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REPORT

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ON

EMBU MUNICIPALITY

**FOR THE YEAR ENDED
30 JUNE, 2023**

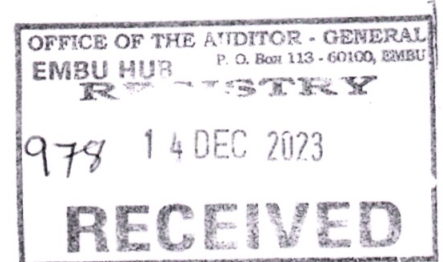
Revised 30th June 2023



EMBU MUNICIPALITY

County Government of Embu

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023



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

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1. Acronyms & Glossary of Terms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

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(amended 2019) and Cities and Municipal Charter on 12th October, 2018. 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 *City/Municipality's* management is under the following key organs:

- County department of 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 2023 and who had direct fiduciary responsibility were:

1	Municipality Manager	Catherine Nyaga
2	Chief officer Urban development	Benjamin Mutisya Musyoka
3.	Director Public Health	Rosaline Kaugi
4.	Deputy Director Municipality	John Mucera Njeru
5.	Deputy Director Physical Planning	Nahashon Mucheru
6.	Human Resource Officer	Rosemary W. Njagi

e) Fiduciary Oversight Arrangements

[Provide a high-level description of the key fiduciary oversight arrangements covering (say)]:

- 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 36-60100
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

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

<p>1</p>	<p>Board Chairperson</p>  <p>Dr Esther Nthiga Age 45</p>	<p>Qualification:</p> <ol style="list-style-type: none"> 1. PhD degree in Chemistry (Physical Chemistry) 2. Master's degree in Applied Analytical chemistry. 3. Bachelor's degree in B.Ed. Science (Chemistry and Mathematics) <p>Work Experience:</p> <ol style="list-style-type: none"> 1. Senior lecturer in the Department of Chemistry and Dean of Students, Dedan Kimathi University of Technology. 2. Chairperson - Embu Municipal Board. 3. Elected Trustee – Dekut Pension Scheme. <p>Her research interest is in physical chemistry and water treatment.</p>
<p>2</p>	<p>Board Member</p>  <p>Benjamin Murungaru Mugo Age: 75</p>	<p>Qualification:</p> <ol style="list-style-type: none"> 1. Division 2 in Cambridge School Certificate 2. Certified Public Secretary CPS(K) 3. Development Administration Diploma, University of Birmingham (UK). <p>Work Experience:</p> <ol style="list-style-type: none"> 1. Chair of the Finance and Administration Committee of the Board. 2. Vice Chair of the Embu Municipal Board. 3. Executive Officer in various Government Ministries. 4. County Clerk of then Embu County Council.
<p>3</p>	<p>Board Member</p>  <p>Benard Nthiga Ndwiga Age-65years</p>	<p>Qualification and Work experience:</p> <p>Development Worker, with over 20 years' wealth of experience in working with ACK Mbeere Diocese Child Development Projects funded by compassion international as child development worker (CDW) and 10 years as Project Director.</p>

<p>4.</p>	<p>Board Member</p>  <p>Emily Njeru Age 55</p>	<p>Qualification:</p> <ol style="list-style-type: none"> 1. Postgraduate certificate in Kenya land law 2. BSc. Surveying and Photogrammetry (Hons) from University of Nairobi <p>Work Experience:</p> <p>Licensed Surveyor with 24 year experience in private practice having worked extensively in the Survey and Mapping.</p> <p>She has previously served the ISK as Chairman of the Land Surveyors Chapter.</p>
<p>5.</p>	<p>Board Member</p>  <p>Grace Murugi Age 29</p>	<p>Qualification:</p> <p>Bachelor's Degree in Education (Arts)</p> <p>Work Experience:</p> <ol style="list-style-type: none"> 1. Director, Events and Logistics, UDA party 2. Data ICT Clerk, Mbeti North Bursary Awarding Committee. 3. Board Member, Kangaru Primary School.
<p>6.</p>	<p>Board Member</p>  <p>Susan Miru Age 62 years</p>	<p>Qualification:</p> <ol style="list-style-type: none"> 1. Master of Education (Guidance and Counselling) 2. Degree in Bachelor of Education Arts – Kenyatta University <p>Work Experience:</p> <ol style="list-style-type: none"> 1. Deputy Principal Kiriari D.E.B Secondary School (4 Yrs.) 2. H.O.D Guidance and Counselling S.A Manyatta Secondary School (6 Yrs) 3. Deputy Principal Kavutiri D.E.B Secondary School
<p>7.</p>	<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)

Key Management Team

<p>1.</p>	<p>Municipal Manager</p>  <p>Catherine Nyaga</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) – Secondary School.
<p>2.</p>	<p>Chief officer Urban development</p>  <p>Benjamin Mutisya Musyoka</p>	<p>Qualifications:</p> <p>MBA-Business Administration BBA- Bachelor of Business Administration CPA(K)</p> <p>Work Experience:</p> <p>Marketing Manager Uniliver(K) Chief Officer – Physical and Urban Planning Embu County Government.</p>
<p>3.</p>	<p>Director Public Health</p>  <p>Dr. Rosaline Kaugi</p>	<p>Qualification:</p> <ol style="list-style-type: none"> 1. PhD Degree in Public Health 2. MSc in Public Health 3. BSc in Public Health <p>Work Experience:</p> <ol style="list-style-type: none"> 1. Ministry of Health – 12 Years 2. County Director of Health (Embu) -8Yrs

4.	<p>Deputy Director Municipality</p>  <p>John Mucera Njeru</p>	<p>Qualification:</p> <ol style="list-style-type: none">1. M.A Project Planning and Management2. BA – Economics <p>Work Experience:</p> <ol style="list-style-type: none">1. Economist- Ministry of Planning2. Economic Planner Embu County Govt.
5.	<p>Dep. Director Physical Planning</p>  <p>Nahashon Mucheru</p>	<p>Qualification:</p> <p>BSc Urban and Regional Planning - University of Nairobi.</p> <p>Work Experience:</p> <p>Physical Planner Eastern Region</p> <p>Dep. Director Physical Planning- Embu County Government</p>

(Note: The Municipality Manager will feature under both the 'Board' and 'Management'.)

4. Municipality Board Chairperson's Report

Embu County Government recognizes that the Municipality plays a key role in the implementation of County priority programmes, projects, and other national priorities including the BETA initiatives in order to improve the quality of lives of its residents and make the County competitive. The fully constituted Municipality Board has been instrumental in achievement of this goal. The improved urban infrastructure have 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.

In an effort to operationalize the municipality, the following has been achieved over the years;

1. The gazettement of Municipal Charter- 10th December, 2018
2. Formation of the Municipal board- June 2019
3. Formulation of municipal plans and policies
4. Implementation of various kusp development projects including tarmacking roads, paving parking lots and upgrading of buspark
5. Gazettement of transfer of functions – March 2023
6. Allocation of municipal budget – 2022/2023

The main challenge related to budgeting has been piecemeal disbursements of the funds from the National government to the County Revenue Fund hence late implementation of projects within the stipulated financial year. The Board looks forward to achieve more in future especially when the Municipality qualifies for Kenya Urban Support Programme (PHASE II)



.....
Name: Dr. Esther Wanja Nthiga

Chairperson of the Board

5. 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.

Achievements

The Municipality of Embu successfully implemented World Bank's Kenya Urban Support Program (KUSP I) which has brought tremendous transformation in Embu Town and its peri-urban. Key development projects among other activities undertaken by Municipal Board include;

- Cabro paving of parking areas in Embu town
- Improving to Bitumen standard (tarmacking) of the following roads;
 - a. KSG – Kamiu Road
 - b. Kangaru Road
 - c. Rundisho road (Opening and tarmacking road between Embu University and KALRO)
 - d. Mutunduri- Kwa Ndegwa-wa-Iria road.
- Upgrading of Embu- Runyenjes Bus park with business stalls in Embu town

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.

FINANCIAL PERFORMANCE

BUDGET ALLOCATION (Ksh)		EXPENDITURE (Ksh)		ABSORPTION RATE (%)	
Rec	Dev	Rec	Dev	Rec	Dev
7,242,800	49,012,000	1,842,000	5,897,210.50	25%	12%

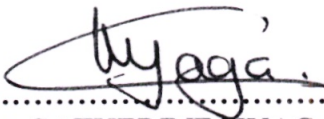
STATUS OF PROJECTS IMPLEMENTED SINCE 2018

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%
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-	Pavements and Parking spaces Embu town)	2019/20	Improved parking spaces and Non-	50,000,000	100%

motorized transport			motorized transport		
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%

CHALLENGES

The main challenge has been piecemeal disbursements of funds from Treasury to County Revenue Fund hence late capture of KUSP funds in the intended financial year.



Name: CATHERINE NYAGAH

Municipality Manager

6. Statement of Performance against Predetermined Objectives for the FY 2022/2023

Guidance

The key development objectives of the Embu 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) Garbage management

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Metric	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 5%.
Physical infrastructure	To provide better working environment	Better mobility and good business environment	Number of transport vehicles in the stage	Public transport vehicles increased by 10%
Urban Administration	To maintain law and order within the Municipality	Orderly citizenry within the Municipality	Orderly public transport and market	There was 95% compliance on operations both in Public transport stage and the market
Garbage management	To have a clean environment within the municipality	Clean towns, markets and estates.	The number of vehicles and personnel working in this department.	There was increase of back hoe and a tipper in the fleet plus recruitment of 200 contract staff

7. Corporate Governance Statement

Municipality Board has been instrumental in achievement of this goal. The improved urban infrastructure have 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.

The board has held 5 meetings in the financial year under review and 6 Board committee meetings. Members of the board were taken to a benchmarking meeting in Kitui county, they engaged the County on how they handled transfer of functions and the relation between Municipal management and other County Departments.

The board in an effort to operationalize the municipality, the following has been achieved over the years;

1. The Gazettement of Municipal Charter- 10th December, 2018
2. Formation of the Municipal board- June 2019
3. Formulation of municipal plans and policies
4. Implementation of various KUSP development projects including tarmacking roads, paving parking lots and upgrading of bus park
5. Gazettement of transfer of functions – March 2023
6. Allocation of municipal budget – 2022/2023

The board has a service Charter for all the services it offers to the citizenry so that they can hold the Municipality on account. No conflict of interest has been registered or recorded with the Municipality within this period of reporting.

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.

8. Management Discussion and Analysis

The operations of the Embu Municipality have been outlined in these financial statements for the year ended 30th June 2023. 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 have 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%

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%

9. 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 2022/2023, 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.

10. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2023 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, 2023 are set out on page 1 to 7 of the financial statements.

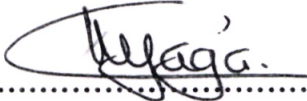
Board Members

The members of the Board who served during the year are shown on page iv to vii. There were no changes in the Board during the financial year.

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

11. 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, 2023. 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 City/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, 2023, 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.

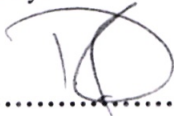
County Government of Embu
Embu Municipality
Annual Report and Financial Statements for the year ended June 30, 2023.

In preparing the financial statements, the board members have assessed the Fund's ability to continue as a going concern and confirms the Municipality will remain a going concern.

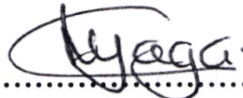
Nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement and confirms the Municipality is a going concern.

Approval of the financial statements

The Municipal's financial statements were approved by the Board on 01/09/2023 and signed on its behalf by:



.....
Name: Dr Esther W. Nthiga
Chairperson of the Board



.....
Name: Catherine Nyaga
Accounting officer of the Board

REPUBLIC OF KENYA



Enhancing Accountability

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, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Embu Municipality set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for

Report of the Auditor-General on Embu Municipality for the year ended 30 June, 2023

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Embu Municipality as at 30 June, 2023, 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 Public Finance Management Act, 2012 and the Urban Areas and Cities Act, 2011.

Basis for Qualified Opinion

Inaccuracies in the Financial Statements

- i. The statement of cash flows reflects Kshs.414,632 in respect to cash and cash equivalents as at 1 July, 2022. However, it was not clear how the Municipality reported opening comparable balance of cash and cash equivalents in the absence of previous year's financial statements. Further, the amount was reflected in the statement of changes in net assets as capital fund balance as at 1 July, 2022 without any supporting documents.
- ii. The statement of financial position reflects Kshs.91,525,680 in respect to total net assets and liabilities as at 30 June, 2023. However, the re-casted statement of changes in net assets reflects total balance of Kshs.190,380,482 which comprised of Kshs.99,270,434 and Kshs.91,110,048 in respect to capital fund and accumulated surplus respectively.
- iii. Page xii revealed that the Municipality had Kshs.7,242,800 and Kshs.49,012,000 in respect to recurrent and development budget respectively both totalling to Kshs.56,254,800. However, the statement of comparison of budget and actual amounts reflects a total budget of Kshs.98,855,802 resulting to unexplained variance of Kshs.42,601,002.

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

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 qualified opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The report of the Municipal Manager in page xi under financial performance reflected an analysis of budget allocation against expenditure and reflected absorption rate of 25% in respect to recurrent expenditure and 12% in respect to development expenditure. However, the statement of comparison of budget and actual amounts on page 6 indicated that there was 100% absorption of budget since all actual receipts and expenses were as per the budget. In addition, the Management did not provide an approved budget in respect to the Municipality for the year under audit.

In the circumstances, the accuracy of the information in the statement of comparison of budget and actual amounts could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Prepare Previous Years' Financial Statements

Embu was granted a Municipality status through the Municipality Charter on 12 October, 2018 and gazette of 10 December, 2018 with Board appointed done in June, 2019. However, Management did not prepare and submit financial statements for financial years 2018/2019, 2019/2020, 2020/2021 and 2021/2022. This is contrary to Section 180 (2) of the Public Finance Management Act, 2012 which requires that at the end of each of financial year, the Accounting Officer of an urban area or city shall prepare an annual report including accounts in accordance with the provisions of the Urban Areas and Cities Act, 2011 and other reports as required by this Act.

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

2. Non-Compliance with the Thirty Percent Reservation on Procurement

The statement of comparison of budget and actual amounts revealed that the Municipality had a total budget of Kshs.98,855,802 for the year under review. However, there was no evidence that Management reserved a minimum of thirty percent of budget for enterprises owned by women, youth, persons with disabilities, and other disadvantaged groups contrary to Section 53 (6) of the Public Procurement and Asset Disposal Act, 2015 which states that all procurement and asset disposal planning shall reserve a minimum of thirty per cent of the budgetary allocations for enterprises owned by women, youth, persons with disabilities and other disadvantaged groups.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis of Conclusion

1. Lack of Disaster Recovery Plan

During the financial year under review, there was no evidence that Embu Municipality assessed the impact of an outage or disruption to the ICT system and developed business continuity or IT disaster recovery plan. In case of a disaster, significant delays or disruptions of activities may occur and may not recover or restore critical infrastructure services and systems affecting all operations that rely on the Information Communication Technology.

In the circumstances, the Municipality is at risk of losing information as a result of a lack of business continuity or IT disaster recovery plan.

2. Lack of Internal Audit

During the financial year under review, Embu Municipality had not established internal audit unit. Management claimed that the Municipality was subjected to audit by the internal audit function of the County Executive of Embu. However, no reports were provided to confirm that the Municipality had been audited since inception.

In the circumstances, the Municipality did not benefit from the oversight role of the internal audit function.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are following the authorities which govern them, and that public resources are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

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

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

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

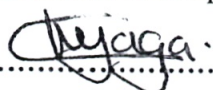
11 January, 2024

Embu Municipality
County Government of Embu
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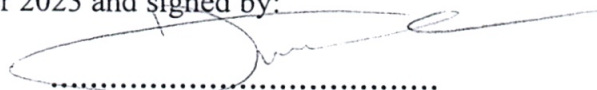
13. Statement of Financial Performance for the Year Ended 30 June 2023.

Description	Note	FY 2022/2023 Kshs.
Revenue from non-exchange transactions		
Transfers from the County Government	6	98,855,802.35
Public contributions and donations	7	0
Levies Fines and Penalties	8	0
Other revenues (<i>Specify</i>)	9	0
		98,855,802.35
Revenue from exchange transactions		
Interest income	10	0
Miscellaneous Income	11	0
		0
Total revenue		98,855,802.35
Expenditure		
Use of goods and services	12	7,739,210.50
Staff costs	13	0
Board expenses	14	0
Finance costs	15	5,544
Depreciation and amortization	16	0
Repairs and maintenance	17	0
Total expenses		7,744,754.35
Other gains/losses		
Gain/loss on disposal of assets	18	0
Surplus/(deficit) for the period		91,110,048

The notes set out on 21 pages 39 to form an integral part of these Financial Statements. The entity financial statements were approved on 1st September 2023 and signed by:



Name: Catherine Nyaga
Municipality Manager



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

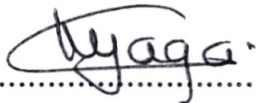
14. Statement of Financial Position as at 30th June 2023.

Description	Note	KSh
Assets		
Current assets		
Cash and cash equivalents	19	91,525,680.22
Receivables from exchange transactions	20	0
Receivables from Non- exchange transactions	21	0
Prepayments	22	0
Inventories	23	0
Total current assets		91,525,680.22
Non-current assets		
Property, plant, and equipment	24	0
Intangible assets	25	0
Total Non-current Assets		0
Total assets		91,525,680.22
Liabilities		
Current liabilities		
Trade and other payables	26	0
Refundable deposits from customers	27	0
Provisions	28	0
Borrowings	29	0
Employee benefit obligations	30	0
Deferred Income	31	0
Social Benefits	32	0
Total current liabilities		0
Non-current liabilities		
Provisions	28	0
Borrowings	29	0
Non-current employee benefit obligation	30	0
Deferred Income	31	0
Social Benefits	32	0
Total liabilities		0

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Description	2022/2023	2023/2023
		KShs
Net assets		
Capital/Development Grants/Fund		414,632.22
Reserves		0
Accumulated surplus		91,110,048
Total net assets and liabilities		91,525,680.22

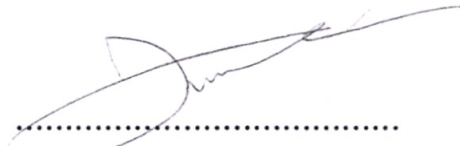
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 1st September 2023 and signed by:



.....
Name: Catherine Nyaga

Municipality Manager

Date: 4/12/2023



.....
Name: Sammy Gakobo

Head of Finance

ICPAK M/No 8734

Date: 4/12/2023

15. Statement of Changes in Net Assets for the Year Ended 30 June 2023.

Description	Capital/ Development Grant/Fund	Revaluation Reserve	Accumulated Surplus	Total
	KSh	KSh	KSh	KSh
Bal as at 1 July 2021	-	-	-	-
Surplus/(deficit) for the year		-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Bal as at 30 Jun 2022	-	-	-	-
Bal as at 1 July 2022	414,632.90	-	-	414,632.90
Surplus/(deficit) for the year		-	91,110,048	91,110,048
Funds received during the year	98,855,802.35	-	-	98,855,802.35
Revaluation gain	-	-	-	-
Balance as at 30 June 2023	99,270,434	-	91,110,048	91,525,680.22

(Provide details on the nature and purpose of reserves)

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16. Statement of Cash Flows for the year ended 30 June 2023.

Cash flows from operating activities		
Receipts		
Transfers from the County Government		98,855,802.35
Public contributions and donations		0
Interest received		0
Miscellaneous receipts (<i>Specify</i>)		0
Total Receipts		98,855,802.35
Payments		
Use of goods and services		7,739,210.50
Staff costs		0
Board expenses		0
Finance costs		5,544
Total Payments		(7,744,754.5)
Net cash flows from operating activities	33	91,111,048
Cash flows from investing activities		
Purchase of PPE & intangible assets		(0)
Proceeds from sale of PPE		0
Net cash flows used in investing activities		(0)
Cash flows from financing activities		
Receipts from Capital grants		0
Proceeds from borrowings		0
Repayment of borrowings		(0)
Net cash flows used in financing activities		(0)
Net increase/(decrease) in cash & cash equivalents		91,111,048
Cash And Cash Equivalents At 1 July 2022		414,632.90
Cash And Cash Equivalents At 30 June 2023	19	91,525,680.22

(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.

17. Statement of Comparison of Budget & Actual amounts for the year ended 30th June 2023.

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
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	98,855,802.35	(0)	98,855,802.35	98,855,802.35	-	%
Public contributions and donations	-	-	-	-	-	%
Interest income	-	-	-	-	-	%
Miscellaneous income (<i>specify</i>)	-	-	-	-	-	%
Total Revenue	98,855,802.35	-	98,855,802.35	98,855,802.35	-	%
Expenses						
Use of goods and services	98,850,002.35	-	98,850,002.35	7,739,210.50	-	%
Board expenses	-	-	-	-	-	%
Staff Costs	-	-	-	-	-	%
Finance costs	5,800	-	5,800	5,544	-	%
Total Expenditure	98,855,802.35	(-)	98,855,802.35	7,744,754.5	(-)	%
Surplus for the period	-	-	-	91,110,048	-	
Capital Expenditure	-	-	-	-	-	%

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.
 Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis
 (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.)

18. Notes to the Financial Statements

1. General Information

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 12th October, 2018. The Municipality is under the County Government of Embu and is domiciled in Kenya.

The *entity's* 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)

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. <p>The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p>

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Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p><i>State the impact of the standard to the Entity if relevant</i></p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

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.)*

(Notes to financial statements continued)

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 has 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 2022/23 was approved by the County Assembly on 15th July 2022. 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 financial performance 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.

(Significant accounting policies continued)

e) 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 cash flows 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.

(Significant accounting policies continued)

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 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.

(Significant accounting policies continued)

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.

f) 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.

(Significant accounting policies continued)

g) 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.

h) 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 need of society as a whole. The entity recognises a social benefit as an expense for the social benefit 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.

i) 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.

(Significant accounting policies continued)

j) 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

k) 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

l) 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.

m) 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.

(Significant accounting policies continued)

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported in the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) 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.

p) 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.

q) 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. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

(Significant accounting policies continued)

r) Comparative figures

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

s) 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.

t) 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.

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Notes to the Financial Statements

6. Transfers from the County Government

Description	2022/2023 Kshs.
Transfers from County Govt. – Recurrent	50,597,861.35
Payments by County on behalf of the entity	0
Unconditional development grants	48,257,941
Total	98,855,802.35

(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 Adjusted Under Income Kshs.	Amount Recognized in Capital Fund Kshs.	Total grant income during the year Kshs.	Insert Comparative FY Kshs.
State Department	0	0	0	0	0
Ministry	0	0	0	0	0
Total	0	0	0	0	0

(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	2022/2023 Kshs.
Donation from development partners	0
Contributions from the public	0
Total	0

Notes to the Financial Statements

8. Levies, Fines and penalties

Description	BY 2022/23 K.shs.
Levies	0
Fines	0
Penalties	0
Others (indicate and specify)	0
Total	0

9. Other Revenues from Non-Exchange Transactions

Description	BY 2022/23 K.shs.
Transfers from other government entities	0
Others (indicate and specify)	0
Total	0

(Provide a brief explanation for this revenue)

10. Interest income

Description	BY 2022/23 K.shs.
Interest income from investments	0
Interest income on bank deposits	0
Others (Specify)	0
Total interest income	0

(Provide brief explanation for this revenue)

11. Miscellaneous income

Description	BY 2022/23 K.shs.
Income from sale of tender documents	0
Others (specify)	0
Total other income	0

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified Any writebacks or recoveries from write offs).

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Notes to the Financial Statements

12. Use of Goods and Services

Description	2023
Utilities, supplies and services	2,500
Communication, supplies and services	0
Domestic travel and subsistence	1,814,500
Foreign travel and subsistence	0
Printing, advertising, supplies & services	0
Rent and rates	0
Training expenses	0
Hospitality supplies and services	25,000
Insurance costs	0
Specialized materials and services	0
Office and general supplies and services	0
Fuel, oil and lubricants	0
Release of Moiety (Njiru building & Jamizam)	5,897,210.50
Routine maintenance – vehicles and other equipment	0
Routine maintenance – other assets	0
Contracted Professional Services	0
Audit fees	0
Hire of Transport, equipment etc	0
Bank Charges	0
Social Benefit expenses*	0
Total	7,739,210

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

13. Staff costs

Salaries and wages	0
Staff gratuity	0
Social security contribution	0
Other staff costs (Specify)	0
Total	0

Notes to the Financial Statements

14. Board expenses

Description	FY 2022/23 KSh
Chairman/Members' Honoraria	0
Sitting allowances	0
Medical Insurance	0
Induction and Training	0
Travel and accommodation	0
Conference Costs	0
Other allowances (<i>Specify</i>)	0
Total	0

15. Finance costs

Description	FY 2022/23 KSh
Bank charges	5,544
Interest on loans from banks	0
Total	5,544

16. Depreciation and amortization

Description	FY 2022/23 KSh
Property, plant and equipment	0
Intangible assets	0
Investment property carried at cost	0
Total depreciation and amortization	0

Notes to the Financial Statements

17. Repairs and Maintenance

Description	FY 2022/23 KShs.
Property- Buildings	0
Office equipment	0
Furniture and fittings	0
Motor vehicle expenses	0
Maintenance of civil works	0
Total repairs and maintenance	0

18. Gain/(loss) on disposal of assets

Description	FY 2022/23 KShs.
Property, plant and equipment	0
Intangible assets	0
Total	0

19. Cash and cash equivalents

Description	FY 2022/23 KShs.
Fixed deposits account	0
On – call deposits	0
Current account	91,525,680.22
Others(<i>specify</i>)	0
Total cash and cash equivalents	91,525,680.22

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

Notes to the Financial Statements

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

Financial institution	Account number	2022/2023 KSh
a) Fixed deposits account		
Kenya Commercial bank		0
Equity Bank, etc		0
Sub- total		0
b) On - call deposits		
Kenya Commercial bank		0
Equity Bank – etc		0
Sub- total		0
c) Current account		
Equity Bank-UDG	0190278999264	42,742,410.35
Equity Bank - UIG	0190278999274	48,783,269.87
Sub- total		91,525,680.22
d) Others(specify)		
Cash in transit		0
Cash in hand		0
Mobile Money		0
Sub- total		0
Grand total		91,525,680.22

20. Receivables from exchange transactions

Description	2022/2023
Current Receivables	
Service, water and electricity debtors	0
Other exchange debtors	0
Less: impairment allowance	(0)
Total Current receivables (a)	0
Non-Current receivables	
Service, water and electricity debtors	0
Other exchange debtors	0
Less: impairment allowance	(0)
Total Non- current receivables (b)	0
Total receivables from exchange transactions	0

Ageing analysis for Receivables from exchange transactions

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Description	FY 2022/2023	
	Kshs.	
	Current FY	% of the total
Less than 1 year	0	%
Between 1- 2 years	0	%
Between 2-3 years	0	%
Over 3 years	0	%
Total (a+b)	0	%

21. Receivables from Non-Exchange transaction

Description	FY 2022/2023	
	Kshs.	
Transfer from County Executive	0	
Transfer from County Fund	0	
Total receivables from non-exchange transactions	0	

Ageing analysis for Receivables from non-exchange transactions

Description	FY 2022/2023	
	Kshs.	
	Current FY	% of the total
Less than 1 year	0	%
Between 1- 2 years	0	%
Between 2-3 years	0	%
Over 3 years	0	%
Total	0	%

22. Prepayments

Description	2023
Prepaid rent	0
Prepaid insurance	0
Prepaid electricity costs	0
Other prepayments(<i>specify</i>)	0
Total	0

23. Inventories

Description	2023
Stationery	0
Consumables	0
Other inventories(<i>specify</i>)	0
Total inventories at the lower of cost and net realizable value	0

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(Notes to the Financial Statements Continued)

24. Property, Plant and Equipment

	Land	Buildings	Motor-vehicles	Furniture and fittings	Computers	Other Assets (Leasables)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2021 (previous year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
As at 30th June 2022	-	-	-	-	-	-	-	-
Additions for the year	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
As at 30th June 2022 (current year)	-	-	-	-	-	-	-	-
Depreciation and impairment								
At 1 July 2022 (previous year)								
Depreciation								
Impairment		-	-	-	-	-	-	-
Transfers/ Adjustments		-	-	-	-	-	-	-

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Description	Land	Building	Motor vehicle	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30 June 2023		-	-	-	-	-	-	-
Depreciation for the year		-	-	-	-	-	-	-
Disposals for the year		-	-	-	-	-	-	-
Impairment for the year		-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-
As at 30th June 2023 (current year)		-	-	-	-	-	-	-
NBV as at 30th Jun 2022 (previous year)	-	-	-	-	-	-	-	-
NBV as at 30th Jun 2023 (current year)	-	-	-	-	-	-	-	-

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

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(Notes to the Financial Statements Continued)

25. Intangible assets

Description	FY 2022/23 Kshs
Cost	
At beginning of the year	0
Additions	0
At end of the year	0
Amortization and impairment	
At beginning of the year	0
Amortization	0
At end of the year	0
Impairment loss	0
At end of the year	0
NBV	0

26. Trade and other payables from exchange transactions

Description	FY 2022/23 Kshs	
Trade payables	0	
Retentions	0	
Accrued expenses	0	
Other payables (Specify)	0	
Total trade and other payables	0	
Ageing analysis:	FY 2022/23	% of the Total
Under one year	0	%
1-2 years	0	%
2-3 years	0	%
Over 3 years	0	%
Total	0	%

Notes to the Financial Statements

27. Refundable deposits from customers

Description	2022/23	
	KShs	
Rent deposits	0	
Others (specify)	0	
Total	0	
Ageing analysis:		
	Current FY	% of the Total
Under one year	0	%
1-2 years	0	%
2-3 years	0	%
Over 3 years	0	%
Total	0	%

28. Provisions

Description	2022/23	
	KShs	
Balance at the beginning of the year	0	
Additional Provisions (Specify)	0	
Provision utilised	(0)	
Balance at the end of the year	0	
Current Portion of provision	0	
Long term portion of provision	0	
Total Provisions	0	

29. Borrowings

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

Description	2022/23	
	KShs	
Short term borrowings (current portion)	0	
Long term borrowings	0	
Total	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)

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Description	EY 2022/2023 Kshs.
Balance at beginning of the period	0
Borrowings during the year	0
Repayments of borrowings during the period	0
Balance at end of the period	0

The table below shows the Distribution of borrowings:

Description	EY 2022/2023 Kshs.
Borrowings	
Kenya Shilling loan from KCB	0
Kenya Shilling loan from Barclays Bank	0
Kenya Shilling loan from Consolidated Bank	0
Borrowings from other government institutions	0
Total balance at end of the year	0

30. Employee Benefit Obligations

Description	Defined Benefit Plan	Post- employee retirement benefits	Other Provision	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Current benefit obligation	0	0	0	0
Non-current benefit obligation	0	0	0	0
Total employee benefits obligation	0	0	0	0

Notes to the Financial Statements

31. Deferred Income

Description	2023/24/2023
	Kshs
National/County Government	0
International Funding Bodies	0
Public Contributions and Donations	0
Total Deferred Income	0

The deferred income movement is as follows:

Description	County Government	International funders/donors	Public contributions and donations	Other
	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

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Notes to the Financial Statements

32. Social Benefit Liabilities

Description	2022/2023
	KSh
Health social benefit scheme	0
Unemployment social benefit scheme	0
Orphaned and vulnerable benefit scheme	0
People Living with disabilities benefit scheme	
Elderly social benefit scheme	0
Bursary social benefits	0
Total	0
Current social benefits	0
Non- current social benefits	0
Total (tie to totals above)	0

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

33. Cash generated from operations

Description	2022/2023
	KSh
Surplus/ (deficit) for the year before tax	0
Adjusted for:	
Depreciation	0
Amortisation	0
Gains/ losses on disposal of assets	0
Working Capital adjustments	
Increase in inventory	0
Increase in receivables	0
Increase in payables	0
Net cash flow from operating activities	0

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

Notes to the Financial Statements

34. 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 Municipality 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	BY 2022/2023 KSh
Transfers from related parties'	0
Transfers to related parties	0

c) Key management remuneration

Description	BY 2022/2023 KSh
Board Members	0
Key Management Compensation	0
Total	0

d) Due from related parties

Description	BY 2022/2023 KSh
Due from parent Ministry	0
Due from County Government	0
Due from County Assembly	0
Total	0

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Notes to the Financial Statements

e) Due to related parties

	YS 2022/2023 KSh
Due to parent Ministry	0
Due to County Government	0
Due to Key management personnel	0
Due to County Assembly	0
Total	0

35. Contingent liabilities

Contingent liabilities	YS 2022/2023 KSh
Court case against the entity	0
Bank guarantees	0
Total	0

(Give details)

36. Contingent Assets

Contingent Assets	YS 2022/2023 KSh
Court case xxx against the entity	0
Others Specify	0
Total	0

Notes to the Financial Statements

37. 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 Municipality's overall risk management programme focuses on 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 assessment 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	2023	2022	2021	2020
At 30 June 2023				
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 2022				
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)

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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 12 months	Between 12 months and 24 months	Over 24 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 Jun 2023 (current year)				
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
At 30 Jun 2022 (previous year)				
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

Notes to the Financial Statements

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:

At 30 June 2023 (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.)

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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
	KSh.	KSh.	KSh.
2023 (current year)			
Euro	10%	0	0
USD	10%	0	0
2022 (previous year)			
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.

Notes to the Financial Statements

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's:

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

19. 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. of the external audit Report	Issue/Observation from Auditor	Management comment	Status (Resolved/Not Resolved)	Timeframe (If a date when you expect the issue to be resolved)
NOT APPLICABLE				

Guidance Notes:

- a) This being the first financial statement for the Municipality, we did not have auditor's recommendation.
- 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

Appendix 2: Inter Entity Transfers

Appendix 2: Inter Entity Transfers				
Detailed description of transfers from the County Government of Embu County				
	FY 20xx/20xx			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			Xx	
			Xx	
		Total	XXX	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			Xx	
			Xx	
			Xx	
		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	
			Xx	
		Total	XXX	

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

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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)

Name of the Organization	Telephone Number	Email Address	Name of CEO/MD/Head	Quarter				Source of Funds	Implementing Agency
				Q1	Q2	Q3	Q4		

Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

Column I Programme	Column II Sub-programme	Column III Disaster type	Column IV Category of disaster related activity that requires expenditure regarding (response/recovery/mitigation/preparedness)	Column V Expenditure item	Column VI Amount (KSh)	Column VII Comments