

REPUBLIC OF KENYA



REPUBLIC OF KENYA



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THE AUDITOR-GENERAL

ON

COUNTY REVENUE FUND

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

COUNTY GOVERNMENT OF EMBU





COUNTY REVENUE FUND

County Government of Embu

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2025

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

1. Acronyms and Definition of Key Terms

a. Acronyms

| | |
|-------|--|
| CA | County Assembly |
| CARA | County Allocation of Revenue Act |
| CBK | Central Bank of Kenya |
| CECM | County Executive Committee Member |
| CE | County Executive |
| CGE | County Government Embu |
| CIDP | County Integrated Development Plan |
| CRA | Commission on Revenue Allocation |
| CRF | County Revenue Fund |
| CROR | County Receiver of Revenue |
| CT | County Treasury |
| IPSAS | International Public Sector Accounting Standards |
| MCA | Member of County Assembly |
| OAG | Office of the Auditor General |
| OCOB | Office of the Controller of Budget |
| OSR | Own Source Revenue |
| PFM | Public Finance Management |
| PSASB | Public Sector Accounting Standards Board |
| Kshs | Kenya Shillings |
| FY | Financial Year |
| FIF | Facility Improvement Fund |

b. Definition of Key Terms

Fiduciary Management: The key management personnel who had financial responsibility

2. Key Entity Information and Management

a) Background information

Article 207 of the Constitution of Kenya provides for the establishment of the County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government.

b) Key Management Team

The County Revenue Funds day-to-day management is under the following key organs:

| No. | Designation | Name |
|-----|------------------------------------|------------------------------|
| 1. | CECM Finance and Economic planning | - Prof. Kinyua Nyaga Kamaria |
| 2. | Chief Officer Finance | - Damiano Muthee Njagi |
| 3. | Head of Accounting Unit/Finance | - Eric Muchangi Mbogo |

c) Fiduciary Management

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

| No. | Designation | Name |
|-----|---|------------------------------|
| 1. | CECM Finance and Economic Planning | - Prof. Kinyua Nyaga Kamaria |
| 2. | Accounting Officer in charge of Finance | - Damiano Muthee Njagi |
| 3. | Head of Accounting Unit | - Eric Muchangi Mbogo |

d) Fiduciary Oversight Arrangements

i. Audit Committee

The Audit Committee was constituted in January 2021. its mandate is to advise the County Assembly on institutional risk management and compliance. The committee held four (4) meetings in the FY ending 2025. The committee members during FY 2025

were:

| | Member | Designation |
|----|-----------------------|-------------|
| 1. | CS Hellen K. Mungania | Chairperson |
| 2. | CPA Paul M. Njue | Member |
| 3. | CPA David Kithaka | Member |
| 4. | Charles K. Mugo | Member |
| 5. | Agnes Ndila | Member |
| 6. | CPA Stephen Kisoi | Secretary |

ii. **Public Accounts Committee.**

The **Public Accounts Committee** was formed to provide oversight on the County's finances. The committee held Sixty-seven (67) sittings during the FY 2024/2025 and its membership was as follows:

| | Member | Designation | Ward |
|--|----------------------------|------------------|--|
| | Hon. Paul Muchangi Njiru | Chairperson | Gaturi North |
| | Hon. Job Itumo Munyambu | Vice-Chairperson | Mwea |
| | Hon. Ibrahim Swaleh | Member | Kirimari |
| | Hon. Peter Muriithi Nyaga | Member | Mbeti North |
| | Hon. John Ngari Mbaka | Member | Mavuria |
| | Hon. Susan Mwendu Muthoni | Member | Nominated (representing youth) |
| | Hon. Yvonne Mati Karambu | Member | Nominated (gender top up) |
| | Hon. Jane Karimi Njued | Member | Nominated (gender top up) |
| | Hon. James Njeru Augustine | Member | Nominated (people enabled differently) |

| | |
|---|--|
| <p>Public Accounts Committee Report</p> | <ol style="list-style-type: none">1) Report on examination of the report of the Auditor General on Embu County Emergency Fund for the year ended 30th June 2021 tabled on 14th August, 2024 and adopted on 17th September, 2024.2) Report on examination of the report of the Auditor General on Embu County Emergency Fund for the year ended 30th June 2022 tabled on 14th August, 2024 and adopted on 17th September, 2024.3) Report on examination of the report of the Auditor General on Embu County Emergency Fund for the year ended 30th June 2023 tabled on 14th August, 2024 and adopted on 17th September, 2024.4) Report on examination of the report of the Auditor General on Embu County Education Support Fund for the year ended 30th June 2019 tabled on 26th November, 2024 and adopted on 4th December, 2024.5) Report on examination of the report of the Auditor General on Embu County Education Support Fund for the year ended 30th June 2020 tabled on 26th November, 2024 and adopted on 4th December, 2024.6) Report on examination of the report of the Auditor General on Embu County Education Support Fund for the year ended 30th June 2021 tabled on 26th November, 2024 and adopted on 4th December, 2024.7) Report on examination of the report of the Auditor General on Embu County Education Support Fund for the year ended 30th June 2022 tabled on 26th November, 2024 and adopted on 27th November, 2024.8) Report on examination of the report of the Auditor General on Embu County Education Support Fund for the year ended 30th June 2023 tabled on 26th November, 2024 and adopted on 27th November, 2024.9) Report on examination of the report of the Auditor General on County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund for the year ended 30th June 2020 tabled on 26th November, 2024 and adopted on 27th November, 2024.10) Report on examination of the report of the Auditor General on County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund for the year ended 30th June 2021 tabled on 26th November, 2024 and adopted on 27th November, 2024. |
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| | 11) Report on examination of the report of the Auditor General on County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund for the year ended 30 th June 2022 tabled on 26 th November, 2024 and adopted on 27 th November, 2024. |
|--|---|

iii. Budget and Appropriations Committee

The budget and appropriations committee provides guidance in the budgetary process. It is charged with the budget making process and ensuring that there is public participation in the budget process.

During the FY 2024/2025 the Committee held fifty nine (59) meetings and Committee members were:

| | Member | Designation | Ward |
|-----|--------------------------|---------------|------------------|
| 1) | Hon. Edwin Njiru | Chairperson | Runyejes Central |
| 2) | Hon. Murithi Kiura Njagi | V/Chairperson | Mbeti North |
| 3) | Hon. Johnson Muchangi | Member | Kagaari North |
| 4) | Hon. Mary Kavinda | Member | Nominated |
| 5) | Hon. Samuel Githumbu | Member | Nthawa |
| 6) | Hon. Terry Mbuchi | Member | Kyeni North |
| 7) | Hon. Swaleh Ibrahim | Member | Kirimari |
| 8) | Hon. Peter Muriithi | Member | Mbeti North |
| 9) | Hon. John Mbaka | Member | Mavuria |
| 10) | Hon. Paul Muchangi | Member | Gaturi North |
| 11) | Hon. Philip Nzangi | Member | Makima |
| 12) | Hon. Ndwiga K. Newton | Member | Muminji |
| 13) | Hon. Susan Mwende | Member | Nominated |
| 14) | Hon. Agnes Gakungugu | Member | Nominated |
| 15) | Hon. Duncan Mbui | Member | Evurore |
| 16) | Hon. Masters Mwaniki | Member | Kiambeere |
| 17) | Hon. Susan Wairimu Nyaga | Member | Kagaari South |

| | | | |
|-----|-------------------------|--------|-----------------|
| 18) | Hon. Maurice Macharia | Member | Nginda |
| 19) | Hon. Job Itumo Munyambo | Member | Mwea |
| 20) | Hon. Barnabas Njama | Member | Kieni South |
| 21) | Hon. Julius Karuri | Member | Kithimu |
| 22) | Hon. Ann Lilly | Member | Nominated |
| 23) | Hon. Yvonne Mati | Member | Nominated |
| 24) | Hon. Fredrick Gatumu | Member | Gaturi South |
| 25) | Hon. Harrison Muturi | Member | Ruguru/Ngandori |
| 26) | Hon. Jimiah Jennifer | Member | Nominated |
| 27) | Hon. Jane Njue | Member | Nominated |

| | |
|---|---|
| Budget and Appropriation Committee Report | <ol style="list-style-type: none"> 1) Report on the Embu County Government Budget Estimates FY 2024/2025 tabled and adopted on 3rd July, 2024. 2) Report on County Fiscal Strategy Paper for FY 2025/2026 and the Medium Term Framework adopted on 2nd April, 2025. 3) Report on Annual Development Plan for FY 2025/2026 Adopted on 26th February 2025. |
|---|---|

iv. Public Investments Committee

The mandate is similar to that of the PAC. The Committee was formed to provide oversight on the County's finances. The committee held seven (7) sittings and the members who served in the committee during the year were: -

| | Member | Designation | Ward |
|----|------------------------------|-------------------|---------------------------|
| 1. | Hon. Masters Leonard Mwaniki | Chairperson | Kiambere |
| 2. | Hon. Philip Kinyutu Nzangi | Vice- Chairperson | Makima |
| 3. | Hon. Mary Igoki Kavinda | Member | Nominated (gender top up) |
| 4. | Hon. Daniel Githinji | Member | Nominated (youth) |

| | | | |
|----|---------------------------------|--------|------------------------------|
| 5. | Hon. Augustine James Njeru | Member | Nominated (Representing PWD) |
| 6. | Hon. Agnes Wanjiru Gakungugu | Member | Nominated (Gender top up) |
| 7. | Hon. Fredrick Mugendi Gatumu | Member | Gaturi South |

| | |
|--|---|
| Public Investments Committee Reports. | <ol style="list-style-type: none"> 1) Report of the Public Investments Committee on the Report of the Auditor General on the Financial Statements of Ngagaka Water and Sanitation Company for the Period Ended 30th June, 2019 tabled on 1st October, 2024 and adopted on 9th October, 2024. 2) Report of the Public Investments Committee on the Report of the Auditor General on the Financial Statements of Ngagaka Water and Sanitation Company for the Period Ended 30th June, 2020 tabled on 1st October, 2024 and adopted on 9th October, 2024. 3) Report of the Public Investments Committee on the Report of the Auditor General on the Financial Statements of Ngagaka Water and Sanitation Company for the Period Ended 30th June, 2021 tabled on 5th December, 2024 and adopted on 6th December, 2024. 4) Report of the Public Investments Committee on the Report of the Auditor General on the Financial Statements of Nginda Ngandori Water Association for the Period ended 30th June, 2023 tabled on 5th December, 2024 and adopted on 6th December, 2024. |
|--|---|

v. Finance & Economic Planning

This Committee provides guidance on all business emanating from the Finance and Economic Planning. The Committee held seventy (70) meetings in FY 2024/2025 and the membership of the Committee comprised of the following members;

| | Member | Designation | Ward |
|----|--------------------------|---------------|---------------|
| 1) | Hon. Susan Wairimu Nyaga | Chairperson | Kagaari South |
| 2) | Hon. Newton Kariuki | V/Chairperson | Muminji |
| 3) | Hon. Johnson Muchangi | Member | Kagaari North |

| | | | |
|----|--------------------------|--------|--------------|
| 4) | Hon. Jimiah Jennifer | Member | Nominated |
| 5) | Hon. Yvonne Karambu Mati | Member | Nominated |
| 6) | Hon. Fredrick Gatumu | Member | Gaturi South |
| 7) | Hon. Njama Barnabas | Member | Kyeni South |

| | |
|-------------------------------|---|
| Finance and Economic Planning | <ol style="list-style-type: none">1) Report on the Budget Implementation Status for Financial Year 2023/2024 for the Department for the period 1st January to 30th June, 2024 tabled on 12th February, 2025 adopted on 11th March, 2025.2) Report on the Efficiency and Transparency of Sampled County Cess and Revenue Collection Points in Embu County tabled on 26th February, 2025 and adopted on 1st April, 2025. |
|-------------------------------|---|

a) County Headquarters

P.O. Box 36-60100

Embu Town Hall Building

Nairobi Meru Highway

EMBU, KENYA

b) County Contacts

Telephone: (254) 68 30686/30656/ (254) 771204003 (254) 703192924

E-mail: info@embu.go.ke

Website: www.embu.go.ke

c) County Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

NAIROBI, KENYA

d) Independent Auditor

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

NAIROBI, KENYA

e) Principal Legal Adviser

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200,

NAIROBI, KENYA

f) County Attorney

The County Attorney

County Government of Embu

P.O BOX 10 – 60400

EMBU, KENYA

3. Statement by the CECM Finance

It's my pleasure to present the County Revenue Fund Financial statement for the quarter ended 30th June 2025. The financial statement represents the financial performance of the County Revenue Fund over the past first quarter.

The promulgation of the constitution of Kenya, 2010 under chapter 11 ushered Kenya into a new system of governance replacing the centralised system with a devolved system of governance. The devolved system of consist of the National Government and 47 county governments.

The county Government Act, 2012 described the functions of the county Government as follows: section 5(1) states that a county government shall be responsible for any function assigned to it under the constitution or by an Act of Parliament. (2) Without prejudice to the generality of subsection (1), a county government shall be responsible for:

- (a) County legislation in accordance with Article 185 of the Constitution.
- (b) Exercising executive functions in accordance with Article 183 of the constitution.
- (c) Functions provided for in Article 186 and assigned in the fourth Schedule of the constitution.
- (d) Any other function that may be transferred to county Government from the national government under Article 187 of the constitution.
- (e) Any functions agreed upon with other county government under Article 189 (2) of the constitution.
- (f) Establishment and staffing of its public service as contemplated under Article 235 of the constitution.
- (g) Financing the County Governments

Article 202 of the constitution of Kenya provides that revenue raised nationally shall be shared equitably among the National Government and the county Governments. Each county Government's equitable share of revenue raised nationally is determined yearly through the County Allocation of Revenue Act (CARA). The revenue sharing formula is developed by the commission on revenue allocation and approved by parliament in accordance with Article 217 of the constitution.

The County also finances through own source revenues. This is revenue collected within the County. The key local revenue sources for Embu County included business permits,

Land rates, business plan approval, advertising fees, Cess, Market fees, Parking fees and various other administrative charges.

Financial Performance

a) Revenue.

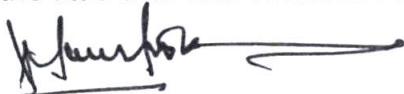
Embu County Government revenue basket projections for the just ended financial year 2024-2025 was Kshs 8,533,542,551. This comprised of Equitable share releases of kshs 5,797,242,036, Kshs 1,546,792,241 from our own sources, Kshs 1,189,473,664 from Conditional Grants. Out of the projected revenue, the County was able to realize kshs 5,797,242,036 in actual revenue from the Equitable share representing 100%, Kshs 346,736,263 was released from the conditional Grants representing 29% and Kshs 919,665,412 realized from Own Source Revenue representing 86%. There was an under realization of Kshs 1,965,869,666 largely caused by the unrealized revenue from the Own Source revenue and the Conditional Grants.

b) Expenditure.

The County had projected an expenditure of Kshs 8,533,542,551 out of which Kshs 7,774,458,879 was the projected expenditure for the County Executive and Kshs 759,083,672 was the projected expenditure for the County Assembly. During the period under review the County Executive utilized Kshs 5,754,713,371 which represented 74% of the budget estimates. County assembly utilized Kshs 753,412,694 which is 99.25% of the projected estimate. There was an underutilization of Kshs 2,025,416,486. This was largely attributed to the late exchequer release and unreleased revenue from Own Source Revenue and Conditional Grants.

c) Cash Flows.

During the year ended 30th June 2025, we have had liquidity disruptions caused by delays and untimely disbursements by the National Treasury. Despite our high expectations to realize revenue for Conditional Grants, the revenue from Grants was not realized at all or the little that was realized came in late.



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

4. Management Discussion and Analysis

Report on County Revenue Fund for the Year Ended 30th June 2025

We are pleased to present the comprehensive report on the County Revenue Fund for the financial year ended 30th June 2025, in conjunction with the submission of our financial statements. This report aims to provide an in-depth analysis of the county's revenue, expenditures, and financial performance during the year, as well as address specific challenges faced by the County Revenue Fund.

1. Executive Summary

In the year under review, the County Revenue Fund started on a very low note. While we managed to generate significant revenue from various local sources, including Business permits, fees, and Cess, the quarter was characterized by delays in receiving equitable shares. Following an amicable resolution arrived at by the Government arms, grants and donor funded projects started flowing in from the National Treasury. Additionally, all the exchequer release for the year were disbursed although the exchequer for the month of June was released towards the tail end of the year. This led to instances of underutilized budget, missed opportunities and potential service delivery gaps.

2. Overview of Revenue Sources

The County reported a significant decrease in local revenue sources including the business permits, fees, and Cess among others. This was mainly attributed to the establishment of the Facilities Improvement Fund regulation that help the health facilities to support themselves through their revenue collections. Following the amicable agreement between the Government arms, we have witnessed the release of the grants and funds from donor funded projects during the period under review. This has led to the low absorption rate of the budgets, unfinished projects there increasing the pending bills balances.

Analysis of Expenditures

Most of the expenditure incurred during the year under review had a mix of the recurrent and development. We were able to clear most of the salary emolument pending bills dating back to the financial year 2023-2024. However, we were not able to absorb much due to the late disbursement of the equitable share funds from the National Treasury.

5. Overview of the County Revenue Fund Operations

a) Background

Article 207 of the Constitution of Kenya provides for the establishment of a County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government. As outlined under Section 109 of the Public Finance Management (PFM) Act, 2012 the County Treasury is responsible for administration of the County Revenue Fund. The County Revenue Fund is maintained as the County Exchequer Account at the Central Bank of Kenya.

b) Receipts into the County Revenue Fund

County Government revenue is received through the appointed County Receiver of Revenue by the County Executive Committee Member for finance to the County Treasury pursuant to Section 157 (1) of the PFM Act 2012. Re

venue includes Exchequer releases, grants from development partners, proceeds from domestic and foreign borrowings, own source revenue, and other miscellaneous deposits in the County Revenue Fund Account.

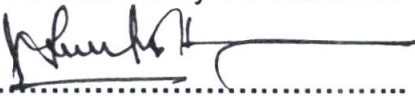
c) Transfers from the County Revenue Fund

The withdrawal of funds from the County Revenue Fund is authorized by the County appropriation Act. The County Treasury is required to seek the Controller of Budget's approval for withdrawal of funds from the County Revenue Fund to the County Executive and County Assembly bank accounts pursuant to Section 109 (6) of the PFM Act 2012. These entities are responsible for the administration of their respective approved budgets.

d) Financial Reporting requirements

The Accounting Officer for the County Revenue Fund is required to prepare and submit the financial statements to the Auditor-General and a copy to the Controller of Budget, and the Commission on Revenue Allocation.

This statement therefore covers the operations of the County Exchequer Account for the financial year ended 30th June 2025.



Prof Kinyua Nyaga Kamaria

**CEC Member – Finance and Economic Planning
County Government of Embu.**

6. Statement of Management Responsibility

Article 207 of the Constitution, Sections 109 and 167 of the Public Finance Management Act, 2012 requires a County Revenue Fund established by the Constitution, an Act of Parliament or county legislation to prepare financial statements for the Fund for each financial year in a form prescribed by the Public Sector Accounting Standards Board and submit to the Auditor General and a copy to the Commission on Revenue Allocation and the Controller of Budget.

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

The Accounting Officer accepts responsibility for the County Revenue Fund's financial statements, which have been prepared on the Accrual Basis Method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the County Revenue Fund's financial statements give a true and fair view of the state of the County Revenue Fund's transactions during the financial year ended June 30th, 2025, and of its financial position as at that date.

The Accounting Officer further confirms the completeness of the accounting records maintained for the County Revenue Fund, which have been relied upon in the preparation of its financial statements, as well as the adequacy of the systems of internal financial control. The Accounting Officer confirms that the County Revenue Fund has complied fully with applicable Government Regulations and the terms of external financing covenants. Further, the Accounting Officer confirms that the County Revenue Fund's Financial Statements have been prepared in a form that complies with relevant Accounting Standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Financial Statements

The County Revenue Fund's financial statements were approved and signed on 20th August 2025.

Signature _____



Name **Damiano Muthee Njagi**

Chief Officer Finance /Accounting Officer

County Government of Embu.

REPUBLIC OF KENYA

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

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

PREAMBLE

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of County Revenue Fund set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial Performance, statement of changes in net assets,

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of County Revenue Fund – County Government of Embu as at 30 June, 2025 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 County Governments Act, 2012 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.8,533,542,551 and Kshs.7,063,683,632 respectively resulting in an underfunding of Kshs.1,469,858,919 or 17% of the budget. Similarly, the Fund made payments of Kshs.6,508,126,065 against an actual amount of Kshs.7,063,683,632 resulting in an under-expenditure of Kshs.555,557,567 of the actual receipts.

The underfunding and underperformance affected the implementation of planned activities, resulting in a negative impact on the delivery of services to the public.

2. Late Exchequer Disbursements

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects Exchequer releases amounting to Kshs.5,797,242,036. Review of the bank statements revealed that the equitable share amounting to Kshs.2,255,356,814 representing 39% of the total receipts was received later than the fifteenth day from the commencement of the last quarter of the financial year under review. This was contrary to Section 17(6) of Public Finance Management Act, 2012 which provides that The National Treasury shall, at the beginning of every quarter, and in any event not later than the fifteenth day from the commencement of the quarter, disburse monies to county governments.

In the circumstances, the late disbursement of Exchequer releases may have affected the timely implementation of approved activities in the County, which may have impacted negatively on service delivery to the public.

3. Unspent Balances

The statement of cash flows reflects a cash and cash equivalents closing balance of Kshs.62,102,975 which relates to unspent cash balances as at 30 June, 2025. The County Government had trade and other payables amounting to Kshs.1,564,615,483 that remained unsettled. This was contrary to Section 149(1)(b) of the Public Finance Management Act, 2012 which states that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is effective, efficient, economical and transparent.

My opinion is not modified in respect of the these matters.

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

Unresolved Prior Year Audit Matters

In the prior years' audit reports, two issues were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Although the issues were discussed in the Senate and recommendations made, review of the implementation of recommendation during audit of the County Revenue Fund in 2024/2025 revealed that the recommendations remained unimplemented as summarized in the table below.

| Report Reference | Recommendations | Status |
|---|---|-----------------|
| That management reported using the proposed budget of Kshs.7,987,586,918 rather than the approved budget of Kshs.7,952,599,418. | Underfunding mainly resulting from the undisbursed exchequer release for the month of June 2024. This was compounded further by the late disbursement of grants which form part of the revenue in the resource basket | Not Implemented |
| | That the CECM for Finance and Economic Planning in collaboration with the CEO ECRA should adopt a more realistic approach when setting revenue projection targets | Not Implemented |
| | That CECM Finance and Economic Planning should always report using the approved budget estimates and not proposed estimates submitted to the County Assembly | Not Implemented |

Other Information

Management is responsible for the Other Information set out on pages iii to xv which comprise of Key Entity Information and Management, Statement by CECM Finance, Management Discussion and Analysis, Overview of the County Revenue Fund Operations and the Statement of Management Responsibility. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Excess Budget Provision to the County Assembly

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects transfers to the County Assembly of Kshs.753,412,694 which is equivalent to eleven percent (11%) of the total County Revenue of Kshs.6,567,672,887. This was contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that the approved expenditure of a County Assembly shall not exceed seven percent (7%) of the total revenue of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The Standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern

them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and 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 Fund's, ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 December, 2025

8. Statement of Financial Performance for the year ended 30 June 2025

| | | 2024/25 |
|---|-------|----------------------|
| | Notes | Kshs. |
| Revenue from non-exchange transactions | | |
| Exchequer releases | 6 | 5,797,242,036 |
| Transfers from other government agencies | 7 | 346,736,263 |
| Other grants | 8 | - |
| Return to CRF | 9 | 39,923 |
| Non-Exchange Own Source Revenue | 10(a) | 255,336,497 |
| Total Receipts | | 6,399,354,719 |
| Revenue from exchange transactions | | |
| Exchange Own Source Revenue | 10(c) | 169,735,149 |
| Total Revenue | | 6,569,089,869 |
| Expenses | | |
| Transfers to County Executive | 11 | 5,259,457,141 |
| Transfers to County Assembly | 12 | 753,412,694 |
| Other Transfers | 13 | 495,256,230 |
| Total Expenses | | 6,508,126,065 |
| Surplus for the period | | 60,963,803 |

Sign.....

Name. Damiano Muthee Njagi
Chief Officer - Finance

Date: 20th August 2025

Sign.....

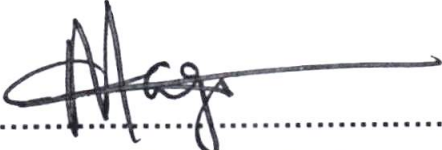
Name. Eric Muchangi Mbogo
Head of Accounting Unit

ICPAK Member No. 12131

Date: 20th August 2025

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

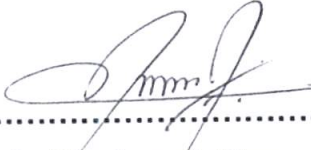
| | Note | June-25 | 1 st Position July 2024 |
|--|------|-------------------|------------------------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current Assets | | | |
| Cash and Cash equivalents | 14 | 62,102,974 | 2,556,153 |
| Receivables from Non-Exchange Transactions | 15 | 1,416,981 | - |
| Receivables from Exchange Transactions | 16 | - | - |
| Total Current Assets | | 63,519,955 | 2,556,153 |
| Total Assets (A) | | 63,519,955 | 2,556,153 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | 17 | - | - |
| Total Current Liabilities | | - | - |
| Total Liabilities (B) | | - | - |
| Net Assets(A-B) | | 63,519,955 | 2,556,153 |
| Represented by: | | | |
| Accumulated Surplus | | 63,519,957 | 2,556,153 |
| Net Assets | | 63,519,957 | 2,556,153 |

Sign.....

Name Damiano Muthee Njagi

Chief Officer - Finance

Date. 20th August 2025

Sign.....

Name Eric Muchangi Mbogo

Director Accounting Services

ICPAK Member No. 12131

Date: 20th August 2025

County Government of Embu

County Revenue Fund

Annual Report and Financial Statements For the financial year ended 30th June 2025

10. Statement of Changes in Net Assets for the year ended 30th June 2025

| | Accumulated Surplus |
|---------------------------------|----------------------------|
| As at July 1, 2024 | 2,556,153 |
| Surplus/ deficit for the Period | 60,963,803 |
| Additions during the Period | - |
| As at June 30, 2025 | 63,519,957 |

11. Statement of Cash Flows for the year ended 30 June 2025

| | | Period Ended June 2025 |
|---|--------------|-----------------------------------|
| | Notes | Kshs |
| Cash flows from operating activities | | |
| Receipts | | |
| Exchequer releases | 6 | 5,797,242,036 |
| Transfers from other government agencies | 7 | 346,736,263 |
| Other grants | 8 | - |
| Return to CRF | 9 | 39,923 |
| Own Source Revenue | 10 (e) | 423,654,665 |
| Total receipts | | 6,567,672,887 |
| Payments | | |
| Transfers to County Executive (operating activities) | 11 | 5,259,457,141 |
| Transfers to County Assembly (operating activities) | 12 | 753,412,694 |
| Other transfers | 13 | 495,256,230 |
| Total Payments | | 6,508,126,065 |
| Net cash flows from/(used in) operating activities | | 6,508,126,065 |
| Cash flows from investing activities | | - |
| Net cash flows from/(used in) investing activities | | - |
| Cash flows from financing activities | | - |
| Net cash flows from /(used in) financing Activities | | - |
| Net increase/(decrease) in cash & Cash equivalents | | 59,546,822 |
| Cash and cash equivalents at 1 July | 15 | 2,556,153 |
| Cash and cash equivalents at the end of the period | | 62,102,975 |

12. Statement of Comparison of Budget Actual Amounts for the Year Ended 30th June, 2025.

| Receipt/Payments | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Realisation Difference | % of Realisation |
|---|----------------------|----------------------|----------------------|----------------------------|-------------------------------|------------------|
| | a | b | c=a+b | d | e=c-d | f=d/c % |
| Receipts | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | |
| Exchequer releases EQUITABLE SHARE | 5,548,094,359 | (178,197,527) | 5,369,896,832 | 5,369,896,832 | - | 100 |
| Equitable Share Of Revenue From National Government(FY 2023/2024 Unreleased June Exchequer allocation) | - | 427,344,860 | 427,344,860 | 427,345,204 | (344) | 100 |
| Transfers from other government agencies | 824,648,863 | 364,824,801 | 1,189,473,664 | 346,736,263 | 842,737,401 | 29 |
| Other conditional grants | - | - | - | - | - | - |
| Proceeds from Domestic Borrowing | - | - | - | - | - | - |
| Proceeds from Foreign Borrowing | - | - | - | - | - | - |
| Own Source Revenue | 501,744,657 | 568,998,685 | 1,070,743,342 | 425,071,646 | 647,088,679 | 40 |
| Appropriations In Aid (AiA)-Health | 498,255,343 | (22,206,444) | 476,048,899 | 494,593,766 | (19,961,848) | 104 |
| Return to CRF issues | - | 34,954 | 34,954 | 39,923 | (4,969) | 114 |
| Total Receipts | 7,372,743,222 | 1,160,799,329 | 8,533,542,551 | 7,063,683,632 | 1,469,858,919 | 83 |
| | | | | | | |
| | | | | | | |
| Payments | | | | | | |
| Transfers to County Executive | 5,741,747,287 | 843,237,928 | 6,584,985,215 | 5,259,457,141 | 1,325,528,074 | 80 |
| Transfers to County Assembly | 806,347,072 | (47,263,400) | 759,083,672 | 753,412,694 | 5,670,978 | 99 |
| Others | 824,648,863 | 364,824,801 | 1,189,473,664 | 495,256,230 | 694,217,434 | 42 |
| Total Payments | 7,372,743,222 | 1,160,799,329 | 8,533,542,551 | 6,508,126,065 | 2,025,416,486 | 76 |
| Balance | - | | - | 555,557,567 | 555,557,567 | |

Budget Notes

1. In the original budget transfers from other Government Agencies amounted to Kshs. 824,648,863. This was later revised upwards through the first Embu County supplementary budget to Kshs 1,189,473,664. The funds were not realized as budgeted and the little that was credited into the County Revenue Fund Account came towards the end of the financial year. Further, the National Government in their second supplementary budget revised and scaled down these transfers however we were not able to do a second supplementary budget to revise and align ourselves with the National Government budget changes. Due to frequent change in National policies beyond our control its not prudent to provision for the transfers from other Government Agencies.
2. In the statement of Comparison of Budget and Actual reflects a balance of Kshs 555,557,567 which includes Kshs. 494,593,766 being funds transferred to the Facility Improvement Fund (FIF). The balance of Kshs 59,546,820 being the un utilized funds as at the close of the year.

13. Notes to the Financial Statements

1. General Information

The County Revenue Fund is established by and derives its authority and accountability from Article 207 of the Constitution of Kenya 2010. The Fund is wholly owned by the Embu County Government and is domiciled in Kenya. The Fund's principal activity is to serve as the main repository for all revenues collected or received by or on behalf of a county government. This includes funds from:

- Equitable share from the national government (as per Article 202 of the Constitution)
- Local revenue collections, such as property taxes, business permits, parking fees, and other levies
- Grants and donations from development partners
- Conditional allocations from the national government for specific purposes.

2. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Accrual-Basis IPSAS financial reporting under the Accrual-Basis of accounting, as prescribed by the PSASB and Section 167 of the PFM Act 2012. The Financial Statements are presented in Kenya Shillings, which is the functional and reporting currency of the Fund, all values are rounded off to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented. The financial statements are prepared on accrual basis while the cashflow statement is prepared using the direct method.

These Financial Statements were authorized for issue by the Accounting officer on 20TH August 2025

Basis of preparation

Reporting entity

This report relates to the financial operations of the County Revenue Fund, which is domiciled at the County Treasury and has a bank account maintained at the Central Bank of Kenya.

Revenues

Revenues include funds deposited in the County Revenue Fund pursuant to Article 207 of the Constitution of Kenya and Section 109 of the PFM Act 2012.

Expenses

Expenses are based on the County Government Appropriation Act. The exchequer requests are received by County Treasury, which rationalizes the requests based on the available balance, consolidates the requests and forwards them to Controller of Budget (COB) for approval. Once the approval of COB is obtained, the funds are released to the County Assembly and County Executive operational accounts appropriately.

3. Adoption of New and Revised Standards

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

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

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

| Standard | Effective date and impact: |
|--|---|
| IPSAS 46 Measurement | <p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p> |
| IPSAS 47- Revenue | <p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p> |
| IPSAS 48- Transfer Expenses | <p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p> |
| IPSAS 49: Retirement Benefit Plans | <p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> |

| Standard | Effective date and impact: |
|---|--|
| IPSAS 50: Exploration For & Evaluation of Mineral Resources | <p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none">i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. |

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Revenue Transfers

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.

ii. Revenue from exchange transactions

Own Source Revenue

b) Budget information

The original budget for FY 2024/25 was approved by the County Assembly on July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded additional appropriations of Kshs 1,160,799,329 on the 2024/25 budget following the governing body's approval. The Entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.

c) 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 Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. 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 Fund 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 fund's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

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

Impairment

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

d) Cash and cash equivalents

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

e) Events after the reporting period

There were no material adjusting and non-adjusting events after the reporting period.

f) Currency

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

5. Significant judgments and sources of estimation uncertainty

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported

County Government of Embu

County Revenue Fund

Annual Report and Financial Statements For the financial year ended 30th June 2025

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 if any.

6. Exchequer releases

The following is an analysis by revenue type of the receipts collected in the County Revenue Fund:

| Description | 2024/25 Kshs |
|------------------|----------------------|
| Equitable Share | 5,797,242,036 |
| Others (Specify) | - |
| Total | 5,797,242,036 |

7. Transfers from other government agencies**

| Description | 2024/25 Kshs |
|---|-----------------------|
| Road Maintenance Levy | 73,706,112 |
| County Aggregation and Industrial Park Fund | 186,000,000 |
| DANIDA Grant -Primary Health care in devolved context - Ministry of Health | 5,635,500 |
| Word Bank-Kenya Informal settlement improvement project (KISIP 11)-State Department of Housing & Urban Development | 32,309,300 |
| IDA World Bank National Agricultural Value Chain Development Project (NAVCDP) -State Department of Crop Development | 39,281,206 |
| (IDA) World Bank Credit-Financing locally Led climate programme (FFLoCA)1 CCIS Grant State Department of | 9,804,145 |
| Total | 346,736,262.90 |

** These include other government grants released through other government entities such as the National Government MDAs.

8. Other grants**

| Description | 2024/25 |
|-------------------|----------|
| Donor 1 (Specify) | - |
| Donor 2 (Specify) | - |
| Donor 3 (Specify) | - |
| Others (Specify) | - |
| Total | - |

** These are funds received from development partners directly to the CRF.

9. Return to CRF from County Entities

| Description | Period ended June 30 th 2025 |
|---|--|
| | Kshs. |
| Recurrent Account (<i>County Executive</i>) | 32,354.45 |
| Development Account (<i>County Executive</i>) | 2,599.95 |
| Recurrent Account (<i>County Assembly</i>) | 439.90 |
| Development Account (<i>County Assembly</i>) | 50.00 |
| Recurrent Account (<i>County Assembly</i>) | 4,479.10 |
| Others (<i>Specify</i>) | |
| Total | 39,923.40 |

10.(a) Non-Exchange Own Source Revenue

| Description | Period ended June 30 th 2025 |
|---|--|
| | (Kshs.) |
| Cess | 69,346,435 |
| Land rate | 14,995,910 |
| Single/Business permits | 119,974,512 |
| Physical planning and development | 6,360,579 |
| Administration control fees and charges | 43,978,041 |
| Park fees | - |
| Other fines, penalties, and forfeiture fees | 681,020 |
| Miscellaneous | - |
| Others (<i>Specify</i>) | |
| Total | 255,336,497 |

10.(b) Non-Exchange own source revenue (FIF)

| | |
|----------------------------|------------|
| Public health service fees | 24,806,898 |
|----------------------------|------------|

10.(c) Exchange Own Source Revenue

| Description | Period ended. |
|---|--------------------|
| | Jun-25 |
| | Kshs. |
| Land Rates and Plot Rents | 32,830,078 |
| Parking fees | 49,332,116 |
| Market fees | 21,746,455 |
| Advertising | 36,923,133 |
| Hire of County Assets | |
| Administration control fees and charges | 985,050 |
| Park fees | |
| Proceeds from sale of assets | |
| Other fines, penalties, and forfeiture fees | |
| Miscellaneous | 386,318 |
| Others (<i>Specify</i>) | 27,531,999 |
| Total | 169,735,149 |

10.(d) Exchange Own Source Revenue (FIF)

| | |
|---------------------------------------|--------------------|
| Hospital fees | 469,786,868 |
| Total Accruals from FIF (Receivables) | 174,907,270 |
| TOTAL | 644,694,138 |

| | |
|----------------------|----------------------|
| TOTAL REVENUE | 1,094,572,682 |
|----------------------|----------------------|

10.(e) CRF AND CROR RECONCILIATIONS 2024-2025

| | | | |
|------|---|-------------|----------------------|
| ADD | NON EXCHANGE OWN SOURCE REVENUE TO CRF | 255,336,497 | |
| | NON EXCHANGE OWN SOURCE REVENUE TO FIF | 24,806,898 | |
| | TOTAL NON EXCHANGE OWN SOURCE REVENUE | | 280,143,395 |
| | EXCHANGE OWN SOURCE REVENUE TO CRF | 169,735,149 | |
| | EXCHANGE OWN SOURCE REVENUE TO FIF | 644,694,138 | |
| | TOTAL EXCHANGE OWN SOURCE REVENUE | | 814,429,287 |
| | REPORTED CROR REVENUE COLLECTION 2024-2025 | | 1,094,572,682 |
| ADD | Revenue Collection accounts Opening balance 2024-2025 | 59,293,767 | |
| | REVENUE COLLECTED IN JULY 2025 | 453,145 | 59,746,912 |
| LESS | CLOSING BALANCES ROR ACCOUNTS | 16,610,235 | |
| | BANK CHARGES | 670,190 | |
| | REVENUE COLLECTED IN JULY 2024 | 19,157,531 | |
| | Total Accruals from FIF Receivable | 174,907,270 | |
| | SWIPES TO F.I.F ACCOUNT | 519,319,703 | 730,664,929 |
| | CROR SWIPES TO CRF ACCOUNT | | 423,654,665 |

10.(F) REVENUE TRANSFERRED FROM CROR TO CRF RECONCILIATIONS

| | | |
|-------------|--------------------------------|--------------------|
| | REVENUE SWIPE BY THE CROR | 442,359,051 |
| LESS | REVENUE COLLECTED IN JULY 2024 | 19,157,531 |
| ADD | REVENUE COLLECTED IN JULY 2025 | 453,145 |
| | REVENUE FUNDS SWIPED TO CRF | 423,654,665 |
| ADD | Funds Due to CRF (Receivable) | 1,416,981 |
| | REPORTED REVENUE | 425,071,646 |

11. Transfers to County Executive

| Description | 2024/25 |
|---------------------------|----------------------|
| | Kshs. |
| Recurrent Account | 4,206,900,790 |
| Development Account | 1,052,556,351 |
| Special purpose Accounts | - |
| Others (<i>Specify</i>) | - |
| Total | 5,259,457,141 |

12. Transfers to County Assembly

| | 2024/25 |
|---------------------------|--------------------|
| | Kshs. |
| Recurrent Account | 745,163,814 |
| Development Account | 8,248,880 |
| Special purpose accounts | - |
| Others (<i>Specify</i>) | - |
| Total | 753,412,694 |

13. Other Transfers

| Description | 2024/25 |
|--|------------|
| | Kshs. |
| KDSP | - |
| (IDA) World Bank Credit-Financing locally Led climate programme (FFLoCA) | 36,000,000 |
| NARIGP | - |

County Government of Embu

County Revenue Fund

Annual Report and Financial Statements For the financial year ended 30th June 2025

| | |
|--|--------------------|
| Health Operation Grant | - |
| Youth Polytechnic Grant | - |
| Urban Institution | 6,849,300 |
| Urban Development | 74,490,224 |
| ASDP 11 | - |
| Primary Health Care (DANIDA) | 5,635,500 |
| Health Nutrition Grant | 4,000,000 |
| Emergency Locust Response Project | - |
| National Agricultural Value Chain Development Project (NAVCDP) | 39,281,206 |
| County Emergency Fund | 8,000,000 |
| County Health Promoters | - |
| KDSP 11 | - |
| School Feeding Fund | 35,000,000 |
| County Aggregation Industrial Park (CAIP) | 286,000,000 |
| TOTAL | 495,256,230 |

14. Cash and Cash equivalents

| | 2024/25 |
|--|-------------------|
| | Kshs. |
| County Exchequer Account - (CBK Account number 1000171014) | 62,102,974 |
| Total | 62,102,974 |

15. Receivables from Non-Exchange Transactions

| Description | Period ended Jun-25 |
|---|----------------------------|
| | Kshs |
| Receivables (Amount collected yet to be disbursed to CRF) | 1,416,981 |
| Other exchange debtors (<i>Specify</i>) | - |
| Less: impairment allowance | - |

| | |
|------------------------|------------------|
| Net receivables | 1,416,981 |
|------------------------|------------------|

16. Receivables from Exchange Transactions

| Description | 2024/25 | Opening Statement 1st July 2024 |
|--|---------|---------------------------------------|
| | Kshs | Kshs |
| Receivables from exchange transactions | - | - |
| Other debtors (exchange transactions) | - | - |
| Less: impairment allowance | (-) | (-) |
| Total | - | - |

17. Accounts Payable

| Description | 2024/25 | Opening Statement 1st July 2024 |
|-------------------------------|---------|---------------------------------------|
| | Kshs | Kshs |
| Payables to County Executive | - | - |
| Payables to County Assembly | - | - |
| Other transfers | - | - |
| Total Accounts Payable | - | - |

Notes to the financial statements

18. Disclosure of Balances in Revenue Collection Accounts

County Government Own source revenue is recognized in the financial statements when it has been swiped to CRF. Revenue collection account balances are disclosed as at the end of the reporting period as below.

County Government of Embu

County Revenue Fund

Annual Report and Financial Statements For the financial year ended 30th June 2025

| Name of Bank, Account No. & currency | Period ended | Ex. rate | Period ended | Statement 1st |
|--|-------------------|----------|-------------------|-------------------|
| | Jun-25 | | Jun-25 | July 2024 |
| | Kshs | | Kshs | Kshs |
| Embu county revenue collection a/c-1141408435600 | 291,175 | 1 | 291,175 | 27 |
| Embu County Exchequer a/c-1141517922 | 1,125,583 | 1 | 1,125,583 | 419,568 |
| Ishiara District Hospital a/c -1141408211501 | 71,385 | 1 | 71,385 | 13,384,898 |
| Runyenjes District Hospital a/c-11414408462200 | - | 1 | - | 5,615,080 |
| Runyenjes District Hospital a/c-11414408462201 | 44,690 | 1 | 44,690 | 4,776,780 |
| Mbeere District Hospital a/c -1141569278801 | 52,131 | 1 | 52,131 | 7,711,702 |
| Embu County Health Department | - | 1 | - | 2,760 |
| Kianjokoma Hospital-a/c -1141408461601 | 26 | 1 | 26 | 1,426,374 |
| Kianjokoma Hospital-a/c -1141408461600 | 286,179 | 1 | 286,179 | 681,990 |
| Karurumo Rural Health a/c- 1125317558 | 662,795 | 1 | 662,795 | 1,096,235 |
| Embu Level 5 Hospital a/c-07500053389 | 179 | 1 | 179 | 8,667,956 |
| Embu County Exchequer a/c-1141517922 | 1,125,583 | 1 | 1,125,583 | 419,568 |
| Embu County Collection a/c -07500069839 | 223 | 1 | 223 | |
| Embu Level 5 Operation a/c 075000052039 | - | 1 | - | 358,453 |
| SCRPHO-Runyenjes | - | 1 | - | 2 |
| SCRPHO-Mbeere South | - | 1 | - | 7 |
| SCRPHO-Mbeere North | - | 1 | - | 3 |
| County Management Team | - | 1 | - | 3,466 |
| Embu Level 5 hospital | - | 1 | - | 26 |
| SCMOH -Mbeere South | - | 1 | - | -3 |
| Embu County Health Fund | - | 1 | - | 12,225 |
| Embu County Health Mgt Team | - | 1 | - | 9 |
| Other level 3 and 2 | 13,631,820 | 1 | 13,631,820 | 14,988,098 |
| Embu level 5 Paybill-585770 | 354,356 | 1 | 354,356 | 84,921 |
| Runyenjes Level 4 Paybill-587070 | - | 1 | - | 16,405 |
| Ishiara Level 4 Paybill-587310 | - | 1 | - | 3,930 |
| Mbeere Level 4 Paybill 586230 | - | 1 | - | 3,090 |
| Embu County Government 814814 | 89,693 | 1 | 89,693 | 39,765 |
| TOTAL | 16,610,235 | | 16,610,235 | 59,277,362 |

| Summary of the Closing Balances CROR | Period ended June 30th 2025 |
|---|---|
| | Kshs |
| Amount collected yet to be disbursed to CRF | 1,416,981 |
| Amount billed and collected for disbursement to FIF | 15,193,254 |
| Total Unswiped To CRF and FIF | 16,610,235 |

14. Appendices

Appendix 1: Progress on follow up of Auditor’s Recommendations

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|---|-----------------------------------|--|
| 2.1.1 | <p>Budgetary Control and Performance</p> <p>The statement of Budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs 7,987,586,918 and Kshs 6,216,921,259 respectively , resulting in an under-funding of Kshs 1,770,665,659 or 22% of the budget. Similarly, the Fund expended Kshs.6,577,856,708 against an actual receipt of Kshs 6,216,921,259 resulting in over utilization of Kshs 360935,449 or 6% of the actual receipts.</p> | <p>As observed by the auditor, there was underfunding mainly resulting from the undisbursed exchequer release for the month of June 2024. This coupled with late disbursement of both grants and the exchequer releases greatly affected the funding and hence poor service delivery. The Kshs 360,935,449 over utilization was the unspent balances from the previous financial year 2022/2023</p> | Resolved | N/A |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status (Resolved / Not Resolved) | Timeframe (Put a date when you expect the issue to be resolved) |
|--|--|--|-------------------------------------|--|
| | <p>The underfunding and over-utilization affected the implementation of the planned activities and may have impacted negatively on service delivery to the public. My opinion is not modified in respect of this matter.</p> | | | |
| 2.1.2 | <p>Other Matters Unresolved Prior Year Audit Matters Review of the progress on follow up on prior year auditor's recommendations reveal that, several issues were raised under the Report on Financial Statements which remained unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues</p> | <p>As observed by the auditor, great effort has been taken towards resolving the previous year's financial statement issues raised by the Auditor. Matters that have been raised in previous audits have been resolved through adoption of the County Assembly recommendations and the revision to the financial statements.</p> | Resolved | N/A |

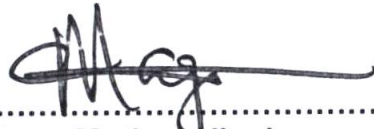
County Government of Embu
 County Revenue Fund
 Annual Report and Financial Statements For the financial year ended 30th June 2025

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--|----------------------------------|--|
| | resulting from an audit that remain outstanding. | | | |
| 2.1.3 | <p>Excess Budget to the County Assembly</p> <p>During the year ended 30 June, 2024, the statement of receipt and payments for the year reveals disbursements of Kshs.579,019,269 to the County Assembly of Embu which is equivalent to ten percent (9%) of the total County Revenue fund of Kshs.6,216,921,259. This is contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that the approved expenditure of a County Assembly shall not exceed seven percent (7%) of the total revenue of the county government or twice the personnel emoluments</p> | <p>As observed by the auditor the County Assembly exceeded their expenditure ceiling beyond the maximum 7% of the total revenue of the County Government by 2%. Their absorption was largely guided by the budget and the senate resolutions. Going forward the law has been amended to allow the assembly to have their own Revenue Fund Account from where their revenue will be credited.</p> | Resolved | N/A |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|---------------------|-------------------------------------|---|
| | of that County Assembly, whichever is lower. In the circumstances, Management was in breach of the law. | | | |

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National/ County Treasury.



.....
Damiano Muthee Njagi
Chief Officer Finance
County Government of Embu.

Appendix 2. Analysis Of Receipts from The National Treasury Exchequer Releases

| Period 2024-2025 | Quarter 1 (Kshs.) | Quarter 2 (Kshs.) | Quarter 3 (Kshs.) | Quarter 4 (Kshs.) | Total (Kshs.) |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Equitable Share | 881,398,773 | 1,774,453,415 | 886,033,034 | 2,255,356,814 | 5,797,242,036 |
| Road Levy | - | - | - | 73,706,112 | 73,706,112 |
| DANIDA - Universal Healthcare in Devolved Units Programme | - | - | - | 5,635,500 | 5,635,500 |
| World Bank – THUSCP | - | - | - | - | - |
| National Agricultural Value Chain Development Project (NAVCDP) | - | - | - | 39,281,206 | 39,281,206 |
| Kenya Devolution Support Programme | - | - | - | - | - |
| Youth Polytechnic support grant | - | - | - | - | - |
| Abolishment of user fees in health centres and dispensaries | - | - | - | - | - |
| Kenya Urban Support Programme | - | - | - | 32,309,300 | 32,309,300 |
| Financing Locally Led Climate (FLLOCA) | - | - | - | 9,804,145 | 9,804,145 |
| Agriculture Sector Development Support Project (ASDSP) | - | - | - | - | - |
| Kenya Climate Smart Agriculture Project (KCSAP) | - | - | - | - | - |
| Water and Sanitation Development Project | - | - | - | - | - |
| County Aggregation Industrial Park | 52,631,579 | - | - | 133,368,421 | 186,000,000 |
| Total | 934,030,352 | 1,774,453,415 | 886,033,034 | 2,549,461,498 | 6,143,978,299 |

(Amend appropriately as per the current year CARA)

Appendix 3. Analysis Of Receipts from Own Source Revenue per Quarter**(a) Non-Exchange own source revenue**

| Period 2024-2025 | Quarter 1 (Kshs.) | Quarter 2 (Kshs.) | Quarter 3 (Kshs.) | Quarter 4 (Kshs.) | Total (Kshs.) |
|---|------------------------------|------------------------------|------------------------------|------------------------------|--------------------------|
| Cess | 18,534,811 | 17,671,205 | 15,656,690 | 17,483,729 | 69,346,435 |
| Land rate | 2,214,158 | 1,944,864 | 6,050,917 | 4,785,971 | 14,995,910 |
| Single/Business permits | 11,574,938 | 3,740,366 | 66,384,961 | 38,274,247 | 119,974,512 |
| Physical planning and development | 1,946,275 | 1,350,349 | 1,430,260 | 1,633,695 | 6,360,579 |
| Conservancy administration | - | - | - | - | - |
| Administration control fees and charges | 12,241,951 | 2,390,850 | 2,206,318 | 27,138,922 | 43,978,041 |
| Park fees | - | - | - | - | - |
| Other fines, penalties, and forfeiture fees | - | 81,000 | 250,000 | 350,020 | 681020 |
| Miscellaneous | - | - | - | - | - |
| Others (<i>Specify</i>) | - | - | - | - | - |
| Own Source Revenue | 46,512,133 | 27,178,634 | 91,979,146 | 89,666,584 | 255,336,497 |
| Public health service fees (FIF) | 4,470,560 | 2,356,325 | 8,257,968 | 9,722,045 | 24,806,898 |
| Total | 50,982,693 | 29,534,959 | 100,237,114 | 99,388,629 | 280,143,395 |

(b) Exchange own source revenue

| Period 2024-2025 | Quarter 1 (Kshs.) | Quarter 2 (Kshs.) | Quarter 3 (Kshs.) | Quarter 4 (Kshs.) | Total (Kshs.) |
|---|----------------------|----------------------|----------------------|----------------------|--------------------|
| Land Rates and Plot Rents | 6,169,472 | 7,317,443 | 6,897,762 | 12,445,401 | 32,830,078 |
| Parking fees | 9,092,630 | 9,295,370 | 18,631,785 | 12,312,331 | 49,332,116 |
| Market fees | 5,246,148 | 5,500,938 | 5,239,497 | 5,759,872 | 21,746,455 |
| Advertising | 2,164,889 | 790,175 | 20,300,141 | 13,667,928 | 36,923,133 |
| Hire of County Assets | 349,724 | 176,005 | 177,465 | 281,856 | 984,050 |
| Administration control fees and charges | | | | - | - |
| Park fees | - | - | - | - | - |
| Proceeds from sale of assets | - | - | - | - | - |
| Other fines, penalties, and forfeiture fees | | | | | |
| Miscellaneous | 76,300 | - | 311,018 | - | 387,318 |
| Others (Specify) | | | | | |
| Own Source Revenue | 23,099,163 | 23,079,931 | 51,557,668 | 44,467,388 | 142,203,150 |
| Hospital fees (FIF) | 77,361,342 | 115,308,021 | 132,073,861 | 172,575,643 | 497,318,867 |
| TOTAL | 100,460,505 | 138,387,952 | 183,631,529 | 217,043,031 | 639,522,017 |

Appendix 4: Analysis of Transfers from the County Revenue Fund

| Period (2024/2025) | Quarter 1 (Kshs.) | Quarter 2 (Kshs.) | Quarter 3 (Kshs.) | Quarter 4 (Kshs.) | Total (Kshs.) |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| County Executive -Rec | 315,426,641 | 1,311,228,043 | 738,705,491 | 1,841,540,615 | 4,206,900,790 |
| County Executive -Dev | - | 168,020,159 | 145,554,955 | 738,981,237 | 1,052,556,351 |
| County Assembly -Rec | 74,215,437 | 223,000,001 | 105,000,000 | 342,948,376 | 745,163,814 |
| County Assembly -Dev | - | 7,270,698 | - | 978,182 | 8,248,880 |
| Special Purpose A/c | 73,631,579 | 6,000,000 | 85,400,000 | 330,224,651 | 495,256,230 |
| Total | 463,273,657 | 1,715,518,901 | 1,074,660,446 | 3,254,673,061 | 6,508,126,065 |