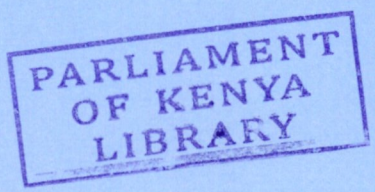
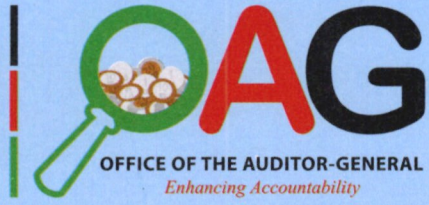


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

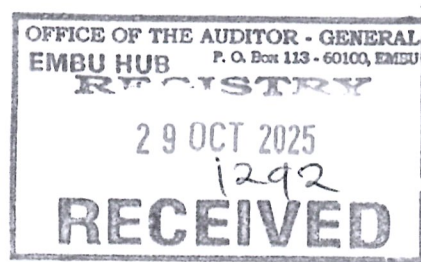
ON
Majority Leader

EMBU MUNICIPALITY

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF EMBU

DATE	19/11/2025
TABLED BY	Sen. Mutinda on behalf of Majority Leader
COMMITTEE	-
CLERK AT THE TABLE	Belinda



EMBU MUNICIPALITY
County Government of Embu

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025.

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

1. Acronyms and Definition of Key Terms	ii
2. Key Entity Information and Management	iii
3. Municipality Board	vi
5. Municipality Board Chairperson's Report.....	x
6. Report of the Municipality Manager	xii
7. Statement of Performance Against Predetermined Objectives for the FY 2024/2025.....	xiv
8. Corporate Governance Statement.....	xvi
9. Management Discussion and Analysis	xviii
10. Environmental and Sustainability Reporting.....	xxi
11. Environmental And Sustainability Reporting.....	xxiii
12. Report of the Municipality Board Members	xxv
13. Statement of Management's Responsibilities.....	xxvi
14. Report of the Independent Auditor of Embu Municipality.....	xxviii
15. Statement of Financial Performance for The Year Ended 30 th June 2025.....	1
0	1
16. Statement of Financial Position as at 30 th June 2025.....	2
17. Statement of Changes in Net Assets for the Year Ended 30 June 2025.....	4
18. Statement of Cash Flows for The Year Ended 30 June 2025.....	5
19. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2025.....	7
20. Notes to the Financial Statements	9
Appendices	4 5

1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

2 . Key Entity Information and Management

a) Background information

Embu Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 pursuant to Article 184 of the Constitution of Kenya 2010. This formed the criteria for classifying areas as urban areas and cities; establishing the principles of governance and management of urban areas and cities and provides for participation by residents in the governance of urban areas.

Embu Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 17th May 2019. The Municipality is under the County Government of Embu and is domiciled in Kenya.

b) Principal Activities

The principal activity Municipality is to develop and adopt policies, plans, strategies and programmes for provision of high quality services harness opportunities, and promote sustainable development in Embu Municipality.

c) Key Management

The *Municipality's* management is under the following key organs:

- County Department in charge of Cities/Municipalities
- Board of Management
- Accounting Officer/ Municipality Manager
- Management
- Others (*specify*)

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Municipality Manager	Catherine Nyaga
2	Chief officer Urban development	Hellen Wanja
3	Director Urban Planning	Jacob Gititi
4	Deputy Director Physical Planning	Nahashon Mucheru
5	Human Resource Officer	Lucy Ruguru
6	Municipal Accountant	Sammy M. Gakobo
7	Finance Officer	Dennis Munene
8	Internal Audit	Dorcas Githaiga

e) Fiduciary Oversight Arrangements

- i) Audit and Risk Management Committee
- ii) County Assembly committees
- iii) Committees of the Senate

f) Registered Offices

P.O. Box 36-60100
Ghansham Plaza
SL Patel Road
Embu, KENYA

g) Contacts

Municipal Manager
Municipality of Embu
PO BOX 60100 - EMBU
Phone number: +254710193197

Email: info@municipalityofembu.co.ke

h) Bankers

Commercial Banks

1. Equity Bank -Embu Municipality UDG account
2. Equity Bank -Embu Municipality UIG account
3. Equity Bank -Embu Municipality Deposit account



i) Independent Auditor




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




j) Principal Legal Adviser

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

3. Municipality Board



Serial No.	Name	Details of qualifications and experience
1	<p>Board Chairperson</p>  <p>Eustace Mbogo Age 63 years</p>	<p>Academic Qualifications:</p> <ol style="list-style-type: none"> 1. A Bachelor's Degree in Biblical Counseling & Psychology 2. A Diploma in Education Management 3. A Grade 6 Certificate from The Associated Board of the Royal Schools of Music, England <p>Work Experience:</p> <ol style="list-style-type: none"> 1. Head teacher, Rukira and Nembure Primary Schools 2. Deputy Head teacher, Gakinduriri Primary School 3. Senior Teacher, Kirigi Primary School 4. Assistant Teacher, Kiangima Primary School 5. KNUT Embu Branch Treasurer and National Advisory Council <p>Membership: Board Chair</p>
2	<p>Board Member</p>  <p>Michael Kathuri Age: 65yrs</p>	<p>Academic Qualifications:</p> <ol style="list-style-type: none"> 1. A Diploma in Public Health Inspection 2. A Diploma in Solid Waste <p>Experience</p> <ol style="list-style-type: none"> 1. Management Divisional Public Health Officer 10 years 2. District Public Health Officer for 20 years 3. Medical Officer of Health for 5 years <p>Membership -Association of Public Health Officers of Kenya (APHOK)</p>

<p>3</p>	<p>Board Member</p>  <p>Membership: Association-Business Community Welfare</p>	<p>Academic Qualifications:</p> <ol style="list-style-type: none"> 1. A Diploma in Business Management 2. Certified Public Accountant, Part 1, Part 2, Section 3 <p>Work Experience:</p> <ol style="list-style-type: none"> 1. Accountant – Mugambi & Company Tax & Accountancy (2000 – 2016) 2. Chief Accountant, Embu Hotels/Izaak Walton (1993 – 2000) <p>Membership: Association-Business Community Welfare</p>
<p>4</p>	<p>Board Member</p>  <p>Milliam Wawira Age: 47 yrs</p>	<p>Academic Qualifications:</p> <ol style="list-style-type: none"> 1. Holds a Bachelor of Education (Science) 2. Diploma in Science Education <p>Work Experience:</p> <ol style="list-style-type: none"> 1. High School Teacher for over 20 years 2. KUPPET Gender Secretary
	<p>Board Member</p>  <p>Doris Mwende Mugendi Age: 31</p>	<p>Academic Qualifications:</p> <ol style="list-style-type: none"> 1. Holds a Diploma in Business Management <p>Work Experience:</p> <ol style="list-style-type: none"> 1. Village Based Advisor, Farm Africa 2020-Date 2. Data Enumerator, Ministry of Agriculture 2023 3. Administrative Assistant, NARIGP 2021-2023 4. Front Officer Co-Coordinator, Upper Tana 2019-2022

6.	<p>Board Member</p>  <p>Dr. Elikana Kathie Nyagah Age: 65yrs</p>	<p>Academic Qualifications:</p> <ol style="list-style-type: none"> 1. A PhD Leadership, Management & Administration 2. Master's in Education 3. A Bachelors in Counselling <p>Work Experience:</p> <ol style="list-style-type: none"> 1. Deputy Chief Examiner 2. Director of Education-Field Services 3. Director at Kenya Literature Bureau
7.	<p>Board Member</p>  <p>Amina Mwendendi Kigundu Age: 36</p>	<p>Academic Qualifications:</p> <ol style="list-style-type: none"> 1. Diploma in Clinical and Community Nutrition <p>Work Experience: Nutritionist at Embu Level 5 Hospital for 5 years</p> <p>Membership: Association -Muslim Community of Githimu Trust</p>
7.	<p>Municipal Manager</p>  <p>Catherine Nyaga Age 49</p>	<p>Qualification:</p> <ol style="list-style-type: none"> 1. Business Administration (Masters) 2. Bed Mathematics & Economics (Degree) <p>Work Experience:</p> <ol style="list-style-type: none"> 1. Municipal Manager (5 Yrs) – Embu County 2. Principal Human Resource Officer – Embu County Gov't 3. Deputy Principal (4Yrs)

4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	Board Chairperson	<p>Academic Qualifications:</p> <ol style="list-style-type: none"> 1. Bachelor's Degree in Biblical Counseling & Psychology 2. Diploma in Education Management 3. Grade 6 Certificate from The Associated Board of

	 <p>Eustace Mbogo Age 63 yrs</p>	<p>the Royal Schools of Music, England</p> <p>Work Experience: Head teacher, Rukira and Nembure Primary Schools Deputy Head teacher, Gakinduriri Primary School Senior Teacher, Kirigi Primary School Assistant Teacher, Kiangima Primary School KNUT Embu Branch Treasurer and National Advisory Council</p> <p>Membership: Board Chair</p>
2.	Municipal Manager  <p>Catherine Nyaga Age-49 years</p>	<p>Qualification:</p> <ol style="list-style-type: none">1. Business Administration (Masters)2. Bed Mathematics & Economics (Degree) <p>Work Experience:</p> <ol style="list-style-type: none">1. Municipal Manager (5 Yrs) – Embu County2. Principal Human Resource Officer – Embu County Gov't3. Deputy Principal (4Yrs) – Secondary School.

5. Municipality Board Chairperson's Report

The board was appointed and gazetted on 12th February 2025 after the expiry of the term of the previous board. During the transition, the new board members was introduced to the various departments constituting the Municipality. The board also met the management staff of the Municipality and inquired the challenges facing the Municipality.

The Municipal manager also shared with the board members the achievements made by the Municipality which included key development projects undertaken in this financial year 2023/2024 include;

- Upgrading to bitumen standards of the first bus park, Embu- Runyenjes stage
- Upgrading of Embu- Runyenjes Bus park phase II with business stalls in Embu town
- Construction of market sheds for Embu traders' relocation site
- Construction and retaining wall and civil works for traders' relocation site
- Fascade in the Embu bus park

Induction of the newly recruitment board was done between 26th – 28th February 2025 in Nairobi and members were properly informed on their mandates. The members engaged the department's leadership in view of understanding what they ought to do in cases of overlapping functions. They cited revenue collection within the Municipality which was done by Embu County Revenue Authority. The CECM for Lands and Urban planning invited the idea to be discussed further by both the department and Municipality leadership in a view of preparing cabinet paper for the cabinet to pronounce itself on it.

The Municipality board was informed that the following functions had already been transferred to Municipality and the staff in those areas deployed to Municipality.

1. Waste Management
2. Physical Planning and Survey
3. Fire Services


The Municipal board requested for a forum with the County Assembly in order to lobby for budgetary allocation which is proportionate to the function stated in the Municipal Charter. This will

*County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025*

assist in future evaluation of Kenya Urban Support Program II which evaluates how far the Municipality is with transferring of functions as they are in the Municipal Charter.

Going through its functions, the board learnt that there were overlapping roles like collection of revenue where the County Government has another entity mandated to collect revenue by the name Embu County Revenue Authority. Since both entities are enacted by the same authority, there is need to understand the boundaries to avoid overreach and duplication of roles. The Municipality board resolved to engage the H.E Governor over the same and get advised.

The Municipality have set strong governance structures, policies and plans that will steer the Municipality to higher level of accountability to its residents and improved service delivery. The interventions will improve the business climate, attract private sector investments and promote inclusive growth in the County.



**Name: Eustace Mbogo
Chairperson of the Board**

6. Report of the Municipality Manager

Introduction

Municipality of Embu was established under Article 184 of the Constitution of Kenya 2010, Section 9 of Urban Areas and Cities Act, 2011. Embu town was granted a Municipality status through Municipality Charter on 12th October 2018 and gazettelement of Municipal Charter done on 10th December, 2018. Subsequently, Municipality of Embu Board was formed and members appointed in June, 2019.

Municipality of Embu plays a key role in the implementation of County priority programmes and projects in order to improve the quality of lives of its residents and making the County more competitive. The Municipal Board has committed to deliver its mandate as stipulated in the UACA 2011 and the Municipality Charter.

During the year, the Municipality received donation from Japanese Embassy to support traders by improving their trading environment. This was done through smart container project at Kawanjara market. This project has improved business environment for the traders and there is growth in their business which is witnessed by increase in the number of customers visiting the market. Our fire department received a big boost after the Municipality was given two fire engines in United Kingdom. The Municipality only bore the cost of shipping and logistics from United Kingdom to Embu.

Key development projects undertaken by the Municipality over the years include;

- Upgrading to bitumen standards of the first bus park, Embu- Runyenjes stage
- Upgrading of Embu- Runyenjes Buspark phase II with business stalls in Embu town
- Construction of market sheds for Embu traders' relocation site
- Construction and retaining wall and civil works for traders' relocation site
- Fascade in the Embu bus park
- Construction of Rudisho boundary wall
- Cabro paving of parking within Municipality
- Construction of smart containers in Kawanjara

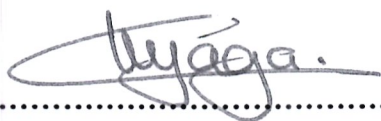
*County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025*

The infrastructure projects have had immense benefits to the residents of the Municipality and the residents appreciate the developments done and are very active in the public forums. There is general public feeling that the County Government of Embu ought to increase funding to the Municipality in order to address their needs within the Municipality.

During the year the Municipality acquired two (2) fire engines to support the existing ones to improve response time in case of multiple fires. The residents have at times complained when they need the service of fire engine and the same has gone to support/serve within the County. The new fire engines will be used to support the County relieving pressure to the two serving in the Municipality.

Kenya Urban Support Programme phase II was to disburse funds earlier in the financial year, however, the funds were released 2 weeks to the close of financial year delaying most of the programmes. Delay in disbursement has affected service delivery since the Municipality rely on funds from County Treasury and donors whom at times get funds late.

Revenue collection within the Municipality has remained a function performed by Embu County Revenue Authority an entity of the County. This has been in contravention to the Municipal charter and was asked by the Senate in the previous appearance. Embu County Revenue Authority is the entity mandated to collect all the revenues within the County. Municipality board has initiated discussion within the County Government for a resolution to be taken.



.....
Name: Catherine Nyaga
Municipality Manager

7. Statement of Performance Against Predetermined Objectives for the FY 2024/2025

Guidance

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a County Government entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board including a statement of the county government entity's performance against predetermined objectives.

[Refer to the City/Municipality's annual budget and program plan report on the extent of the City/Municipality's progress in attaining the plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the Municipality in implementation of its program plan. Refer to the strategic plan if the entity has one.] (This guidance statement should be removed in the final set of financial statements).

The key development objectives of the XXX Municipality (state the period of the strategic document/plan) plan are to:

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration
- d) xxx

(Progress on the attainment of Strategic development objectives (Adopted from XX City/Municipality- Customize as per specific City/Municipality),

County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

Below we provide the progress on attaining the stated objectives:

(NB: Entities can prepare this performance information as per the table below or in a more relevant format suitable for the nature of its activities)

Program	Objective	Outcome	Indicator	Performance
Urban planning	To control urban development	To create orderly development in urban areas	Number of developments conforming with rules and regulations governing urban development	In FY under review we increased Housing unit by xx%.
Program 2	-	-	-	-

8. Corporate Governance Statement

The Embu Municipal board was appointed after the expiry of the previous board's term in December 2024. The Embu County Public Service Board advertised the positions of board members and invited the interested persons to apply for the positions of membership. Applications were received and shortlisted applicants interviewed. Successful candidates were appointed by Her excellency the Governor and sent to the County Assembly for vetting. All the appointees were cleared by the County Assembly and they were gazetted on 12th February 2025. After the gazettelement, they were sworn in and inducted in from 23rd to 25th February 2025.

The Board of the Municipality shall perform the following functions:

- (a) Oversee the affairs of the Municipality;
- (b) Develop or adopt policies, plans, strategies and programmes and set targets for service delivery;
- (c) Formulate and implement an integrated development plan;
- (d) Control land use, land sub-division, land development, and zoning by public and private sectors for any purpose, including industry, commerce, markets, shopping and other employment centres, residential areas, recreational areas, parks, entertainment, passenger transport, agriculture, and freight and transit stations within the framework of the spatial and master plans for the Municipality as delegated by the County Government of Embu;
- (e) Promoting and undertaking infrastructural development and services within Municipality as delegated by the County Government of Embu;
- (f) Developing and managing schemes, including site development in collaboration with the relevant national and county agencies
- (g) Maintaining a comprehensive database and information system of the administration;
- (h) Administering and regulating its internal affairs;
- (i) Implementing applicable national and county legislation;
- (j) Entering into contracts, partnerships or joint ventures as it may consider necessary or the discharge of its functions;
- (k) Monitoring and, where appropriate, regulating municipal services where those services are provided by service providers other than the Board of the Municipality;
- (l) Preparing and submitting its annual budget estimates to the County Treasury for consideration and submission to the County Assembly for approval as part of the annual County Appropriation Bill;
- (m) Collecting rates, taxes levies, duties, fees and surcharges on fees as delegated by the County Government of Embu;
- (n) Settling and implementing tariff, rates and tax and debt collection policies as delegated by the County Government of Embu;
- (o) Monitoring the impact and effectiveness of any services, policies, programs or plans;
- (p) Establishing, implementing and monitoring performance management systems;
- (q) Promoting a safe and healthy environment;
- (r) Facilitating and regulating public transport; and
- (s) Performing such other functions as delegated by the County Government of Embu or as may be provided by any other written law.

The Municipal board of Embu has established four committees which must include; -

- (a) Finance and Administration
- (b) Technical Committee
- (c) Audit, monitoring and evaluation Committee

(d) Gender Committee

These Committees meet quarterly and at the end of their findings form agenda for the full board meeting for the Municipality where decisions on the operations and management of the Municipality. During the year, the Municipality board held 4 meetings, one by the previous board and three by the current board. The attendance to the board meetings was very encouraging as all the meetings had 100% attendance.

The succession plan of the Municipal board has had challenges of the term of all the board members commencing and ending the time. This has forced the board to rely on the induction, Municipal manager and previous board's minutes to have a view of the previous board's operations. However, the new board has benefited from the Municipal staff who have remained the same over the period.

- i. Succession plan*
- ii. Policy to manage conflict of interest.*
- iii. Board remuneration*
- iv. Ethics and Conduct*
- v. Governance audit*
- vi. Communication policy*
- vii. Terms of Reference of Committees*
- viii. Policy on related party transactions*

9. Management Discussion and Analysis

The operations of the Embu Municipality have been outlined in these financial statements for the year ended 30th June 2025. The Municipality was able to undertake a project on Upgrading of Runyenjes – Meru Stage in Embu Municipality. Other notable achievements over the years include development of various Municipality documents and plans. These are Municipality Charter, Strategic Plan, Integrated Development Plan, Annual Investment Plans, Screening, Pre-feasibility and Feasibility Studies for KUSP projects, County Urban Integrated Development Strategy and Gazette Notice of Municipality functions.

Embu Municipality has complied to all the statutory requirements and fully constituted Municipality Board has been instrumental in achievement of this goal. The improved urban infrastructure has enabled residents to engage in diverse activities in safe and conducive spaces in what were hitherto quiet, uncompetitive areas. The interventions have improved the business climate, attracted private sector investments and promoted inclusive growth.

FINANCIAL PERFORMANCE

STATUS OF PROJECTS IMPLEMENTED SINCE 2018

PROGRAMME	ACTIVITY	FY	OUTCOME	BUDGET	STATUS
Construction of parking spaces and non-motorised transport	Parking Lots within Embu CBD	2018/19	Improved parking lots and revenue collection	500000	100%
Improvement of urban infrastructure	Tarmacking of kangaru-kairuri road and KSG-Kamiu road	2018/19	Opened access road Improved roads	60,000,000	100%

County Government of Embu

Embu Municipality

Annual Report and Financial Statements for the year ended June 30, 2025

Upgrading of Roads	Tarmacking Roads (Rundisho- Mutunduri- Ngugi wa Iria road)	2019/20	Improved urban transport	69,892,100	100%
Improving parking spaces and non-motorized transport	Pavements and Parking spaces (Embu town)	2019/20	Improved parking spaces and Non-motorized transport	50,000,000	100%
Upgrading of bus park	Upgrading To bitumen Standards of First Bus Parks Embu-Runyenjes Stage	2022/23	Improved bus park Improved revenue collection	44,000,000	100%
Maintenance of roads	Maintenance of various KUSP Roads	2022/23	Sustained projects	2,597,856	100%
Promoting public sanitation	Maintenance of Public Toilets	2022/23	Improved public sanitation	1,000,000	100%
Urban Institutional and Development Grants Unspent Funds Expenses	Urban Institutional and Development Grants Unspent Funds Expenses	2022/23	Balanced UIG and UDG accounts	1,414,834	100%

County Government of Embu

Embu Municipality

Annual Report and Financial Statements for the year ended June 30, 2025

Upgrading of markets	Construction of Smart container	2024/25	Improved revenue collection	2,699,251	100%

10. Environmental and Sustainability Reporting

Embu Municipality ever endeavours to transform lives. It is its cardinal responsibility to the community. This is our purpose; the driving force behind everything we do. It is what propels us to deliver on our development plan(s); putting the customers / citizen first, delivering relevant goods and services, and improving operational excellence to ensure the County's sustainability.

1. Sustainability strategy and profile

Sustainability has three main pillars which the County Government strive to achieve. These are economic pillar, environmental pillar and social welfare. In other words what is popularly referred to as people, plant and profits.

The Executive officials ensure that economic and political matters do not affect sustainable priorities. They provide the best practices that are followed and identify critical failures and achievements.

2. Environment performance

The department of land has the management policies relating to water and sewerage services and wastewater treatment and disposal. Environment, Solid Waste Management, issuance of Noise License and Demolition permits, Licenses for refuse transportation, Environmental protection, and awareness campaigns, and to county forestry and other natural resources.

It is further mandated to undertake conservation, control, and protection of water catchment areas, water quality and pollution control, flood control and land reclamation, restoration of wetlands, preservation and protection and provision of county forestry services, safety and regulation of marine ecosystems, meteorological services and training, county environment management, restoration of strategic county water towers and coordination of climate change enabling activities. In summary, environmental conservation, investments in renewable energies, saving water and supporting sustainable mobility contribute to achieving this environmental sustainability on several fronts.

3. Employee welfare

The county government of Embu public service board has the mandate of hiring of County employees. They follow the hiring policy in that they ensure the gender rule and regional balance. They also uphold integrity throughout the hiring process. They select the best employee's matching the skills needed for a specific job. They motivate employees through career progression, training and workshops.

4. Market place practices

The county ensures that there is fair competition in the market. All investors are allowed in the market freely, provided they pay tax, and adhere to rules. There is no corruption in the market, and there is no political involvement.

The county ensures that tenders are advertised to all, and there are no inner interests whatsoever. When goods are supplied, they guarantee they pay in time to provide good customer interrelations.

There are free-market advertisements, and it's fair. Customer rights and privileges are observed. When customers complain, their issues are looked into and solved in good time.

5. Community engagements

The community is involved in decision making. The public get platforms to give their views like during public participation as enshrined in the Constitution. The county government ensures that everyone has an opportunity. The youth are motivated to engage in sports to nurture their talents. They also engage in youth groups.

They promote health by ensuring all hospital facilities are available and increasing the number of health centres. They also provide clean water and sensitize the public on importance of maintain a clean environment through a conducive and reliable waste management system.

As a responsible organization, Embu County respect the interests of our stakeholders – customers, suppliers and the wider community and we actively seek opportunities both to improve the environment and to contribute to the well-being of the residents.

During the financial year 2023/2024, Embu County carried out its corporate social responsibility activities which included collaborating with the citizens in tree planting exercises in primary schools, along our streets, roads and river banks in Embu County Residents were also encouraged to participate in cleaning exercise, unclogging our drainage systems to prevent flooding and disease outbreak.

11. Environmental And Sustainability Reporting

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12. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Municipality affairs.

Principal activities

The principal activity Municipality is to develop and adopt policies, plans, strategies and programmes for provision of high-quality services harness opportunities, and promote sustainable development in Embu Municipality.

Performance

The performance of the Municipality for the year ended June 30, 2025 are set out on page 1 to 7.


Board Members

The members of the Board who served during the year are shown on page vii and ix. The changes in the Board during the financial year are as shown below:

Auditors

The Auditor General is responsible for the statutory audit of the Municipality in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....
Name: CATHERINE NYAGA .

Secretary of the Board

13. Statement of Management's Responsibilities

Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the Municipality established by Urban Areas and Cities Act No. 13 of 2011 shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality, (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 Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2025, and the financial position as at that date.


The Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control.

County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*). Nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

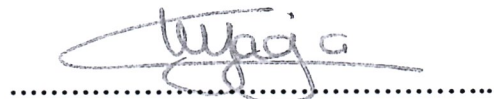
Approval of the financial statements

The Municipal financial statements were approved by the Board on 25th August 2025 and signed on its behalf by:



.....

Name: Eustace Mbogo
Chairperson of the Board



.....

Name: Catherine Nyaga
Accounting officer of the Board

REPUBLIC OF KENYA

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



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EMBU MUNICIPALITY 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 Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in 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.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial 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 aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Embu Municipality - County Government of Embu set out on pages 1 to 46, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance,

Report of the Auditor-General on Embu Municipality for the year ended 30 June, 2025 – County Government of Embu

statement of changes in net assets, 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, the financial statements present fairly, in all material respects, the financial position of Embu Municipality as at 30 June, 2025, and of its financial performance and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Embu Municipality 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 opinion.

Emphasis of Matter

Failure to Implement Programs Under ADP 2024-2025

Review of the operations of the Municipality revealed that the set five (5) objectives under the Annual Development Plan (ADP) totalling Kshs.136,000,000 were not achieved. Furthermore, Management did not provide any justification for the non-implementation of the planned programs.

In the circumstances, failure to Implement the projects in the Annual Development Plan negatively affected the public.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

Management is responsible for the Other Information set out on page iii to xxvii which comprise of Municipality's Information and Overall Performance, Statement of Performance Against Municipality's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Municipality's Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Municipality's 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 financial 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 USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter 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

Non-Collection of Own Source Revenue by the Municipality

The statement of financial performance reflects transfers from the County Government totalling Kshs.42,280,886 as disclosed in Note 6 to the financial statement. Audit review established that Embu Municipality did not collect own source revenue to sustain its operations during the year. The Municipality relied only on Donor and County Government funding for its operations. This is contrary to Section 9. (3) (c) and (d) of Urban Areas and Cities Act, 2011 and Section 172 of the Public Finance Management Act, 2012.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The Standards requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with 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 the Municipality Board

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

In preparing the financial statements, Management is responsible for assessing the Municipality '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 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Municipality Board is responsible for overseeing the Municipality '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 financial 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 financial 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 financial 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 financial 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

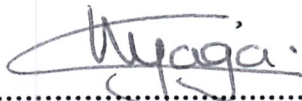
07 November, 2025

County Government of Embu
 Embu Municipality
 Annual Report and Financial Statements for the year ended June 30, 2025

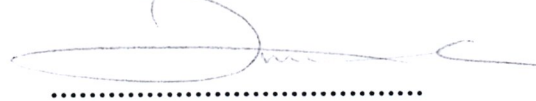
15. Statement of Financial Performance for The Year Ended 30th June 2025.

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	42,280,886	34,200,000
Public contributions and donations	7	2,700,000	500,000
Levies Fines and Penalties	8	0	0
Other revenues (<i>Specify</i>)	9	0	0
		44,980,886	34,700,000
Revenue from exchange transactions			
Interest income	10	0	0
Miscellaneous Income	11	0	0
		0	0
Total revenue		44,980,886	34,700,000
Expenditure			
Use of goods and services	12	13,872,280	123,122,558
Staff costs	13	0	0
Board expenses	14	3,550,300	2,154,500
Finance costs	15	0	15,445
Depreciation and amortization	16	0	0
Repairs and maintenance	17	150,000	0
Total expenses		17,572,580	125,292,503
Other gains/losses			
Gain/loss on disposal of assets	18	0	0
Surplus/(deficit) for the period		27,408,306	(90,592,503)

The notes set out on pages 1 to 7 form an integral part of these Financial Statements. The entity's financial statements were approved on 25th August 2025 and signed by:



Name: Catherine Nyaga
 Municipality Manager



Name: Sammy M. Gakobo
 Head of Finance
 ICPAK M/No 8734

*County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025*

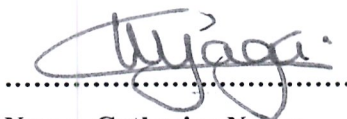
16. Statement of Financial Position as at 30th June 2025.

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	19	3,911,303	6,672,759
Receivables from exchange transactions	20	0	0
Receivables from non-exchange transactions	21	0	0
Prepayments	22	0	0
Inventories	23	0	0
Total current assets		3,911,303	6,672,759
Non-current assets			
Property, plant, and equipment	24	24,700,105	0
Intangible assets	25	0	0
Biological Assets	26	0	0
Total Non-current Assets		24,700,105	0
Total assets (A)		28,611,408	6,672,759
Liabilities			
Current liabilities			
Trade and other payables	27	269,925	0
Refundable deposits from customers	28	0	5,739,582
Provisions	29	0	0
Borrowings	30	0	0
Employee benefit obligations	31	0	0
Deferred Income	32	0	0
Social Benefits	33	0	0
Total current liabilities		269,925	5,739,582
Non-current liabilities			
Provisions	29	0	0
Borrowings	30	0	0
Non-current employee benefit obligation	31	0	0
Deferred Income	32	0	0
Social Benefits	33	0	0
Total liabilities (B)		269,925	5,739,582

County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Net Assets (A-B)		28,341,483	933,177
Represented by:			
Capital/Development Grants/Fund		91,525,680	91,525,680.22
Reserves		0	0
Accumulated surplus		(63,184,197)	(90,592,503)
Net Assets/Equity		28,341,483	933,177

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25th August 2025 and signed by:



Name: Catherine Nyaga
Municipality Manager
Date: 20/07/2025



Name: Sammy M. Gakobo
Head of Finance
ICPAK M/No 8734
Date: 20/07/2025

County Government of Embu
 Embu Municipality
 Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement of Changes in Net Assets for the Year Ended 30 June 2025.

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated Surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2023	91,525,680	-	-	91,525,680
Surplus/(deficit) for the year		-	(90,592,503)	90,592,503
Funds received during the year-Capital	-	-	-	-
Bal as at 30 Jun 2024	91,525,680	-	(90,592,503)	933,177
Bal as at 1 July 2024	91,525,680	0	(90,592,503)	933,177
Surplus/(deficit) for the year		-	27,408,306	27,408,306
Funds received during the year		-	-	
Revaluation gain/loss	-	0	-	0
Balance as at 30 June 2025	91,525,680	0	(63,184,197)	28,341,483

(Provide details on the nature and purpose of reserves)

Embu Municipality

County Government of Embu

Annual Report and Financial Statements for the year ended June 30, 2025.

18. Statement of Cash Flows for The Year Ended 30 June 2025.

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		42,280,886	34,200,000
Public contributions and donations		2,700,000	500,000
Interest received		0	0
Miscellaneous receipts (<i>Specify</i>)		0	0
Total Receipts		44,980,886	34,700,000
Payments			
Use of goods and services		13,872,280.50	123,122,558
Staff costs		0	0
Board expenses		3,550,300	2,154,500
Finance costs		0	15,445
Repairs		150,000	0
Total Payments		17,572,580	125,292,503
Net cash flows from operating activities	34	27,408,306	(90,592,503)
Cash flows from investing activities			
Purchase of PPE & intangible assets		(24,700,105)	(0)
Proceeds from sale of PPE		0	0
Net cash flows used in investing activities		(24,700,105)	(0)
Cash flows from financing activities			
Receipts from Capital grants		0	0
Refundable deposits-Retention		(5,469,657)	5,739,582
Repayment of borrowings		(0)	(0)
Net cash flows used in financing activities		(5,469,657)	5,739,582
Net increase/(decrease) in cash & cash equivalents		(2,761,456)	(84,852,921)
Cash And Cash Equivalents At 1 July	19	6,672,759	91,525,680
Cash And Cash Equivalents At 30 June	19	3,911,303	6,672,759

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

Comparative FY refers to the financial year preceding the current year.

County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

Embu Municipality
County Government of Embu
Annual Report and Financial Statements for the year ended June 30, 2025.

19. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2025.

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	D	e=(c-d)	f=d/c
Budget carryovers from the previous year*	-					
Receipts						
Transfers from the County Government	42,280,886	-	42,280,886	42,280,886		100%
Public contributions and donations	2,700,000	-	2,700,000	2,700,000		100%
Interest income	0	-	0	0		%
Miscellaneous income (<i>specify</i>)	0	-	0	0		%
Total Receipts	44,980,886		44,980,886	44,980,886		%
Payments						
Use of goods and services	41,230,886	-	41,230,886	13,872,280		100%
Board expenses	3,600,000	-	3,600,000	3,550,300		%
Staff Costs	0	-	0	0		%
Repairs	150,000	-	150,000	150,000		
Finance costs	0		0	0		%
Total expenditure Payments	44,980,886		44,980,886	17,572,580		%
Capital Expenditure Payments	25,000,000	-	25,000,000	24,700,105		
Surplus for the period	-		-	27,408,306		

(Budget carryovers This is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the CRF. The funds need to be budgeted afresh. Budget carryovers should not include third-party funds such as contractors' retention.)*

County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

(Entities can present the Statement of Comparison of Budget & Actual amounts in a different format/categorization as approved by the governing body.)

Budget notes

[Provide an explanation of differences between actual and budgeted amounts (any over-utilisation and underutilisation of below 90%)]
(Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes.)

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	A
1	Reason for differences	xx
2	Reason for differences	xx
3	Reason for differences	xx
4	Reason for differences	xx
	Closing Cash and Cash Equivalent as per the statement of Cash flows	xxx

20. Notes to the Financial Statements

1. General Information

Embu Municipality is established by and derives its authority and accountability from Urban Area and Cities Act. The Municipality is under the Embu County Government and is domiciled in Kenya. The principal activity Municipality is to develop and adopt policies, plans, strategies and programmes for provision of high-quality services harness opportunities, and promote sustainable development in Embu Municipality.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Application of New and revised standards (IPSAS)

(When an IPSAS becomes effective on 1st January 20xx, it is applicable in Kenya from 1st July 20xx)

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

- 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: Leases	<i>Applicable 1st January 2025</i> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, 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: 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. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> 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, 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.

	<i>State the expected impact of the standard to the Entity if relevant</i>
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> <ol 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> <p><i>State the expected impact of the standard to the Entity if relevant</i></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> <p><i>State the expected impact of the standard to the Entity if relevant</i></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 sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
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> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 50: Exploration For & Evaluation of Mineral	<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> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for

*County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025.*

Resources	<p>exploration and evaluation expenditures.</p> <p>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.</p> <p>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.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
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iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

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 for each period.

b) Budget information

The original budget for FY 2024/2025 was approved by the County Assembly on 18th July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget.

The Municipality'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. 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.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Municipality recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e) Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if

it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where

the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through a surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

Raw materials: purchase cost using the weighted average cost method

Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current

replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Municipality.

h) Provisions

Provisions are recognized when the Municipality has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Municipality expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and/or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the needs of society as a whole. The entity recognises a social benefit as an expense for the social benefits scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

j) Contingent liabilities

The Municipality does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

k) Contingent assets

The Municipality 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 Municipality 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

l) Nature and purpose of reserves

The Municipality creates and maintains reserves in terms of specific requirements.
Municipality to state the reserves maintained and appropriate policies adopted

m) Changes in accounting policies and estimates

The Municipality recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

n) Employee benefits – Retirement benefit plans

The Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the Municipality does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefits are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

o) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Related parties

The Municipality regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the Municipality Managers and Municipality Accountant.

r) 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 various commercial banks at the end of the financial year.

s) Comparative figures

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

t) Events after the reporting period

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

- (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) Those that are indicative of conditions that arose after the reporting date (*non-adjusting events after the reporting date*).

The Municipality should indicate whether there are material adjusting and non- adjusting events after the reporting period.

u) Currency

The financial statements are presented in Kenya Shillings (Kshs.) and the values rounded off to the nearest shilling.

5. Significant judgments and sources of estimation uncertainty

The preparation of the Municipality'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.

State all judgements, estimates and assumptions made.

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 year, are described below. The Municipality based its assumptions and estimates on parameters available when the consolidated 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 Municipality. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i) The condition of the asset based on the assessment of experts employed by the Municipality.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funds to replace the asset.
- v) Changes in the market in relation to the asset.

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	42,280,886	34,200,000
Payments by County on behalf of the entity	0	0
Unconditional development grants	0	0
Total	42,280,886	34,200,000

(Provide brief explanation for this revenue)

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	Insert Comparative FY
			Kshs	Kshs	Kshs
xx State Department	-	-	-	-	-
XX Ministry	-	-	-	-	-
	-	-	-	-	-
Total	-	-	-	-	-

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the sending County office. An acknowledgement note/receipt should be raised in favour of the sending County office.) *Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6

The details of the reconciliation have been included under appendix xxx

7. Public Contributions and Donations

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Donation from development partners	2,700,000	500,000
Contributions from the public	0	0
Total	2,700,000	500,000

County Government of Embu
 Embu Municipality
 Annual Report and Financial Statements for the year ended June 30, 2025.

8. Levies, Fines and penalties

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Levies	0	0
Fines	0	0
Penalties	0	0
Others (<i>indicate and specify</i>)	0	0
Total	0	0

9. Other Revenues

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from other government entities	0	0
Others (<i>indicate and specify</i>)	0	0
Total	0	0

(Provide a brief explanation for this revenue)

10. Interest income

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Interest income from investments	0	0
Interest income on bank deposits	0	0
Others (<i>Specify</i>)	0	0
Total interest income	0	0

(Provide brief explanation for this revenue)

11. Miscellaneous income

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Income from sale of tender documents	0	0
Others (<i>specify</i>)	0	0
Total other income	0	0

12. Use of Goods and Services

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	23,776	7,102
Communication, supplies and services	0	104,600
Domestic travel and subsistence	10,289,686	10,017,700
Foreign travel and subsistence	0	0
Printing, advertising, supplies & services	353,120	500,425
Rent and rates	600,000	2,375,200
Training expenses	0	1,474,800
Hospitality supplies and services	710,000	631,000
Insurance costs	118,000	0
Website development	0	1,000,000
Office and general supplies and services	0	0
Fuel, oil and lubricants	0	0
Other operating expenses- Feasibility	0	359,600
Routine maintenance – other assets	0	87,160,881
Development of policies- IDEP	1,756,000	19,491,250
Development projects	0	0
Bank Charges	21,697.50	0
Release of retention	0	0
Total	13,872,280	123,122,558

*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

13. Staff costs

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Salaries and wages	0	0
Staff gratuity	0	0
Social security contribution	0	0
Other staff costs (<i>Specify</i>)	0	0
Total	0	0

14. Board expenses

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	2,450,300	1,154,500
Sitting allowances	0	0
Medical Insurance	0	0
Induction and Training	1,100,000	1,000,000
Travel and accommodation	0	0
Conference Costs	0	0
Other allowances (<i>Specify</i>)	0	0
Total	3,550,300	2,154,500

15. Finance costs

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Bank charges	0	15,445
Interest on loans from banks	0	0
Total	0	0

16. Depreciation and amortization

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	0	0

County Government of Embu

Embu Municipality

Annual Report and Financial Statements for the year ended June 30, 2025.

17. Repairs and Maintenance

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Property- Buildings	150,000	0
Office equipment	0	0
Furniture and fittings	0	0
Motor vehicle expenses	0	0
Maintenance of civil works	0	0
Total repairs and maintenance	150,000	0

18. Gain/(loss) on disposal of assets

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

19. Cash and cash equivalents

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Development account	1,426,512	0
On – call deposits	272,715	5,739,582
Current account	2,212,076	933,177
Others(<i>specify</i>)	0	0
Total cash and cash equivalents	3,911,303	6,672,759

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

County Government of Embu

Embu Municipality

Annual Report and Financial Statements for the year ended June 30, 2025.

Detailed analysis of the cash and cash equivalents are as follows:

Financial institution	Account number	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
a) Fixed deposits account			
Kenya Commercial bank		0	0
Equity Bank, etc		0	0
Sub- total		0	0
b) On - call deposits			
Kenya Commercial bank		0	0
Equity Bank - etc		0	0
Sub- total		0	0
c) Current account			
Equity Bank- Devpt	0190285491212	1,426,512	0
Equity Bank - Retention	0190290978574	272,715	5,739,582
Equity Bank -Operations	0190285491199	2,212,076	933,177
Sub- total		3,911,303	6,672,759
d) Others(specify)		0	0
Cash in transit		0	0
Cash in hand		0	0
Mobile Money		0	0
Sub- total		0	0
Grand total		3,911,303	6,672,759

20. Receivables from exchange transactions

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Current Receivables		
Service, water and electricity debtors	0	0
Other exchange debtors	0	0
Less: impairment allowance	(0)	(0)
Total Current receivables (a)	0	0
Non-Current receivables		
Service, water and electricity debtors	0	0
Other exchange debtors	0	0
Less: impairment allowance	(0)	(0)
Total non-current receivables (b)	0	0
Total	0	0

Ageing analysis for Receivables from exchange transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	0	%	0	%
Between 1- 2 years	0	%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (a+b)	0	%	0	%

21. Receivables from Non-Exchange transaction

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfer from County Executive	0	0
Transfer from XXXX Fund	0	0
Total	0	0

Ageing analysis for Receivables from non-exchange transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	0	%	0	%
Between 1- 2 years	0	%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	0	%	0	%

22. Prepayments

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Insurance	0	0
Rent	0	0
Water	0	0
Internet	0	0
Other (<i>specify</i>)	0	0
Total	0	0

23. Inventories

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Consumable stores	0	0
Medical supplies	0	0
Spare parts and meters	0	0
Water for distribution	0	0
Other goods held for resale	0	0
Catering	0	0
Less: allowance for impairment	0	0
Total inventories at the lower of cost and net realizable value	0	0

(Provide brief explanation on inventories)

Detailed Disclosure on Inventories

	FY 2024/2025	FY 2023/2024
Opening balance	0	0
Additional Inventory in the year	0	0
Inventory expensed in the year	0	0
Write-downs in the year	0	0
Others specify	0	0
Closing balance	0	0

County Government of Embu
 Embu Municipality
 Annual Report and Financial Statements for the year ended June 30, 2025.

24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Comp uters	Other Assets (Container)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		X%	X%	X%	X%	X%		
As at 1 July 2023 (previous year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
As at 30th June 2024	-	-	-	-	-	-	-	-
Additions for the year	-	-	22,000,854	-	-	2,699,251	-	24,700,105
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
As at 30th June 2025 (current year)	-	-	-	-	-	-	-	-
Depreciation and impairment								
At 1 July 2024 (previous year)		-	-	-	-	-	-	-
Depreciation		-	-	-	-	-	-	-
Impairment ⁹⁹		-	-	-	-	-	-	-

*County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025.*

Description	Land	Building	Motor vehicles	Furniture and fittings	Comp uters	Other Assets (Container)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		X%	X%	X%	X%	X%		
Transfers/ Adjustments		-	-	-	-	-	-	-
As at 30 June 2024		-	-	-	-	-	-	-
Depreciation for the year		-	-	-	-	-	-	-
Disposals for the year		-	-	-	-	-	-	-
Impairment for the year		-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-
As at 30th June 2025 (current year)		-	-	-	-	-	-	-
NBV as at 30 th Jun 2024 (previous year)	-	-	-	-	-	-	-	-
NBV as at 30th Jun 2025 (current year)	-	-	22,000,854	-	-	2,699,251	-	24,700,105

(Include a brief description of WIP as a footer.)

25. Intangible assets

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Cost		
At beginning of the year	0	0
Additions	0	0
At end of the year	0	0
Amortization and impairment		
At beginning of the year	0	0
Amortization	0	0
At end of the year	0	0
Impairment loss	0	0
At end of the year	0	0
NBV	0	0

26. Biological Assets

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Trees in a plantation forest	0	0
Animals: Dairy Cattle, Pigs, Sheep	0	0
Others specify	0	0
Total	0	0

27. Trade and Other Payables

Description	FY 2024/2025		FY 2023/2024	
	Kshs.		Kshs.	
Trade payables	0		0	
Retentions	269,925		0	
Accrued expenses	0		0	
Other payables (<i>Specify</i>)	0		0	
Total trade and other payables	269,925		0	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	269,925	%	0	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	269,925	%	0	%

28. Refundable deposits and prepayments from customers

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Rent deposits	0		0	
Prepayments	0		0	
Others- Retention Withheld	0		5,739,582	
Total	0		5,739,582	
Ageing analysis:	Current FY	% of the Total	FY 2023/2024	% of the Total
Under one year	0	%	5,739,582	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	0	%	5,739,582	%

29. Provisions

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Balance at the beginning of the year	0	0
Additional Provisions (<i>Specify</i>)	0	0
Provision utilised	(0)	(0)
Balance at the end of the year	0	0
Current Portion of provision	0	0
Long term portion of provision	0	0
Total Provisions	0	0

30. Borrowings

The table below shows the classification of borrowings long-term and current borrowings:

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Short term borrowings (current portion)	0	0
Long term borrowings	0	0
Total	0	0

(NB: the total of this statement should tie to note 29 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security, and interest rates should be disclosed)

County Government of Embu

Embu Municipality

Annual Report and Financial Statements for the year ended June 30, 2025.

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Balance at beginning of the period	0	0
Borrowings during the year	0	0
Repayments of borrowings during the period	(0)	(0)
Balance at end of the period	0	0

The table below shows the Distribution of borrowings:

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Borrowings		
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Borrowings from other government institutions	0	0
Total balance at end of the year	0	0

31. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Current benefit obligation	0	0	0	0
Non-current benefit obligation	0	0	0	0
Total	0	0	0	0

County Government of Embu
 Embu Municipality
 Annual Report and Financial Statements for the year ended June 30, 2025.

32. Deferred Income

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
National/County Government	0	0
International Funding Bodies	0	0
Public Contributions and Donations	0	0
Total Deferred Income	0	0

The deferred income movement is as follows:

Description	County government	International funders/donors	Public contributions and donations	Total
	Kshs	Kshs	Kshs	Kshs
Balance brought forward	0	0	0	0
Additions during the year	0	0	0	0
Transfers to capital fund	(0)	(0)	(0)	(0)
Transfers to income statement	(0)	(0)	(0)	(0)
Other transfers	(0)	(0)	(0)	(0)
Balance carried forward	0	0	0	0

Include columns as needed for the various sources of income deferred

Analysed as:

Description	Amount
	Kshs
Current	0
Non- Current	0
Total	0

33. Social Benefit Liabilities

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Health social benefit scheme	0	0
Unemployment social benefit scheme	0	0
Orphaned and vulnerable benefit scheme	<u>0</u>	<u>0</u>
PWD benefit scheme		
Elderly social benefit scheme	0	0
Total	<u>0</u>	<u>0</u>
Current social benefits	0	0
Non- current social benefits	0	0
Total (tie to totals above)	0	0

Social benefit schemes include benefits such as cash transfers for the unemployed or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g. poverty, age, unemployment among others.

34. Cash generated from operations

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	0	0
Adjusted for:		
Depreciation	0	0
Amortisation	0	0
Gains/ losses on disposal of assets	(0)	(0)
Working Capital adjustments		
Increase in inventory	(0)	(0)
Increase in receivables	(0)	(0)
Increase in payables	0	0
Net cash flow from operating activities	0	0

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

35. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Municipality include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The City/Municipality/scheme is related to the following entities:

- a) The County Government.
- b) The Parent County Government Ministry.
- c) County Assembly.
- d) Key management.
- e) Municipality Board; etc.

b) Related party transactions

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from related parties'	0	0
Transfers to related parties	0	0

c) Key management remuneration

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Board Members	0	0
Key Management Compensation	0	0
Total	0	0

d) Due from related parties

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Due from parent Ministry	0	0
Due from County Government	0	0
Due from County Assembly	0	0
Total	0	0

County Government of Embu

Embu Municipality

Annual Report and Financial Statements for the year ended June 30, 2025.

e) Due to related parties

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
Due to County Assembly	0	0
Total	0	0

36. Contingent liabilities

Contingent liabilities	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Court case xxx against the entity	0	0
Bank guarantees	0	0
Total	0	0

(Give details)

37. Contingent Assets

Contingent liabilities	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Court case xxx against the entity	0	0
Others Specify	0	0
Total	0	0

38. Financial risk management

The Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The City/Municipality's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Municipality does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Municipality's financial risk management objectives and policies are detailed below:

I. Credit risk

The Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2025				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0
At 30 June 2024				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

*County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025.*

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has significant concentration of credit risk on amounts due from xxx.

The Municipality Board sets policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

II. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Municipality Manager, who has built an appropriate liquidity risk management framework for the management of the City/Municipality's short, medium and long-term liquidity management requirements. The Municipality manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Municipality under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 Jun 2025				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total				
At 30 Jun 2024				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

III. Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Municipality on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Municipality's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Municipality's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

IV. Foreign currency risk

The Municipality has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the Municipality's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
At 30 June 2025 (current year)			
Financial assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ receivables	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

(The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund’s statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
FY 2024/2025			
Euro	10%	0	0
USD	10%	0	0
FY 2023/2024			
Euro	10%	0	0
USD	10%	0	0

V. Interest rate risk

Interest rate risk is the risk that the entity’s financial condition may be adversely affected as a result of changes in interest rate levels. The entity’s interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund’s deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

VI. Capital risk management.

The objective of the Municipality’s capital risk management is to safeguard the Municipality’s ability to continue as a going concern. The Municipality capital structure comprises of the following Municipality:

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Revaluation reserve	0	0
Capital/Development Grants /Municipality	0	0
Accumulated surplus	0	0
Total Funds	0	0
Total borrowings	0	0
Less: cash and bank balances	(0)	(0)
Net debt/(excess cash and cash equivalents)	0	0
Gearing	%	%

39. Program for Results (PforR) Disclosure

This disclosure note is for entities that are implementing Programs for Results (PforR). Implementing entities are required to make disclosures in accordance with their respective financing agreements. The disclosure should capture the program's goal and expenditures designated in the expenditure framework.

Name of the PforR: xxxxxxxx	
Financing Partners: xxxxxxxxxxxx	
Purpose of the PforR: xxxxx	
Expenditure Details	Amount in Kshs
Cumulative actual expenditures for the previous years	xxx
Actual expenditure in the current financial year.	
1. <i>Employee Cost</i>	xxx
2. <i>Use of goods and Services</i>	xxx
3. <i>Grants and Subsidies</i>	xxx
4. <i>Building of ECDE facilities</i>	xxx
5. <i>Others (specify)</i>	xxx
Sub-total	xxx
Cumulative Actual Expenditures to date	xxx

Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report.
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.

.....

To be Signed by the Accounting officer of the Entity

County Government of Embu
 Embu Municipality
 Annual Report and Financial Statements for the year ended June 30, 2025.

Appendix 2: Inter-Entity Transfers

MUNICIPALITYNAME:			
Breakdown of Transfers from the County Executive of Embu County			
FY 2024/2025			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>
			<u>Indicate the FY to which the amounts relate</u>
	RTGS	24/09/2024	3,000,000
	RTGS	30/9/2024	5,000,000
	RTGS	25/10/2024	2,000,000
	RTGS	26/11/2024	6,000,000
	RTGS	4/2/2025	231,200.00
	RTGS	4/2/2025	10,400,000
	RTGS	24/04/2025	8,019,432
	RTGS	16/5/2025	6,106,591
	RTGS	16/5/2025	1,523,663
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>
			<u>Indicate the FY to which the amounts relate</u>
		Total	XXX
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>
			<u>Indicate the FY to which the amounts relate</u>
			xx
		Total	42,280,886

(The above amounts have been communicated to and reconciled with the parent Department in the County.)

ERIC MBOGO 

Signed by the Head of Accounts of the Entity and the transferring Entities

Appendix 3: Reporting of Climate Relevant Expenditures

Name of the Organization
 Telephone Number
 Email Address
 Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

Project Name	Project Description	Project Objectives	Project Activities	Quarterly Expenditures				Contact (if any)	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments