained variance of Kshs.14,000 between the aggregate balance and that reflected in respect to the account in the statement of comparison of budget and actual amounts - recurrent and development combined.

Similarly, the statement of comparison of budget and actual amounts combined reflects payments totalling Kshs.556,424,206 for the previous year. However, the statement of budget execution by programmes and sub-programmes reflects payments totalling Kshs.556,551,826 resulting to an unexplained variance of Kshs.127,620.

In the circumstance, the accuracy of the three statements could not be confirmed.

2.2 Use of Goods and Services

The statement of receipts and payments reflects payments for use of goods and services totalling Kshs.235,073,234. Examination of records on the payments revealed the following unconfirmed expenses:

2.3 Training Expenses

Training expenses totalling Kshs.3,850,800 equivalent to 87% of the total Kshs.4,383,520 spent on the item during the year were not supported with relevant records such as the training needs assessment report, approvals from the Training Committee, invitation letters to course participants, attendance lists, and back to office reports. As a result, the occurrence of the training courses and propriety of the reported expenditure could not be confirmed.

2.4 Domestic Travel and Subsistence

Similarly, supporting documents for payments totalling Kshs.3,194,800 spent on domestic travel and subsistence were not provided for audit review. In the circumstance, the propriety and accuracy of the payments totalling Kshs.3,194,800 could not be confirmed.

3. Insurance Premiums

Insurance policy documents on Kshs.349,935 paid for premiums for two vehicles for the duration 24 July, 2019 to 20 July, 2020 were also not provided for audit. In addition, the payment for the premiums was made on 08 July, 2019 which was 12 days before the expiry of the contracted policy. As a result, the County Assembly had no binding claim against the insurance company in regard to the two vehicles between 24 July, 2019 to 07 July, 2020. As a result, the occurrence and propriety of the expenditure totalling Kshs.349,935 could not be confirmed.

4. Pending Accounts Payables

Annex 1 to the financial statements reflects Kshs.117,462,816 in respect to pending accounts payables as at 30 June, 2020. Included in the balance are bills totalling Kshs.19,749,953 that were not supported with any records, including payment vouchers.

In addition, Note 1 of other disclosures to the financial statements reflects opening pending accounts payables totalling Kshs.3,733,185. However, the closing pending accounts payables reflected in the audited 2018/2019 financial statements amounted to Kshs.2,053,075. The variance amounting to Kshs.1,680,110 between the two sets of records was not explained.

In view of these issues, the accuracy, validity and completeness of the pending accounts payables balance totalling Kshs.117,462,816 as at 30 June, 2020 could not be confirmed.

5. Fixed Assets

Annex 3 – Summary of Fixed Assets Register reflects historical costs of assets totalling Kshs.107, 229, 010. Included in the balance is Information Communication Technology (ICT) equipment costed at Kshs.13,789,47. However, the balance has a typographical error and should instead read as Kshs.13,789,470. It therefore has a variance of Kshs.12,410,523.

In addition, a bus purchased in the year under review at Kshs.9,747,304 was not included in the assets register and its logbook was not provided for audit review. As a result, its ownership by the County Assembly could not be confirmed.

Further, as similarly reported in the previous year, valuation of the land on which the County Assembly is located had not been carried out as at 30 June, 2020. Therefore, the nil value for land reflected in Annex 3 to the financial statements is not fairly stated.

Management explained that the valuation of the land and other assets taken over from the defunct County Council of Embu was ongoing.

In view of these issues, the fixed assets balance totalling Kshs.107,229,010 as at 30 June, 2020 reflected in the summary of fixed assets is not fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly of Embu Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities

in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there were no Key Audit Matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

1.1 Receipts

The statement of comparison of budget and actual amounts-recurrent and development combined - reflects budgeted receipts totalling Kshs.692,504,588 and actual receipts totalling Kshs.556,551,826 resulting to a revenue shortfall of Kshs.135,952,762.

1.2 Expenditure

The statement of comparison of budgets and actual amounts – recurrent and development combined reflects budgeted expenditure totaling Kshs.692,504,588 for the year ended 30 June, 2020 whereas actual expenditure totalled Kshs.556,424,206 resulting to net under-expenditure totalling Kshs.136,080,382 as shown below:

	Items	Budget (Kshs.)	Actual (Kshs.)	Under (Kshs.)	Under- Absorption Ratio (%)
1.	Compensation of Employees	238,685,352	234,722,082	3,963,270	2%
2.	Use of Goods and Services	302,607,122	235,073,234	67,533,888	22%
3.	Social Security Benefits	30,991,235	25,791,236	5,199,999	17%
4.	Acquisition of Assets	120,220,879	60,837,654	59,383,225	49%
	Total	692,504,588	556,424,206	136,080,382	

The under-absorption of Kshs.136,080,382 appears to have largely resulted from the revenue shortfall of Kshs.135,952,762 reported in the year and denoted as goods and services planned for, that were not obtained.

Failure to implement planned activities and programmes may constrain the capacity of the County Assembly to fulfill its oversight and legislative mandate.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis on Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing has else come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregularities in Procurement of Goods and Services

Examination of expenditure records on goods and services indicated several instances of irregular procurement and payments which resulted in imprudent use of public resources:

1.1 Hire of Transport Services

Payments totalling Kshs.8,200,600 for rentals of produced assets include Kshs.2,052,000 spent on hire of transport services from various companies through framework agreements. However, review of the register for prequalified suppliers revealed that only five (5) companies had been prequalified and registered to provide framework agreement services to the County Assembly. Therefore, award of the framework contracts contravened Section 114(1)(c) of the Public Procurement and Asset Disposal Act, 2015. The law provides that a procuring entity may enter into a framework agreement through open tender only if a minimum of seven (7) alternate vendors are included for each category.

In the circumstance, the regularity and value for money on Kshs.2,052,000 spent on hire of transport in the year under review could not be confirmed.

1.2 Payments for Hospitality Supplies and Services

Expenditure records indicated that payments totalling Kshs.2,127,500 were made for hire of conference facilities for meetings held outside Embu County. However, no satisfactory reasons were provided by Management for holding the meetings outside Embu County contrary to Treasury Circular No. 20/2015 of 4 November, 2015 which requires all Accounting Officers to hold all workshops and retreats within the precincts of the duty station where the majority of participants work.

In the circumstance, the expenditure totalling Kshs.2,127,500 may have been incurred irregularly.

2. Insufficient Records on Procurement of Security Surveillance System

Examination of expenditure records further indicated that a sum of Kshs.995,475 was spent on supply, installation, testing and commissioning of closed-circuit television (CCTV) surveillance system in the County Assembly. However, records on the contract

including manuals, service agreement, test report and Bills of Quantities were not provided for audit verification.

Further, the payment for the equipment was supported by a delivery note that did not indicate the serial numbers for the items supplied. As a result, it was not possible to confirm that the items delivered conformed to the supply contract and that value for money was obtained on the expenditure totalling Kshs.995,475 spent on the items.

3. Irregular Procurement of Ward Offices

Expenditure records indicated that Kshs.3,598,600 was spent on rent payments for Ward offices in the year under review. However, the offices were directly procured contrary to Section 103(2) (a) of the Public Procurement and Asset Disposal Act, 2015. The law allows for use of the method in specified conditions but no records were provided for audit to confirm existence of any special conditions.

In the circumstance, procurement of the Ward Offices was irregular and uncompetitive and as a result, value for money may not have been obtained on rent payments totalling Kshs.3,598,600 incurred on the contract.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Audit Committee

As reported in the previous year, the County Assembly had not established an Audit Committee as at 30 June, 2020, as required by Regulation 42(1)(e) of the Public Finance Management (County Governments) Regulations, 2015. The law requires the Accounting Officer to ensure the County Government entity has an Audit Committee in place to perform oversight and other roles provided for in the Regulations.

In the circumstance, Management did not adhere to the law. Further, in the absence of oversight by an Audit Committee, the County Assembly's internal control and governance systems were not properly set up and as a result, the risk of ineffective use of public resources may have been elevated.

2. Lack of Information, Communication and Technology (ICT) Policy

Review of the County Assembly's use of information Communication Technology (ICT) indicated, as in the previous year, that contrary to Regulation 110(1) of the Public Finance Management (County Governments) Regulations, 2015, there was no approved policy to guide investment in and use of the technology.

As a result, use of ICT by the County Assembly, including procurement of assets and security and the reliability of the electronic data, may not be effective.

3. Failure to Report on Risk Management

As similarly reported in the previous year, the County Assembly did not have a risk management policy contrary to Section 158(1) of the Public Finance Management (County Governments) Regulations, 2015. In addition, the Internal Audit Unit did not assess and report on the state of risk management as required in Regulation 153 1(b) of the Regulations.

In the circumstance, Management may have lacked objective means to identify, measure and mitigate operational and other risks faced by the County Assembly.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the County Assembly's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the County Assembly.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the County Assembly's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 December, 2021

Report of the Auditor-General on County Assembly of Embu for the year ended 30 June, 2020

*Embu County Assembly
Reports and Financial Statements
For the year ended June 30, 2020*


7. FINANCIAL STATEMENTS

**7.1 STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED
30TH JUNE 2020**

	Note	2019/20 KShs	2018/19 KShs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	556,551,826	558,042,527
Proceeds from Sale of Assets			
Other Receipts			
TOTAL RECEIPTS		556,551,826	558,042,527
PAYMENTS			
Compensation of Employees	2	234,722,082	222,822,402
Use of goods and services	3	235,073,234	295,433,452
Subsidies		-	-
Transfers to Other Government Entities		-	-
Other grants and transfers		-	-
Social Security Benefits	4	25,791,236	31,780,928
Acquisition of Assets	5	60,837,654	5,910,020
Other Payments		-	-
TOTAL PAYMENTS		556,424,206	556,036,802
SURPLUS/DEFICIT		127,620	2,005,725

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 22/10 2020 and signed by:


Clerk of the Assembly
Name: Jim Kauma



Director - Financial and Accounting Services
Name: Josiah M. Karanja
ICPAK Member Number: 8494


County Assembly of Embu
 Reports and Financial Statements
 For the year ended June 30, 2020

7.2 STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH
 JUNE 2020

		2019/20	2018/19
FINANCIAL ASSETS	Note	KShs	KShs
Cash and Cash Equivalents			
Bank Balances	6	6,374,064	10,503,393
Cash Balances			
Total Cash and cash equivalents		6,374,064	10,503,393
Accounts receivables - outstanding Imprests		-	-
TOTAL FINANCIAL ASSETS		6,374,064	10,503,393
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and Retentions	7	6,246,444	8,497,669
NET FINANCIAL ASSETS		127,620	2,005,724
REPRESENTED BY			
Fund balance b/fwd	8	0	(13,727)
Surplus/Deficit for the year		127,620	2,005,725
Refund of Unspent Balances		-	(13,727)
NET FINANCIAL POSITION		127,620	2,005,725

The explanatory notes to these financial statements form an integral part of the financial statements.
 The financial statements were approved on 22/10 2020 and signed by:


 Clerk of the Assembly
 Name: Jim Kauma


 Director - Financial and Accounting Services
 Name: Josiah M. Karanja
 ICPAK Member Number: 8494

County Assembly of Embu
Reports and Financial Statements
For the year ended June 30, 2020

7.3 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE
2020

	Not e	2019/20 KShs	2018/19 KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	556,551,826	558,042,527
Other Receipts		-	-
Payments for operating expenses			
Compensation of Employees	2	234,722,082	222,822,402
Use of goods and services	3	235,073,234	295,433,452
Subsidies		-	-
Social Security Benefits	4	25,791,236	31,780,928
Finance Costs		-	-
Other Payments		-	-
Adjusted for:			
Prior year adjustment		(2,005,725)	(13,727)
Decrease/(Increase) in Accounts receivable: (outstanding imprest)			
Increase/(Decrease) in Accounts Payable: (deposits and retention)		(2,251,225)	(8,497,669)
Net cash flows from operating activities		56,708,324	16,399,687
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		-	-
Acquisition of Assets	5	(60,837,654)	5,910,020
Net cash flows from investing activities		60,837,654	5,910,020
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		(4,129,330)	10,489,667
Cash and cash equivalent at BEGINNING of the year		10,503,394	13,727
Cash and cash equivalent at END of the year	6	6,374,064	10,503,394

The explanatory notes to these financial statements form an integral part of the financial statements.
The financial statements were approved on 22/10 2020 and signed by:

Clerk of the Assembly
Name: Jim Kauma

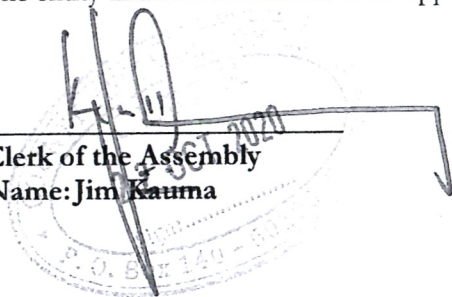
Director - Financial and Accounting Services
Name: Josiah M. Karanja
ICPAK Member Number: 8494

7.4 STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED FOR THE YEAR ENDED 30TH JUNE 2020

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilization difference
	KShs	KShs	c=a+b	e=d-c	%
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	762,888,149	(70,383,561)	692,504,588	556,551,826	80
Other Receipts	-	-	-	-	-
TOTAL	762,888,149	(70,383,561)	692,504,588	556,551,826	80
PAYMENTS					
Compensation of Employees	256,827,128	(18,141,776)	238,685,352	234,722,082	98
Use of goods and services	266,244,449	36,362,673	302,607,122	235,073,233	78
Subsidies	-	-	-	-	-
Social Security Benefits	34,806,572	(3,815,337)	30,991,235	25,791,235	83
Acquisition of Assets	205,010,000	(84,789,121)	120,220,879	60,837,654	51
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	762,888,149	(70,383,561)	692,504,588	556,424,206	80
SURPLUS/ DEFICIT				127,620	

The entity financial statements were approved on 22/10/20 2020 and signed by:

Clerk of the Assembly
Name: Jim Kauma



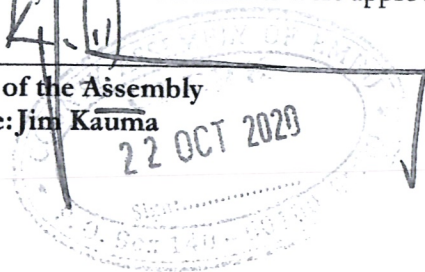
Director- Financial and Accounting Services
Name: Josiah M. Karanja
ICPAK Member Number: 8494

7.5 STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT FOR THE YEAR ENDED 30TH JUNE 2020

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilisation difference
	a	b	c=a+b	e=d-c	%
RECEIPTS					
Transfers from the County Treasury/ Exchequer Releases	600,038,149	(7,519,561)	592,518,588	500,500,000	84
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	600,038,149	(7,519,561)	592,518,588	500,500,000	84
PAYMENTS					
Compensation of Employees	256,827,128	(18,141,776)	238,685,352	234,722,082	98
Use of goods and services	266,244,449	36,362,673	302,607,122	235,073,234	78
Subsidies	-	-	-	-	-
Transfers to Other Government Entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Social Security Benefits	34,806,572	(3,815,337)	30,991,235	25,791,236	83
Acquisition of Assets	42,160,000	(21,939,121)	20,220,789	4,787,475	24
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	600,038,149	(7,533,561)	592,504,588	500,374,027	84
Surplus/ Deficit		14,000	14,000	125,973	

The entity financial statements were approved on 22/10/20 2020 and signed by:

Clerk of the Assembly
 Name: Jim Kauma




Director- Financial and Accounting Services
 Name: Josiah M. Karanja
 ICPAK Member Number: 8494

7.6 STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT FOR THE YEAR ENDED 30TH JUNE 2020

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilization difference
	KShs	KShs	c=a+b	e=d-c	KShs
RECEIPTS					
Transfers from the County Treasury/ Exchequer Releases	162,850,000	(62,850,000)	100,000,000	56,051,826	56
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	162,850,000	(62,850,000)	100,000,000	56,051,826	56
PAYMENTS					
Compensation of Employees	-	-	-	-	-
Use of goods and services	-	-	-	-	-
Subsidies	-	-	-	-	-
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	162,850,000	(62,850,000)	100,000,000	56,050,179	56
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	162,850,000	(62,850,000)	100,000,000	56,050,179	56
SURPLUS/ DEFICIT					

The entity financial statements were approved on 20/10 2020 and signed by:


 Clerk of the Assembly
 Name: Jim Karima


 Director- Financial and Accounting Services
 Name: Josiah M. Karanja
 ICPAK Member Number: 8494

7.7 BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES FOR THE YEAR ENDED 30TH JUNE 2020

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	KShs	KShs	KShs	KShs	KShs
General Administration Planning and Support Services	762,888,149	(70,383,561)	692,504,588	556,551,826	142,486,263
General Administration Planning and Support Services	762,888,149	(70,383,561)	692,504,588	556,551,826	142,486,263
Sub-programme 2					
Sub-programme 3					
Programme 2					
Sub-programme 1					
Sub-programme 2					
Sub-programme 3					
Grand Total	762,888,149	(70,383,561)	692,504,588	556,551,826	142,486,263

8. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The statement of assets and liabilities, although not a requirement of the IPSAS Cash Standard, has been included to disclose information on receivables and payables.

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

Reporting entity

The financial statements are for the County Assembly of Embu. The financial statements encompass the reporting entity as specified in section 164 of PFM Act 2012.

Recognition of receipts and payments

a) Recognition of receipts

The County Assembly of Embu recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Assembly.

Transfers from the Exchequer/ County Treasury

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

b) Recognition of payments

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements. In this financial year the Assembly did not have any Accounts receivables.

Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted and prescribed by the Public Sector Accounting Standards Board. Other liabilities including pending bills are disclosed in the financial statements.

Non-current assets

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the County Assembly of Embu at the end of the year. Pending bills form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

Contingent Assets

The County Assembly does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Assembly in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The County Assembly budget was approved as required by Law. The original budget was approved by

***County Assembly of Embu
Reports and Financial Statements
For the year ended June 30, 2020***

the County Assembly on 22nd June 2019 for the period 1st July 2019 to 30 June 2020 as required by law. There was 1 supplementary budgets passed in the year. The supplementary budgets were approved on 22/04/2019 and . A high-level assessment of the Assembly actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

Subsequent events

Events after submission of the financial year end financial statements to County Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of the County Treasury.

Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

Related party transactions

Related party transactions involve cash and in-kind transactions with the National Government, National Government entities and County Government entities. Specific information with regards to related party transactions is included in the disclosure notes.

9. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM THE COUNTY TREASURY/EXCHEQUER RELEASES

	2019/20	2018/19
	KShs	KShs
Exchequer Releases for Q1	50,000,000	109,551,262
Exchequer Releases for Q2	161,000,000	82,000,000
Exchequer Releases for Q3	190,551,826	190,491,265
Exchequer Releases for Q4	155,000,000	176,000,000
Cumulative Amount	556,551,826	558,042,527

2. COMPENSATION OF EMPLOYEES

	2019/20	2018/19
	KShs	KShs
Basic salaries of permanent employees	112,048,587	104,743,640
Basic wages of temporary employees	21,872,400	21,441,992
Personal allowances paid as part of salary	100,449,590	96,152,230
Personal allowances paid as reimbursements	351,506	484,540
Total	234,722,082	222,822,402

3. USE OF GOODS AND SERVICES

	2019/20	2018/19
	KShs	KShs
Utilities, supplies and services	876,949	695,892
Communication, supplies and services	1,156,631	769,619
Domestic travel and subsistence	91,153,365	135,781,594
Foreign travel and subsistence	5,687,916	17,236,520
Printing, advertising and information supplies & services	878,610	4,768,858
Rentals of produced assets	8,200,600	10,185,714
Training expenses	4,383,520	8,896,423
Hospitality supplies and services	4,782,349	14,356,929
Insurance costs	20,204,000	15,974,756
Specialized materials and services	-	3,583,000
Office and general supplies and services	1,830,595	3,173,240
Fuel Oil and Lubricants	932,100	-
Other operating expenses	93,256,393	76,201,265
Routine maintenance – vehicles and other transport equipment	1,199,086	3,206,272
Routine maintenance – other assets	531,120	603,370
Total	235,073,234	295,433,452

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Total	235,073,234	295,433,452
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4. SOCIAL SECURITY BENEFITS

Government pension and retirement benefits	25,791,236	31,870,928
Social security benefits in cash and in kind	0	0
Employer Social Benefits in cash and in kind	0	0
Total	25,791,236	31,870,928

5. ACQUISITION OF ASSETS

Purchase of Buildings	-	-
Construction of Buildings	56,050,179	-
Refurbishment of Buildings	-	-
Purchase of Vehicles and Other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Office Furniture and Equipment	3,792,000	5,433,020
Purchase of ICT Equipment	995,475	477,000
Purchase of Specialised Plant, Equipment and Machinery	-	-
Total	60,837,654	5,910,020

6. CASH AND BANK BALANCES

BANK BALANCES

CBK -	Development Acc	5,606,665	-
CBK -	Recurrent Acc	34	(47,350)
CBK -	Deposits Acc	-	-
Family Bank, 001150079	Recurrent Acc (Gratuity)	641,426	10,587,271
Co-operative Bank - 01141408365000	Recurrent Account	125,939	(36,528)
Total		6,374,064	10,503,393

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7. ACCOUNTS PAYABLE

Description	2019/20		2018/19	
	KSh		KSh	
Deposits Co-op Bank		-		36,528
Retention		5,605,018		2,053,074
Accrued Gratuity		641,426		10,587,271
Total		6,246,444		8,497,669

8. FUND BALANCE BROUGHT FORWARD

Description	2019/20		2018/19	
	KSh		KSh	
Bank accounts		2,005,725		13,727
Cash in hand		-		-
Accounts Receivables		-		-
Accounts Payables		-		-
Total		2,005,725		13,727

OTHER DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2019/20		2018/19		Balance c/f 2019/2020
	KSh		KSh		
Construction of buildings	-	38,500,000	-	-	38,500,000
Construction of civil works	-	-	-	-	-
Supply of goods	-	9,915,604	-	-	9,915,604
Supply of services	3,733,185	69,047,212	3,733,185	69,047,212	69,047,212
Total	3,733,185	117,462,816	3,733,185	117,462,816	

2. PENDING STAFF PAYABLES

Description	2019/2020		2018/19		Balance c/f 2019/2020
	KSh		KSh		
Domestic Travel	-	16,700,675	-	-	16,700,675
Foreign Travel	-	3,879,653	-	-	3,879,653
Mileage Allowances Members	-	2,056,685	-	-	2,056,685

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Total		-	22,637,013	-	22,637,013
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3. RELATED PARTY DISCLOSURES

Related party transactions:

	2019-2020	2018-2019
Compensation to Key Management		
Compensation to the Speaker, Deputy Speaker and the MCAs	135,038,307	39,308,179
Key Management Compensation (Clerk and Heads of departments)	59,408,551	34,347,192
Total Compensation to Key Management	194,716,858	74,155,371

10. PROGRESS ON FOLLOW ON PRIOR YEAR AUDITOR'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference to the external audit Report	Issue	Management Comment	Resolution	Time frame

ANNEXES

ANNEX 1 – ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount a	Date Contracted b	Amount Paid To-Date c	Outstanding Balance 2019-2020 d=a-c	Outstanding Balance 2018-2019	Comments
Construction of buildings						
Office Complex and Chambers	94,550,179	-	56,050,179	38,500,000	-	
Sub-Total	94,550,179	-	56,050,179	38,500,000	-	
Supply of goods						
				-		
Isuzu East Africa	7,109,000.00			7,109,000		
Joseki engineering works limited	91,800.00			91,800		
Joseki Engineering Works Ltd	76,500.00			76,500		
Masters fabrication	469,916.00			469,916		
Masters fabrication	1,624,000.00			1,624,000		
Masters fabrication	544,388.00			544,388		
Sub-Total	9,915,604	-	-	9,915,604	-	
Supply of services						
				-		
African Touch Safaris Ltd	60,000.00			60,000		
African Touch Safaris Ltd	21,925.00			21,925		
African Touch Safaris Ltd	25,120.00			25,120		
African Touch Safaris Ltd	25,465.00			25,465		
African Touch Safaris Ltd	26,430.00			26,430		
African Touch Safaris Ltd	46,390.00			46,390		
African Touch Safaris Ltd	61,900.00			61,900		
African Touch Safaris Ltd	255,240.00					

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	255,240 Outstanding Balance 2019-2020	Outstanding Balance 2018-2019	Comments
African Touch Safaris Ltd	878,760.00			878,760		
Al-tawoon general	2,999,900.00			2,999,900		
Ann Patience enterprise	157,000.00			157,000		
Britam life assurance company	738,006.00			738,006		
Clydnet technology	93,000.00			93,000		
Commercial Embu motor garage	39,440.00			39,440		
Commercial Embu motor garage	52,698.80			52,699		
Compass Trading	120,000.00			120,000		
County Assemblies forum	1,900,000.00			1,900,000		
Embu online and entertainment service	203,100.00			203,100		
Esami	1,052,595.00			1,052,595		
Esami	154,500.00			154,500		
Hotel la mada	77,000.00			77,000		
Hotel la mada	206,500.00			206,500		
Hotel la mada	298,706.90			298,707		
Hotel la mada	428,146.55			428,147		
Institute of Certified Public Sector	12,500.00			12,500		
Izaak walton	15,250.00			15,250		
Izaak walton inn	6,000.00			6,000		
Izaak walton inn	16,000.00			16,000		
Izaak walton inn	30,000.00					

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	30,000 Outstanding Balance 2019-2020	Outstanding Balance 2018-2019	Comments
Izaak walton inn	30,000.00			30,000		
Izaak walton inn	33,000.00			33,000		
Izaak walton inn	40,000.00			40,000		
Izaak walton inn	330,000.00			330,000		
Jamukate investments	60,000.00			60,000		
Jamukate investments	60,000.00			60,000		
Jayton enterprises ltd	1,890,510.00			1,890,510		
Jubilee insurance company of Kenya	497,946.00			497,946		
Kenstar Electricals and Hardware ltd	1,861,344.85			1,861,345		
Kenya School of Government Nairobi	40,600			40,600		
Mfi document solutions limited	321,518.00			321,518		
Muchoki kangata	2,280,000.00			2,280,000		
Muchoki kangata	1,710,000.00			1,710,000		
Muchoki kangata	1,710,000.00			1,710,000		
Muchoki kangata	1,710,000.00			1,710,000		
Mugite contractors	45,000.00			45,000		
Nation media	140,200.00			140,200		
Nation media group limited	140,220.00			140,220		
Nation media group limited	172,840.00			172,840		

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019-2020	Outstanding Balance 2018-2019	Comments
Nation media group limited	183,280.00			183,280		
Nation media group limited	260,775.00			260,775		
Nation media group limited	374,740.00			374,740		
National oil	300,000.00			300,000		
Neno sacco	170,000.00			170,000		
Norante solutions	216,000.00			216,000		
Panari centre ltd	1,854,029.00			1,854,029		
Patco enterprises	55,075.00			55,075		
Prof. Tom Ojienda and associates Co. Ltd	16,289,282.00			16,289,282		
Quick kobil	300,000.00			300,000		
Recksars general	40,000.00			40,000		
Resolution insurance	342,700.00			342,700		
Samtom solutions	280,000.00			280,000		
Slopes villa	37,500.00			37,500		
Slopes villa	33,000.00			33,000		
Slopes villa hotel	15,125.00			15,125		
Slopes villa hotel	15,647.00			15,647		
Slopes villa hotel	20,862.05			20,862		
Slopes villa hotel	30,450.00			30,450		

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019-2020	Outstanding Balance 2018-2019	Comments
Slopes villa hotel	46,750.00			46,750		
Slopes villa hotel	68,275.85			68,276		
Sunstar hotel ltd	75,000.00			75,000		
Sunstar hotel ltd	81,000.00			81,000		
Sunstar hotel ltd	84,000.00			84,000		
Sunstar hotel ltd	108,000.00			108,000		
Sunstar hotel ltd	300,000.00			300,000		
Sunstar hotel ltd	405,000.00			405,000		
Tarino enterprises	1,304,000.00			1,304,000		
The star	169,360.00			169,360		
The star	169,360.00			169,360		
The star	194,880.00			194,880		
Travellers beach hotel	542,500.00			542,500		
Laptrust Fund	1,117,210.00			1,117,210		
Family Bank (Gratuity)	13,568,690.00			13,568,690		
Uhuru garage	165,050.00			165,050		
Ward chairs transport	152,000.00	-	-	152,000		
Ward rents	1,200,000.00	-	-	1,200,000		
Weston hotel ltd.	132,600.00			132,600		

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019-2020	Outstanding Balance 2018-2019	Comments
Yogesh Khantibhai Patel and Minaly	2,039,140.00			2,039,140		
Yogesh Khantibhai Patel and Minaly	2,300,579.00			2,300,579		
Zola capital limited	990,600.00			990,600		
Sub-Total	69,047,212	-	-	69,047,212	-	
Grand Total	173,512,995	-	56,050,179	117,462,816	-	

ANNEX 2. PENDING STAFF PAYABLES

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Domestic Travel	-	16,700,675	-	16,700,675
Foreign Travel	-	3,879,653	-	3,879,653
Mileage Allowances Members	-	2,056,685	-	2,056,685
Total	-	22,637,013	-	22,637,013

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (KShs) 2018/19	Additions during the year (KShs)	Disposals during the year (KShs)	Transfers in/(out)	Historical Cost c/f (KShs) 2019/20
Land	-	-	-	-	-
Buildings and structures	-	56,050,179	-	-	56,050,179
Transport equipment	13,100,000	-	-	-	13,100,000
Office equipment, furniture and fittings	19,839,161	3,792,000	-	-	23,631,161
ICT Equipment	12,793,995	995,475	-	-	13,789,47
Machinery and Equipment	658,200	-	-	-	658200
Total	46,391,356	60,837,654	-	-	107,229,010

ANNEX 4 – ANALYSIS OF THE GRATUITY ACCOUNT

		2019 - 2020
Cashbook Opening Balance as at 1st July 2019		10,587,182
RECEIPTS		
Transfers from CBK Account		5,554,572
		16,141,754
PAYMENTS		
Gross Gratuity paid	2,495,929	
Transfers to Co-operative Bank	7,804,400	
Payment to Jubilee Insurance	5,200,000	15,500,329
Balance C/d		641,425