REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

COUNTY ASSEMBLY OF EMBU

FOR THE YEAR ENDED 30 JUNE, 2019

COUNTY ASSEMBLY OF EMBU REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2019

OFFICE OF THE AUDITOR - GENERAL
EMBU HUB
P. O. Box 113 - 60100, EMBU
REGISTRY
06 NOV 2019
3169
RECEIVED

PREPARED IN ACCORDANCE WITH THE CASH BASIS OF ACCOUNTING METHOD UNDER THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

TABLE OF CONTENTS

1. Key Entity Information and Management 3
2. Foreword by the Clerk of the Assembly 5
a) Budget Performance 5
b) Operational Performance 7
3. Statement of Entity Management Responsibilities 11
4. Statement of Receipts and Payments 13
5. Statement of Financial Assets & Liabilities 14
6. Statement of Cash Flows 15
7. Statement of Comparison of Budget & Actual amounts: Recurrent and Development Combined 16
8. Statement of Comparison of Budget & Actual Amounts: Recurrent 17
9. Statement of Comparison of Budget & Actual Amounts: Development 18
10. Significant Accounting Policies 19
11. Notes to the Financial Statements 22
Progress on follow up of Auditor Recommendations 24
Annex 1 - Analysis of Pending Accounts Payable 26
Annex 2 – Summary of Fixed Asset Register 27
Annex 3 - Analysis of the Gratuity Account 27
Annex 4. Short Term Payables 27

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The County Assembly of Embu is constituted as per Article 176 of the constitution of Kenya and is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes 20 Members of County Assembly (MCAs) elected to represent members of the public from their respective wards and 13 others appointed by Political Parties according to their representation in the Assembly. The MCAs are responsible for making any laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Executive.

b) Key Management

The County Assembly of Embu day-to-day management is under the following key organs:

County Assembly Service Board
↓
Clerk
↓
Deputy Clerk and Directors
↓
HODS
↓
Staff

c) Physical Address

County Assembly of Embu
Along James Nyaga Crescent road
Off Embu Meru Highway Opposite
Faith House
P.O. Box 140 – 60100 Embu

d) **Contacts**

Telephone: (254) 068-2231208
E-mail countyassemblyofEmbu@gmail.com
Website:www.assembly.Embu.go.ke

e) **Bankers**

Central Bank of
Kenya Haile Selassie
Avenue
P. O. Box 60000-00200,
Nairobi, Kenya
Tel/fax: +254-20-2860000/2861000/2863000

f) **Independent Auditors**

Auditor General
Office of the Auditor General
Anniversary Towers, University
Way P. O. Box 30084 – 00100
NAIROBI

g) **Principal Legal Adviser**

The Director,
Litigation, Legal Compliance and Legislative Drafting
County Assembly of Embu
P. O. Box 140 Embu.

2. FOREWORD BY THE CLERK OF THE ASSEMBLY

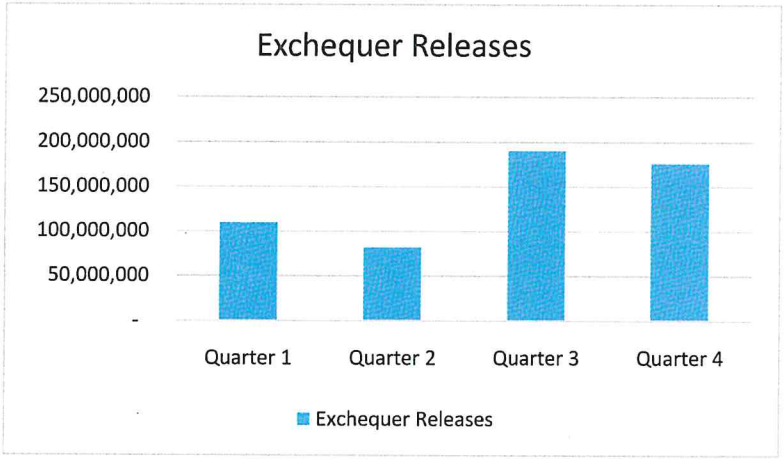
a) Budget Performance

In the financial year 2018/19 the County Assembly had a combined budget implementation rate of 84%. This was an average of 94% on the Recurrent budget and 0% on the Development budget. It was worth noting that Kshs. 24,000,000 set aside for Car loan and Mortgage scheme was never utilized thereby bringing the performance rate of the Recurrent budget down. On the same breadth Kshs. 72,000,000 meant for development was never utilized making the development budget performance rate 0%.

RECEIPTS

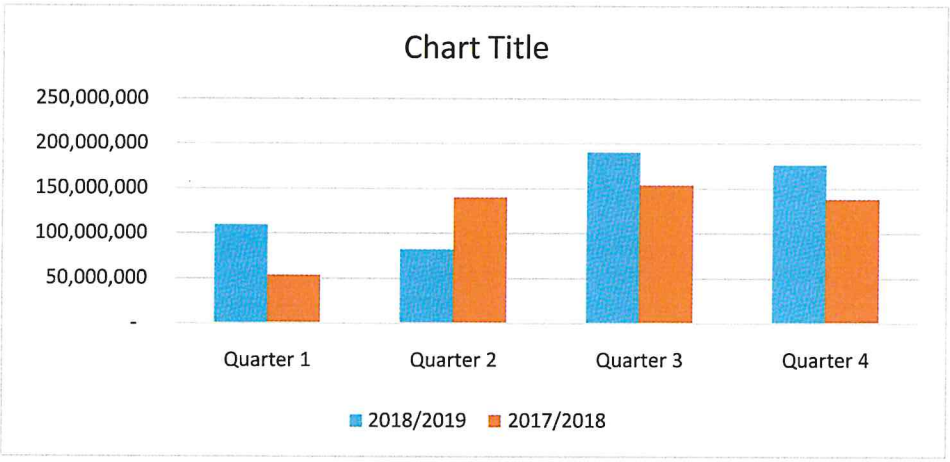
The County Assembly received Kshs. 558, 042,527 which was 94% of the budget amount.

The receipts were received in 4 quarters as follows



Receipts from exchequer were in four quarters. The first quarter die County Assembly received Kshs. 109,551,262. In the second quarter the Assembly received 82,000,000. In the third quarter the Assembly received 190,491,265 and in the final quarter the County Assembly received 176,000,000.

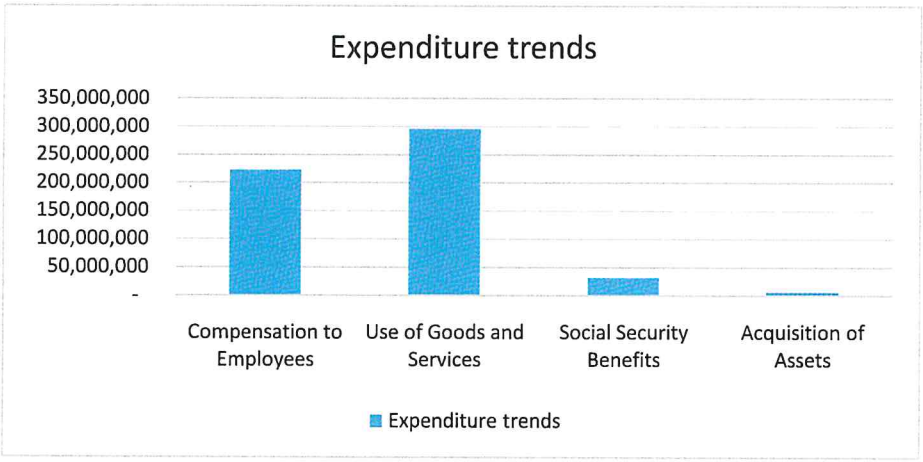
Compared with the financial year 2017/2018 the trends of receipts were as follows



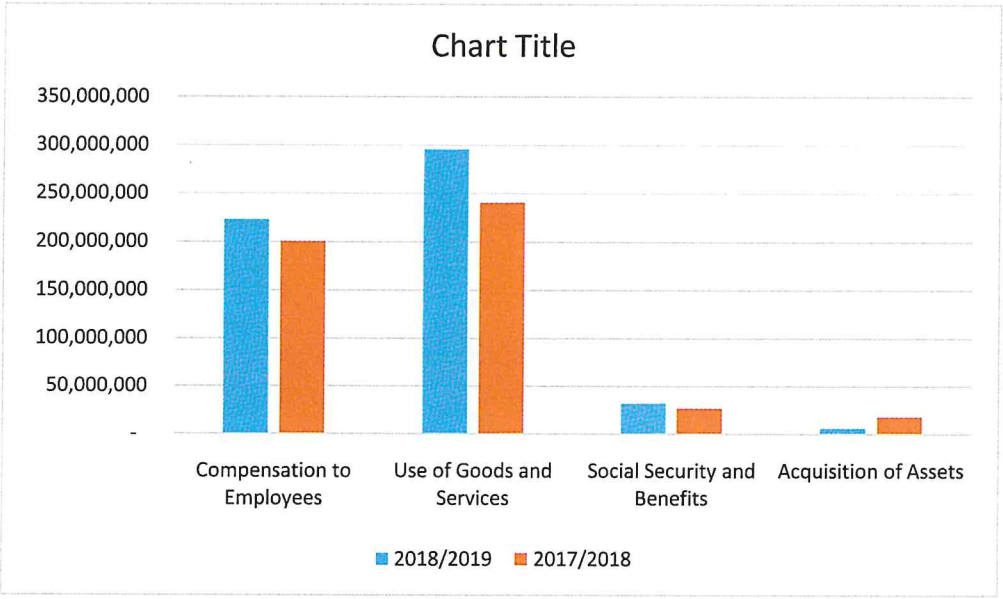
PAYMENTS

On Compensation to employees the County Assembly spent Kshs 222,822,402 against a budget of Kshs. 222,882,426 being 99.9 %. On the Use of goods and services, the actual expenditure was Kshs. 295,433,452.25 against a budget of 297,923,048 which was 99% budget utilization.

The County Assembly spent Kshs. 31,870,928.35 on Social Security Benefits against a budget of 31,875,328. This was also 100% of the budget. On acquisition of Assets the County Assembly spent Kshs. 5,910,020 against a budget of 16,063,424 which was a budget performance rate of 37%.



In comparison with the financial year 2017/2018 the expenditure trends were as follows



b) Operational Performance

During this financial year 2018/2019 different committees of the Assembly continued discharging their mandates as follows

COMMITTEE	REPORTS SUBMITTED AND ADOPTED
1. Liaison committee	1) Report on the consideration of the county integrated development plan (CIDP)2018-2022 2) Report on the first supplementary budget estimates for the County Government of Embu for the financial year 2018/2019 3) Report on the county Annual Development plan for the financial year 2019/2020 4) Report on the County Fiscal Strategy paper 2019 5) Report on the second supplementary budget estimates for the county government of Embu for the financial year 2018/2019 6) Report on the Revenue expenditure for the County Government of Embu for the financial year 2019/2020 7) Report of the liaison committee on select committees' progress reports for the period 1st January to 30th June ,2018
2. Trade, Tourism investment and Industrialization	1) Report on the status of Mountain Slopes commercial services limited a beer manufacture in Runyejes town ,Embu county 2) Report on the status of Mwea National Game Reserve and Mount Kenya South Eastern Tourism route 3) Report on the Nairobi International Trade Fair 4) Report on the Embu County Investment and Development

	Corporation Bill, 2018 5) Report on the Embu County Tourism Bill, 2018
3. Water, Irrigation, Environment and Natural Resources	1) Report on the visit to the Embu water service providers within Embu County 2) Report on the proposed amendments to the Embu county water Act 2015 and the Embu County Environment Management Act ,2015
4. Agriculture, Livestock and Fisheries	1) Report of the Agriculture Committee on the Nairobi International Trade Fair 2018
6. Education science and technology	1) Report on the participation in the 5th edition of the Kenya inter- counties sports and cultural Association games in machakos town- machakos county 2) Report on the process of disbursement of the bursary fund within Embu County 3) Report on the projects/ongoing works at Embu Talent Academy
7. Public Accounts and Investments	1) Report on the Auditor General report on the financial statements of Kyeni Water and Sanitation company (KYEWASCO) for the year ended 30th June 2017 2) Report on Auditor General on the financial statement of EMBEWASCO for the year ended 30th June 2017 3) Report on the Auditor General on the financial statement of NGAWASCO for the year ended 30thJune 2017 4) The report of the committee on the Auditor General report on the Financial Statements of Embu county assembly (Members) mortgage fund for the year ended 30th June 2016.
8. Gender, children Culture and Social Services	**2.** Report on the statement on rape and sodomy cases allegations in Kithimu, Manyatta and Kiambeere areas of Embu County. **3.** Report on the aborted benchmarking trip to Mombasa, Kilifi and Kwale counties on the issue of the art and craft Programme in Embu County.
9. Health	1) Report on the Vetting of the Chief Officer of the portfolio tabled on 11th Dec, 2017 2) Report on the status of the ambulances in the County tabled on 31st July, 2018 3) Report on the status of the Oxygen generating Plant in Embu Level 5 hospital tabled on 27th November, 2018 4) Report on the CFSP 2019 5) Report on the MTEF 2019/2020 6) Tour to Level 4 Hospitals in Mbeere South and Mbeere

	South sub counties
10. Finance and Economic Planning	1) Report on the vetting of chairperson Embu Revenue Authority (ECRA). 2) Report on the Financial Statements of Embu County Government for the 3rd Quarter 28th November 2018 and adopted in the House on 5th December 2018.
11. Lands and Urban and Development	1)Report on the status of Makawani vocational training centre land and Riakanau 2) Report on the vetting of the Embu Municipality Board members. 3) Report of the Topographical Mapping and Preparation of – ISUD Plan, 2035 4).Report of the Embu Municipal Charter
12. Public Participation	1) Report of Public Participation on Budget Estimates for the FY 2017/2018 2) Report of Public Participation on County Integrated Development Plan 2017- 2022 3) Report on Embu Municipal charter and digital topography mapping and the preparations of the ISUD plan 2005 4) Report on the public participation forum on the Embu County Integrated Development plan (CIDP)2018-2022
13. Infrastructure, Works, Housing and Energy	1) Report of vetting of Chief Officer - Infrastructure, Public Works, Housing and Energy done on 9th October 2017. 2) Report on a statement sought regarding a statement on occupation of Karurumo Health Centre staff houses by an MCA 3) Report on the alleged skewed procurement of road works in Embu County 4) Report on stalled graders in Embu County 5) Report on Karurumo Health Centre Staff Houses 6) Report on the CFSP 2019 submitted to the Liaison committee 7) Report on the MTEF 2019 submitted to the Liaison Committee
15. Administration and Public Service	1) Report on Embu County Public Service Board Annual report for the period ended 31st December 2017 2) Report on the vetting of the Embu County Public Service Board nominees 3) Report on petition to the County Assembly for Enactment of Village Administration Units legislation tabled on 21st November, 2018

	4) Report on petition to the County Assembly by former staff of the defunct municipal council on unpaid salaries tabled on 21st November, 2018
16. Selection	1) Nomination of members to various committees 2) Alignment of membership 3) Filling of vacancies in the committees
17. Ad hoc Committees	1) Report of the Ad hoc committee investigating the conduct of the chief officer finance 2) Report of the Ad hoc committee investigating the conduct of the chief officer health 3) Report of the Ad hoc committee investigating the conduct of the chief officer education. 4) Report of the Ad hoc committee investigating the conduct of the chief officer youth and sports

COUNTY ASSEMBLY OF EMBU
CLERK
13 SEP 2019
Sign:
P. O. Box 140-60100, EMBU

Sign

Jim G. Kauma

Clerk of the County Assembly

3. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a Government entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

The County Assembly Service Board is in charge of the County Assembly of Embu and is responsible for the preparation and presentation of the Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly as at the end of the financial year ending on 30th June 2019.
This responsibility includes:

a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.

b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.

c) 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.

d) Safeguarding the assets of the County Assembly of Embu

e) Selecting and applying appropriate accounting policies; and

f) Making accounting estimates that are reasonable in the circumstances.

The County Assembly Service Board accepts responsibility for the Assembly'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 County Assembly Service Board is of the opinion that the Assembly's financial statements give a true and fair view of the state of Assembly's transactions during the financial year ended June 30, 2019, and of the Assembly's financial position as at that date.

The County Assembly Service Board further confirms the completeness of the accounting records maintained for the Assembly which have been relied upon in the preparation of the Assembly financial statements as well as the adequacy of the systems of internal financial control.

County Assembly Service Board further confirms that the Assembly has complied fully with applicable Government Regulations and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for.
County Assembly Service Board confirms that the Assembly financial statements have been prepared in a form that complies with relevant accounting standards prescribed and published by the Accounting Standards Board.

Approval of the financial statements

The County Assembly's financial statements were approved and signed by the Clerk of the County Assembly on 13/09/ 2019

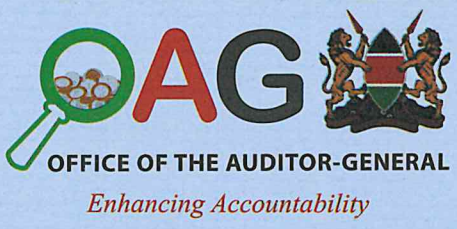
COUNTY ASSEMBLY OF EMBU
CLERK
13 SEP 2019
P.O. Box 140 - 60100, EMBU

Jim G. Kauma

Clerk of the County Assembly /Secretary CASBE

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF EMBU FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Embu set out on pages 13 to 25, which comprise the statement of financial assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and statements of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the County Assembly of Embu as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the County Government Act, 2012.

Basis for Qualified Opinion

1. Presentation of the Financial Statements

The County Assembly's financial statements for the year ended 30 June, 2019 did not include budget execution by programmes and sub-programmes as prescribed by the Public Sector Accounting Standards Board (PSASB). Further, no explanation was given in the financial statements for under expenditure for both recurrent and development items as required by the Board. In addition, the Board requires bank reconciliations to be annexed to the financial statements. However, this information was not annexed to the financial statements for the year under review.

In the circumstances, the presentation of the financial statements for the year ended 30 June, 2019 did not conform to the prescribed format by the Public Sector Accounting Standards Board.

2. Cash Management

The statement of financial position reflects an amount of Kshs.10,503,393 as at 30 June, 2019 in respect to cash and cash equivalents balance. However, a review of the cashbooks, bank statements and certificates of balances revealed that the cashbook in respect to the Central Bank of Kenya (CBK) – Recurrent Account had been overdrawn by Kshs.47,350.35 arising from one hundred twenty-five (125) unpresented cheques totalling to Kshs.22,399,949.25 issued in June, 2019 when the bank account balance was Kshs.22,352,598.90 as at 30 June, 2019.

Further, the Assembly's Cooperative Bank account had an overdraft of Kshs.36,528 as at 30 June, 2019. However, the authority to overdraw the account in line with Section 119(4) of the Public Finance Management Act, 2012 which stipulates that an Accounting Officer for a County Government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the County Treasury or a Board of a County Government entity was not availed.

In the circumstances, the validity and accuracy of the Kshs.10,503,393 bank balance as at 30 June, 2019 could not be ascertained.

3. Irregularly Paid Legal Fees

The statement of receipts and payments reflects an expenditure of Kshs.295,433,452 under use of goods and services. The balance includes Kshs.76,201,265 in respect of other operating expenses out of which an amount of Kshs.5,900,000 was paid to a law firm for rendering various legal services to the County Assembly as follows;

Pv No	Date	Case Ref	Amount Kshs.
CAE/JUNE19/031	07.06.2019	16/2018	2,500,000
CAE/April 19/194	17.04.2019	11/2018	3,400,000
Total			**5,900,000**

The fee notes submitted for audit review reflected one consolidated figure without details of specific service(s) provided and paid for contrary to the provisions of the Advocates (Remuneration) (Amendment) Order, 2014 which provides detailed guidelines on how the legal fees should be charged.

Further, the two cases had not been concluded at the close of audit in August, 2019 but the full payment of Kshs.5,900,000 had been made contrary to Clause 4 of the Frame Work Agreement dated 14 August, 2018 which states that in consideration of the services rendered by the advocate under this agreement, the procuring entity shall pay to the advocate at the conclusion of each case, the legal fees mutually agreed upon by parties.

In the circumstances, the validity of the Kshs.5,900,000 expenditure for the year ended 30 June, 2019 could not be ascertained.

4. Unsupported Expenditure - Use of Goods and Services

As disclosed in Note 3 to the financial statements, the statement of receipts and expenditure for the year ended 30 June, 2019 reflects Kshs.295,433,452 in respect to use of goods and services. A review of the expenditure revealed unsatisfactory matters as outlined below:

4.1 Unsupported Domestic Travel and Subsistence

An amount of Kshs.135,781,594 in respect of domestic travel and subsistence includes an amount of Kshs.4,843,800 which was paid without supporting documents such as attendance schedules, invitation letters, work/bus tickets and/or back to office reports. It has not been possible to ascertain whether the expenditure of Kshs.4,843,800 was a proper charge to public funds.

4.2 Avoidable Expenditure on Hospitalities, Supplies and Services

Further, out of a balance of Kshs.14,356,929 in respect of hospitalities, payment for supplies and services amounting to Kshs.2,308,000 was made for hire of conference facilities for meetings held outside Embu County. However, there was no justification why the meetings were held outside the County and could therefore have been avoided. It has therefore, not been possible to confirm that the expenditure of Kshs.2,308,000 was a proper charge to public resources.

4.3 Irregular Contributions to the County Assembly Forum (CAF)

The above balance of Kshs.295,433,452 constitutes an amount of Kshs.76,201,265 in respect to other operating expenses out of which an amount of Kshs.2,300,000 was spent in the payment of annual subscriptions to the County Assemblies Forum (CAF). However, no documentary evidence was provided for audit review to support the expenditure, the specific activities being funded and the basis for such payments. It was therefore, not possible to ascertain the propriety and value for money of the Kshs.2,300,000 expenditure on County Assemblies Forum for the year ended 30 June, 2019.

4.4 Unsupported Expenditure for Motor Vehicles Maintenance

The amount of Kshs.295,433,452 also includes Kshs.3,206,272 in respect of routine maintenance - vehicles and other transport equipment which further includes Kshs.700,000 paid for repairs of a motor vehicle. According to the regional mechanical engineer's inspection report dated 8 June, 2018, the repairs were carried out by a firm that had been issued with four (4) Local Service Orders (LSOs). However, the LSOs were not availed for audit review.

In the circumstances, the regularity and accountability of the amount of Kshs.295,433,452 spent under use of goods and services during the year could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly of Embu Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities

in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development combined for year ended 30 June, 2019 reflects an approved budget receipts of Kshs.664,744,226 and actual receipts of Kshs.558,042,527 resulting in receipts under realization of Kshs.106,701,699 which could have affected the realization of the County Assembly's planned activities for the year.

Similarly, the statement reflects approved budgeted expenditure of Kshs.592,744,226 while the actual expenditure amounted to Kshs.556,036,802 resulting to net under-absorption of Kshs.108,707,424 as shown below:

Items	Budget (Kshs.)	Actual (Kshs.)	Under (Kshs.)	%
Compensation of Employees	222,882,426	222,822,402	60,024	0
Use of Goods and Services	297,923,048	295,433,452	2,489,596	1
Social Security Benefits	31,875,328	31,870,928	4,400	0
Acquisition of Assets	16,063,424	5,910,020	10,153,404	63
Other Payments	96,000,000	-	96,000,000	100
TOTAL	**664,744,226**	**556,036,802**	**108,707,424**	

The under absorption of Kshs.108,707,424 could have impacted negatively on delivery of goods and services to the residents of Embu County during the year under review. The Management needs to re-look the budgetary process with a view to developing a realistic budget.

2.0 Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, although the Management has indicated that 11 out the 17 issues have been resolved, no documentary evidence has been availed for verification to show how and when the issues were resolved while the remaining six (6) issues remain unresolved.

In view of above, the accuracy and completeness of the information contained in the financial statements for the year under review could not be ascertained.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Procurement of Insurance Services

As disclosed in Note 3 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2019 reflects an amount of Kshs.295,433,452 under use of goods and services which includes a balance of Kshs.15,974,756 in respect of insurance costs. Out of this, an amount of Kshs.14,072,612 was paid to the National Hospital Insurance Fund (NHIF) for provision of medical insurance cover for members and staff of the Assembly.

However, the contractual agreement between the County Assembly and NHIF commenced on 2 October, 2018. The County Assembly and NHIF signed the contract on 26 April, 2019 and 15 July, 2019 respectively. NHIF was therefore in engagement with the County Assembly for about 9 months without any contractual agreement.

Further, the proposal by NHIF presented to the Assembly was not subjected to competition with other bidders before being considered for the award contrary to Section 126(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an Evaluation Committee of a procuring entity shall examine the proposal received in accordance with the request for proposals.

In the circumstance, the Management is in breach of the law.

2. Non-Disclosure of Land and Buildings in the Financial Statements

The summary of fixed asset register at Annex 2 to the financial statements for the year under review reflects assets balance of Kshs.46,391,356 as at 30 June, 2019. However, despite the County Assembly being in possession of the land and buildings where it is currently housed, no valuation has been carried out to determine their value and therefore Annex 2 to the financial statements reflects nil balance under land, building and structures as at 30 June, 2019. Further, no assets handing over report including ownership documents from the defunct County Council of Embu to the County Assembly was made available for audit review.

Consequently, the validity, accuracy and completeness of the balance of Kshs.46,391,356 reflected as the value of the County Assembly's assets and the ownership status as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, 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, except for the matters described in the Conclusion on Effectiveness of Internal Controls section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls were not operating in an effective way.

Basis for Conclusion

1.0 Audit Committee

The County Assembly had not established an Audit Committee as at 30 June, 2019, as required by Section 42(1)(e) of Public Finance Management (County Governments) Regulations, 2015 which stipulates that an Accounting Officer shall ensure each County Government entity has an Audit Committee in place.

In the circumstance, the County Assembly contravened the law. Also, it was not possible to confirm that the Assembly had established an effective internal control mechanism in absence of such an oversight committee.

2.0 Information, Communication and Technology (ICT) Environment

Review of the County Assembly's ICT environment revealed that there was no formal approved ICT policy in place as at 30 June, 2019 which includes data security policy and disaster recovery plans. The ICT organization structure was not provided for review.

Further, the County Assembly did not have an IT Steering Committee or Strategic Committee for ensuring effective IT controls and strategies.

In the circumstance, the security and reliability of the County Assembly's data including its Management Information System could not be ascertained.

3.0 Lack of Risk Management Policy for Internal Audit and Reports

The County Assembly's Internal Audit section did not have a Risk Management Policy contrary to Section 153(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which states that internal auditors shall have a duty to give reasonable assurance through the Audit Committee on the state of risk management, control and overall governance within the organization.

In the circumstances, it was not possible to ascertain how risks were identified, controlled, monitored and mitigated during the year under review.

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 control, risk management and 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 (Cash 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 control, risk management and overall governance.

In preparing the financial statements, management is responsible for assessing the County Assembly's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the County Assembly or 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Assembly's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Assembly to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Assembly to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

06 November, 2020

4. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018-2019 Kshs	2017-2018 Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	558,042,527	485,937,461
Proceeds from Sale of Assets			
Other Receipts			
TOTAL RECEIPTS		**558,042,527**	**485,937,461**
PAYMENTS			
Compensation of Employees	2	222,822,402	200,700,487
Use of goods and services	3	295,433,452	240,742,440
Subsidies			
Transfers to Other Government Entities		-	
Other grants and transfers			
Social Security Benefits	4	31,870,928	26,698,607
Acquisition of Assets	5	5,910,020	17,782,200
Other Payments		-	
TOTAL PAYMENTS		**556,036,803**	**485,923,734**
SURPLUS/DEFICIT		**2,005,724**	**13,727**

The explanatory notes to these financial statements form an integral part of the financial statements.
The financial statements were approved on 13/09/ 2019 and signed by:

COUNTY ASSEMBLY OF EMBU CLERK 13 SEP 2019 P.O. Box 140 - 60100, EMBU Sign:

DIRECTORATE OF FINANCE & ACCOUNTS SERVICES COUNTY ASSEMBLY OF EMBU P. O. Box 140 - 60100, EMBU Date: Sign:

Clerk of the Assembly

Name: Jim G. Kauma

Director - Financial and Accounting Services

Name: Josiah M. Karanja

ICPAK Member Number: 8494

5. STATEMENT OF FINANCIAL ASSETS & LIABILITIES

	Note	2018-2019	2017-2018
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	10,503,393	13,727
Cash Balances			-
Total Cash and cash equivalent		**10,503,393**	**13,727**
Accounts receivables – Outstanding Imprests		-	-
TOTAL FINANCIAL ASSETS		**10,503,393**	**13,727**
FINANCIAL LIABILITIES			
Accounts Payables	7	8,497,669	-
TOTAL FINANCIAL LIABILITIES		**8,497,669**	**-**
NET FINANCIAL ASSETS		**2,005,724**	**13,727**
REPRESENTED BY			
Fund balance b/fwd	8	13,727	22,180,218
Surplus/Deficit for the year		2,005,724	13,727
Refund of unspent Balances	9	(13,727)	(22,180,218)
NET FINANCIAL POSITION		**2,005,724**	**13,727**

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 13/09/ 2019 and signed by:

COUNTY ASSEMBLY OF EMBU CLERK 13 SEP 2019 Sign: P.O. Box 140 - 60100, EMBU

DIRECTORATE OF FINANCE & ACCOUNTS SERVICES COUNTY ASSEMBLY OF EMBU P. O. Box 140 - 60100, EMBU Date: Sign:

Clerk of the Assembly

Name: Jim G. Kauma

Director - Financial and Accounting Services

Name: Josiah M. Karanja ICPAK

Member Number: 8494

6. STATEMENT OF CASH FLOWS

	NOTE	2018-2019 Kshs	2017-2018 Kshs
Receipts from operating income			
Transfers from the County			
Treasury/Exchequer Releases	1	558,042,527	485,937,461
Other Receipts		0	0
Payments for operating expenses			
Compensation of Employees	2	222,822,402	200,700,487
Use of goods and services	3	295,433,452	240,742,440
Subsidies		0	0
Transfers to Other Government Entities		0	0
Other grants and transfers		0	0
Social Security Benefits	4	31,870,928	26,698,607
Finance Costs		0	0
Other Payments		0	0
Adjusted for:			
Refund of Unspent balances		(13,727)	(22,180,218)
Changes in Receivable			
Changes in Payables		(8,497,669)	-
Net cash flow from operating activities		**16,399,686**	**(4,384,291)**
CASHFLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		0	0
Acquisition of Assets		(5,910,020)	17,782,200
Net cash flows from Investing Activities		**(5,910,020)**	**17,782,200**
NET INCREASE IN CASH AND CASH EQUIVALENT		**10,489,666**	**(22,166,491)**
Cash and cash equivalent at BEGINNING of the year		**13,727**	**22,180,218**
Cash and cash equivalent at END of the year		**10,503,393**	**13,727**

The explanatory notes to these financial statements form an integral part of the financial statements.
The financial statements were approved on 13/09/ 2019 and signed by:

COUNTY ASSEMBLY OF EMBU CLERK 13 SEP 2019 P.O. Box 140 - 60100, EMBU Sign:

Clerk of the Assembly
Name: Jim G. Kauma

Director - Financial and Accounting Services
Name: Josiah M. Karanja
ICPAK Member Number: 8494

DIRECTORATE OF FINANCE & ACCOUNTS SERVICES COUNTY ASSEMBLY OF EMBU P. O. Box 140 - 60100, EMBU Date:..... Sign:.....

7. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilization difference	Utilization difference
	A	b	c=a+b	d	e=c-d	f=(d/c*%)
RECEIPTS	KShs	KShs	KShs	KShs	KShs	%
Treasury/Exchequer Releases	664,744,226.00	-	664,744,226.00	558,042,527.00	106,701,699.00	84%
Proceeds from Sale of Assets	-	-	-	-	-	
Other Receipts	-	-	-	-	-	
TOTAL	664,744,226.00	-	664,744,226.00	558,042,527.00	106,701,699.00	84%
PAYMENTS	-			-		
Compensation of Employees	222,882,426.00	-	222,882,426.00	222,822,401.95	60,024.05	100%
Use of goods and services	297,923,048.00	-	297,923,048.00	295,433,452.25	2,489,595.75	
Subsidies	-	-	-	-	-	
Transfers to Other Government Entities	-	-	-	-	-	
Other grants and transfers	-	-	-	-	-	
Social Security Benefits	31,875,328.00	-	31,875,328.00	31,870,928.35	4,399.65	100%
Acquisition of Assets	16,063,424.00	-	16,063,424.00	5,910,020.00	10,153,404.00	37%
Finance Costs	-	-	-	-	-	
Other Payments	96,000,000.00	-	96,000,000.00	-	96,000,000.00	
TOTAL	664,744,226.00	-	664,744,226.00	556,036,802.55	108,707,423.45	84%
SURPLUS/ DEFICIT	-	-		2,005,724.45	(2,005,724.45)	

The entity financial statements were approved on 13/09/ 2019 and signed by:

COUNTY ASSEMBLY OF EMBU CLERK 13 SEP 2019 P.O. Box 140-60100, EMBU Sign:

DIRECTORATE OF FINANCE & ACCOUNTS SERVICES COUNTY ASSEMBLY OF EMBU P. O. Box 140 - 60100, EMBU Date: Sign:

Clerk of the Assembly
Name: Jim G. Kauma

Director - Financial and Accounting Services
Name: Josiah M. Karanja
ICPAK Member Number: 8494

8. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% Utilization difference
	A	b	c=a+b	d	e=c-d	f=(d/c*%)
RECEIPTS	KShs	KShs	KShs	KShs	KShs	%
Transfers from the County Treasury/ Exchequer Releases	592,744,226.00	-	592,744,226.00	558,042,527.00	34,701,699.00	94%
Proceeds from Sale of Assets	-	-	-	-	-	
Other Receipts	-	-	-	-	-	
TOTAL	**592,744,226.00**	**-**	**592,744,226.00**	**558,042,527.00**	**34,701,699.00**	94%
PAYMENTS						
Compensation of Employees	222,882,426.00	-	222,882,426.00	222,822,401.95	60,024.05	100%
Use of goods and services	297,923,048.00	-	297,923,048.00	295,433,452.25	2,489,595.75	99%
Subsidies	-	-	-	-	-	
Transfers to Other Government Entities	-	-	-	-	-	
Other grants and transfers	-	-	-	-	-	
Social Security Benefits	31,875,328.00	-	31,875,328.00	31,870,928.35	4,399.65	100%
Acquisition of Assets	16,063,424.00	-	16,063,424.00	5,910,020.00	10,153,404.00	37%
Finance Costs	-	-	-	-	-	
Other Payments	24,000,000.00	-	24,000,000.00	-	24,000,000.00	
TOTAL	**592,744,226.00**	**-**	**592,744,226.00**	**556,036,802.55**	**36,707,423.45**	94%
SURPLUS/ DEFICIT	-	-	-	2,005,724.45	- 2,005,724.45	

The entity financial statements were approved on 13/09/ 2019 and signed by:

COUNTY ASSEMBLY OF EMBU
13 SEP 2019
Sign.....
P.O. Box 140 - 60100, EMBU

DIRECTORATE OF FINANCE & ACCOUNTS SERVICES
COUNTY ASSEMBLY OF EMBU
P. O. Box 140 - 60100, EMBU
Date..... Sign.....

Clerk of the Assembly

Name: Jim G. Kauma

Director - Financial and Accounting Services

Name: Josiah M. Karanja

ICPAK Member Number: 8494

9. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% Utilization difference
	a	b	c=a+b	d	e=c-d	f=(d/c*%)
RECEIPTS	KShs	KShs	KShs	KShs	KShs	%
Transfers from the County Treasury/ Exchequer Releases	72,000,000.00	-	72,000,000.00	-	72,000,000.00	0%
Proceeds from Sale of Assets	-	-	-	-	-	
Other Receipts	-	-	-	-	-	
TOTAL	**72,000,000.00**	**-**	**72,000,000.00**	**-**	**72,000,000.00**	0%
PAYMENTS						
Compensation of Employees	-	-	-	-	-	
Use of goods and services	-	-	-	-	-	
Subsidies	-	-	-	-	-	
Entities	-	-	-	-	-	
Other grants and transfers	-	-	-	-	-	
Social Security Benefits	-	-	-	-	-	
Acquisition of Assets	-	-	-	-	-	
Finance Costs	-	-	-	-	-	
Other Payments	72,000,000.00	-	72,000,000.00	-	72,000,000.00	
TOTAL	**72,000,000.00**	**-**	**72,000,000.00**	**-**	**72,000,000.00**	
SURPLUS/ DEFICIT	-	-	-	-	-	

The entity financial statements were approved on 13/09/ 2019 and signed by:

COUNTY ASSEMBLY OF EMBU CLERK P.O. BOX 140-60100, EMBU
13 SEP 2019
Sign:

Clerk of the Assembly
Name: Jim G. Kauma

Director - Financial and Accounting Services
Name: Josiah M. Karanja
ICPAK Member Number: 8494

DIRECTORATE OF FINANCE & ACCOUNTS SERVICES
COUNTY ASSEMBLY OF EMBU
P.O. Box 140 - 60100, EMBU
Date:..... Sign:.....

10. SIGNIFICANT ACCOUNTING POLICIES

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

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 statement of assets and liabilities, although not a requirement of the IPSAS Cash Standard, has been included to disclose information on receivables and payables.

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.

Reporting entity

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

Recognition of receipts and payments

a) Recognition of receipts

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

Transfers from the Exchequer/ County Treasury

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.

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.

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.

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.

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.

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.

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 fulfillment 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.

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.

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 Assembly 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.

Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The County Assembly of Embu budget was approved as required by Law .The original budget was approved by the County Assembly on 22nd June 2017 for the period 1st July 2017 to 30 June 2018 as required by law. There were 2 supplementary budgets passed in the year. A high-level assessment of the County Assembly of Embu actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

Comparative figures

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

Subsequent events

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

11. NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM THE COUNTY TREASURY/EXCHEQUER RELEASES

	2018 - 2019	2017 - 2018
	Kshs	Kshs
Total Exchequer Releases for Quarter 1	109,551,262	53,347,594
Total Exchequer Releases for Quarter 2	82,000,000	140,369,968
Total Exchequer Releases for Quarter 3	190,491,265	153,869,696
Total Exchequer Releases for Quarter 4	176,000,000	138,350,203
Total Amount	**558,042,527**	**485,937,461**

2. COMPENSATION OF EMPLOYEES

	2018 - 2019	2017 - 2018
	Kshs	Kshs
Basic salaries of permanent employees	104,743,640	89,509,005
Basic wages of temporary employees	21,441,992	16,045,993
Personal allowances paid as part of salary	96,152,230	91,976,837
Personal allowances paid as reimbursements	484,540	3,168,652
Total	**222,822,402**	**200,700,487**

3. USE OF GOODS AND SERVICES

	2018 - 2019	2017 - 2018
	Kshs	Kshs
Utilities, supplies and services	695,892	1,100,000
Communication, supplies and services	769,619	1,215,000
Domestic travel and subsistence	135,781,594	105,010,903
Foreign travel and subsistence	17,236,520	6,275,000
Printing, advertising and information supplies & services	4,768,858	3,011,000
Rentals of produced assets	10,185,714	7,621,000
Training expenses	8,896,423	11,439,727
Hospitality supplies and services	14,356,929	11,906,569
Insurance costs	15,974,756	20,927,602
Specialized materials and services	3,583,000	2,462,500
Office and general supplies and services	3,173,240	4,266,749
Other operating expenses	76,201,265	63,056,390
Routine maintenance – vehicles and other transport equipment	3,206,272	1,500,000
Routine maintenance – other assets	603,370	950,000
Total	**295,433,452**	**240,742,440**

4. SOCIAL SECURITY BENEFITS

	2018 - 2019	2017 - 2018
	Kshs	Kshs
Government pension and retirement benefits	31,870,928	26,698,607
Social security benefits in cash and in kind	0	0
Employer Social Benefits in cash and in kind	0	0
Total	**31,870,928**	**26,698,607**

5. ACQUISITION OF ASSETS

Non Financial Assets

	2018 - 2019	2017 - 2018
	Kshs	Kshs
Purchase of Vehicles and Other Transport Equipment	0	13,100,000
Purchase of Office Furniture and General Equipment	5,433,020	200,000
Purchase of ICT Equipment, Software and Other ICT Assets		4,301,000
Purchase of Specialised Plant, Equipment and Machinery	477,000	181,200
Total	**5,910,020**	**17,782,200**

6. CASH AND BANK BALANCES

Name of Bank, Account No. & Currency	Type of Account	2018 - 2019 Kshs	2017 - 2018 Kshs
Central Bank of Kenya 1000195339 (Ksh.)	Development Acc	0	
Central Bank of Kenya 1000195328 (Kshs.)	Recurrent Acc	(47,350)	13,727
Central Bank of Kenya 1000250371 (Ksh.)	Deposits Acc		
Family Bank - 75000028013 (Kshs)	Car & Mortgage A/c		5,295,895
Family Bank - 001150079	Gratuity Account	10,587,271	13,821,198
Co-operative Bank 01141408365000 (Ksh.)	Recurrent Acc	(36,528)	(24,728)
Total		**10,503,393**	**19,092,365**

7. ACCOUNTS PAYABLE

	2018 - 2019 Kshs	2017 - 2018 Kshs
Accrued Gratuity	10,587,271	
Short term Payable	(2,053,074)	
Deposits (Co-operative Bank)	(36,528)	-
Total	**8,497,669**	**-**

8. FUND BALANCE BROUGHT FORWARD

	2018 - 2019 Kshs	2017 - 2018 Kshs
Bank Accounts	13,727	22,180,218
Cash in hand	-	-
Accounts Receivables	-	-
Accounts Payablee	-	-
Total	**13,727**	**22,180,218**

9. REFUND OF UNSPENT BALANCES

		2018-2019 Kshs.	2017-2018 Kshs
17/07/2017	FT17188K18J1	-	(14,112,070)
18/07/2017	FT17199T5KV1	-	(8,068,148)
13/07/2018	FT18194RJZ2Z	(13,727)	-
Total		(13,727)	(22,180,218)

NB. Refund of the unspent balances are returned CRF issues not recognized as receipts since the Assembly does not receive the funds back

5.10 OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE

	2018 - 2019 Kshs	2017 - 2018 Kshs
Construction of buildings	0	0
Construction of civil works	0	0
Supply of goods	0	0
Supply of services (Annex 4)	2,053,075	2,822,655
Total	**2,053,075**	**2,822,655**

2. RELATED PARTY DISCLOSURES

Related party transactions:

Compensation to Key Management	2018- 2019 Kshs	2017- 2018 Kshs
Compensation to the Speaker, Deputy Speaker and the MCAs	39,808,179	36,189,254
Key Management Compensation(Clerk and Heads of departments)	34,347,192	31,224,720
Total Compensation to Key Management	**74,155,371**	**67,413,974**

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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)
1.0 Presentation of the Financial Statements	Financial Statements for the Year did not include budget execution by programmes	Anomaly noted	Director Finance and Accounts	Not resolved	
2.1 Cash and Cash Balances	Balance of Cash and Cash balances in the Statement of Financial assets and liabilities did not correspond with 13A	The anomaly was noted and rectified	DFA	Resolved	
2.2 Prior Year Adjustments	Statement of Assets and Liabilities reflected a figure of Kshs. 22,180,218 which seemed like the balancing figure	Financial statements were amended	DFA	Resolved	
2.3 Unsupported Bank Accounts	Cashbooks, bank reconciliations statements and bank confirmations certificates were not made available for audit	Documents has been availed to the auditors for perusal	Director Finance and Accounts	Resolved	
2.4 Embu County Assembly Recurrent Account	Financial statements had a balance of 13,727 while the bank certificate had a balance of 228,951	There was a circular from Treasury directing all the accounting officers to close books of accounts after disbusement of the last tranche of funds	DFA	Resolved	
3.0. Accuracy of the Statement of Cash Flows	Included in the cashflow was a figure of Kshs. 22,180,218 as an adjustment during the year which was not supported by documentary evidence	The amount related to the opening balances which were transfered to the CRF and never returned as an inflow.	DFA	Resolved	
4.0. Non-Disclosure of Land and Buildings in the Financial Statements	Assets stated could not be confirmed as there were no assets handing over reports including ownership documents from the defunct County Council of Embu	The matter was taken up by the Defunct Transition Authority and then County Assets and Libilities committees and since then no report has been received	Clerk	Not yet Resolved	
5.0 Disclosure of Pending Bills	Movement of Pending Bills from 27,061,355 to 2,822,655 was not supported by documentary evidence.	Annex showing when the Bills were contracted and paid has since been provided	DFA	Resolved	
6.0 Accuracy of Receipts	An amount of Kshs. 26,308,730 included in the exchequer releases yet it was on transit.	The amount in question was released by National Treasury on 4th July 2018 and directed that the same should be treated as releases for 2017/2018	Clerk	Not yet Resolved	

7.0 Social Security Benefits	Amounts of Kshs. 4,192,105 that was included I n the figure of 26,698,607 as part of Social Security Benefits could not be traced in the ledgers	The ledgers were provided	DFA	Resolved	
8.0 Unsupported other operating expenses	Kshs. 5,500,000 was paid to both Socatt and CAF and there was no justification for making the payments as governing legislation was not availed for Audit		Clerk	Not yet Resolved	
1. Appointment of Staff to the County Assembly	No documents were made availble to show that the recruitment of Ward staff was subjected to advertisements and evaluations as required by section 95 and 96 of PPAD Act.	The Staff were hired to assist MCA's in the representation duty and are based in the wards. The staff are personal in nature and MCA's were given the opportunity to identify them and then the Board hired them	DHRM	Resolved	
2. Construction of the County Assembly Complex	The Assembly had engaged a contractor to construct the County Assembly Complex. The contractor did some works and issued 2 invoices for work completed but the invoices were never honoured	The Contract has since been cancelled and issued to another contractor due to non fulfillment of some conditions by the Contractor	DFA	Resolved	
3. Dormant Bank Account	Dormant Account at Cooperative Bank - 01141408365000	The Account has since then be reactivated	DFA	Resolved	
4. County Assembly Mortgage and Car Loan Scheme	Call deposit account 075000032988 for Mortgage and Car loan and where Kshs. 165,000,000 was transferred on 30/06/2015. No interest was declared. Financial statements for the scheme were not prepared	According to the arrangement that time between the County Assembly and the Bank, Interest earned from that call deposit account belonged to the bank. Financial statements are now being prepared independently as a fund	DFA	Resolved	
1. Non Establishment of Audit Committee	County Assembly did not have in place an Audit Committee	The County Assembly has done several Advertisements inviting members of Public to apply for these positions but so far people have not responded	Clek	Not yet Resolved	
2. ICT Environment	There is no formal approved ICT policy	Not yet in place	Clerk	Not yet Resolved	

Clerk of the County Assembly

Signature_____

Date_____

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018/19
	a	b	c	d=a-c
Construction of buildings				
1	-	-	-	-
Sub-Total	-	-	-	-
Construction of civil works				
4	-	-	-	-
Sub-Total	-	-	-	-
Supply of Services				
Nation Media Group	183,280	23-Mar-18	183,280	-
Gepal Agencies	25,000	21-Mar-18	25,000	-
Gepal Agencies	124,875	21-Mar-18	124,875	-
Sweet waters	55,550	6-Apr-18	55,550	-
Nechal Enterprises	704,500	6-Aug-18	704,500	-
New Uhuru Garage	865,060	1-Aug-18	700,000	165,060
The Standard	255,200	18-6-2018	255,200	-
Rosi Ventures	14,000	31-May-18	14,000	-
Gepal Agencies	65,000	6-May-18	65,000	-
Kimenice Company	73,440	29-May-18	73,440	-
Fortex Mechants	90,000	4-Jun-18	90,000	-
Villagio Travel	-		-	-
Izaac Walton	25,000	29-May-18	25,000	-
Laser Bogen	215,250	29-May-18	215,250	-
Villagio Travel	-		-	-
Villagio Travel	126,500	5-Aug-18	126,500	-
The Star	194,880		-	194,880
Africa Touch	60,000			60,000
Clydenet Technologies	93,000	6-Mar-19		93,000
Eastern and Southern Africa Dairy Associatio	247,000			247,000
Izaac Walton	37,500			37,500
Slopes Villa	15,950			15,950
Slopes Villa	33,000			33,000
The Star	169,360	6-Apr-19		169,360
Compass Coaching	120,000	28-Mar-19		120,000
Sunstar	75,000	7-Jun-19		75,000
The Star	169,360	30-May-19		169,360
Patco Enterprises	55,075	22-May-19		55,075
Mairori Investments	50,000			50,000
Mairori Investments	100,000			100,000
Quick Kobil	300,000			300,000
Tapaline Limited	330,000			330,000
Zimimu Consultants	1,518,000			1,518,000
	6,390,780		**2,657,595**	**3,733,185**

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Historical Cost c/f
	(KShs)	(KShs)	(KShs)	(KShs)
	2017/2018			2018/2019
Land	-	-	-	-
Buildings and structures	-	-	-	-
Transport equipment	13,100,000	-	-	13,100,000
Office equipment, furniture and fittings	14,406,141	5,433,020	-	19,839,161
ICT Equipment, Software and Other ICT Assets	12,793,995	-	-	12,793,995
Other Machinery and Equipment	181,200	477,000	-	658,200
Heritage and cultural assets	-	-	-	-
Intangible assets	-	-	-	-
Total	40,481,336	5,910,020	-	46,391,356

ANNEX 3 - ANALYSIS OF THE GRATUITY ACCOUNT

		2018/2019
Opening Balance as at 1st July 2018		13,700,932
RECEIPTS		
Transfers from CBK Account	7,504,383	
Cheque Deposits	23,300	7,527,683
		21,228,615
PAYMENTS		
Gross Gratuity paid	887,813	
Overstatement	89	
Bank Charges	1,100	
Transfer to Lapfund	9,752,431	10,641,433
Bank Balance 30th June 2019		10,587,182

ANNEX 4. SHORT TERM PAYABLES

Mairori Investments	50,000
Patco Enterprises	55,075
Mairori Investments	100,000
Tapaline Ltd	330,000
Zimimu Consultants	1,518,000
TOTAL	**2,053,075**