

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

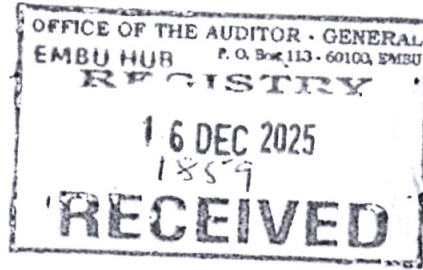
**RECEIVER OF REVENUE
REVENUE STATEMENTS**

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**FOR THE YEAR ENDED
30 JUNE, 2025**

COUNTY GOVERNMENT OF EMBU





RECEIVER OF REVENUE
County Government of Embu

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE
2025

Transitional International Public Sector Accounting Standards Financial Statements.

*Receiver of Revenue
County Government of Embu
Revenue Statements for the Period Ended 30th June 2025*

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*Receiver of Revenue
County Government of Embu
Revenue Statements for the Period Ended 30th June 2025*

1. Acronyms and Definition of Key Terms

A. Acronyms

CA	County Assembly
COB	Controller of Budget
CRF	County Revenue Fund
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
ROR	Receiver of Revenue
KCB	Kenya Commercial Bank
ECRA	Embu County Revenue Authority
CEO	Chief Executive Officer
CECM	County Executive Committee Member
COE	County of Embu
ECRA	Embu County Revenue Authority
TNT	The National Treasury
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
CBK	Central Bank of Kenya
FIF	Facilities Improvement Fund

B. Key terms

Comparative FY Comparative Prior Financial Year

Fiduciary Management The key management personnel who had financial responsibility.

Receiver of Revenue
County Government of Embu
Revenue Statements for the Period Ended 30th June 2025

2. Key Entity Information and Management

The Embu County Revenue Authority (ECRA) was established under the Embu County Revenue Act, 2017, with the core mandate to assess, collect, and account for all revenue in accordance with county and National laws. The authority is fully owned by the County Government of Embu and is domiciled in Kenya.

(a) Background information

The receiver of revenue is under the Department of Finance. At the County Executive Committee level, the receiver of revenue is represented by the County Executive Committee member for who is responsible for the general policy and strategic direction of the receiver of revenue. The receiver of revenue is designated as a receiver on by the County Executive Committee member for Finance, in accordance with section 157 of the PFM Act.

(b) Principal activities

The receiver of revenue collects revenue and remits it to the County Revenue Fund (CRF). To assess and collect revenue through enforcement of related legislations and to contribute to the delivery of quality services for social economic growth in Embu County.

Vision

To be a world-class revenue collection agency.

Slogan

Embu County – The Land of Opportunities

Function of the Authority

- i. Assessing, collecting and accounting for all revenue in accordance with the County and National laws related to revenue.
- ii. Administering and enforcing County laws related to revenue;
- iii. Advising the Executive Member on all matter related to the administration and collection of revenue under County laws; and
- iv. Carry out any other roles necessary for the implementation of the objects and purpose of the Embu County Revenue Authority Act, 2017.

(c) Key Management Team

The County Government of Embu day-to-day management of revenue is under the following:

No.	Designation	Name
1.	CEC member -Finance	Prof. Kinyua Nyaga Kamaria
2.	Chief Executive Officer - ECRA	Erick Ileri Njeru
3.	Deputy Director, Accounting services	Paul Murithi Njue
4.	Head of Revenue Reporting	Paul Muriithi Njue

*Receiver of Revenue
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Revenue Statements for the Period Ended 30th June 2025*

(d) Fiduciary Management

No.	Designation	Name
1.	Chief Officer, Finance.	Damiano Muthee
2.	Director Accounting services	Paul Murithi Njue
3.	Head of Finance	Paul Muriithi Njue

(e) County Headquarters

P.O. Box 36 – 60100
Embu Town Hall Building
Meru – Nairobi Highway
Nairobi, Kenya

(f) Entity Contacts

Telephone: (254) 0202163116
E-mail: info@embu.go.ke
Website: www.embu.go.ke

(g) Independent Auditors

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

(h) Principal Legal Adviser

The County Attorney
Embu County Government
P.O. Box 36-60100
Embu

(i) Bankers

- i. Kenya Commercial Bank Embu, Kenya
P.O BOX 75-60100
EMBU
- ii. Cooperative Bank, Embu Branch
P.O BOX 1337-60100
EMBU
- iii. Family Bank, Embu Branch
P.O BOX 74145
EMBU
- iv. Equity Bank, Embu Branch
P.O BOX 1994-60100
EMBU.

3. Foreword by the CECM Finance and Economic Planning

It is my pleasure to present the Embu County Government Annual Financial Reports for the period ended 30th June 2025. The County Government of Embu financial statements for the year 2024/2025 have been prepared in line with the Public Finance Management (PFM) Act, 2012, and in the format prescribed by the Public Sector Accounting Standards Board (PSASB).

The PFM Act, 2012, Section 166(4) requires that these statements be submitted to the County Assembly, with copies forwarded to the National Treasury, the Office of the Controller of Budget, and the Commission on Revenue Allocation within one month after the end of the financial year. Pursuant to Section 149 of the PFM Act, 2012, I confirm that accountability to the County Assembly has been upheld to ensure that the resources of the County Government were authorized and lawfully utilized in an effective, efficient, economical, and transparent manner.

Further, pursuant to Section 18(1–3) of the ECRA Act, the Board of the Authority is mandated to prepare annual financial reports, which shall be submitted to the County Treasury in a format prescribed by the Accounting Standards Board. This report includes the Revenue Performance Report for FY 2024/2025. Year-to-date, the County has collected Kshs. 919,665,412, representing a 22.8% increase compared to Kshs. 746,970,103 collected in FY 2023/2024.

Of the FY 2024/2025 collections:

- Kshs. 401,914,716 was raised from Ordinary Local Sources, and
- Kshs. 517,750,696 was collected from Health Facilities (AiA).

This represents a 1.2% decrease in Ordinary Local Sources compared to Kshs. 405,108,815 in FY 2023/2024, and a 34% increase in AiA revenues compared to Kshs. 329,930,944 in the same year.

The total budgeted revenue for FY 2024/2025 was Kshs. 1,546,792,250, comprising:

- Kshs. 1,070,743,342 from Own Source Revenue (OSR), and
- Kshs. 476,048,908 from Health Facilities (AiA).

The variance between budgeted and actual revenue is Kshs. 627,126,838, translating to an overall budget realization of 59%.

- Actual OSR collection was Kshs. 401,914,716, representing 37.4% budget realization, while
- Actual AiA collection was Kshs. 517,750,696, representing 104% budget realization.

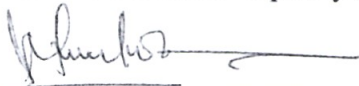
Transfers for FY 2024/2025 were as follows:

- Kshs. 442,359,050 to the County Revenue Fund (CRF), and
- Kshs. 517,750,696 to the Facility Improvement fund (FIF) totaling Kshs 960,109,746.

Receiver of Revenue
County Government of Embu
Revenue Statements for the Period Ended 30th June 2025

To enhance performance in revenue collection, the County intends to implement the following measures:

- i. Further refinement and expansion of automated revenue collection systems.
- ii. Enhanced compliance enforcement, particularly in underperforming areas such as land rates.
- iii. Public education and sensitization on the importance of revenue contribution.
- iv. Exploration of new revenue streams aligned with the County's resilient economic sectors.
- v. Strengthened partnerships with the private sector to boost economic activities.
- vi. Continuous capacity building of the revenue collection team



Prof. Kinyua Nyaga Kamaria
CECM Finance and Economic Planning
County Government of Embu

4. Management Discussion and Analysis

Section A

The Embu County Revenue Board is pleased to report that, despite the prevailing economic hardships, we remain highly optimistic about our revenue collection prospects. We strongly believe that in the financial year 2025/2026, we will not only surpass the Kshs. 1 billion mark but also achieve our overall revenue target.

Adequate resources form the backbone of every development success of the Board. Our strategic focus is to ensure effective and efficient revenue collection in order to sustainably fund the budgetary requirements of the County Government of Embu.

The County attributes the recent increase in revenues to the following key measures:

- i. Expansion of the tax base;
- ii. Automation of revenue collection processes, facilitating cashless administration;
- iii. Collaboration between the revenue department and other county departments;
- iv. Expansion of staff establishment, with emphasis on building competencies and upholding ethics;
- v. Comprehensive data collection and objective setting of revenue targets;
- vi. Establishment of an autonomous revenue board;
- vii. Adoption of a sectoral approach to stakeholder engagement; and
- viii. Enhancement of service delivery.

The Board's strategy has been to widen the revenue net horizontally rather than vertically, meaning that instead of increasing fees and charges, we are working to achieve higher compliance rates. Despite the steady growth in revenue, citizens have remained unburdened, as no new taxes or additional charges have been introduced.

Against this backdrop, the Revenue Board continues to make deliberate efforts in policy formulation and implementation, aimed at translating into sustained and significant growth of our Own Source Revenue (OSR).



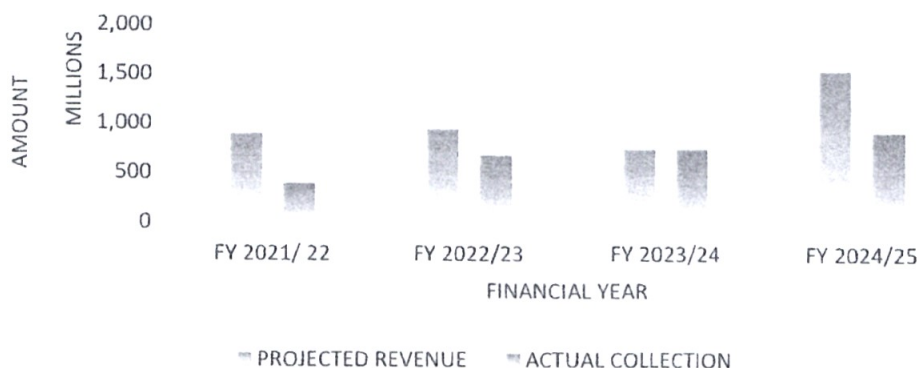
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Name Erick Njeru Ileri
County Receiver of Revenue
Approval of the Revenue Statements

*Receiver of Revenue
County Government of Embu
Revenue Statements for the Period Ended 30th June 2025*

Section B

REVENUE STREAM/FINANCIAL YEAR	FY 2021/ 22	FY 2022/23	FY 2023/24	FY 2024/25
Single Business Permit	72,870,449	125,823,950	118,245,709	119,974,512
property rent	9,720,082	19,840,710	23,192,515	32,830,078
Market fees	15,893,310	17,619,678	25,839,641	21,746,455
Parking fees	17,203,100	36,104,409	47,486,667	49,332,116
Cess	39,603,278	81,931,346	73,059,381	69,346,435
Land Rates and Plot Rents	8,295,090	34,591,764	25,213,018	14,995,910
Enforcement	656,439	1,097,604	589,946	681,020
Technical Planning Fees	4,151,906	11,032,636	10,664,406	6,360,579
administration control fees	12,395,213	47,259,501	32,597,828	43,978,041
Pubic Health Services fees	12,347,105	19,782,087	17,397,319	24,806,898
hire of county assets	1,272,204	128,600	1,151,130	984,050
Advertising Fees	17,296,569	38,817,097	40,957,462	36,923,133
Miscellaneous	747,775	16,381,754	644,137	387,318
hospital fees	182,088,208	230,368,331	329,930,944	497,318,867
ACTUAL TOTALS	394,540,728	680,779,467	746,970,103	919,665,412
PROJECTIONS	900,000,000	950,000,000	750,000,000	1,546,792,250

**A GRAPH OF REVENUE
PERFORMANCE FOR THE PAST FOUR
FINANCIAL YEARS**



*Receiver of Revenue
County Government of Embu
Revenue Statements for the Period Ended 30th June 2025*

REVENUE SOURCE	FY.2023/2024	FY.2024/2025	PROJECTION FY.2024/2025	ACHIEVEMENT AGAINST TARGET
Sbp.	118,245,709	119,974,512	218,551,360	55%
Stalls rent	11,887,267	7,723,111	20,173,972	38%
Market Fees	25,839,641	17,774,977	42,029,108	42%
Miraa Mkt. Fees	0	3,971,478	0	
Buspark	27,235,040	30,082,551	47,072,601	64%
Street Parking	20,251,627	19,249,565	33,623,286	57%
Cess	73,059,381	69,346,435	156,255,240	45%
Land Rates	25,213,018	14,995,910	50,434,929	30%
Subdivision	6,665,415	17,925,568	26,898,629	67%
Enforcement	589,946	681,020	8,405,822	8%
Building Plan	10,664,406	6,360,579	44,718,977	14%
Advert Fees	40,957,462	36,923,133	58,840,751	63%
Slaughter House Fees	1,404,170	1,243,880	3,026,096	41%
Misc.	572,430	76,300	0	
Liquor	31,589,348	42,954,101	84,058,215	51%
Veterinary	4,062,805	3,131,189	10,086,986	31%
Weights	1,008,480	1,023,940	2,689,863	38%
Audit Fee	71,707	257,984	336,233	77%
House Rent	4,639,833	7,181,398.75	20,173,972	36%
Coffee Pulping	0	49,834	0	
Cemetery		2,200		
Local Rev. Total	403,957,685	400,929,667	827,376,040	48%
Youth Empowerment	1,029,600	658,050	50,701,521	1%
Gender	105,030	326,000	12,675,380	3%
Mwea National Park	0	0	50,701,521	0%
Ams	16,500	1,000	25,350,761	0%
Fisheries	0	0	2,535,076	0%
ECDE Approvals/Inspection	0	0	25,350,761	0%
Water and Irrigation	0	0	25,350,761	0%
Borehole drilling charges	0	0	50,701,521	0%
Sub-totals	1,151,130	985,050	243,367,302	
Other FIF Fees				
Health Facilities	329,930,944	497,318,867	456,084,904	109%
Public Health	11,930,344	20,431,829	19,964,004	102%
Sub-totals	341,861,288	517,750,696	476,048,908	109%
Accrual FIF	0	174,907,270		
Totals	746,970,103	1,094,572,682	1,546,792,250	71%

Entity's compliance with statutory requirements.

The Board did not have any material statutory and other financial obligations in the period under review. A pragmatic approach towards settlement of all statutory deductions as a priority is the basis of this. Nothing has come to the attention of the Chief Executive Officer to indicate that the fund will not remain a going concern for at least the next twelve months from the date of this statement

Section C

Key projects and investment decisions the entity is planning/implementing.

The Board has Many suppliers that supply good and services. When we manage and engage multiple service providers for our operations and projects, our own reputation as service provider is always a top priority. For that reason, we are focused on ensuring our suppliers comply with best practice and adhere to our contract agreement for all services and goods of offered.

Section D

Major risks facing the entity.

The Board is accountable for the Revenue Board risk management process and system of internal control. The CEO is mandated by the Board to monitor the risk management process and systems of internal control of the Board. The Board oversees the activities of the CEO and the secretariat, the Revenue Boards internal and external auditors. The objective of risk management in Board is to establish an integrated and effective risk management framework where important risks are identified, quantified and managed. The board is in the process of developing a comprehensive Risk management policy.

Section E

Material arrears in statutory/financial obligations.

We recognize that material issues can directly or indirectly impact our ability to create long-term value for its customers, employees, stakeholders and society at large.

Section F

The board members are appointed from diverse fields in private, government and academic sectors who provide complementary expertise and depth of experience to the Board. The members take full responsibility for the sound judgement in leading and directing the board towards the achievement of its goals.



.....
**Name Erick Njeru Ileri
County Receiver of Revenue
Approval of the Revenue Statements**

*Receiver of Revenue
County Government of Embu
Revenue Statements for the Period Ended 30th June 2025*

5. Statement of Receiver of Revenue's responsibilities

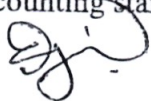
Section 158(3) of the Public Finance Management Act, 2012 requires that, at the end of each quarter, a Receiver of Revenue for a county government shall prepare an account in respect of the revenue collected, received, and recovered during that financial period.

The Receiver of Revenue is responsible for the preparation and presentation of the Receiver of Revenue Account, which must give a true and fair view of the state of affairs of the Receiver of Revenue for, and as at the end of, the year ended 30th June, 2025. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these remain effective throughout the reporting period;
- ii. Maintaining proper accounting records that disclose, with reasonable accuracy, the statement of assets and liabilities of the entity at any given time;
- iii. Designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the entity;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable under the circumstances.

The Receiver of Revenue in charge accepts responsibility for the entity's receiver of revenue accounts, which have been prepared on the Accrual Basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Receiver of Revenue is of the opinion that the entity's receiver of revenue account gives a true and fair view of the state of the entity's receiver of revenue transactions during the financial period ended June 2025, and of the entity's statement of assets and liabilities as at that date. The Receiver of Revenue further confirms the completeness of the accounting records maintained, which have been relied upon in the preparation of the Receiver of Revenue account as well as the adequacy of the systems of internal financial control.

The Receiver of Revenue confirms that it has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable). The Receiver of Revenue confirms that the revenue statements have been prepared in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya.



.....
Name Erick Njeru Ileri
County Receiver of Revenue
Approval of the Revenue Statements

The *revenue* statements were approved and signed by the Receiver of Revenue on 30th August 2025.

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RECEIVER OF REVENUE - REVENUE STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF EMBU

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on revenue Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE REVENUE STATEMENTS

Qualified Opinion

I have audited the accompanying transitional IPSAS revenue statements of Receiver of Revenue - County Government of Embu set out on pages 1 to 28, which comprise of the

statement of financial position as at 30 June, 2025, statement of revenue and disbursements, 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 transitional IPSAS revenue statements present fairly, in all material respects, the financial position of the Receiver of Revenue - County Government of Embu as at 30 June, 2025, and of its financial performance for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the County Governments Act, 2012, the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Qualified Opinion

1. Inaccuracies in the Revenue Statements

The statement of financial position reflects total financial liabilities balance of Kshs.604,091,045 as disclosed in Note 22 to the revenue statements. However, recasting of Notes 22 to the revenue statements revealed a balance of Kshs.604,031,045 resulting in a variance of Kshs.60,000 which was not been explained or reconciled.

In the circumstances, the accuracy and completeness of total financial liabilities balance of Kshs.604,091,045 could not be confirmed.

2. Unsupported and Irregularities in Revenue Collection Costs

Management awarded a contract to a local service provider for supply, delivery, implementation, customization and commissioning of a revenue collection and management automation system for the County Government of Embu for a period of five (5) years. The contract commenced on 6 April, 2018 and was to expire on 5 April, 2023.

However, Management signed a second addendum to the contract for revenue management system on 30 September, 2019 covering up to 5 April, 2023. Review of records revealed that between the period of 6 April, 2023 to 18 November, 2024 the County collected revenue using an expired contract.

On 19 November, 2024, the contract was extended and backdated to cover the period from 7 April, 2023 to 5 October, 2025. However, payment records for these periods were neither disclosed nor provided.

During the year under review, audit examination of payment records revealed that the County Executive paid an amount of Kshs.3,000,000 to same service provider vide Local Purchase Order (LPO) No. 66 and 76, approving the extension of three (3) months from October, 2025 to January, 2025. However, evidence of recommendation from the

evaluation committee for a second extension was not provided for audit review. This was contrary to Section 139(1)(2) of the Public Procurement and Asset Disposal Act (PPADA). The basis for the payment of Kshs.3,000,000 was not disclosed. No evidence of tax payment to Kenya Revenue Authority was provided.

On 25 April, 2025 the County Government Management signed a contract to acquire a new revenue system at a contract sum of Kshs.37,120,000 and an amount of Kshs.8,742,644 had been paid. However, Management did not provide handover reports from the initial service provider in terms of all invoices raised, commissions paid and hand over reports on termination of the contract in respect to fulfillment of obligations. This hindered reconciliation and confirmation of the total County own source revenue declared in the revenue statements.

In the circumstances, the regularity of the contract and accuracy and completeness of the contract extension amount of Kshs.3,000,000 could not be confirmed.

3. Unsupported Long Outstanding Revenue Arrears

The statement of financial position and references to Note 16 to the revenue statements reflects Nil and Kshs.587,480,810 in respect to comparable and current revenue receivables balance respectively. However, the prior year audited revenue statements disclosed land rate arrears of Kshs.412,573,540 which were not disclosed in current statement as an opening balance. Further, Note 16 to the revenue statements reflects total accruals from FIF which includes previous year arrears of Kshs.412,573,540 which are incorrectly classified under accruals from FIF instead of Land rates arrears. The previous year's balance of Kshs.412,373,540 was not supported by ledger and ageing analysis.

In the circumstances, the accuracy and completeness of revenue receivables balance of Kshs.587,480,810 could not be confirmed.

4. Unsupported Liquor Charges

The statement of comparison of budget and actual amounts reflects actual total County Own Sources Revenue amount of Kshs.401,914,716 which includes liquor amount of Kshs.42,954,101. However, the revenue was not supported by a register of the liquor joints and the applied rates.

Further, the County did not have in place an Alcoholic Control Board instead the functions of the Board are performed by an Ad hoc Committee. This was against the provisions of Section 4 (1) of the Embu County Alcoholic Drinks Act, 2021 which provides that a Board is to be established known as the Embu County Alcoholic Control Board.

In the circumstances, the accuracy and completeness of the revenue raised from the liquor licenses totalling Kshs.42,954,101 could not be confirmed. Further, Management was in breach of the law.

5. Unsupported Land Rates

As previously reported, the statement of revenue and disbursements and as disclosed in Note 2 to the revenue statements reflects an amount of Kshs.14,995,910 (2023/2024-Kshs.25,213,018) in respect of land rate. However, the amount was not supported with an 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, 2025.

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 rates amounting to Kshs.14,995,910 could not be confirmed.

6. Misclassified Public Health Revenue

The statement of revenue and disbursements reflects disbursements to County Revenue Fund amount totalling Kshs.442,359,051. This amount includes revenue Kshs.18,704,388 in respect to Public Health Department revenue which was collected and retained in Health Facility and not transferred to County Revenue Fund.

In the circumstances, the accuracy and completeness of disbursements to County Revenue Fund amount of Kshs.442,359,051 could not be confirmed.

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

Emphasis of Matter

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.1,546,792,250 and Kshs.919,665,412 respectively resulting in an unrealized revenue of Kshs.627,126,838 or 41% of the budget.

Further, review of the receiver of revenue records indicated that six revenue streams reported nil revenue collections budgeted at Kshs.179,990,401 for the entire financial year.

The underperformance in revenue collection affected the implementation of planned activities thereby resulting to a negative impact on the delivery of services to the public.

My opinion is not modified in respect of this matter.

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. Except for the effect of the matters described in the Basis for Qualified section, I have determined that there are no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Audit Matters

Review of the progress on follow up on prior year auditor's recommendations reveal that, two (2) issues were raised under the Report on Financial Statements, three (3) issues under Report on Lawfulness and Effectiveness in Use of Public Resources and two (2) issues under Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of the Receiver of Revenue as at 30 June, 2025 revealed that, the unsupported land rates and unsupported long outstanding revenue arrears remained unresolved.

Other Information

Management is responsible for the Other Information set out on pages iii to xi which comprise of Receiver of Revenue's information and overall performance, statement of performance against Receiver of Revenue's predetermined objectives, environmental and sustainability reporting and statement of Receiver of Revenue's Management responsibilities. The Other Information does not include the revenue statements and my audit report thereon.

In connection with my audit on the Receiver of Revenue - County Government of Embu financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information and I am required to report that fact. I have nothing to report in this regard.

My opinion on the revenue statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm

that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Lack of Budget Allocation for Enforcement Operations

Review of the enforcement function revealed that the County operated without a dedicated operational budget resulting in inadequate logistic support, enforcement officers lacked basic tools and transport including motorbikes, mobiles, road spikes and impounding vehicles. This omission was contrary to Regulation 29 (2) (a) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the accounting officer shall ensure that in the budget preparation, the Accounting Officer should ensure that all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of the County Government entity during the financial year.

In the circumstances, these deficiencies compromised the overall effectiveness of enforcement activities, limited operational coverage and exposed the County to significant revenue leakages.

2. Failure to Collect Revenue from the Social Halls

The County Government operated five (5) active social halls namely; Dallas social hall, Gikuuri social hall, Embu social hall, Talent academy hall and IEBC social hall. During the year under review, IEBC and Talent academy social halls generated revenue amounts of Kshs.120,000 and Kshs.206,000 respectively, resulting to total revenue of Kshs.326,000 as reflected in the financial records maintained by the County for the year under review.

However, no explanation was provided by the County Management on why the revenue generated by the remaining three (3) social halls namely, Dallas, Gikuuri and Embu social halls was not banked to the County revenue account but used by communities at source. This was contrary to Regulation 80 (1) of the Public Finance Management (County Government) Regulations, 2015 which provides that the County Treasury shall administer the County Revenue Fund in accordance with the Constitutional provisions in Article 207 and 209 (3) and (4) in controlling revenue receipts to ensure that (a) all revenue receipts by the County Government are paid into the County Exchequer Account, except receipts reasonably excluded by the Act, or any other Act of Parliament or an Act of County Assembly; and (b) withdrawals.

Physical inspection of Dallas Social Hall revealed that, the hall was constructed on a road reserve. Further, there were no approvals from both the National and County Government for construction. In addition, management of the hall was under the community whose revenue was channeled in a private family bank account. Approvals for opening and signatories of the bank account were also not provided for audit review. Management did not provide information on the other two halls whose revenue collection was neither disclosed nor accounted for.

Audit also revealed that, the County did not have any policy on handover of activities of halls to the communities after the constructions. Therefore, the basis of communities owning and collecting revenues from the halls could not be confirmed.

In the circumstances, Management was in breach of the law and the accountability of revenue collected from the halls could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 revenue statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON 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 effects of the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Collection of Revenue Without a Finance Bill and Revenue Streams Policies

During the year under review, the Management collected own-source revenues without a Finance Bill 2024. This was contrary to Section 132 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. Further, Commissioner on Revenue Allocation requires that all revenue streams should have policy documents in place, however, the Management did not provide any policy for audit review.

In the circumstances, effectiveness of controls on optimum revenue collections could not be confirmed.

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 controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the revenue statements, Management is responsible for assessing the Receiver of Revenue's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the revenue 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 revenue statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the revenue statements comply 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 Receiver of Revenue's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the revenue statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the revenue statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 revenue statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the revenue statements are in compliance with the authorities

that govern them and that public resources are applied in an effective way. In addition, I consider the entity's 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 December, 2025

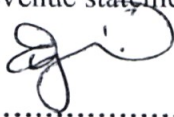
*Receiver of Revenue
County Government of Embu
Revenue Statements for the Period Ended 30th June 2025*

7. Statement of Revenue and Disbursements for the Period Ended 30th June, 2025

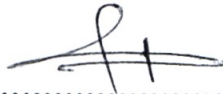
	Note	FY 2024-2025
		Kshs
Revenue from exchange transactions		
Cess	1	69,346,435
Land Rates	2	14,995,910
Single/Business Permits	3	119,974,512
Administration Control Fees and Charges	4	43,978,041
Other Fines, Penalties, And Forfeiture Fees	6	681,020
Veterinary and Slaughter Fees	7	4,375,069
Physical Planning and Development	8	6,360,579
Property Rent	9	32,830,078
Parking Fees	10	49,332,116
Market Fees	11	21,746,455
Advertising	12	36,923,133
Hospital Fees	13	517,750,696
Hire of County Assets	14	984,050
Miscellaneous receipts	15	387,318
Total Accruals from FIF	16	174,907,270
Total Revenues (a)		1,094,572,682
Disbursements		
Bank Charges	17	(670,190)
Disbursements To CRF	18	(442,359,051)
Disbursements to another County Fund	19	(517,750,696)
Total Disbursements and other charges (b)		(960,779,937)
Balance Due for Disbursement (collected amounts) (c)	20	16,610,235
Balance Due for Disbursement (uncollected Amounts) (d)	16	174,907,270
Balance Due for Disbursement and Collection (e = c + d)	22	191,517,505

*Receiver of Revenue
County Government of Embu
Revenue Statements for the Period Ended 30th June 2025*

These revenue statements were approved on **30th August 2025** and signed by:



.....
Name Erick Njeru Ileri
County Receiver of Revenue



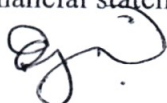
.....
Name Paul Muriithi Njue
Head of Revenue Reporting

*Receiver of Revenue
County Government of Embu
Revenue Statements for the Period Ended 30th June 2025*

8. Statement of Financial Position as at 30th June, 2025

	Note	Period as at 30 th Jun2025	Opening Statement 1st July 2025
		Kshs	Kshs
Current Assets			
Cash and Cash Equivalents	20	16,610,235	57,724,760
Total Current Assets			
Revenue Receivable	16	587,480,810	0
Total Assets	22	604,091,045	57,724,760
Financial Liabilities			
Payables-Due to CRF	22	413,990,521	57,724,760
Payables-Due to FIF	22	190,100,524	0
Total Financial Liabilities		604,091,045	57,724,760

The entity's financial statements were approved on 30th August 2025 and signed by:



**Name Erick Njeru Ileri
County Receiver of Revenue**



**Name Paul Muriithi Njue
Head of Revenue Reporting
ICPAK M/No.3642**

*Receiver of Revenue
County Government of Embu
Revenue Statements for the Period Ended 30th June 2025*

9. Statement of Cash Flows for the Period Ended 30th June, 2025

	Note	Period ended /June *
		Kshs
Cash flows from operating activities		
Receipts		
Cess	1	69,346,435
Land Rates	2	14,995,910
Single/Business Permits	3	119,974,512
Administration Control Fees and Charges	4	43,978,041
Other Fines, Penalties, And Forfeiture Fees	6	681,020
Veterinary and Slaughter fees	7	4,375,069
Physical Planning and Development	8	6,360,579
Property Rent	9	32,830,078
Parking Fees	10	49,332,116
Market Fees	11	21,746,455
Advertising	12	36,923,133
Hospital Fees and public health	13	517,750,696
Hire of County Assets	14	984,050
Miscellaneous receipts	15	387,318
Total Revenues (a)		919,665,412
Disbursement to CRF		(442,359,051)
Disbursements To FIF		(517,750,696)
Bank charges	17	(670,190)
Total Payments		(960,779,937)
Net Cash Flows from/ (used in) Operating Activities		(41,114,525)
Cash and cash equivalents at Period Start		62,256,504
Prior Year Adjustments		(4,531,744)
Adjusted cash and cash equivalents at the period start	20	57,724,760
Cash and cash equivalents at Period End	20	16,610,235

County Government of Embu
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10. Statement of Comparison of Budget and Actual Amounts for Period Ended 30th June, 2025

Receipts	Original Targets	Adjustments	Final Targets	Actual On Comparable Basis	Budget Realization Difference	% of Realization
	A	B	C=(A+B)	D	E=(C-D)	F=D/C*100
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
County Own Source Revenue						
Sbp	218,551,360	0	218,551,360	119,974,512	98,576,848	55%
Stalls rent	20,173,972	0	20,173,972	7,723,111	12,470,861	38%
Market fees	42,029,108	0	42,029,108	21,746,455	20,282,653	52%
Bus park	47,072,601	0	47,072,601	30,082,551	16,990,050	64%
Street parking	33,623,286	0	33,623,286	19,249,565	14,373,721	57%
Cess	156,255,240	0	156,255,240	69,346,435	86,908,805	44%
Land rates	50,434,929	0	50,434,929	14,997,110	35,437,819	30%
Sub divisions	26,898,629	0	26,898,629	17,924,368	8,974,261	67%
Enforcement	8,405,822	0	8,405,822	681,020	7,724,802	8%
Building plans	44,718,977	0	44,718,977	6,360,579	38,358,398	14%
Advertising fees	58,840,751	0	58,840,751	36,923,133	21,917,618	63%
Slaughter house fees	3,026,096	0	3,026,096	1,243,880	1,782,216	41%
miscellaneous	0	0	0	76,300	-76,300	0
Liquor charges	84,058,215	0	84,058,215	42,954,101	41,104,114	51%
Veterinary fees	10,086,986	0	10,086,986	3,131,189	6,955,797	31%
weights	2,689,863	0	2,689,863	1,023,940	1,665,923	38%

County Government of Embu
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For the period ended 30th June, 2025

Receipts	Original Targets	Adjustments	Final Targets	Actual On Comparable Basis	Budget Realization Difference	% of Realization
	A	B	C=(A+B)	D	E=(C-D)	F=D/C*100
Audit fees	336,233	0	336,233	257,984	78,249	77%
House rent	20,173,972	0	20,173,972	7,181,399	12,992,573	36%
Coffee pulping	0	0	0	50,834	-50,834	0
Cemetery charges	0	0	0	2,200	-2,200	0
Youth empowerment	50,701,521	0	50,701,521	658,050	50,043,471	1%
Gender	12,675,380	0	12,675,380	326,000	12,349,380	3%
Mwea national park	50,701,521	0	50,701,521	0	50,701,521	0%
AMS	25,350,761	0	25,350,761	0	25,350,761	0%
Fisheries	2,535,076	0	2,535,076	0	2,535,076	0%
ECDE Inspection	25,350,761	0	25,350,761	0	25,350,761	0%
Water and irrigation	25,350,761	0	25,350,761	0	25,350,761	0%
Borehole drilling charges	50,701,521	0	50,701,521	0	50,701,521	0%
Total County Own Source Revenue	1,070,743,342	0	1,070,743,342	401,914,716	668,828,626	38%
Public health	19,964,004	0	19,964,004	20,431,829	-467,825	102%
Health fees	456,084,904	0	456,084,904	497,318,867	-41,233,963	109%
Donations /Grants Not		0				

County Government of Embu
 Annual Reports and Financial Statements
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Receipts	Original Targets	Adjustments	Final Targets	Actual On Comparable Basis	Budget Realization Difference	% of Realization
	A	B	C=(A+B)	D	E=(C-D)	F=D/C*100
Received Through CRF						
Total Other Receipts	476,048,908	0	476,048,908	517,750,696	41,701,788	109%
Total Receipts	1,546,792,250	00	1,546,792,250	919,665,412	627,126,838	59%

The County Receiver of revenue's financial statements were approved on 30th August 2025 and signed by:



Name: Erick Njeru Ireri
County Receiver of Revenue



Name: Paul Muriithi Njue
Head of Revenue Reporting
ICPAK M/No-3642

11. Notes to the Financial Statements

1. General Information

Receiver of Revenue was appointed by the CEC member of Finance of Embu County Government in accordance with section 157 of the PFM Act. The Entity's principal activity is revenue collection as outlined in the appointment letter and section 157 of the PFM Act.

2. Statement of Compliance and Basis of Preparation

Statement of compliance

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and;

The Transitional financial statements have taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as the entity has taken advantage of the transition provisions outlined in IPSAS 33.

a) Comparative figures for the previous year has not been included and will be reported from year two

The Financial statements were authorized for issue by the accounting officer on 29th August 2025

Basis of Preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period. These financial statements have been prepared on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognized when rights to assets are earned or levied rather than when cash is received, and expenses are recognized when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Entity. The accounting policies adopted have been consistently applied to all the years presented.

Reporting period

The reporting period for these financial statements is for the period ended 30th June, 2025.

Receiver of Revenue
 County Government of Embu
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Notes to the financial statements

3. Adoption of New and Revised Standards.

- i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*
- ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets,</p>

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Standard	Effective date and impact:
	implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public</p>

Receiver of Revenue
 County Government of Embu
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Standard	Effective date and impact:
	sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The entity did not early-adopt any new or amended standards in the financial year

4. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these revenue statements are set out below:

i) Revenue from non-exchange transactions

Fees, taxes, fines and charges

The Receiver of Revenue recognizes revenues from fees, taxes, fines and charges when the event occurs and the asset recognition criteria is met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

ii) Revenue from exchange transactions

Rendering of services

The Receiver of Revenue recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Notes to the financial statements

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

iii) Budget

The County Revenue budget is developed on cash basis. The budget has the same accounts classification basis, and for the same period as the financial statements. The County budget was approved as required by law. The original budget was approved by the County Assembly on Embu for the period 1st July 2024- to 30th June 2025. There was *one* number of supplementary budgets passed in the period. A high-level assessment of the County's actual performance against the comparable budget for the financial period under review has been included in these financial statements.

The *Entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cashflows has been presented under section xxx of these financial statements.

iv) 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 revenue collection accounts held at Commercial banks.

**Receiver of Revenue
County Government of Embu
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For the period ended 30th June, 2025**

Notes to the financial statements

v) Revenue in Arrears

Revenue in arrears relate to revenue earned and is yet to be received or collected by the receiver of revenue. These arrears are presented as receivables from exchange and non-exchange transactions in the statement of financial position. These receivables are assessed for impairment on a continuous basis. The details of these arrears are presented as an appendix to the financial statements under the statement of arrears as required under the PFM Act, 2012 Section 165 (2) (b).

vi) Disbursements to CRF

The Receiver of Revenue has an arrangement for transfer of funds from its bank account to the CRF account. Total disbursements to the CRF are as a result of the transfer arrangement during the period.

vii) Payables due to CRF

These relate to amounts yet to be disbursed to the County Revenue Fund at the end of the period. The amount also includes monies that are yet to be collected by the receiver of revenue at the end of the reporting period.

viii) Comparatives

In preparing these financial statements the entity has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an entity to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

ix) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30th, 2025.

5. **Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the *Entity's* financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Notes to the Financial Statements

1.Cess

Description	Period ended 30 th June 2025
Natural resources (Sand/murram/stones/farm produce/quarrying/livestock etc	69,346,435
Total	69,346,435

2.Land rates

Description	Period ended 30 th June 2025
Land rates	14,995,910
Total	14,995,910

3.Single /Business Permits

Description	Period ended 30 th June 2025
Business permit application fees	119,974,512
Total	119,974,512

4.Administration Control Fees and Charges

Description	Period ended 30 th June 2025
Weights and measures	1,023,940
Liquor licenses	42,954,101
Total	43,978,041

6. Other Fines, Penalties and Forfeitures

Description	Period ended 30 th June 2025
Impounding Fees	681,020
Total	681,020

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7. Veterinary and Slaughter Fees

Description	Period ended 30 th June 2025
Veterinary services	3,131,189
Slaughter fees	1,243,880
Total	4,375,069

8. Physical Planning and Development

Description	Period ended 30 th June 2025
Building plans approval	6,360,579
Total	6,360,579

9. Property Rent

Description	Period ended 30 th June 2025
County Housing	7,181,398.75
Transfer of Property (Sub-Division)	17,925,568
Stalls/kiosks rent	7,723,111
Total	32,830,077.75

10. Parking Fees

Description	Period ended 30 th June 2025
Street parking fees	19,249,565
Bus Park fees	30,082,551
Total	49,332,116

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11. Market Fees

Description	Period ended 30 th June 2025
Market entry fees	17,774,977
Others (<i>miraa market</i>)	3,971,478
Total	21,746,455

12. Advertising

Descriptions	Period ended Sep/Dec/March/June 20xx
Billboard advertising/Branding/Signage/Roadshows/Banners/Posters/Tent advertising/Street pole/Clock advertising etc	36,923,133
Total	36,923,133

13. Hospital Fees

Description	Period ended 30 th June 2025
Level 5 hospitals	391,836,643
Level 4 hospitals	45,974,681
Level 3 and Level 2 Hospitals	59,507,543
Public Health Fees	20,431,829
Total	517,750,696

14. Hire of County Assets

Description	Period ended 30 th June 2025
Hire of County Stadia youth Empowerment	658,050
Hire of County Halls (Gender)	326,000
Total	984,050

Notes to the Financial Statements

15. Miscellaneous Revenues

Description	Period ended 30 th June 2025
Others (Audit fees)	257,984
Coffee pulping	50,834
Cemetery	2,200
Miscellaneous	76,300
Total	387,318

16. Totals Accruals From FIF

Description	Period ended 30 th June 2025
NHIF pending Claims	82,491,261
Embu level 5 hospital -SHIF	79,342,391
Embu Level 5 Hospital -Corporate client	3,085,391
Runyenjes Level 4 Hospital	2,461,090
Ishiara Level 4 Hospital	6,212,899
Siakago Level 4 Hospital	1,314,238
Previous year arrears	412,573,540
Total Receivables from Exchange Transactions	587,480,810

17. Bank Charges

Description	Period ended 30 th June 2025
Bank Charges & commissions	670,190.20
Total	670,190.20

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18. Disbursements to CRF

Description	FY 2024-2025
	Kshs
Quarter 1	31,976,679
Quarter 2	34,104,379
Quarter 3	228,090,793
Quarter 4	148,187,200
Total	442,359,051

19. Disbursement to another County Fund

Description	FY-2024/ 2025
	Kshs
Quarter 1	68,363,778
Quarter 2	130,008,265
Quarter 3	105,296,482
Quarter 4	214,082,171
Total	517,750,696

20. Cash and Cash Equivalents

Name of Bank, Account No. & currency	Period ended June 2025	Statement 1st July 2025
	Kshs	Kshs
Embu county revenue collection a/c- 1141408435600	291,175	27
Ishara District Hospital a/c - 1141408211501	71,385	13,384,898
Runyenjes District Hospital a/c- 11414408462200	0.03	5,615,080
Runyenjes District Hospital a/c- 11414408462201	44,690	4,776,780
Mbeere District Hospital a/c - 1141569278801	52,131	7,711,702
Embu County Health Department	0	2,760
Kianjokoma Hospital-a/c - 1141408461601	26	1,426,374

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Kianjokoma Hospital-a/c - 1141408461600	286,179	681,990
Karurumo Rural Health a/c- 1125317558	662,795	1,096,235
Embu Level 5 Hospital a/c- 07500053389	179	8,667,956
Embu County Exchequer a/c- 1141517922	1,125,583	419,568
Embu County Collection a/c - 07500069839	223	
Embu Level 5 Operation a/c 075000052039	0	358,453
SCRPHO-Runyenjes	0	2.37
SCRPHO-Mbeere South	0	6.66
SCRPHO-Mbeere North	0	2.62
County Management Team	0	3,466
Embu Level 5 hospital	0	25.84
SCMOH -Mbeere South	0	(2.49)
Embu County Health Fund	0	12,225
Embu County Health Mgt Team	0	9
Other level 3 and 2	13,631,820	13,419,091
Embu level 5 Paybill-585770	354,356	84,921.00
Runyenjes Level 4 Paybill-587070	0	16.405.00
Ishiara Level 4 Paybill-587310	0	3,930.00
Mbeere Level 4 Paybill 586230	0	3,090.00
Embu County Government 814814	89,693	39,765.00
Total	16,610,235	57,724,760

21. . Ageing analysis for Receivables from exchange transactions

Description	Insert Current FY		Opening Statement 1 st July 2025	
	Current FY	% of the total	Opening Balance	% of the total
	Kshs		Kshs	
Less than 1 year	174,907,270	16%	0	%
Between 1- 2 years	0	%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (a+b)	174,907,270	16%	0	%

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22. Payables- Due to CRF and FIF

Payables	Period ended June 2025	Opening Statement 1st July 2025
	Kshs	Kshs
Amount collected yet to be disbursed to CRF	1,416,981	57,734,760
Arrears from previous years	412,513,540	412,513,540
Sub-total	413,990,521	470,248,300
Amount billed and collected for disbursement to FIF	15,193,254	0
Amount billed uncollected for disbursement to FIF	174,907,270	0
Sub-total	190,100,524	0
Total undisbursed funds to CRF & FIF	604,091,045	470,248,300

Appendices

12. Appendix 1: Statement of Arrears of Revenue As at 30th June 2025

Classification Of Receipts (Indicate As Applicable)	Balance as at The beginning of the current year (1 st July 2025) A	Arrears received during the Period. B	Additions in arrears for the current Period to Sep/Dec/Mar ch/June xx, 20xx C	Total arrears as at Sep/Dec/Mar ch/June 2025 D=A+(B)+C	Measures taken to recover the arrears	Assessment to the recoverabil ity of arrears
Cess	xxx	(xxx)	xxx	xxx	e.g., the Governor has waived interest and penalties	
Land rate	412,573,540			412,573,540		
Single/Business Permits						
Property Rent						
Parking Fees						
Market Fees						
Advertising						
Hospital Fees	0	(0)	174,907,270	174,907,270		
Public Health Service Fees						
Physical Planning and Development						
Hire of County Assets						
Conservancy Administration						

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Administration Control Fees and Charges						
Park Fees						
Other Fines, Penalties, And Forfeiture Fees						
Miscellaneous						
Total Arrears	<u>412,573,540</u>	<u>(0)</u>	174,907,270	<u>587,480,810</u>		



.....
 Name Erick Njeru Ireri
 County Receiver of Revenue
 (Ref: PFM ACT section 165, 2(a))



.....
 Name Paul Muriithi Njue
 Head of Revenue Reporting
 ICPAK M/No: 3642

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Appendix 2: Ageing Analysis of Revenue in Arrears

Description (indicate as applicable)	Less than 1 year	Between 1-2 years	Between 2-3 years	Over 3 years	Total
Cess			412,573,540		412,573,540
Land rate					
Single/business permits					
Property rent					
Parking fees					
Market fees					
Advertising					
Hospital fees	174,907,270				174,907,270
Public health service fees					
Physical planning and development					
Hire of County Assets					
Conservancy administration					
Administration control fees and charges					
Proceeds from sale of assets					
Park fees					
Other fines, penalties, and forfeiture fees					
Miscellaneous receipts					
Others (Specify)					
Total (agree to statement of arrears above)	174,907,270		412,573,540		<u>587,480,810</u>

Appendix 3: Implementation status on the prior year recommendations FY 2023-2024

1. Unsupported Land Rate

The statement of receipts and disbursements and as disclosed in Note 2 to the financial statements reflects an amount of Kshs.25,213,018 in respect of land rate. However, the amount was not supported with an 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, 2024. 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.25,213,018 could not be confirmed.

Management response

The county is in the process of enacting the new valuation roll and Embu County rating act through the department of land, housing, physical planning and urban development.

2. Unsupported Long Outstanding Revenue Arrears

Page 14 of the revenue statements reflects unnumbered ageing analysis of revenue arrears amounting to Kshs.412,573,540 in respect of land rates ageing over three (3) years. However, Management did not provide analysis of revenue arrears including invoicing and individual ledgers. In the circumstances, the accuracy and completeness of revenue arrears amounting to Kshs.412,573,540 could not be confirmed.

Management Response

The management extracted the outstanding arrears of Kshs. 412,573,540 as it appeared from the E-revenue system. Measures have been put in place through the Finance bill 2024 which allows the county to enforce for the payment of rates and arrears. This will also be made easy upon the approval of the valuation roll and rating Act.

3. 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.

Management Response

The management has noted the above outstanding issue; however, we note that the ECRA did not run independent financial transactions in FY 23/24 and as such, the financial statements relating to ECRA were consolidated in the executive financial statements. ECRA will prepare financial statements for the current FY 2024/25.

4. Outdated Revenue Management System

Management awarded a contract to a local service provider to supply, delivery, implementation, customization and commissioning of a revenue collection and management automation system for Embu County for a period of five (5) years. Review of the contract agreement revealed that the five (5) year contract period commenced on 6 April, 2018 and expired on 05 April, 2023 yet the system was still in use

by October, 2024 during the audit exercise, eighteen (18) months after the expiry of the contract. No evidence was provided to confirm that Management had been granted an extension of the contract. In the circumstances, the regularity of the contract could not be confirmed.

Management Response

The old system as we waited for the new revenue system which was to be procured by the county. As per last last financial year (2024/2025), the county procured the new system and is in use for revenue collection across the county; hence, the county is not using the old system.

5. 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 centers and whistle blower policy.

In the circumstances, 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. Further, the IT assets (POS) may be lost or stolen by employees due to lack of ICT policy.

Management Response

The risk management policy was developed during the financial year 2024/2025 and is in place. (PFM ACT section 165 subsection 4, 5)



**Sign and date
Accounting Officer.**