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REPORT

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THE AUDITOR-GENERAL

ON

**MERU COUNTY REVENUE
BOARD**

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



MERU COUNTY REVENUE BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2019

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Meru County Revenue Board is established through Meru County Revenue Board Act, 2014 of the Meru County Assembly. The Board is wholly owned by the County Government of Meru and is domiciled in Kenya.

The Board's main objective is to collect, increase and monitor local revenue of Meru County

b) Principal Activities

Mission

To assess and collect revenue through enforcement of related legislations and to contribute to delivery of quality services for social economic growth in Meru County

Vision

To be a world-class revenue collection agency

Functions of the Board

- a) collecting and receiving county revenue;
- b) administering and enforcing county laws related to revenue;
- c) assessing, collecting and accounting for all revenue in accordance with the county laws related to revenue;
- d) advising the County Executive Committee on all matters related to administration and collection or revenue under county laws;
- e) carry out such other roles necessary for the implementation of the objects and purpose of this Act and perform such other functions as may, from time to time, be assigned by the Executive Member.

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c) Board of Directors/Administration Committee

Ref	Name	Position
1	Douglas Kailanya	Board Chairman
2	Godfrey Kinyua Mburia	Board Member
3	Ivy Kaburu	Board Member
4	Joseph Chabari	Board Member
5	Dr. John Ntoiti	General Manager

d) Key Management

Ref	Name	Position
1	Dr. John Ntoiti	General Manager
2	Peterson Gitonga	Ag. Director Revenue
3	Henry Muriungi	Ag. Director Efficiency Monitoring
4	Mary Kimaita	Director of Human Resource
5	Eric Munene	Ag. Director of ICT
7	Moses Chege	Ag. Director of Finance
8	Doris Karimi	Ag. Director of Enforcement

e) Registered Offices

P.O. Box 2236-60200
MKU Building
Meru Maua Highway
Meru, KENYA

f) Board Contacts

Telephone: (254) 0712150240
E-mail: revenueboard@meru.go.ke
Website: www.meru.go.ke

g) Board Bankers

1. Kenya Commercial Bank
P.O. Box 178-60200
Meru, Kenya


h) Independent Auditors

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



i) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS

Name	Details of qualifications and experience
	<p style="text-align: center;">CHAIRMAN – MCRB</p> <p>He is a qualified accountant with over 20 years' experience in financial management, administration, budgeting, investment portfolio management, credit control, Process and Policy formulation, enterprise Debt, Public debt, risk management and Strategic Planning & Decision Making</p> <p>He holds a MBA -Master of Business Administration Degree –(Finance) - from University of Nairobi,</p> <p>B.Com. Degree (Hons.) Accounting Option - University of Nairobi.</p> <p>A fully Certified Public Accountant of Kenya CPA (K)</p> <p>He holds a Certificate in Driving Government Performance strategies that produce result, - Course attained at Harvard University in Boston, Massachusetts (USA)</p> <p>He holds a Certificate in Strategic Management of Regulatory and Enforcement Agencies – Course attained at Harvard University in Boston, Massachusetts (USA)</p> <p>He holds a certificate in Strategic Planning and Decision Making - Course attained at SETYM International Montreal - Canada</p> <p>Professional Training course in “Corporate Governance for Directors of state Corporations” offered by Center for Corporate Governance in Kenya</p> <p>He holds a Certificate in Advantage Training in Corporate Governance in Johannesburg South Africa</p> <p>Professional training course in Corporate Governance for Directors</p> <p>A Member of Institute of Directors (IOD) of Kenya</p> <p>A registered member of the Institute of Certified Public Accountants of Kenya (ICPAK),</p>

Mr. Douglas Kailanya CPA

 <p>Godfrey Kinyua Mburia</p>	<p align="center">BOARD MEMBER</p> <p>Director co-operative Bank of Kenya Ltd Chairman board of director –Kenya co-operatives coffee exporters Ltd Director of Imenti Co-operative savings & credit society Director Imenti housing co-operative society Ltd 2004 to date: Accountant/Auditor with Ngigi and partners, certified public Accountant 1997-2003 Appointed financial controller of Meru central farmers’ co-operative union Ltd 1989-1996 Appointed deputy chief Accountant of Meru central farmers’ co-operative Ltd 1984-1988 Appointed assistant chief Accountant of Meru central farmer co-operative Ltd. 1990-1992 The university of Royal School B COM Accounting, C.C.A of Government-Britain 1987-1988 Kenya Institute of management Advance Diploma in financial Management 1985-1986 co-operative college of Kenya Diploma in Co-operative Management 1983-1984 Co-operative e of Kenya Certificate in co-Operative Administration.</p>
 <p>Ivy Kaburu</p>	<p align="center">BOARD MEMBER</p> <p>June 2014- To date: Visibility Branding Consultants Current Position - Lead personal and corporate branding consultant 2009 April to May 2014: Chase Bank (K) Limited – Branch Manager Team Leader- clearing and payments – Chase Bank Kenya Ltd</p> <p>EDUCATION BACKGROUND</p> <p>January 2012- To Date: - Strathmore Business School MBA for Executives- ongoing April 2005-December 2008: - Jomo Kenyatta University of Agriculture and Technology (JKUAT) Actuarial Science: Second-class honors Upper Division. January 2005-March 2005: - Kenya Methodist University (KEMU) MS Office Application Training February 2001 - Nov 2004: - Moi Girls’ School Nairobi Kenya Certificate of Secondary Education Mean Grade A-</p>



Joseph Chabari

BOARD MEMBER

MBA – Finance BBA – Accounts CPA(K)
Member – ICPAK –
Chief Officer Finance, Economic planning and
ICT County Government of Meru.
Mr. Chabari has a vast experience in Finance
and accounting in Public Sector having worked
at the National Treasury for 9 years.



Dr. John Ntoiti




EXECUTIVE MEMBER

June 2018 – Date General Manager MCRB
2014 Oct – 2017 Chief Officer Public
Administration and Revenue Mobilisation
Nairobi City County
2014 Jan – Oct Chief Officer Devolution
Nairobi City County
2012 – 2014 Director of Decentralization
Nairobi City County
2009 – 2012 Town Clerk Administration
Nairobi City Council
2007 – 2009 Chief Administration Officer
Nairobi City Council





EDUCATION BACKGROUND

PHD in Finance of 2013
Masters in Business Administration
Bachelor of Education in Economics
SLDP KSG of 2014
Management of Devolved Government Systems
in Beijing 2015

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>Dr. John Ntoiti</p> 	<p>General Manager June 2018 – Date General Manager MCRB 2014 Oct – 2017 Chief Officer Public Administration and Revenue Mobilisation Nairobi City County 2014 Jan – Oct Chief Officer Devolution Nairobi City County 2012 – 2014 Director of Decentralization Nairobi City County 2009 – 2012 Town Clerk Administration Nairobi City Council 2007 – 2009 Chief Administration Officer Nairobi City Council</p> <p>EDUCATION BACKGROUND PHD in Finance of 2013 Masters in Business Administration Bachelor of Education in Economics SLDP KSG of 2014 Management of Devolved Government Systems in Beijing 2015</p>
<p>Peterson Gitonga</p> 	<p>Ag. Director Revenue Meru County In charge of Outdoor Adverts Revenue Cordinator, Maua, Igembe South & North Revenue Officer Meru Town Bachelor of Business Administration(finance) Diploma of Business Administration KATC 2</p>
<p>Henry Muriungi</p> 	<p>Ag. Director Efficiency Monitoring and Evaluation System Administrator, Medical Claims in Charge NHIF MBA Project management and Planning ongoing Bachelor of Business in IT Diploma in IT Certificate Monitoring and Evaluation, and Hospital Management Information System</p>

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<p>Mary Kimaita</p> 	<p>Director of Human Resource Human Resource Officer since 1999 Masters of Business Administration, Bachelors of Arts, Higher Diploma in Human Resource Management</p>
<p>Eric Munene</p> 	<p>Ag. Director of ICT Senior ICT Officer 2013-2018, Computer Programmer 2008-2013 Masters in Cyber Security ongoing BBIT, Diploma in Computer Science,</p>
<p>Moses Chege</p> 	<p>Ag. Director of Finance Bachelor of Commerce (Finance), CPA (K) 25 Years post qualification Experience</p>
<p>Doris Karimi</p> 	<p>Ag. Director of Enforcement Senior Enforcement Officer Meru County Diploma in Corporative Management</p>

4. BOARD CHAIRPERSON'S REPORT

On behalf of the Board of Directors, Meru County Revenue Board, (MCRB) I take this opportunity to present to you the 12 months ended 30 June 2019 reports and financial statements pursuant to section 22 (1) of the Meru Revenue Board Act, 2014 which states that: within a period of three months after the end of each financial year, the Board shall submit to the Auditor-General, the accounts of the corporation together with:

- a) A statement of financial position at the thirtieth day of June;
- b) A statement of comprehensive income;
- c) A statement of cash flow for the year ended;
- d) A summary of significant accounting policies and other explanatory information.

The board confirms that the institution remains focused on its mandate and is in the process of setting structures that will facilitate the performance of the function of the board.



Douglas Kailanya
Board Chairman

5. REPORT OF THE GENERAL MANAGER

The Meru County Revenue Board Act 2014 requires the corporation to prepare financial statements at the end of each financial year. I am pleased to present the financial statements for the board, for the period ended 30th June 2019.

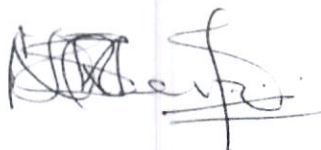
Meru County Revenue Board was created in 2014, through an Act of the County Assembly of Meru, to provide for a body for the assessment and collection of revenue, for the administration and enforcement of laws relating to revenue within the county and to provide for connected purposes. This corporation officially began its operations in October 2016 and the Financial Year 2018-19 being its third year of operation.

A total of Kshs.8.8 million was budgeted in 2018/19 and thereafter transferred to the corporation so as to cater for its day to day operations.

Among the main challenges experienced during the period include the need for huge capital expenditure, lack of adequate personnel.

I therefore appreciate and request the Meru County Government for more financial and human resource support so as to realize the growth and development of this corporation

On behalf of the Board, staff, Meru County residents and other stakeholders, I thank the Meru County Government for providing support to this nascent institution.



Dr. John Ntoiti
General Manager

6. CORPORATE GOVERNANCE STATEMENT

The practice of good corporate governance ensures the delivery of sustainable value for our County as well as meeting the needs of our stakeholders. Good Corporate Governance practices involve the adoption of ethically driven business policies, procedures and processes. The Board is committed to ensuring that the needs of our investors and the expectations of our stakeholders are met while safeguarding the Boards' assets. We believe that our business affairs should be carried out in a fair, transparent and accountable manner. It is our integral responsibility to disclose timely and accurate information on our financials and performance as well as provide the leadership and effective governance for the Board.

This report highlights the main corporate governance structures and practices that guide the Board:

Governance Principles and Guidelines

The Board of Directors is at the core of the Board's governance practice for protection of long-term interests of all stakeholders. Guided by the principles of best practices in governance, the Board performs its duties in the interest of the Board to improve stakeholder's value and for continued sustainability of the Board. The Board Charter defines the roles, responsibilities, scope and functions of the Directors in the governance of the Board and provides for free exercise of independent judgment. The Board provides oversight to Management and ensures the staff operate within the Code of Conduct and Ethics and Public Officers and Ethics Act; and the Code for County Corporations.

Responsibilities of the Board

The primary responsibility of the Board is to provide leadership and strategic direction to the Board. Board members are expected to exercise the highest degree of care, skill and diligence in discharging their duties. The responsibilities of the Board include: (i) establishing short and long-term goals of the Board, develop strategies to achieve these goals and monitor the Boards' performance against these set goals; (ii) spearheading preparation of financial statements and reports; (iii) approving and reviewing annual budgets; (iv) overseeing business affairs of the board in light of emerging risks and opportunities; and (v) ensuring that the Board has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity. The Board provides oversight to the Board's management. Directors are also empowered to seek independent professional advice on Board business at its expense where necessary.

Capacity Building for the Board

Regular training and development programmes are developed to equip the Board with necessary skills for effective discharge of their mandate. Newly appointed Directors undergo a detailed induction training to enhance their understanding of the nature of our Board's performance and strategy. Each year the Board prepares a training calendar where specific training needs are identified and scheduled. During the year, Directors attended various capacity building programmes focusing on leadership, governance, finance and other relevant areas deemed necessary.

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2019

Composition of the Board

The current Board headed by the Chairman is composed of four members exclusive of the General Manager who is also the only executive member. The constitution of the Board takes into consideration requirements of the sector, diversity of skills, academic qualifications, gender, age and experience necessary to add value to the business. The principal role of the Chairperson is to provide leadership to the Board as well as ensure that the Board is supplied with timely and sufficient information to enable it to discharge its duties effectively. The General Manager is responsible for the day to day management of the Board.

Accountability and audit

In line with the Meru County Revenue Board Act, 2014, Directors are required to prepare annual financial statements for the Board in each Accounting period. The statements should reflect a true and fair view of the financial position of the Board as at the end of each financial year and should include: annual financial statements; the directors' report; and the auditor's report on the financial statements. Directors ensure that the Boards' financial statements are audited each financial year. They are responsible for ensuring that suitable accounting policies are consistently applied supported by reasonable and prudent judgments, and estimates. They also ensure that applicable accounting standards are followed as well as the duty to exercise care, skill and diligence. In addition, the Board is responsible for ensuring that the Board keeps reasonable and accurate accounting records showing and explaining the transactions and financial position of the Board in compliance with prescribed accounting standards.

Internal Controls

Internal control systems are designed to meet particular needs of the Board and mitigate the risks, with attendant procedures intended to provide effective internal financial control. The Board is obligated to maintain a sound system of internal controls to safeguard public finances. These include taking reasonable steps to ensure that the control and regulatory systems are continuously maintained and monitored. While the systems in place are intended to provide reasonable controls, absolute assurance cannot be guaranteed.

Directors' Remuneration

During every Board meeting, present Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within County Treasury set limits for Boards. The Chairperson receives a monthly honorarium.



Board Chair



General Manager

7. MANAGEMENT DISCUSSION AND ANALYSIS

Meru County Revenue Board is a revenue collecting agency/corporation for the County Government of Meru formed by Meru County Revenue Board Act 2014 of the County Assembly of Meru. MCRB core mandate is revenue collection in its 22 revenue streams as well as identifying new and potential streams in the aim of enhancing revenue and achieving revenue targets set. In the financial year under review, MCRB was able to collect 542m Kenya shillings from the local sources and improvement from the previous 321m Kenya shillings of 2017/18 financial year. The collections are guided by the Meru County Finance Act 2014 but during the year under review MCRB was able to draft and gazette a new Meru County Finance Act 2019.

	SUBCOUNTY	2018/2019	2017/2018
1	MERU TOWN	225,579,187.02	133,306,239.14
2	IMENTI SOUTH	29,921,660.40	16,359,853.00
3	NKUBU TOWN	31,031,193.00	16,929,622.00
4	IMENTI NORTH	19,705,767.40	16,576,366.00
5	IMENTI CENTRAL	31,895,188.00	16,144,368.00
6	BUURI	55,193,766.65	31,562,752.90
7	MAUA TOWN	69,285,360.00	45,990,054.00
8	TIGANIA EAST	18,427,425.00	11,942,948.00
9	TIGANIA WEST	14,917,191.00	8,912,576.00
10	IGEMBE SOUTH	9,073,178.00	5,442,423.00
11	IGEMBE CENTRAL	17,649,314.00	10,287,966.75
12	IGEMBE NORTH	15,063,865.00	7,596,717.00
	DIRECT BANKINGS	4,810,027.83	-
	KAGURUATC/AMS MITUNGUU	-	-
	TOTALS	542,553,123.30	321,051,885.79

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Meru County Revenue Board strives to ensure that the operations we finance supports economic and social development in the county we operate in.

We are committed to supporting the residents of Meru County through partnerships that concern revenue collection and job creation. When receiving payments and issuing commercial licenses and permits we ensure timely inspection and invoicing so as to keep good relations with our business community.

We also aim to ensure the existence of a conducive business environment in collaboration with other county government departments/agencies such as Finance, Trade and industrialization, Cooperatives, County Liquor Licensing Board, County Assembly etc.

As stipulated by the Finance Act the board seeks to ensure that the charges/levies are reviewed periodically so as to ensure they are reasonable and affordable to the business community across the county. More so, we offer education, consultation and efficient communication to the public so as to create awareness and knowledge concerning revenue collection to ensure compliance.

Meru County Revenue Board is committed to providing practical learning and workplace application experience for students and recent graduates. We provide our interns with new and creative approaches to best practice in the field of ICT, revenue collection, administration and reporting. As an intern one is given the opportunity to work with the corporation officers and management team to develop a strong foundation for their career.

9. REPORT OF THE BOARD OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Meru County Revenue Board affairs.

Principal activities

The principal activities of the entity are

- a) Collecting and receiving county revenue;
- b) Administering and enforcing county laws related to revenue;
- c) Assessing, collecting and accounting for all revenue in accordance with the county laws related to revenue
- d) advising the County Executive Committee on all matters related to administration and collection or revenue under county laws;
- e) Carry out such other roles necessary for the implementation of the objects and purpose of this Act and perform such other functions as may, from time to time, be assigned by the Executive Member.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 16

Directors

The members of the Board of Directors who served during the year are shown on page 4

Auditors

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

By Order of the Board



Member of the Board

Date: _____

10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

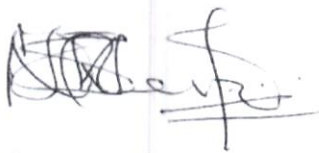
Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the General Manager of Meru County Revenue Board established by *Meru County Revenue Board Act, 2014* shall prepare financial statements for the Board in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The General Manager of the Board is responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board 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 Board; (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 Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

Approval of the Financial Statements

The Board's financial statements were approved by the Board on 23/09 2019 and signed on its behalf by:

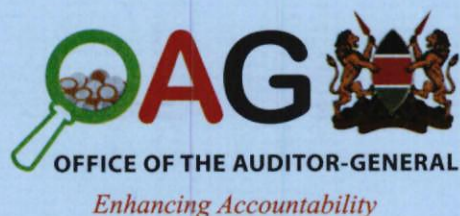


General Manager

11. REPORT OF THE INDEPENDENT AUDITOR

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 MERU COUNTY REVENUE BOARD FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Meru County Revenue Board set out on pages 19 to 32 which comprise of the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Meru County Revenue Board 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 (Accrual Basis) and comply with Public Finance Management Act, 2012 and the Meru County Revenue Board Act, 2014.

Basis for Qualified Opinion

1.0 Unsupported General Expenses

The statement of financial performance reflects general expenses of Kshs.13,652,308. However, the expenditure was not properly supported as discussed:

1.1 Daily Subsistence

Disclosed under Note 3 to the financial statements, are payments totalling to Kshs.654,500 relating to daily subsistence. The expenditure included Kshs.624,500 comprising of Kshs.218,500 paid as overtime allowances to revenue officers who worked during lunch hours and at night and Kshs.406,000 paid as meeting allowances to sub-county revenue coordinators, enforcement officers and the Meru County Revenue

secretariat who attended routine weekly revenue meetings. However, supporting documents including over time policy, overtime schedules, imprest warrants and the criteria used to determine how the rates were arrived at were not provided for audit review.

Consequently, the propriety and accuracy of the Kshs.654,500 expenditure on daily subsistence could not be confirmed.

1.2 Hospitality Supplies and Services

As disclosed in Note 3 to the financial statements, the statement of financial position reflects general expenses totalling Kshs.6,967,656 which includes an amount of Kshs.100,000 in respect to hospitality supplies and services. However, the expenditure, which was incurred on 4 July, 2019 (2019/2020 financial year) was supported by cash sales receipts dated 22 March, 2019 and 21 May, 2019 (2018/2019 financial year). The Board therefore, included Kshs.100,000 being expenditure relating to 2019/2020 financial year in the year under review and supported it with doubtful cash sales receipts which appear to have been issued before the expenditure was incurred.

Consequently, the propriety and authenticity of the expenditure of Kshs.100,000 on hospitality during the year under review, could not be confirmed.

1.3 Other Operating Expenses

Disclosed under Note 3 to the financial statements are payments totalling to Kshs.653,360 made in respect to other operating expenses, out of which a sum of Kshs.650,000 was paid in July, 2019 through cheque number 218 and 235 for Kshs.300,000 and Kshs.350,000 respectively.

However, included in the expenditure are payments totalling to Kshs.173,926 which was supported by cash sales receipts dated between 21 March, 2019 to 25 June, 2019 an indication that the payments were made before the expenditure was incurred. Further, payments totalling Kshs.115,873 were supported with cash sales dated between 5 July, 2019 to 4 November, 2019 and therefore did not relate to the financial year under review.

As a result of these anomalies, the occurrence, validity and accuracy totalling to Kshs.289,799 reported to have been incurred during the year could not be ascertained.

2.0 Understatement of Trade and Other Payables

The statement of financial position reflects Nil balance in respect to trade and other payables as at 30 June, 2019. However, disclosed under Note 3 to the financial statements are expenses totalling Kshs.374,950 spent on boards, committees, conferences and seminars which includes unpaid accommodation, mileage and staff allowances expenditure amount of Kshs.139,980 in respect to sub-committee meetings

held in April, 2019. However, corresponding accrued payable amount was not included in the trade and other payables account.

In the circumstances, the accuracy and completeness of the Nil balance in respect of trade and other payables as at 30 June, 2019 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1.0 Budget Controls and Performance

The statement of comparison of budget and actual amounts for the year under review reflects budgeted receipts of Kshs.8,816,505 and an expenditure budget of Kshs.13,652,308.

However, during the year under review and as reported in the previous year, the Board had no approved budget contrary to Section 20 (4) of the Meru County Revenue Board Act, 2014 which provides that no expenditure shall be incurred for the purpose of the Board except in accordance with the annual estimates approved under subsection (3).

In the circumstances, the Board was in breach of the law and the regularity of the expenditure totalling to Kshs.13,652,308 during the year under review could not be ascertained.

2.0 Unbalanced Budget

The Board's statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects Kshs.8,816,505 and Kshs.13,652,308 in respect to approved revenue and expenditure budgets respectively resulting to a deficit of Kshs.4,835,803. The budget imbalance is contrary to section 31(c) of the Public Finance Management (County Governments) Act, 2015 which states that budget revenue and expenditure appropriations shall be balanced.

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

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, I confirm that, nothing 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

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 ON INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such 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 Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to dissolve the Board 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.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 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 Fund's ability to continue as a going concern. 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 Meru County Revenue Board to cease to continue as a going concern.
- 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 Fund 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

14 October, 2021

12. FINANCIAL STATEMENTS

12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations		-	-
Transfers from the County Government	1	8,816,505	-
Fines, penalties and other levies		-	-
Revenue from exchange transactions			
Interest income		-	-
Other income		-	-
Total revenue		8,816,505	-
Expenses			
Fund administration expenses		-	-
Staff costs	2	-	1,725,842
General expenses	3	13,652,308	6,967,656
Finance costs		-	-
Total expenses		13,652,308	8,693,497
Other gains/losses			
Gain/loss on disposal of assets		-	-
Surplus/(deficit) for the period		-4,835,803	8,693,497

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12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	10,832	48,598
Non-current assets			
Property, plant and equipment	5	17,795,184	22,593,221
Intangible assets		-	-
Long term receivables from exchange transactions		-	-
Total assets		17,806,016	22,641,819
Liabilities			
Current liabilities			
Trade and Other Payables	6	-	-
Non-current liabilities			
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
Total liabilities		-	-
Net assets			
Payables Paid by Meru County Government	6	15,068,414	15,068,414
Reserves		-	-
Accumulated surplus		2,737,602	7,573,405
Total net assets and liabilities		17,806,016	22,641,819

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 23 September 2019 and signed by:



General Manager
 Name: *Dr. JOHN NTOIT*



Accountant
 Name: *William Mwendu*
 ICDAK: *19584*

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12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	-	-	16,266,902	16,266,902
Surplus/(deficit) for the period	-	-	8,693,497	8,693,497
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	-	-	7,573,405	7,573,405
Balance as at 1 July 2018	-	-	7,573,405	7,573,405
Surplus/(deficit) for the period	-	-	(4,835,803)	(4,835,803)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	-	-	2,737,602	2,737,602

12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		8,816,505	-
Total Receipts		8,816,505	-
Payments			
Staff Costs	2	-	1,725,842
General expenses	3	8,854,271	2,169,619
Finance cost		-	-
Total Payments		8,854,271	3,895,460
Net cash flows from operating activities		-37,766	3,895,460
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-37,766	3,895,460
Cash and cash equivalents at 1 JULY		48,598	3,944,058
Cash and cash equivalents at 30 JUNE	4	10,832	48,598

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**12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE PERIOD ENDED 30th JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Transfers from County Govt.	8,816,505	-	8,816,505	8,816,505	-	100
Interest income	-	-	-	-	-	
Other income	-	-	-	-	-	
Total income	8,816,505	-	8,816,505	8,816,505	-	100
Expenses						
Fund administration expenses	-	-	-	-	-	
Staff costs	-	-	-	-	-	
General expenses	13,652,308	-	13,652,308	13,652,308	-	100
Finance cost	-	-	-	-	-	
Total expenditure	13,652,308	-	13,652,308	13,652,308	0	100
Surplus for the period	-4,835,803		-4,835,803	-4,835,803	0	100

Budget notes

- Budget was utilised efficiently*

12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Board's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Board. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: -Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

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Standard	Effective date and impact:
	<p>-Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</p> <p>-Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

4. Budget information

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in page 18 of these financial statements.

5. Property, plant and equipment

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

Buildings	2.5%
Plant and Machinery	12.5%
Motor Vehicle	25%
Computers	30%
Furniture and Fittings	12.5%
Office Equipment	12.5%

6. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

MCRB has an asset of Ksh, 15,068,414 which were payables for the FY 2016/17 paid for by the County Executive

The useful life of the intangible assets is assessed as either finite or indefinite.

7. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

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

9. Ultimate and Holding Entity

The entity is a County Public Fund established by an Act of Meru County Assembly, *Meru County Revenue Board Act 2014* under the Department of Finance. Its ultimate parent is the County Government of Meru.

10. Currency

The financial statements are presented in Kenya Shillings (KShs).

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12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from County Govt. – operations	8,816,505	-
Payments by County on behalf of the entity	-	-
Total	8,816,505	-

2. Staff costs

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Salaries and wages	-	1,655,842
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	70,000
Total	-	1,725,842

3. General expenses

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Communication Supplies and Services	-	84,000
Domestic Travel and Subsistence	2,108,800	52,000
Boards, Committees, Conferences and Seminars	374,950	-
Purchase of uniforms and clothing-staff	4,197,497	-
Telephone, Telex, Facsimile and Mobile Phone Services	333,000	-
Hospitality supplies and services	100,000	60,000
Daily Subsistence	654,500	-
Electricity Bill	87,164	-
Office and general supplies and services	-	1,071,801
Other operating expenses	653,360	318,531

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Routine maintenance – vehicles and other transport equipment	-	41,977
Fuel Oil and Lubricants	-	100,000
Routine maintenance – other assets	-	441,310
Revenue Enforcement Operations	345,000	
Depreciation on Motor Vehicle	1,548,750	1,548,750
Depreciation on Fittings	3,249,287	3,249,287
Total	13,652,308	6,967,656

4. Cash and cash equivalents

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed deposits account	-	
On – call deposits	-	-
Current account	10,832	48,598
Others	-	-
Total cash and cash equivalents	10,832	48,598

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

Financial institution	Account number	FY2018/2019	FY2017/2018
		KShs	KShs
Current account			
Kenya Commercial bank	1199586579	10,832	48,598
Grand total		10,832	48,598

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5. Property, plant and equipment

	Motor vehicles	Furniture and fittings	Total
Cost	KShs	KShs	KShs
At 1st July 2017	-	-	-
Additions	6,195,001	25,994,294	32,189,295
Disposals	-	-	-
Transfers/adjustments	-	-	-
At 30th June 2018	6,195,001	25,994,294	32,189,295
At 1st July 2018	6,195,001	25,994,294	32,189,295
Additions	-	-	-
Disposals	-	-	-
Transfer/adjustments	-	-	-
At 30th June 2019	6,195,001	25,994,294	32,189,295
Depreciation and impairment			
At 1st July 2017	1,548,750	3,249,287	4,798,037
Depreciation	1,548,750	3,249,287	4,798,037
Impairment	-	-	-
At 30th June 2018	3,097,501	6,498,574	9,596,074
At 1st July 2018	3,097,501	6,498,574	9,596,074
Depreciation	1,548,750	3,249,287	4,798,037
Disposals	-	-	-
Impairment	-	-	-
Transfer/adjustment	-	-	-
At 30th June 2019	4,646,251	9,747,860	14,394,111
Net book values			
At 30th June 2018	3,097,501	19,495,721	22,593,221
At 30th June 2019	1,548,750	16,246,434	17,795,184

**Meru County Revenue Board
Reports and Financial Statements
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6. Payables paid by Meru County Government in FY 2017/18

For FY	2016-2017
Interior Partitioning	13,823,914
Staff Payables	1,244,500
TOTAL	15,068,414

NB: This expenses relate to office partitioning and staff payables that were incurred by the County executive of Meru on behalf of Meru County Revenue Board, when the entity was starting out.

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7. 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	Issues/ 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	Going Concern	Financial year Budget	John Ntoiti(general manager)	Resolved	
2.0	Irregular Procurement	Adherence to PP&AD Act 2015	Joel Kirimi (Head of Procurement)	NOT Resolved	
3.0	Operations without approved budget	Preparation and approval of the Financial year's Budget	Moses Chege (Ag. Director Finance)	Resolved	