



**COUNTY GOVERNMENT OF EMBU
EXECUTIVE**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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

EMBU COUNTY GOVERNMENT - EXECUTIVE
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For the year ended June 30, 2019

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The County is constituted as per the constitution of Kenya is headed by the County Governor, who is responsible for the general policy and strategic direction of the County.

b) Key Management

The County's day-to-day management is under the following key organs:

c)

	Name	Designation	Date of holding office
1.	H.E. Martin Nyaga Wambora	Governor	8 th August 2017
2.	H.E. David Kariuki Njiru	Deputy Governor	8 th August 2017
3.	Dr. John Njeru Njagi	CEC, Finance and Economic Planning	17 th Oct. 2017
4.	Dr. Jamleck Muturi	CEC, Trade, Investments and Industrialization	28 th May 2019
5.	Mr. Suleiman Kariuki Nthiga	CEC, Transport, Housing and Infrastructure	17 th Oct. 2017
6.	Ms. Ann Mukami Nyaga	CEC, Agriculture and Livestock	17 th Oct. 2017
7.	Mr. Josphat Kithumbu Muriuki	CEC, Lands	17 th Oct. 2017
8.	Eng. Richard Njiru Mbogo	Ag. CEC, Water and Irrigation	28 th May 2019
9.	Mr. John Kiamati	CEC, Education, Vocational Training & Youth	28 th May 2019
10.	Mr. David G. Kariuki	CEC, Public Service & Administration	28 th May 2019
11.	Dr. Joan Mwendu	CEC, Health	28 th May 2019
12.	Ms. Justa Wawira Kiura	CEC, Gender, Culture and Sports	17 th Oct. 2017

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM Finance	Dr. John Njeru Njagi CPA (K)
2.	Chief Officer Finance	Mr. Damiano Muthee CPA (K)
3.	Head of Accounting Unit	Mr. Pius Mukundi Njagi CPA (K)

e) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at the County for the year ended 30th June 2017 were:

- County Assembly of Embu County
- Audit Committee
- Budget and Appropriation Committee
- Finance Committee

f) Entity Headquarters

P.O. Box 36 060100
Embu Town Hall Building
Meru - Nairobi Highway
Embu, KENYA

g) Entity Contacts

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

h) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Co-operative Bank of Kenya

i) Independent Auditors

Auditor General
Office of the Auditor General, (OAG)
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

j) Principal Legal Adviser

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

2. FORWARD BY THE CEC

It is my pleasure to present the County Government of Embu Financial Statements for the year ended 30th June 2019. The financial statements present the financial performance of the county Government over the past year.

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 governance consists of the National Government and 47 County Governments.

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 its operations through own generated revenues. These are revenues collected within the County. The key local revenue sources for Embu County included business permits, land rates, business plan approval, advertising fees, cesses and various other administrative charges.

The County continues to explore new and innovative ways of increasing its local revenue collections. Some of the steps that the County has taken towards improving its revenue collection include:

- 1) Automation of revenue collection system – the County is currently piloting *embu pay*, A revenue collection software to seal loopholes in revenue collection
- 2) Setting performance targets – the County has embarked on a process of defining the key performance indicators in revenue collection and reporting to guide in measuring staff performance. This will motivate staff and help to identify new streams of revenue and increase revenue collections to help the County achieve its full potential.

Financial Performance

a) Revenue

In the year ended 30th June 2019, the County had projected revenues of KShs 6,827,240,386 comprising of KShs 950,000,000 from own sources and KShs 5,877,240,386 from other sources.

CARA revenues continue to form the largest part of our revenue budget, contributing 86% towards our budget. Our own generated revenues formed 14% of our budget.

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Out of the projected revenue, the County was able to realise KShs 5,994,568,187 in actual revenues, representing 88% performance with own generated revenues contributing 10% of the total revenue. In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
CARA	5,877,240,386	5,365,584,792	99%
Borrowings	0.000	0.000	0%
Own generated revenues	950,000,000	628,983,395	49%
Total	6,827,240,386	5,994,568,187	88%

Table 1: Revenue performance in FY 2018/2019

Some of the development projects in FY 2018/2019 included the following:

Modern Market Sheds



Milk Cooler at Ugweri



Tarmac Road-completed



Badea ward at Embu Level 5 Hospital nearing completion



b) Payments

Our total expenditure for the year amounted to KShs 5,675,653,659. KShs 1,309,954,908 was spent on development expenditure while KShs. 4,365,698,751 was spent on recurrent expenditure representing a ratio of 23:77 respectively.

Much of the recurrent budget was spent on compensation for employees. Underutilisation on development budget was as a result delay in passing the supplementary budget, which delayed the process of determining the projects to be procured and those to be cancelled to enable the county pay pending bills. 64% of recurrent expenditure is spent on salaries and wages. There were delays in disbursement of funds by the National Treasury.

The Controller of Budget requires that we submit IB report for complete projects whose payment has been processed meaning most of the money we obtain early is mainly for recurrent expenditure since the process of procuring and delivering on development projects takes a longer period than recurrent expenditure.

c) Cash flows

In the FY 2018/2019, we have had liquidity disruptions. This was as a result of delayed disbursements by the National Treasury. The cash and cash equivalents stood at KShs 439,927,612 as at 30th June 2019.

d) Accounts receivables

Imprest management is a critical area of focus in Embu County. Our aim is to adhere to the PFM regulations on imprest management. We appreciate that there is still room for improvement in this area. The main challenge has been delay in transmitting funds to imprest holders. In some instances it took more than a month to transmit cash to respective banks of the imprest applicants. Such imprests are indicated as outstanding yet the money has not been disbursed. Going into the 1st Quarter of FY 2019/2020, we are placing more emphasis on complying with the PFM regulations with regards to imprests management.

e) Pending bills

We have utilised the supplementary budget to reduce the pending bills. Our focus as a County is to settle the bills as soon as possible. In every budget cycle, we continue to allocate moneys for settling pending bills.

f) Fixed assets

Embu County has made significant investments in fixed assets since coming into office in 2013. Additionally, we inherited some assets from the defunct municipal council. We are in the process of developing a comprehensive asset management policy, which we hope to finalize by closure of

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FY 2019/2020. The policy will among other things incorporate physical verification of all assets, valuation of assets, tagging of assets and maintenance of an asset register.

Operational performance

The County's operations are structured in terms of departments that are headed by a County Executive Committee Member. For seamless service delivery, all departments have to work in unison and synergize.

Conclusion

FY 2018/2019 was a good year in general. Good progress has been made and the momentum has been created to enable Embu County continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank H.E. the Governor and the Deputy Governor for their support. I would also want to thank my colleagues, the County Executive Committee Members in charge of other departments who we have worked hand in hand to ensure that Embu County achieves its mission.

I thank all staff in the entire County for their continued commitment and dedication through hard work in delivering services to the people of Embu County.

CECM – Finance and Economic Planning
County Government of Embu

3. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 163, 164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of receipts and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The County Executive Committee (CEC) member for finance of the County Government is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the financial year ended on June 30, 2019. 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 Government; (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 Government; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The CEC member for finance accepts responsibility for the County Government's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The CEC member for finance is of the opinion that the County Government's financial statements give a true and fair view of the state of the County Government's transactions during the financial year ended June 30, 2019, and of its financial position as at that date. The CEC member for finance further confirms the completeness of the accounting records maintained for the County Government which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The CEC member for finance confirms that the County Government has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Government's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the CEC member for finance confirms that the County Government'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 Government's financial statements were approved and signed by the CEC member for finance on **31st October 2019**.

County Executive Committee Member – Finance

4. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY

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5. FINANCIAL STATEMENTS

5.1. STATEMENT OF RECEIPTS AND PAYMENTS

		2018-2019	2017-2018
	Notes	KShs	KShs
RECEIPTS			
Exchequer releases	1	4,458,800,000	4,107,200,000
Proceeds from Domestic and Foreign Grants	2	263,515,534	115,698,201
Transfers from Other Government Entities	3	429,161,009	516,247,805
County Own Generated Receipts	4	628,983,395	437,383,816
Returned CRF issues	5	214,108,249	468,262,521
TOTAL RECEIPTS		5,994,568,187	5,644,792,343
PAYMENTS			
Compensation of Employees	6	2,793,372,737	2,669,486,849
Use of goods and services	7	851,047,194	738,857,449
Transfers to Other Government Units	8	558,493,907	485,937,461
Other grants and transfers	9	161,854,384	215,065,510
Social Security Benefits	10	930,529	22,567,264
Acquisition of Assets	11	1,309,954,908	1,162,459,948
Finance Costs, including Loan Interest	12	0	0
TOTAL PAYMENTS		5,675,653,659	5,294,374,481
SURPLUS/DEFICIT		318,914,528	350,417,862

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 **31st October 2019** and signed by:

 Chief Officer - Finance
 Name: Ruth Wambui Ndirangu
 ICPAK Member Number: 4384

 Head of Accounting Unit
 Name: Pius Mukundi Njagi
 ICPAK Member Number: 20125

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5.2. STATEMENT OF ASSETS AND LIABILITIES

		2018-2019	2017-2018
	Notes	KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	12A	439,206,879	358,563,651
Cash Balances	12B	720,733	916,082
Total Cash and cash equivalent		439,927,612	359,479,733
Accounts receivables – Outstanding Imprests	13	33,372,622	82,040,660
TOTAL FINANCIAL ASSETS		473,300,234	441,520,393
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	14	10,715,684	83,742,122
NET FINANCIAL ASSETS		462,584,550	357,778,271
REPRESENTED BY			
Fund balance b/fwd		357,778,271	478,049,978
Less Returned Issues	5	(214,108,249)	-
Prior year adjustments	16	-	(470,689,569)
Surplus/Deficit for the year		318,914,528	350,417,862
NET FINANCIAL POSITION		462,584,550	357,778,271

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 **31st October 2019** and signed by:

 Chief Officer - Finance
 Name: Ruth Wambui Ndirangu
 ICPAK Member Number: 4384

 Head of Accounting Unit
 Name: Pius Mukundi Njagi
 ICPAK Member Number: 20125

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5.3. STATEMENT OF CASH FLOWS

		2018-2019	2017 - 2018
	Notes	KShs	KShs
Receipts from operating income			
Exchequer Releases	1	4,458,800,000	4,107,200,000
Proceeds from Domestic and Foreign Grants	2	263,515,534	115,698,201
Transfers from Other Government Entities	3	429,161,009	516,247,805
County Own Generated Receipts	4	628,983,395	437,383,816
Returned CRF issues	5	214,108,249	468,262,521
Payments for operating expenses			
Compensation of Employees	6	2,793,372,737	2,669,486,849
Use of goods and services	7	851,047,194	738,857,449
Transfers to Other Government Units	8	558,493,907	485,937,461
Other grants and transfers	9	161,854,384	215,065,510
Social Security Benefits	10	930,529	22,567,264
Finance Costs, including Loan Interest	12	0	0
Adjusted for:			
Adjustments during the year-Receivables	13	48,668,038	(67,493,751)
Adjustments during the year-Payables	14	(73,026,438)	24,823,756
Net cash flow from operating activities		1,604,511,036	1,470,207,816
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	11	(1,309,954,908)	(1,162,459,948)
Net cash flows from Investing Activities		(1,309,954,908)	(1,162,459,948)
NET INCREASE IN CASH AND CASH EQUIVALENT		294,556,128	307,747,868
Cash and cash equivalent at BEGINNING of the year		359,479,733	522,421,435
Less Returned CRF Issues	5	(214,108,249)	
Prior Year Adjustments	16	-	(470,689,569)
Cash and cash equivalent at END of the year		439,927,612	359,479,733

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 **31st October 2019** and signed by:

 Chief Officer - Finance
 Name: Ruth Wambui Ndirangu
 ICPAK Member Number: 4384

 Head of Accounting Unit
 Name: Pius Mukundi Njagi
 ICPAK Member Number: 20125

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5.4. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	4,458,800,000	0	4,458,800,000	4,458,800,000	0	100%
Proceeds from Domestic and Foreign Grants	364,692,990	115,211,597	479,904,587	263,515,534	216,389,053	55%
Transfers from Other Government Entities	667,061,008	57,366,542	724,427,550	429,161,009	295,266,541	59%
County Own Generated receipts	950,000,000	0	950,000,000	628,983,395	321,016,605	66%
Return issues to CRF	0	214,108,249	214,108,249	214,108,249	0	100%
TOTAL	6,440,553,998	386,686,388	6,827,240,386	5,994,568,187	832,672,199	88%
PAYMENTS						
Compensation of Employees	2,861,474,445	(65,600,000)	2,795,874,445	2,793,372,737	2,501,708	100%
Use of goods and services	849,067,506	253,382,926	1,102,450,432	851,047,194	251,403,238	77%
Other grants and transfers	162,184,289	-	162,184,289	161,854,384	329,905	100%
Civil Contingency Reserves	15,000,000	(7,300,000)	7,700,000	930,529	6,769,471	12%
Transfer to other Government Entities	664,744,226	-	664,744,226	558,493,907	106,250,319	84%
Acquisition of Assets	1,888,083,532	206,203,462	2,094,286,994	1,309,954,908	784,332,086	63%
Grand Total	6,440,553,998	386,686,388	6,827,240,386	5,675,653,659	1,151,586,727	83%
SURPLUS/(DEFICIT)	0	0	0	318,914,528	(318,914,528)	

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(a) Performance of local revenue is improving and we expect the upward trajectory to continue in the FY 2019-20. This is due to measures put in place such as automation of revenue collection, establishment Embu County Revenue Board and strict enforcement of the laws.

The entity financial statements were approved on **31st October 2019** and signed by:

Chief Officer - Finance
Name: Ruth Wambui Ndirangu
ICPAK Member Number: 4384

Head of Accounting Unit
Name: Pius Mukundi Njagi
ICPAK Member Number: 20125

EMBU COUNTY GOVERNMENT - EXECUTIVE

Reports and Financial Statements

For the year ended June 30, 2019

5.5. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	4,458,800,000	0	4,458,800,000	4,458,800,000	0	100%
Proceeds from Domestic and Foreign Grants	364,692,990	115,211,597	479,904,587	263,515,534	216,389,053	55%
Transfers from Other Government Entities	667,061,008	57,366,542	724,427,550	429,161,009	295,266,541	59%
County Own Generated receipts	950,000,000	0	950,000,000	628,983,395	321,016,605	66%
Return issues to CRF	0	214,108,249	214,108,249	214,108,249	0	100%
TOTAL	6,440,553,998	386,686,388	6,827,240,386	5,994,568,187	832,672,199	88%
PAYMENTS						
Compensation of Employees	2,861,474,445	(65,600,000)	2,795,874,445	2,793,372,737	2,501,708	100%
Use of goods and services	849,067,506	253,382,926	1,102,450,432	851,047,194	251,403,238	77%
Other grants and transfers	162,184,289	-	162,184,289	161,854,384	329,905	100%
Civil Contingency Reserves	15,000,000	(7,300,000)	7,700,000	930,529	6,769,471	12%
Transfer to other Government Entities	664,744,226	-	664,744,226	558,493,907	106,250,319	84%
TOTAL	4,552,470,466	180,482,926	4,732,953,392	4,365,698,751	367,254,641	92%

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(a) *Civil Contingency Reserves is mainly Emergency fund which has not been operationalised to date*

The entity financial statements were approved on **31st October 2019** and signed by:

Chief Officer - Finance
Name: Ruth Wambui Ndirangu
ICPAK Member Number: 4384

Head of Treasury Accounts
Name: Pius Mukundi Njagi
ICPAK Member Number: 20125

EMBU COUNTY GOVERNMENT - EXECUTIVE**Reports and Financial Statements****For the year ended June 30, 2019****5.6. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	4,458,800,000	0	4,458,800,000	4,458,800,000	0	100%
Proceeds from Domestic and Foreign Grants	364,692,990	115,211,597	479,904,587	263,515,534	216,389,053	55%
Transfers from Other Government Entities	667,061,008	57,366,542	724,427,550	429,161,009	295,266,541	59%
County Own Generated receipts	950,000,000	0	950,000,000	628,983,395	321,016,605	66%
Return issues to CRF	0	214,108,249	214,108,249	214,108,249	0	100%
TOTAL	6,440,553,998	386,686,388	6,827,240,386	5,994,568,187	832,672,199	88%
PAYMENTS						
Acquisition of Assets	1,888,083,532	206,203,462	2,094,286,994	1,309,954,908	784,332,086	63%
TOTAL	1,888,083,532	206,203,462	2,094,286,994	1,309,954,908	784,332,086	63%

The entity financial statements were approved on **31st October 2019** and signed by:

 Chief Officer - Finance
 Name: Ruth Wambui Ndirangu

 Head of Accounting Unit
 Name: Pius Mukundi
 ICPAK Member Number: 20125

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5.7. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES - COUNTY

Program	Sub Program	Description	Approved Budget	Actual Payments	Variance
3660			0	974,100.00	(974,100.00)
	0	Default - Non Programmatic	0	974,100.00	(974,100.00)
106000000		General Administration Planning and Support Services	876,505,390.00	592,259,874.85	284,245,515.15
	106019999	Administration, Planning & Support Services	876,505,390.00	592,259,874.85	284,245,515.15
201000000		General Administration, Planning and Support Services	922,609,889.00	693,724,504.55	228,885,384.45
	201019999	General Administration, Planning and Support Services	922,609,889.00	693,724,504.55	228,885,384.45
301000000		General Administration Planning and Support Services	104,076,272.00	84,048,707.25	20,027,564.75
	301019999	General Administration Planning and Support Services	104,076,272.00	84,048,707.25	20,027,564.75
404000000		General Administration, Planning & Support Services	2,702,898,369.00	2,485,737,528.95	217,160,840.05
	404019999	Health Policy, Planning & Financing	2,702,898,369.00	2,485,737,528.95	217,160,840.05
508000000		General Administration, Planning and Support Services	550,917,614.00	354,562,409.75	196,355,204.25
	508019999	Headquarters Administrative Services	550,917,614.00	354,562,409.75	196,355,204.25
701000000		General Administration Planning and Support Services	1,539,430,586.00	1,380,085,229.95	159,345,356.05
	701019999	General Administration Planning and Support Services	1,539,430,586.00	1,380,085,229.95	159,345,356.05
711000000		Gender & Youth Empowerment	46,981,789.00	27,097,335.9	19,884,453.1
	711069999	Gender & Socio-economic empowerment	46,981,789.00	27,097,335.9	19,884,453.1
1004000000		Water Resources Management	83,820,477.00	57,163,967.75	26,656,509.25
	1004019999	Water Resources conservation and Protection	83,820,477.00	57,163,967.75	26,656,509.25
		Grand Total	6,827,240,386.00	5,675,653,658.95	1,151,586,727.05

The entity financial statements were approved on **31st October 2019** and signed by:

 Chief Officer - Finance
 Name: Ruth Wambui Ndirangu
 ICPAK Member No. 4384

 Head of Accounting Unit
 Name: Pius Mukundi Njagi
 ICPAK Member No.20125

5.8. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The receivables and payables are disclosed in the Statement of Assets and Liabilities.

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

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

2. Reporting entity

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

3. Recognition of receipts and payments

a) Recognition of receipts

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

Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

Transfers from the Exchequer

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the County Government may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

County Own Generated Receipts

These include Appropriation-in-Aid and relates to receipts such as trade licences, cess, fees, property income among others generated by the County Government from its citizenry. These are recognised in the financial statements the time associated cash is received.

Returns to CRF Issues

These relate to unspent balances in the development, recurrent and deposit accounts at the end of the year which are returned to the County Revenue Fund (CRF) and appropriated through a supplementary budget to enable the County to spend funds. These funds are recognised once appropriated through a supplementary budget process.

b) Recognition of payments

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensation of employees

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

Use of goods and services

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

Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the County consolidated financial statements.

Acquisition of fixed assets

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

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

4. In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of receipts and payments both as receipts and as expense in equal and opposite amounts; otherwise, the contribution is not recorded.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. 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.

Restriction on cash

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2019, this amounted to Kshs 10,715,684 compared to Kshs 9,170,334.65 in prior period.

There were no other restrictions on cash during the year.

6. Accounts Receivable

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

7. Accounts Payable

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

8. Non-current assets

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Pending bills

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

10. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Embu County Executive's budget was approved as required by Law and as detailed in the County Revenue Allocation Act. **The original budget was approved by the County Assembly on Embu for the period 1st July 2018 to 30th June 2019 as required by law. There were two supplementary budgets passed in the year.** A high-level assessment of the Embu County Executive's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

11. Comparative figures

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

12. Subsequent events

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

13. Errors

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

14. Related party transactions

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

5.9. NOTES TO THE FINANCIAL STATEMENTS

1. EXCHEQUER RELEASES

	2018 - 2019	2017 - 2018
	KShs	KShs
Total Exchequer Releases for quarter 1	550,108,023	308,576,832
Total Exchequer Releases for quarter 2	832,119,977	705,318,474
Total Exchequer Releases for quarter 3	1,226,170,000	1,388,816,694
Total Exchequer Releases for quarter 4	1,850,402,000	1,704,488,000
Total	4,458,800,000	4,107,200,000

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2018 – 2019	2017 – 2018
			KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)				
Grants Received from Multilateral Donors (International Organisations)				
Danida Health Funds		0	13,770,000	17,175,467
World Bank		0	38,574,958	10,000,000
KDSP		0	0	37,912,879
NARIGP		0	50,078,476	50,609,855
Kenya Urban Support Pr-(KUSP)		0	161,092,100	0
Federal Reserve Bank, New York		0	0	0
(Insert name of donor)		0	0	0
Total			263,515,534	115,698,201

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2018 - 2019	2017 - 2018
	KShs	KShs
Transfers from Central government entities		
Coffee Cess	0	0
Abolishment of user fees in Health Centers and Dispensaries	10,724,225	10,776,608
Free Maternal Healthcare	0	0
Doctors' CBA	0	0
Level 5 Hospital Funds	301,040,463	301,040,462
Road Maintenance Fuel Levy Fund	117,396,321	163,522,813
Development of Youth Polytechnics	0	40,907,922
TOTAL	429,161,009	516,247,805

4. COUNTY OWN GENERATED RECEIPTS

	2018 - 2019	2017 - 2018
	KShs	KShs
Rents	9,338,073	18,880,855
Receipts from Administrative Fees and Charges - Collected as AIA	348,937,853	188,257,089
Building Approval Fees	13,391,599	4,687,350
Business permits	89,180,368	79,277,460
Cess	64,749,850	49,365,334
Land rates	14,127,428	16,675,005
Advertisement Fees	22,163,787	21,775,255
Administrative services fees	000	1,000
Various fees	0	601,830
Other miscellaneous receipts	1,036,051	3,246,992
Enforcement fees	690,450	1,002,940
Market/trade centre fee	32,321,211	20,125,849
Vehicle parking fees	11,967,225	13,552,413
Bus Park fees	20,179,200	16,188,087
Slaughter houses administration	900,300	1,779,285
Water supply administration	0	40,960
Total	628,983,395	435,457,704

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There is considerable improvement in revenue collection due to conducive business environment and automation of revenue collection.

5. RETURNED CRF ISSUES

	2018 - 2019	2017 – 2018
	KShs	KShs
Bank Accounts	0	467,277,997
County Revenue Fund Account, 1000171014	153,746,121	0
Central Bank of Kenya, 1000170581	3,119	0
Central Bank of Kenya, 1000170597	59,442,927	0
Cash in hand	916,082	984,524
Total	214,108,249	468,262,521

Closing balances in our respective accounts as at 30th June 2018

EMBU COUNTY GOVERNMENT - EXECUTIVE
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. COMPENSATION OF EMPLOYEES

	2018 - 2019	2017 - 2018
	KShs	KShs
Basic salaries of permanent employees	2,765,518,104	2,654,501,874
Basic wages of temporary employees	27,854,633	14,984,974
Personal allowances paid as part of salary	0	0
Personal allowances paid as reimbursements	0	0
Personal allowances provided in kind	0	0
Other personnel payments	0	0
Total	2,793,372,737	2,669,486,849

7. USE OF GOODS AND SERVICES

	2018 - 2019	2017 - 2018
	KShs	KShs
Utilities, supplies and services	55,877,975	57,085,200
Communication, supplies and services	6,450,401	6,335,097
Domestic travel and subsistence	137,428,204	41,436,231
Foreign travel and subsistence	4,328,061	14,018,464
Printing, advertising and information supplies & services	15,878,598	7,899,830
Rentals of produced assets	30,000	32,000
Training expenses	18,952,058	28,802,361
Hospitality supplies and services	18,856,248	13,935,085
Insurance costs	2,700,000	11,632,944
Specialized materials and services	261,404,571	229,711,867
Office and general supplies and services	21,549,590	16,709,586
Fuel Oil and Lubricants	34,113,683	33,712,332
Other operating expenses	243,580,577	249,475,379
Routine maintenance – vehicles and other transport equipment	8,247,562	11,240,064
Routine maintenance – other assets	11,483,686	16,829,011
School feeding programme	10,165,981	0
Total	851,047,194	738,857,449

Embu County recurrent expense

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2018 - 2019	2017 – 2018
	KShs	KShs
Transfers to Central government entities		
See attached list		
Embu county Assembly	558,493,907	485,937,461
TOTAL	558,493,907	485,937,461

Transfer to County Assembly of Embu

9. OTHER GRANTS AND OTHER PAYMENTS

	2018 - 2019	2017 – 2018
	KShs	KShs
Scholarships and other educational benefits	50,000,000	79,600,500
Other Capital Grants and transfers	111,854,384	25,465,010
Car Loan and Mortgage	0	110,000,000
Total	161,854,384	215,065,510

Bursary and mortgage for CEC Members

10. SOCIAL SECURITY BENEFITS

	2018 - 2019	2017 – 2018
	KShs	KShs
Government pension and retirement benefits	0	22,286,390
Social security benefits in cash and in kind	0	0
Budget Contingency Reserve	930,529	280,874
Total	930,529	22,567,264

(Gratuity to County Executive)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. ACQUISITION OF ASSETS

Non Financial Assets	2018 – 2019	2017 – 2018
	KShs	KShs
Purchase of Buildings	0	0
Construction of Buildings	153,208,246	167,724,790
Refurbishment of Buildings	83,918,293	24,716,596
Construction of Roads	293,970,568	243,331,067
Construction and Civil Works	169,978,433	174,699,114
Overhaul and Refurbishment of Construction and Civil Works	437,338,979	165,398,661
Purchase of Vehicles and Other Transport Equipment	25,896,233	18,649,275
Purchase of Household Furniture and Institutional Equipment	21,440,942	52,045,780
Purchase of Office Furniture and General Equipment	13,998,660	14,013,745
Purchase of ICT Equipment	0	0
Purchase of Specialized Plant, Equipment and Machinery	54,070,555	66,446,609
Rehabilitation and Renovation of Plant, Machinery and Equip.	0	462,464
Purchase of Certified Seeds, Breeding Stock and Live Animals	2,795,500	2,191,626
Research, Studies, Project Preparation, Design & Supervision	11,539,735	3,635,600
Rehabilitation of Civil Works	29,425,157	30,833,952
Acquisition of Strategic Stocks and commodities	0	36,020,209
Acquisition of Land	12,373,608	162,290,460
Acquisition of Intangible Assets	0	0
Financial Assets	0	0
Domestic Public Non-Financial Enterprises	0	0
Domestic Public Financial Institutions	0	0
Total	1,309,954,908	1,162,459,948

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. FINANCE COSTS, INCLUDING LOAN INTEREST

	2018 – 2019	2017 – 2018
	KShs	KShs
Exchange Rate Losses	-	-
Interest Payments on Foreign Borrowings	-	-
Interest Payments on Guaranteed Debt Taken over by Govt	-	-
Interest on Domestic Borrowings (Non-Govt)	-	-
Interest on Borrowings from Other Government Units	-	-
Total	-	-

EMBU COUNTY GOVERNMENT - EXECUTIVE
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12A. BANK BALANCES – APPENDIX 6 CASH BOOK RECONCILIATION

Name of Bank, Account No. & currency	Amount in bank account currency*	Indicate whether recurrent, Development, deposit, receipts e.t.c	Ex. rate (if in foreign currency)	2018 – 2019	2017 – 2018
				KShs	KShs
County Revenue Fund Account, 1000171014	KES	Revenue	-	100,302,192	191,995,638
Central Bank of Kenya, 1000170581	KES	Recurrent	-	54,437,613	3,119
Central Bank of Kenya, 1000170597	KES	Development	-	9,569,298	59,442,927
Central Bank of Kenya, 10001260181	KES	Fuel Levy	-	35,253,026	16,458,621
Central Bank of Kenya, 1000250388	KES	Grant	-	4,417,188	750,000
Central Bank of Kenya, 1000....	KES	Assembly	-	00	13,727
Embu County Agric Sec Supp Proj, 1000365609	KES	Grant	-	5,841,061	00
Embu County Polytechnic Proj Grant, 1000368969	KES	Grant	-	10,715,684	00
Embu County - KE Urban Support Prog, 1000381558	KES	Grant	-	3,191,603	00
Kenya Devolution Support Programme, 1000380373	KES	Grant	-	00	5,678,555
Nat agr Rural Gr Inc Pr (NAGRIP), 1000365773	KES	Grant	-	47,810,414	49,849,550
Embu County - Food, Agriculture Organization, 1000381566	KES	Grant	-	00	00
Equity Bank Account,	KES	Development	-	41,200,000	0
Equity Bank Account,	KES	Development	-	58,000,000	0
Co-op. Recurrent Account, 1141408117000	KES	Operational	-	00	(2)
KCB Exchequer Account, 1141517922	KES	Revenue	-	7,905,109	10,643,457

EMBU COUNTY GOVERNMENT - EXECUTIVE
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KCB E-Revenue Account, 1178028569	KES	Revenue	-	65,432	-
Co-op. Alcoholic Control Fund, 1141408230700	KES	Revenue	-	-	108,000
County Health Nutrition Account, Co-op. 01141731299200	KES	Operational	-	1,515,875	-
SCMOH - Kiritiri, 01141408211201	KES	Revenue	-	69,960	72,289
PHO - Runyenjes, 01141408461801	KES	Revenue	-	134,700	486,050
PHO - Mbeere South, 01141408882401	KES	Revenue	-	58,598	178,949
PHO - Mbeere North, 01141569275001	KES	Revenue	-	65,500	85,150
PHO - Manyatta, 01141408462001	KES	Revenue	-	69,700	179,950
Mbeere District Hospital Revenue, 1141569278800	KES	Revenue	-	87,425	-
Mbeere District Hospital Revenue, 1141569278801	KES	Revenue	-	16,890	34,970
County Health Management Team, 1141407087300	KES	Revenue	-	170	170
Kianjokoma Sub-District Hospital, 1141408461600	KES	Revenue	-	740,481	-
Kianjokoma Sub-District Hospital, 1141408461601	KES	Revenue	-	641,480	226,084
Ishara District Hospital Revenue, 1141408211500	KES	Revenue	-	427,378	427,378
Ishara District Hospital, 1141408211501	KES	Revenue	-	9,500	80,330
Runyenjes District Hospital NHIF Account, 1141408462200	KES	NHIF	-	15,737,492	8,031,365
Runyenjes District Hospital Revenue, 1141408462201	KES	Revenue	-	(1)	76,786
Karurumo Rural Health Facility Centre, 1125317558	KES	Revenue	-	11,918	269,611
MOH Embu West, Co-op. 01141134247300	KES	Revenue	-	52	-
MOH Embu North, Co-op. 01141134216500	KES	Revenue	-	1,670	-

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MOH Embu East, Co-op. 01141134216400	KES	Revenue	-	57,980	-
MOH Embu Mbeere South, Co-op. 01141134216700	KES	Revenue	-	69,900	-
MOH Embu Mbeere North, Co-op. 01141134216800	KES	Revenue	-	62,750	-
Embu County Health Department, Co-op. 01141408420500	KES	Revenue	-	477,617	-
Body Mass Index (BMI) Account, Co-op. 01141407087200	KES	Revenue	-	18,845	-
Embu County Health Fund, Co-op. 01253889880	KES	Revenue	-	1,239,872	-
Embu County Revenue, 1141408435600	KES	Revenue	-	191,620	1,490,585
Embu County Salary, 1141408453000	KES	Operational	-	582,573	(40)
Embu Level 5 Hospital Revenue, KCB, 1202479405	KES	Revenue	-	1,758,302	1,834,880
Embu Level 5 Hospital Revenue, CO-OP., 1141408204800	KES	Revenue	-	23,794,575	9,170
Embu County Deposit Account, 1000250372	KES	Deposit	-	10,715,684	9,170,335
Danida funded Expenditure Accounts - List Attached-Appendix 1	KES	Operational	-	1,939,754	966,048
Total			-	439,206,879	358,563,651

*Amount should be as per amount in the cash book.

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12B. CASH IN HAND

	2018 – 2019	2017 – 2018
	KShs	KShs
Cash in Hand – Held in domestic currency	720,733	916,082
Cash in Hand – Held in foreign currency	-	-
Total	720,733	916,082
Total Cash and Cash Equivalent	439,927,612	359,479,733

Cash in hand should also be analysed as follows:

	2018 – 2019	2017 – 2018
	KShs	KShs
Mbeere South Sub-County	365,468	548,022
Mbeere North Sub-County	136,560	120,780
Runyenjes Sub-County	218,705	148,420
Manyatta Sub-County	-	98,860
Total	720,733	916,082

[Cash count certificates for each Sub-County are attached - APENDIX 2]

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS – APENDIX 3

<i>Description</i>	2018 – 2019	2017 – 2018
	KShs	KShs
Government Imprests	33,372,622	82,040,660
Clearance accounts	-	-
Total	33,372,622	82,040,660

14. ACCOUNTS PAYABLE

	2018 – 2019	2017 – 2018
	KShs	KShs
Deposits	10,715,684	85,668,234
Total	10,715,684	85,668,234

15. FUND BALANCE BROUGHT FORWARD

	2018 – 2019	2017 – 2018
	KShs	KShs
Bank accounts	358,563,651	521,436,911
Cash in hand	916,082	984,524
Accounts Receivables	82,040,660	14,546,909
Accounts Payables	(83,742,122)	(58,918,366)
Returned Unspent Balances to CRF	(214,108,249)	-
Total	143,670,022	478,049,978

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. PRIOR YEAR ADJUSTMENTS

Description of the error	Notes	2018 – 2019	2017 – 2018
		KShs	KShs
Closing bank balance - June 30, 2018	12A	-	521,436,911
Closing cash in hand - June 30, 2018	12B	-	984,524
Closing accounts Receivables - June 30, 2018	13	-	7,186,500
Closing accounts Payable - June 30, 2018	14	-	(58,918,366)
		-	470,689,569

EMBU COUNTY GOVERNMENT - EXECUTIVE
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5.10. OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE

	Balance b/f FY 2017/2018	Additions for the period	Paid during the year	Balance c/f FY 2018/2019
	Kshs	Kshs	Kshs	KShs
Construction of buildings	191,007,576	17,370,141	54,710,497	153,667,220
Construction of civil works	177,855,032	474,983,544	223,479,519	429,359,057
Supply of goods	171,987,683	109,632,159	124,271,548	361,267,347
Supply of services	400,124,667	22,995,753	61,853,073	157,348,294
Total	940,974,958	624,981,597	464,314,637	1,101,641,918

2. PENDING STAFF PAYABLES

	Balance b/f FY 2017/2018	Additions for the period	Paid during the year	Balance c/f FY 2018/2019
	KShs	KShs	KShs	KShs
Senior management	3,376,186	3,728,265	3,376,186	3,728,265
Middle management	00	00	00	00
Unionisable employees	86,655,445	95,764,977	86,655,445	95,764,977
Others	00	00	00	00
	90,031,631	99,493,242	90,031,631	99,493,242

3. OTHER PENDING PAYABLES

	Balance b/f FY 2017/2018	Additions for the period	Paid during the year	Balance c/f FY 2018/2019
	Kshs	Kshs	Kshs	KShs
Amounts due to National Government entities	00	00	00	00
Amounts due to County Government entities	00	00	00	00
Amounts due to third parties	00	00	00	00
	00	00	00	00

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4. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the County Government:

- Key management personnel that include the Governor, the Deputy Governor Members of the County Assembly, CECs and Chief Officers for various County Ministries and Departments;
- County Ministries and Departments;
- The National Government;
- Other County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions

	2018- 2019	2017- 2018
	Kshs	Kshs
Key Management Compensation(Governors, CEC Members and C.Os)	97,528,440	000
<u>Transfers to related parties</u>		
Transfer to the County Assembly	558,493,907	485,937,461
Transfers to other County Government Entities	50,000,000	215,065,510
Transfers to Development Projects	1,309,954,908	1,162,459,948.05
Transfers to non reporting entities e.g schools and welfare	0	0
Transfers to County Water Service Providers	0	0
Expenses paid on behalf of County Water Service Providers	0	0
Total Transfers to related parties	1,918,448,815	1,863,462,919.2
<u>Transfers from related parties</u>		
Transfers from the Exchequer	4,458,800,000	4,107,200,000
Transfers from MDAs	429,161,009	516,247,805
Transfers from SCs and SAGAs- National Government	0	0
DANIDA, World Bank, KDSP, NARGIP	263,515,534	115,698,201
Total Transfers from related parties	5,151,476,543	4,739,146,006

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5. ESTABLISHMENT OF OTHER COUNTY GOVERNMENT ENTITIES

The PFM Act, 2012 section 182 enables the County Government to establish and resolve County Corporations/ entities. For purposes of follow up on financial reporting, audit and disclosure, outlined below is a list of entities established by the County Government since inception.

Entity	Date Established	Location	Accounting Officer responsible
Youth Fund	2018	Embu County	C.O Youth and Sports
School Bursary fund	2017	Embu County	C.O Education
County Public Service Board	2013	Embu County	CEO/ PSB
Project		0	0
Scheme		0	0

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6. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

RESPONSES TO THE AUDITOR-GENERAL'S REPORT ON COUNTY EXECUTIVE OF EMBU FOR THE YEAR ENDED 30 JUNE 2018.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
1.1	Variances Between Financial Statements and (IFMIS) figures	All revenue receipts have been posted in IFMIS	Kamuti – Accounts Receivable user	Not resolved	Awaiting Senate report
1.2	Variances between the Financial Statements and Supporting Schedules Figures	All supporting schedules were provided and variances cleared and verified by the auditors	P. Mukundi H.A.U	Not resolved	Awaiting Senate report
1.3	Accuracy of the Net Financial Position Balance	Correction was made and restated the net financial position as indicated in the F.S for year 2017-2018.	P. Mukundi H.A.U	Not resolved	Awaiting Senate report
1.4	Inconsistencies in Budget Execution Report	All expenditure was posted in IFMIS and cleared the error	P. Mukundi H.A.U	Not resolved	Awaiting Senate report
1.5	Presentation and Disclosure of Financial Statements	Inter entity transfers were disclosed	Rugendo Director Budget	Not resolved	Awaiting Senate report
2.0	Unsupported Cash and Bank Balances	Board of survey reports and bank certificates availed	James Nyaga Cashier	Not resolved	Awaiting Senate report

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
3.0	Prior Year Adjustments	The figure was supported	P. Mukundi H.A.U	Not resolved	Awaiting The Senate report
4.1	Unsupported Receipts	Cashbooks were availed for audit	P. Mukundi H.A.U	Not resolved	Awaiting The Senate report
4.2	Un-Reconciled Receipts	Receipts apportioned between recurrent and development budget	P. Mukundi H.A.U	Not resolved	Awaiting The Senate report
5.0	Unsupported Payment of Salaries to Casual Employees	Master roll and payment schedules provided	Mucangi Payroll Manager	Not resolved	Awaiting The Senate report
6.1	Unsupported Expenditure on Fuel, Oil and Lubricants	Records availed for audit review	Transport Manager	Not resolved	Awaiting The Senate report
6.2	Unsupported Expenditure on Training and Workshop	Invitation letters, Attendance lists and certificates availed	Muturi wa Ireru – C. O. Admin.	Not resolved	Awaiting The Senate report
6.3	Unsupported Expenditure on Advertisements	Copies of invoices, space orders and adverts provided	T. Ogora Director procurement	Not resolved	Awaiting The Senate report
6.4	Facilitation of Survey and Planning for Mwea Settlement Scheme	The officers were not defined in IFMIS hence their allowances were paid through the accounts of the three field officers.	Ruth Ndirangu C.O Lands	Not resolved	Awaiting The Senate report
6.5	Payment of Unsupported Penalty	The contract provided for 20% penalty on outstanding amount	Muturi wa Ireru – C. O. Admin.	Not resolved	Awaiting The Senate report

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
7.1	Fixed Assets Register and Grounded Vehicles	Register updated. Vehicles are being repaired at VTCs	Damiano Muthee C.O Finance	Not resolved	Awaiting The Senate report
7.2	Unsupported Acquisition of Strategic Stocks and Commodities	The supporting schedules and ledgers are available for audit review.	C.O Agriculture	Not resolved	Awaiting The Senate report
8.0	Pending Bills	Supported by LPOs, LSOs, invoices, contract agreements, award letters and works completion certificates.	Damiano Muthee C.O Finance	Not resolved	Awaiting The Senate report
1.1	Revenue Shortfall	This was occasioned by micro and macro-economic factors affecting local businesses	H. Muriuki Head Revenue	Not resolved	Awaiting The Senate report
1.2	Development Expenditure Analysis	Procurement process delayed due to general elections	T. Ogora Director Procurement	Not resolved	Awaiting The Senate report
2.0	Failure to Prepare the Financial Statements for Various Funds of the County Executive	Funds accounts were availed and audited	C.O Education and C.O Youth and Sports	Not resolved	Awaiting The Senate report
1.1	Revenue Collection Systems	System was procured and being integrated with others for real time information	H. Muriuki Head Revenue	Not resolved	Awaiting The Senate report

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
1.2	Un-Collected House and Stall Rent	Arrears is for May and June collected in July 2018.	H. Muriuki Head Revenue	Not resolved	Awaiting The Senate report
2.1	Irregular Payment of Allowances on Foreign Travel	Training was necessary for inducting newly elected MCAs on Executive priority projects and programs.	Damiano Muthee C.O Finance	Not resolved	Awaiting The Senate report
2.2	Irregular Expenditure on Legal Fees	County Legal Officers deal with advice on Legal matters, documents and contracts	Mr. Johnson Nyaga County Secretary	Not resolved	Awaiting The Senate report
2.3	Unsupported Expenditure on 2nd Investors' Conference	Attendance lists and hiring of venue minutes provided	C.O Trade and Industrialization	Not resolved	Awaiting The Senate report
3.1	Chief Officers Without Professional Registration Documents	Not a legal requirement.	Embu County Executive Public Service Board	Not resolved	Awaiting The Senate report
3.2	Operations without an approved Staff Establishment	Staff Establishment duly approved now available	C.O Administration	Not resolved	Awaiting The Senate report
4.0	Imprest Management	Surrender documents availed	Damiano Muthee C.O. Finance	Not resolved	Awaiting The Senate report
5.0	Non-Operationalization of Emergency Fund	Regulations not approved by County Assembly	Dr. John Njagi CEC-M Finance	Not resolved	Awaiting The Senate report

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
6.0	Operation of Unauthorized Bank Accounts	Authority granted by CECM Finance	Dr. John Njagi CEC-M Finance	Not resolved	Awaiting The Senate report

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) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

CEC, County Treasury

Sign.....

Date.....

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ANNEXES

ANNEX 1 – ANALYSIS OF TRANSFERS FROM THE EXCHEQUER

Period	Equitable Share	DANIDA	Level 5 hospitals allocation	Total Transfers from the National Treasury
Exchequer Releases for quarter 1	550,108,023	-	-	550,108,023
Exchequer Releases for quarter 2	832,119,977	6,885,000	15,052,023	854,057,000
Exchequer Releases for quarter 3	1,226,170,000	6,885,000	132,457,803	1,365,512,803
Exchequer Releases for quarter 4	1,850,402,000	00	153,530,637	2,003,932,637
Total	4,458,800,000	13,770,000	301,040,463	4,773,610,463

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ANNEX 2 – ANALYSIS OF PENDING ACCOUNTS PAYABLE – Appendix 4

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018/2019	Outstanding Balance 2017/2018	Comments
	A	B	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

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ANNEX 3 – ANALYSIS OF PENDING STAFF PAYABLES – Appendix 5

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018/2019	Outstanding Balance 2017/2018	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

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ANNEX 4 – ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017/2018	Outstanding Balance 2016/2017	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.	0	0	0	0	0	0	
2.	0	0	0	0	0	0	
3.	0	0	0	0	0	0	
Sub-Total	0	0	0	0	0	0	N/A
Amounts due to County Govt Entities							
4.	0	0	0	0	0	0	
5.	0	0	0	0	0	0	
6.	0	0	0	0	0	0	
Sub-Total	0	0	0	0	0	0	N/A
Amounts due to Third Parties							
7.	0	0	0	0	0	0	
8.	0	0	0	0	0	0	
9.	0	0	0	0	0	0	
Sub-Total	0	0	0	0	0	0	N/A
Others (specify)							
10.	0	0	0	0	0	0	
11.	0	0	0	0	0	0	
12.	0	0	0	0	0	0	
Sub-Total	0	0	0	0	0	0	N/A
Grand Total	0	0	0	0	0	0	N/A

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ANNEX 5 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (KShs) 2018/2019	Additions during the year (KShs) 2018/2019	Disposals during the year (KShs)	Historical Cost c/f (KShs) 2018/2019
Land	3,767,195,922	12,373,608	-	3,779,569,530
Buildings and structures	3,065,629,872	1,167,839,676	-	4,233,469,548
Transport equipment	105,700,531	25,896,233	-	131,596,764
Office equipment, furniture and fittings	70,914,681	13,998,660	-	84,913,341
ICT Equipment, Software and Other ICT Assets	143,352,177	21,440,942	-	164,793,119
Other Machinery and Equipment	155,136,677	54,070,555	-	209,207,232
Heritage and cultural assets	67,458,375	2,795,500	-	70,253,875
Intangible assets	588,135,695	11,539,735	-	599,675,430
Total	7,963,523,931	1,309,954,908	-	9,273,478,839

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the County Government. Additions during the year should tie to note 17 on acquisition of assets during the year.

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ANNEX 6 – INTER-ENTITY TRANSFERS

Ref	Entity	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Amount transferred KShs	Amount Confirmed as received KShs	difference	explanation
1	County Assembly					558,493,907	558,493,907	0	
2	Youth fund							0	
3	Bursary Fund				50,000,000	50,000,000	50,000,000	0	
4	Mortgage fund				000	000	000	0	
5									
6									
7									
8									
9	Total								

Director of Finance
 County Executive

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ANNEX 7 – BANK RECONCILIATION/FO 30 REPORT – APPENDIX 6

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