

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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CLERK AT THE TABLE	Angela

REPORT

OF

THE AUDITOR-GENERAL

ON

MERU COUNTY YOUTH SERVICE BOARD

FOR THE YEAR ENDED

30 JUNE, 2023

Revised 30th June 2023



MERU YOUTH SERVICE

MERU COUNTY YOUTH SERVICE BOARD

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

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

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1. Acronyms and Glossary of Terms

a) Acronyms

MYSB	Meru Youth Service Board
ICPAK	Institute of Certified Public Accountants of Kenya
CGM	County Government of Meru
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management The key management personnel who had financial responsibility
*Provide a list of Acronyms and Key terms used in the financial report as per above example.
The list to be exhaustive)*

2. Key Entity Information and Management

a) Background information

The Meru Youth Service Board is established by and derives its authority and accountability from The *Meru County Youth Service Act, 2018* enacted on 22nd June 2018. The Fund is wholly owned by the County Government of Meru and is domiciled in Kenya.

The Board's objective is to give effect to Articles 55 of the Kenyan Constitution.

b) Principal Activities

- To inculcate a culture of self-worth and dignity, hard work, diligence, self-reliance and entrepreneurship among the youth.
- Reduce youth poverty, unemployment, and helplessness.
- Promote participation of the youth in development programs including agriculture, health, forestry, urban development, and environmental rehabilitation.
- Provide for the maintenance of a database of all trained Meru Youth.
- Provide necessary training to facilitate increased employment of the youth in the county government and county government projects.
- To ensure participation of the youth in youth empowerment Programs.
- Provide for coordination and collaboration with other government agencies and to support implementation of national policies on youth in the county.
- To facilitate employment of the youth in the private sector.
- Inform and educate the residents in Meru County on the need to empower the youth and the harmful economic and social consequences of their alienation.
- Facilitate and enhance community participation in youth related Matters.
- To conduct research and implement effective measures to empower the youth in the county.
- To provide awards, scholarships and prizes to deserving youth.
- To provide a mechanism for addressing unique youth needs; and to give effect to the constitutional values and principles in so far as affirmative action for the youth is concerned.
- To provide a mechanism for addressing unique youth needs; and to give effect to the constitutional values and principles in so far as affirmative action for the youth is concerned.

Meru County Youth Service Board (MYSB)**Annual Report and Financial Statements for the year ended June 30, 2023****c) Board of Directors**

Ref	Position	Name
1	Chairman of the Board	Dr Paul Bundi Karau
2	Chief Executive Officer	CPA Edwin Murangiri Mutuma
3	County Executive Committee Member	Benjamin Mungania
4	Chief Officer Youth	Monica Kagwima
5	Chief Officer Education	Kaaria Joyce Kagwiria
6	Chief Officer Finance	Terry Kimonye
7	Board Member	Hilda Kathure
8	Board Member	Muriuki Muriungi
9	Board Member	Esther Kawira
10	Board Member	Humphery Ringera
11	Board Member	Fr. Dr. Elias Kinoti Kithuri

d) Key Management team

Ref	Name	Position
1	Fund Manager/ Administrator	CPA Edwin Murangiri
2	Fund Accountant	Rose Kirema
3	Procurement Officer	Eric Mbaya

Key Entity and Management (Continued)**e) Fiduciary Oversight Arrangements**

SN	Position	Name
1	Directorate of Internal Audit	Crispus Mutoni

Meru County Youth Service Board (MYSB)

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f) Registered Offices

P.O. Box 120-60200
Meru Youth Service Head Office
Consolidated Bank Building
Meru, KENYA

g) Fund Contacts

E-mail: ceomys@meru.go.ke
Website: meru.go.ke

h) Fund Bankers

1. Family Bank, Meru Branch

Key Entity and Management (Continued)

i) Independent Auditors



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

j) Principal Legal Adviser

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



k) County Attorney

3. Board of Trustees/ Fund Administration Committee (Or Any Other Corporate Governance Body for The Fund)



Name	Details of qualifications and experience
<p>1. Benjamin Mungania</p> 	<p>CECM – Youth, Gender and Sports, Meru County</p> <p>Regional Manager – Meru Highlands Dairy ltd , 2019</p> <p>Project Supervisor -Meru Supreme Industries, 2018 – 2019</p> <p>Relationship Manager – National Bank of Kenya, 2014 – 2018</p> <p>Business Banking Consultant – National Bank of Kenya, 2013 – 2014</p> <p>Clerk – National Bank of Kenya, 2012 - 2014</p>
<p>2. Dr. Paul Bundi Karau</p> 	<p>PhD, Human Anatomy – University of Nairobi, 2023</p> <p>MBChB, University of Nairobi (2004 – 2010)</p> <p>Medical doctor, anatomist, lecturer and an author.</p> <p>Senior House Officer – The University of Nairobi.</p> <p>Founder – Department of Human anatomy at KEMU school of Medicine and Health Sciences.</p>

Meru County Youth Service Board (MYSB)



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	<p>Member – Meru Vision 2040 Delivery Board</p> <p>Chairman – The Meru Youth Service Board</p>
<p>3. CPA Edwin Murangiri</p> 	<p>CEO – Meru Youth Service</p> <p>Accounting Professional with over 7 years' experience in accounting and finance.</p> <p>Accountant – Kenya Methodist University 9 yrs, 10 months.</p> <p>CPA – KASNEB</p> <p>Bachelor's degree – Accounting and Finance</p>
<p>4. Kaaria Joyce Kagwiria</p> 	<p>Sos Children's Villages – Kenya Programme Director, Meru, 2014</p> <p>Sos School – Principal August 2005 To February 2014</p> <p>Master's Degree in Child Growth and Development - Kenyatta University, January 2011 – 2016</p> <p>Bachelor's Degree in Education - Kampala University, April 2006 – 2009</p>
<p>5. Monica Kagwima</p>	<p>Chief Officer – Youth, Sports and Social Services</p>

Meru County Youth Service Board (MYSB)
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	<p>Masters in Education</p> <p>Experience of 25 years</p>
<p>6. Hildah Kathure</p> 	<p>Director – Kalmox Production; 2014 to date</p> <p>Master of Business Administration, Project Management - Africa Nazarene University; 2016</p> <p>Bachelor of Education, Business and Economics – University of Nairobi; 2005 to 2009</p> <p>Certified Public Accountant- Kenya (CPA-K) – KASNEB 2006-2009</p>
<p>7. Muriuki Muriungi</p>	<p>University of Nairobi, Nairobi, Kenya</p> <p>Master of Laws (LL.M) in Public Finance</p>

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	<p>and Financial Services Law (September 2015-December 2016)</p> <p>Partner & Head of Legal Consulting KMK Africa Law Advocates.</p> <p>University of Oxford (Faculty of Law/ Saïd Business School) - Oxford, United Kingdom. Master of Science in Law and Finance (September 2017- July 2018).</p>
<p>8. Terry G. Kimonye</p> 	<p>Director – Economic Planning</p> <p>Seasoned Economist with thirteen years experience in the public sector in the line of Strategy, Planning, Budgeting, Policy, Monitoring and evaluation.</p> <p>Holds a Master of Arts in Economics from the University of Nairobi, pursuing PhD in Economics at Kenyatta University.</p> <p>A member of Economist Society of Kenya.</p>
<p>9. Esther Kawira</p>	<p>Studied Accountancy at KCA University</p>

	<p>Certified Public Accountant (ICPAK) CEO – Kastar Consultancy.</p>
<p>10. Humphrey Ringera</p> 	<p>Bachelor’s degree in political science and government, university of Nairobi (2002 – 2006) Research associate, University of Nairobi. Master’s degree – development studies, University of Nairobi (2008 – 2011) Policy Research Advisor - Meru Development Organisation.</p>
<p>11. Dr. Fr. Elias Kinoti</p> 	<p>PhD, DePaul University (2015) – Chicago. Master of Arts Community Psychology (2011) Master of Science in international public service management (2010) Priest and lecturer, Meru University of Science and Technology. Policy consultant.</p>

4. Management Team

Name	Details of qualifications and experience
<p>1. CPA Edwin Murangiri</p> 	<p>CEO – Meru Youth Service Accounting Professional with over 7 years’ experience in accounting and finance Accountant – Kenya Methodist University 9 yrs, 10 months CPA – KASNEB Bachelor’s degree – Accounting and Finance</p>
<p>2. Rose Kirema</p> 	<p>Fund Accountant Master’s in public administration and management. B.Com, Accounting. CPA – Part 2 Senior Management Course – Kenya School of Government. Experience of 28 years</p>
<p>3. Eric Mbaya</p> 	<p>Procurement Officer Masters in procurement and supply chain management Bachelors in Supply Chain Management KISM member no. 74029 Practising licence K3554/2023</p>

5. Board/Fund Chairperson's Report

With great pleasure and a sense of responsibility, I present this foreword note as the Chairperson of the Meru County Youth Service Board. As we stand at the threshold of a new chapter in our journey, I am compelled to reflect on our accomplishments, share insights into our future outlook, and address any other pertinent matters that warrant our attention.

Our commitment to empowering the youth and fostering positive change within our county and communities has always been at the heart of our mission. Over the past year, we have seen remarkable progress and significant achievements in fulfilling this mission. We have witnessed the transformative impact of our programs on the lives of young individuals, helping them develop the skills, confidence, and resilience they need to navigate the challenges of today's world. Our dedicated team, passionate volunteers, and generous supporters have all played a pivotal role in making this possible.

The Meru Youth Service has continued to expand its reach and influence, thanks to the tireless efforts of our staff and the unwavering support of H.E the Governor. The positive outcomes we've achieved are a testament to the strength of our organizational culture, the effectiveness of our strategies, and the dedication of our stakeholders.

As we look ahead, the challenges and opportunities facing the youth we serve are evolving rapidly. It is imperative that we adapt and innovate to remain effective in our mission. Our commitment to transparency, accountability, and responsible governance will guide us as we chart our course for the future.

In this regard, we are committed to strengthening our financial sustainability. We will explore diverse funding sources, partnerships, and investment strategies to ensure the long-term viability of our programs. Furthermore, we will continue to rigorously assess the impact of our initiatives, utilizing data-driven insights to refine and enhance our services. This will allow us to better serve our beneficiaries and meet the evolving needs of the youthful demographic in our communities.

I would like to take this opportunity to express our gratitude to all our stakeholders. The support has been instrumental in our success, and we deeply appreciate their commitment to our cause.

Also, we must remain vigilant in upholding the highest standards of corporate governance, ethics, and compliance. This includes regularly reviewing and updating our policies, ensuring diversity and inclusion in all aspects of our organization, and continuously improving our risk management practice.

In conclusion, the journey of the Meru Youth Service has been marked by remarkable achievements and continuous growth. As Chairperson of the Meru County Youth Service Board (MYSB), I am committed to ensuring that our organization remains a beacon of hope and opportunity for the youth we serve. Together, with your support, we will continue to make a positive impact on the lives of young individuals, enabling them to reach their full potential and contribute meaningfully to society.

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Name Paul B. Karau Signature [Signature] Date 05/12/2023

Chairperson of the Board/Fund



6. Report of The Fund Administrator - CEO

Since the establishment of the Meru County Youth Service in 2018, we have made substantial progress in terms of outputs, outcomes, and impacts in matters youth development and empowerment. Our achievements for the FY 2022/2023 are as follows:

Outputs - We have successfully delivered a majority of the planned program outputs, including training and transitioning of youths to TVETs and VTCs.

Outcomes - Our programs have had a positive impact on the lives of the youth in our county. For instance, we are envisioning a 100% increase in youth employment – from the 2023 intake, a decrease in youth involvement in crime, and an increase in youth participation in community development initiatives.

Impacts -Over the years, our efforts have resulted in lasting impacts on our community. These include improved social cohesion, economic growth, and a more empowered and engaged youth population.

Program Implementation and Achievements

1. Youth Skills Development and empowerment Program - We have successfully implemented various skills development programs, resulting in 291 youths skilled and put in higher institutions of learning.
2. Adopt a hill, adopt a tree Program - Our green energy project has resulted in planting of 132,792 tree seedlings in all the regions of the county and creation of more than 2,000 green jobs

Value-for-Money Achievements

We have consistently strived for value-for-money in all our programs. Our diligent financial management has resulted in efficient utilization of resources, ensuring that a significant portion of our budget directly benefits the youth we serve. Our cost-effectiveness can be seen in the tangible results we have achieved within the allocated budgets.

While we have made significant progress, we have encountered several implementation challenges, including but not limited to financial constraints. These challenges have highlighted the need for improved coordination, resource mobilization, and stakeholder engagement.

Looking ahead, we are committed to achieving even greater impact.

Our aim is to continue diversifying our funding sources and strengthening partnerships to support youth led initiatives and development.

Key Risk Management Strategies.

To mitigate risks and ensure the success of our programs, we will implement the following key risk management strategies.

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Annual Report and Financial Statements for the year ended June 30, 2023

- Regular monitoring and evaluation to identify and address programmatic challenges promptly.
- Strengthening financial controls and transparency.
- Building stronger relationships with stakeholders, including government agencies, donors, and community leaders.
- Developing contingency plans for unforeseen events that may impact program delivery.

In conclusion, we remain committed to our mission of empowering the youth and fostering positive change in Meru County. Through prudent financial management, effective program implementation, and robust risk management, we are confident in our ability to continue making a meaningful difference in the lives of the youth we serve.

Name..... **CDK MURANGIRI E.M** Signature.....  Date..... **05/12/2023**

CEO – Meru Youth Service Board



7. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Fund as per the strategic plan for *(Indicate period of the strategic plan)* are to:

- a) *Provide training and skills to vulnerable and underserved youth.*
- b) *Reduce youth poverty and helplessness.*

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Sea farers program	To Create employment in the blue Economy	MYS linked Meru youth to Corporates working in blue economy	137 youths employed in the blue economy	During FY 2022/23, Youths were recruited in sea farers companies
MYS intake 2023	To ensure youths are trained and skilled	Youths trained and skilled	291 youths trained and enrolled in polytechnic	During FY 2022/23, Youths were trained and skilled.
Adopt a hill, adopt a tree	To conserve the environment and improve biodiversity	Tree seedlings planted and maintained	132, 792 tree seedlings planted	During FY 2022/23 tree seedlings were planted

8. Corporate Governance Statement

The Board operates under the supervision of the executive member and it's a a body corporate with perpetual succession.

The Board has held seven meetings in the FY 2022/2023 and there was a 100% attendance.

The Board comprises of the Chairperson of the board is appointed by the governor and approved by the county assembly, the Chief officers for youth, finance and education with the approval of the county assembly, two youth members competitively appointed by the executive member with the approval by the county assembly and who possesses the necessary qualifications and expertise in financial management or accounting and is a member of a professional body. The Board is mandated to formulate policy issues to guide the operations of the Meru Youth Service board.

The board is in a process of developing a charter for the board of trustee

A member of the board – at any time may resign from office by issuing a notice in writing to the chairperson of the board, or be removed from office by the executive member on recommendation of the board for; serious violation of the constitution or any other written law, gross misconduct- whether in performance of the functions of the office or otherwise physical or mental incapacity to perform the functions of the office or incompetence or bankruptcy. The term of office for appointed Board members lasts three years and are eligible for re-appointment once.

If a member is directly or indirectly interested in any matter before the Board and is present at the meeting of the Board at which the matter is a subject of consideration, he or she obliges, at the meeting and as soon as practicable after the commencement, disclosing that fact and is excluded at the meeting at which the matter is being considered to avoid conflict of interest.

Currently the board is guided by the Mwongozo Code which provides policy for operational of all boards in public service.

9. Management Discussion and Analysis

The Board's key projects and investments are.

1. Youth empowerment (MYS Intake) skills and development training
2. Adopt a tree, Adopt a hill.

Major risks facing the board are.

1. Financial challenges and delayed disbursement of funds therefore affecting efficient service delivery.
2. Lack of enough infrastructures.
3. Understaffing

The 11-member board is operational and is duly involved in planning and budgeting to ensure optimal and prudent financial performance.

The Meru County Youth Service Act, 2018 is our Statutory Instrument and its statutes have been fully complied with in the way the board carries out its businesses.

10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile -

Our agency's main sustainability strategy is the *Meru County Youth Service Act, 2018* that give s life to MYS and ensures its permanence by law. By putting effort in youth empowerment, the society can progress to prosperous ends. The future of any society, nation and community is pegged on its youth. Youth has so much energy and if the government does not find a way to use that energy it shall be destroyed by that energy.

2. Environmental performance

The Meru Youth Service is committed to protecting the local and global environment of the earth. To minimize environmental impacts concerning our activities, products and services we;

- Comply with applicable legal requirements and other requirements which relate to our environmental aspects.
- Include the consideration of environmental issues in all our business strategies and initiatives.
- Prevent pollution, reduce waste, and minimize the consumption of resources.
- Consider the wider global impact of all our activities including those of our supplier customers and other stakeholders.
- Educate, train, and motivate employees to carry out tasks in an environmentally responsible manner and ensure that a continuous professional development strategy remains core to our business goals.
- Encourage environmental protection among suppliers and sub-contractors.
- Encourage and enhance biodiversity and ecology.

In the Ng'arisha mtaa program, our main activities involved.

- Garbage collection and disposal
- Sweeping of streets
- Unblocking drainage systems and
- Planting of trees in parks and open green spaces

- Unclogging of drainage systems
- Clearing and cleaning cabro pavements covered by mud and silt due to heavy rains
- Dumpsite clearing
- Clear Overgrown shrubs, bushes and grasses
- General cleaning of the markets
- Clearing Emerging dumpsite

3. Employee welfare

The Meru youth Service believes that hiring qualified personnel to fill positions in the different departments contributes to our overall success. Each employee therefore is hired with the objective of making a significant contribution to the service. In hiring the most qualified candidates for the positions, gender ratios and stakeholder engagements are keenly observed as per our hiring policy. The staffs have undergone meetings tailored to their expertise at the Kenya School of government. The MYSB is in complies with Occupational Safety and Health Act of 2007, (OSHA.)

4. Marketplace Practices

The organisation makes every effort to adopt the best world class practices in running the Board affairs.

a) Responsible competition practice.

Advocacy

We serve the public interest by acting as responsible advocates for those we represent. We provide a voice in the market place of ideas, facts and viewpoints to aid in formed public debate.

Honesty

We adhere to the highest standards of accuracy and truth in advancing the interests of those we represent and in communicating with the public.

Expertise

We acquire and responsibly use specialize knowledge and experience. We advance professionalism through continued professional development, research and education. We build mutual understanding, credibility and relationships among a wide array of institutions and audiences

Independence

We provide objective counsel to those we represent. We are accountable for our actions.

Loyalty

We are faithful to those that we represent, while honouring our obligation to serve the public interest.

Fairness

We deal fairly with clients, employers, competitors, the media and the general public. We respect all opinions and support the right of free expression.

5. Corporate Social Responsibility / Community Engagements

During FY 2022/23, the board engaged in the community in planting of 132, 792 tree seedlings on 4 hills spread across Meru County. In the process, schools, churches, and institutions were given fruit trees and 2,000 youths given green jobs.

11. Report of The Trustees

The Board submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities.

The principal activities of the Fund are:

- (a) Registration of all youth who are seeking to be trained and engaged to perform services by the Board.
- (b) To receive, review and approve admission of applicants to the Service from all the wards and Sub-counties in Meru County.
- (c) To receive and hear appeals from decisions made during the recruitment exercise.
- (d) Carry out public education on youth related matters in the county directly and in collaboration with other public or private bodies and institutions.
- (e) Facilitate citizen participation in matters related to youth in accordance to the framework for citizen participation established under the County Governments Act, the Urban Areas and Cities Act or any other relevant written law.
- (f) Assist in employment and placement of youth in formal, informal or any other form of employment, locally and internationally.
- (g) Facilitate, through continuous training and other activities of education of youth on possible improvement of their employment chances and work skills.
- (h) Advise the county government on any policy matter touching on affirmative action for the youth;
- (i) Facilitate the implementation of national government policies and county government policies on affirmative action measures for the youth.
- (j) Carry out research directly or in collaboration with other institutions and serve as the repository of data and statistics related to youth in the county.
- (k) Advise the Executive Member generally on the exercise of his powers and performance of his functions under this Act, and in particular on county policy and laws to be adopted in regard to the youth;

Meru County Youth Service Board (MYSB)

Annual Report and Financial Statements for the year ended June 30, 2023

Results

The results of the Fund for the year ended June 30, 2023, are set out on page 1

Trustees

The members of the Board who served during the year are shown on page vii - xi

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 20xx in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board.



.....
Chair of the Board/Fund Administration Committee

Date: 05/12/2023



12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by The Meru County Youth Service Act of 2018 shall prepare financial statements for the MYS Board in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Chief Executive Officer of the Meru Youth Service Board is responsible for the preparation and presentation of the Board's financial statements, which gives 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, 2021. 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.

The Chief Executive Officer of the MYS Board accepts responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Meru County Youth Service Act of 2018. The Chief Executive Officer of the MYS Board is of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2023, and of the Board's financial position as at that date.

The Chief Executive Officer further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.


Meru County Youth Service Board (MYSB)
Annual Report and Financial Statements for the year ended June 30, 2023

In preparing the financial statements, the Chief Executive Officer of the MYS 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 Chief Executive Officer 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 Fund's financial statements were approved by the Board on 28/09 2023 and signed on its behalf by:

.....


CPA Edwin Mutuma Murangiri

CEO – MYSB and Administrator of the County Public Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY YOUTH SERVICE BOARD FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Meru County Youth Service Board set out on pages 1 to 34, which comprise the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net

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

In my opinion, except for the effect 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 Youth Service Board as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the Meru County Youth Service Act, 2018 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy in Use of Goods and Services

The statement of financial performance reflects use of goods and services amounting Kshs.65,651,902 as further disclosed in Note 3 to the financial statements. A review of records revealed the following inaccuracies:

1.1 Variance with the Statement of Comparison of Budget and Actual Amounts

The statement of financial performance reflects use of goods and services amounting to Kshs.65,651,902. However, the amount differs with the respective amount of Kshs.68,854,681 reflected in the statement of comparison of budget and actual amounts resulting to unreconciled variance of Kshs.3,202,779.

1.2 Unsupported Expenditure

The statement of financial performance reflects use of goods and services amounting to Kshs.65,651,902. The amount includes boards, committee, conferences and seminars expenditure amounting to Kshs.4,259,350 and hospitality, supplies and services amounting to Kshs.2,374,010 as disclosed in Note 3 to the financial statements which were not supported.

1.3 Inaccuracy of Rental Costs

The statement of financial performance reflects use of goods and services amounting to Kshs.65,651,902. The amount includes rental costs amounting to Kshs.270,000 as disclosed in Note 3 to the financial statements. The amount relates to rent for the office previously occupied. However, the lease agreement indicates that a the monthly rent of Kshs.324,000 or Kshs.3,888,000 per year was payable resulting to a variance of Kshs.3,618,000 which has not been explained.

In the circumstances, the accuracy and completeness of use of goods and services amounting to Kshs.65,651,902 could not be confirmed.

2. Inaccuracy of Receivables from Non-Exchange Transaction

The statements of financial position reflects receivables from non-exchange transaction amounting to Kshs.3,045,944. The amount relates to receivables from the County Government as disclosed in Note 6 to the financial statements. Review of records revealed that the County Government budgeted to transfer Kshs.75,000,000 to the Board. However, only Kshs.54,309,416 had been transferred at the closure of the financial year resulting to underfunding of Kshs.20,690,854 which is due from the County Government. This amount differs with the receivables from non-exchange transaction amounting to Kshs.3,045,944 reflected in the statements of financial position. The resulting variance of Kshs.17,644,640 has not been explained. Further, the financial statements of the County Executive of Meru for the year ended 30 June, 2023 reflects transfers to Meru County Youth Service Board amounting to Kshs.72,756,096 which differs with the actual receipts amounting to Kshs.54,309,416 to a variance of Kshs.18,446,680 which has not been reconciled.

In the circumstances, the accuracy and completeness of receivables from non-exchange transaction amounting to Kshs.3,045,944 could not confirmed.

3. Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions amounting to Kshs.5,379,547. However, the creditors ledger in support of the amount was not provided. Further, the amount includes trade and other payables aged two (2) to three (3) years amounting to Kshs.2,765,885 as disclosed in Note 8 to the financial statements. This is contrary to Section 150(1) of Public Procurement and Asset Disposal Regulations, 2020 which states that subject to the availability of funds and after proper certification of the goods, services or works have been done, a procuring entity shall make prompt payments for all performed contracts including enterprises owned by youth, women or persons with disabilities and shall make payment within sixty days from the date of receipt of the invoice. No plausible explanation was provided for delay to pay trade and other payables.

In addition, the trade and other payables from exchange transactions amounting to Kshs.5,379,547 includes rent payable amounting Kshs.1,180,000 which differs with unpaid rent amounting to Kshs.3,888,000 resulting to unexplained variance of Kshs.2,708,000.

In the circumstances, the accuracy and completeness of the trade and other payables from exchange transactions amounting to Kshs.5,379,547 could not be confirmed.

4. Inaccuracy of Net Assets

The statement of financial position reflects nil net assets. This differs with the computed amount of Kshs.4,172,634 resulting to unexplained variance of Kshs.4,172,634.

In the circumstances, the accuracy and completeness of the nil net assets 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 Youth Service 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Approved Budget

The Management did not prepare and provide the Board's original and supplementary budgets approved by the County Assembly. This is contrary to Section 11(1)(o) of the Meru Youth Service Board Act, 2018 which states that the Board shall prepare and submit an annual budget to the Executive Member and the County Assembly for approval by 30 April each year and Section 149(2)(i) and (j) of Public Finance Management Act, 2012 which states that Accounting Officers shall, in respect of the entity concerned submit the estimates of an entity which is not a county corporation, to the County Executive Committee member for finance, and submit the estimates of an entity, which is a county corporation to the executive committee member responsible for the entity who, after approving it, shall forward it to the County Executive Committee member for finance. Further, the correspondences to and from County Executive Committee Member for Finance and County Assembly were not provided for audit verification.

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

2. Irregular Expenditure on Renovations at Igoji Centre

The statement of financial performance reflects use of goods and services amounting to Kshs.65,651,902. The amount includes routine maintenance of other assets of Kshs.6,365,014 as disclosed in Note 3 to the financial statements which includes renovations at Igoji Centre of Kshs.2,388,495. The renovations were carried out contrary

to Section 5.2 of the lease agreement between the County Government of Meru on behalf of the Meru Youth Service and the Landlord which stated that the Landlord shall renovate the premises to habitable standards making it suitable for the Tenants purpose, upon completion of all the renovation works will the lease period commence and the tenant take occupation of the demised premises.

In the circumstances, the propriety and value for money for the Kshs.2,388,495 could not be confirmed. In addition, the Management was in breach of the agreement.

3. Exceeding Annual Procurement Plan Thresholds and Use of Inappropriate Procurement Method

Review of the annual procurement records revealed that quotations were used to procure avocado tree seedlings of Kshs.4,454,070 instead of open tender contrary to Second Schedule to the Public Procurement and Asset Disposal Regulations, 2020 which states that the maximum level of expenditure allowed for request of quotations under Section 105 of the Public Procurement and Asset Disposal Act, 2015 is goods Kshs.3,000,000, works Kshs.5,000,000 and services Kshs.3,000,000. Further, two expenditure items exceeded amount approved in the annual procurement plan by Kshs.1,992,740 which results in un approved expenditure. This is contrary to Section 50 (3) of Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall make an expenditure commitment only against the procurement plan approved for that entity in accordance with the Public Procurement and Asset Disposal Act and Regulations made thereunder.

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

4. Failure to Develop and Approve Board Charter

There was no Board Charter in the year under review contrary to Section 1.11 of Chapter 1 of Mwongozo Code of Governance for State Corporations, 2015 which states that the Board should develop and adapt a Board Charter and that the Board Charter defines the role and responsibilities and functions of the Board in the governance of the organization.

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

5. Lack of Approved Strategic Plan

During the year under review, the Board did not have an approved strategic plan .This is contrary to Section 149(2)(g) of Public Finance Management Act, 2012 which states that Accounting Officer is responsible for preparation of a strategic plan for the entity in conformity with the medium-term fiscal framework and financial objectives of the County Government and Section 30(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that all budget preparation shall be supported by the County Government entity strategic plan.

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

6. Lack of Approved Staff Establishment

Review of staff list provided revealed that the Board had ten (10) employees during the year under review. However, the Board does not have an approved staff establishment. This is contrary to Section B5(2) and B6(3) of the County Public Service Human Resource Manual, 2013 which states that all vacancies shall be declared in a prescribed format which shall include the number of vacancies, when the vacancy occurred, whether the vacancy is within the authorized establishment and other relevant details and that in the recruitment process, due consideration will be given to appropriate organizational structure in each department, optimal staffing levels and schemes of service and career progression guidelines.

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

7. Non-Compliance with Ethnic Diversity Requirement

Review of staff data revealed that eight (8) or 80% of the Board's employees belong to the dominant ethnic community. This is contrary to Section 7(2) of National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

8. Irregularities in Management of Temporary Imprest

The statement of financial performance reflects use of goods and services amount of Kshs.65,651,902. The amount includes Twende Kazi Program amounting to Kshs.41,445,832 as disclosed in Note 3 to the financial statements which relate to purchase of seedlings, other operating expenses, hospitality, remuneration of instructors, tuition fees, travels administrative cost and casuals. However, the Board has not developed a Twende Kazi Programme policy for regulation and implementation. Further, the amount includes Kshs.9,002,800 which was irregularly spent through five (5) temporary imprests issued in November and December, 2022 to one officer. Review of imprest register, imprest warrant and imprest payment vouchers revealed the following anomalies:

8.1 Irregular Issuance of Multiple Imprests

One officer was issued with several imprests totaling to Kshs.9,002,800 before surrender of previous imprests. This is contrary to Section 93(8) of Public Finance Management (County Governments) Regulations, 2015 which states that in order to effectively and efficiently manage and control the issue of temporary imprests, an Accounting Officer or AIE Holder shall ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.

8.2 Delay in Surrender of Imprest

The Officer took unjustifiably long period of time of approximately 7 months before surrender of the imprests contrary to Section 93 (5) of Public Finance Management (County Governments) Regulations, 2015 which states that a holder of a temporary

imprest shall account or surrender the imprest within seven (7) working days after returning to duty station. The imprests were issued in November and December, 2022 but surrendered on 28 June, 2023. Further, The process of requisitioning for the imprest started even before the Officer was deployed to the department since the imprest warrant number 4548885 of Kshs.6,660,000 was approved by accountant in charge of imprest section on 2 November, 2023 while the officer was deployed to the Board on 15 November, 2022. The applicant and imprest holder did not sign the imprest warrant to acknowledge request and receipt of imprest of Kshs.6,660,000 while the surrender payment voucher of Kshs.6,660,000 was not numbered and did not have any certificate to confirm receipt of goods or services.

8.3 Irregular Cash Procurement of Services

Procurement of transport for tree seedlings amounting for Kshs.1,809,000 and procurement of items during launching exercise for Kshs.966,800 was done in cash. The procurement was not done by the Head of Procurement. This is contrary to Section 93(1) of Public Procurement and Asset Disposal Regulations, 2020 which states that where the Accounting Officer finds it necessary to use low value procurement method, that Accounting Officer may only delegate that function to the head of procurement function to procure the goods, works or services from a reputable outlet or provider through direct shopping or using credit cards or direct funds transfer to that outlet. Further, the details of where trees were picked and delivered, distances covered and numbers of tree seedlings delivered were not provided. It was therefore not possible to confirm whether value for money was obtained on the Kshs.1,809,000 incurred on transport of tree seedlings.

8.4 Duplicate Expenditure

Review of imprest surrender documents revealed that in expenditure of Kshs.1,000,000 was incurred on the launching of programmes which were overlapping and duplicated in 41 wards locations/venues while the launching dates were not identified. The launching was done in Tamani Hill, Biankure Hill, Ribui Hill, Kuani Hill and Kinoru Stadium. However, the expenditure on launching at Kuani and Tamani Hills had already been incurred vide imprest warrant number 4299701 of Kshs.511,800 while expenditure on launching at Kinoru Stadium was incurred vide imprest warrant number 4548885 of Kshs.705,000. The launching cost of Kshs.1,000,000 was therefore not properly supported due to this duplication and most locations/venues where launching was done were also not identified.

In the circumstances, the value for money for the Kshs.6,660,000 could not be confirmed. In addition, the Management was in breach of the law.

9. Lack of Policy on Management of Standing Imprests

Review of documents revealed standing imprest for use at the Board's office and Igoji Centre was noted to have been issued to several staff amounting to Kshs.2,534,010 while the standing imprest limits have not been approved. Further, the Board does not have a policy on limits of standing imprest and number of persons authorized to hold standing imprest per department. This is contrary to Section 92 of Public Finance Management

(County Governments) Regulations, 2015 which states that the Accounting Officer or Authority to Incur Expenditure (AIE) holder shall approve the establishment of imprest facility including the maximum amount for the specific purpose of that facility and that in determining the level of an imprests, many factors shall be considered, but in the interest of economy and as a matter of prudence, an imprest shall be fixed at the lower figure compatible with requirements and in any case a standing imprest shall not exceed one month's estimated expenditure on the intended purpose.

In the circumstances, the regularity and proper management of standing imprest could not be confirmed. In addition, the Management was in breach of the law.

10. Lack of Internal Auditor

During the year under review, the Board did not have an internal auditor and no internal audit work was carried out contrary to Section 155(1)(a) and (b) of Public Finance Management Act, 2012 which states that a county government entity shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board and if any regulations are in force under subsection (2), those regulations are complied with.

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

11. Lack of an Audit Committee

During the year under review, the Board did not have an audit committee contrary to Section 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that each County Government entity shall establish an audit committee.

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

12. Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance. However, some issues remained unresolved as at 30 June, 2023. This is contrary to Section 149(2)(l) of Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

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

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Board's ability to sustain 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 terminate 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.

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

Auditor-General's Responsibilities for the Audit

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 controls 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

- 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board'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 Board to cease 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 Board 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 controls that are identified during the audit.

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 February, 2024

Meru County Youth Service Board (MYSB)

Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From the County Government	1	75,000,000	44,000,000
		75,000,000	44,000,000
Revenue From Exchange Transactions			
Other Income			-
Total Revenue		75,000,000	44,000,000
Expenses			
Employee Costs	2	5,493,861.90	3,468,600
Use of goods and services	3	65,651,902.20	46,846,415
Depreciation and Amortization Expense	4	547,672.68	384,254
Total Expenses		71,693,436.78	50,699,269
Other Gains/Losses			
Surplus/(Deficit) for the Period		3,306,563.2	-6,699,269

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Name: CPA Edwin Murangiri
Administrator of the Fund




.....
Name: CPA Perpetual Gatwiri
Fund Accountant
ICPAK Member Number:21574


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15. Statement of Financial Position As at 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	5	2,894,699.56	2,989,187
Receivables From Non Exchange Transaction	6	3,045,944	2,300,000
Total current assets		5,940,643.31	5,289,187.00
Non-Current Assets			
Property, Plant and Equipment	7	3,611,538.32	866,431
Total Assets		9,552,181.63	6,155,618.00
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	8	5,379,547.41	5,289,547
Total current liabilities		5,379,547.41	5,289,547
Total Liabilities		5,379,547.41	5,289,547
Net Assets			
Revolving Fund		-	-
Reserves		-	-
Accumulated Surplus		4,172,634.22	866,071
Total Net Assets and Liabilities		4,172,634.22	866,071

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 28/09 2023 and signed by:

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Name: CPA Edwin Murangiri
Administrator of the Fund

.....

Name: CPA Perpetual Gatwiri
Fund Accountant
ICPAK Member Number:21574

Meru County Youth Service Board (MYSB)

Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement Of Changes in Net Assets for the year ended 30th June 2023

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	-	-	7,565,339.00	7,565,339.00
Surplus/(Deficit) For the Period	-	-	(6,699,268.00)	(6,699,268.00)
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	-	-	866,071.00	866,071.00
Balance As At 1 July 2022	-	-	866,071.00	866,071.00
Surplus/(Deficit) For the Period	-	-	3,306,563.22	3,306,563.22
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2023	-	-	4,172,634.22	4,172,634.22

17. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the county government	1	74,254,056.25	42,000,000
Receipts from other operating activities			
Total receipts		74,254,056.25	42,000,000
Payments			
Staff cost	2	5,493,861.90	3,468,600.00
Use of Goods and Service	3	65,561,901.79	46,846,414.00
Total payments		71,055,763.69	50,315,014.00
Net cash flows from operating activities		3,198,292.56	(8,315,014.00)
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets	7	3,292,780.00	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
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 & cash equivalents		(94,487.44)	(8,315,014.00)
Cash and cash equivalents at 1 July		2,989,187.00	11,304,201.00
Cash and cash equivalents at 30 June		2,894,699.56	2,989,187.00

Difference of kshs 745,943.75 of amount transferred from the county in the statement of financial performance and cashflow relates to amount receivable. Further the difference of Kshs between use of Goods and service in notes and cashflow relates to Kshs 90,000 payables cleared in the year but was captured in cashbook in the previous years.

18. Statement Of Comparison Of Budget And Actual Amounts For The Period

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers From County Govt.	110,000,000	-35,000,000	75,000,000	74,254,056.25	745,943.25	99%
Unspent balance from previous year		2,989,187	2,989,187	2,989,187	0	100%
Total Income	110,000,000	-32,010,813	77,989,187	77,243,243.25	745,943.25	99%
Expenses						
Fund Administration Expenses	18,000,000	-12,244,000	5,756,000	5,493,861.90	262,138.10	95.45%
Use of goods and services	90,000,000	-17,766,813	72,233,187	68,854,681.33	3,378,505.67	95.32%
Finance Cost	2,000,000	-2,000,000	0			
Total Expenditure	110,000,000	-32,010,813	77,989,187	74,348,543.25	3,640,643.77	95.33%
Surplus For the Period	0	0	0	2,894,700		

Budget notes

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

19. Notes to the Financial Statements

1. General Information

The Meru Youth Service Board is established by and derives its authority and accountability from Meru Youth Service Act 2018. The entity is wholly owned by the County Government of Meru and is domiciled in Kenya. The entity’s principal activity is youth Empowerment.

2. Statement of compliance and basis of preparation

The Fund’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 Fund. 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.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to

Meru County Youth Service Board (MYSB)
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Standard	Effective date and impact
	<p>impairment testing; and</p> <ul style="list-style-type: none"> • 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>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS</p>

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Standard	Effective date and impact
	which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

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

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

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Standard	Effective date and impact:
Operations	to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 2023

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2023 was approved by the County Assembly on 26th May 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded reduced appropriations of 35,000,000 on the FY 2022/23 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. 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.

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Summary of Significant Accounting Policies (Continued)

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 under section xxx of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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 of Assets

Computers

Depreciation policy - we used straight – line method over the useful life of the Asset. Depreciation expenses is calculated on pro- rata basis apportioned on monthly form the year of acquisition. Useful life of computers is set at 3 years meaning the depreciation rate is 33.34%.

The computers procured on January 2021 depreciated as shown

$717,690/3 = 239,230$ p.a

Computers procured on 24.02.2023 are depreciated shown

$1,000,000 * 4/12 * 33.34\% = 113,133.34$

Computers procured on 06.04.2023 are depreciated shown

$940,000 * 2/12 * 33.34 = 52,285.35$

Total depreciation = 402,648.68

Furniture and fittings

Depreciation policy - we used straight – line method over the useful life of the Asset. Depreciation expenses is calculated on pro- rata basis apportioned on monthly form the year of acquisition. Useful life of computers is set at 5 years meaning the depreciation rate is 20%.

The older furniture procured on January 2021 depreciated as shown

$725,122.30/5 = 145,024.46$ pa

Furniture worthy procured on 30.6.2023 were not depreciated since they were procured on the last day of the financial year

Total depreciation = 145,024.46

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d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* **(entity to amend appropriately)** Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

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Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

h) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

l) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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Summary of Significant Accounting Policies (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

The 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.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made e.g.

a) Estimates and assumptions –

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

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6. Notes To The Financial Statements

1. Transfers from County Government

Description	Current FY 2022-2023	Comparative FY 2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	75,000,000	44,000,000
Total	75,000,000	44,000,000

2. Employee Costs

Description	Current FY 2022-2023	Comparative FY 2021- 2022
	Kshs	Kshs
Salaries And Wages	5,361,261.90	3,468,599.05
Staff Gratuity	132,600.00	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other (<i>Specify</i>)	-	-
Total	5,493,861.90	3,468,599.05

3. Use of Goods and Services

Description	Current FY 2022-2023	Comparative FY 2021-2022
	Kshs.	Kshs.
Domestic Travel & Subsistence	7,358,456.00	3,481,900.00
Training Expenses	-	0
Boards, Committees, Conference & Seminars	4,259,350.00	3,699,737.00
Bank Charges	135,217.60	0
Electricity And Water Expenses (Utilities and Supplies)	282,431.50	173,146.00

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Fuel And Oil Costs	900,000.00	1,000,000
Hospitality Supplies and Services	2,374,010.00	1,100,000.00
Postage And Courier	-	0
Office General Supplies & Services	940,948.00	0
Rental Costs	270,000.00	648,000.00
other operating expenses	172,400.00	0
Telephone And Communication Expenses	446,000.00	323,000.00
Routine maintenance of other assets	6,365,014.60	0
Routine maintenance of Vehicles	702,243.00	57,500.00
supplies and accessories for computer and printer	-	143,509.00
Twende Kazi Program	41,445,831.50	28,001,485
Youth in Agriculture (Kibulini & Igoji Farms)		814,500
Youth Empowerment programs (Skills Development & Training)		2,454,900
Talent Development Program		4,948,737
Total	65,651,902.20	46,846,414.00

4. Depreciation and Amortization Expense

Description	Current FY 2022- 2023	Comparative FY 2021-2022
	Kshs.	Kshs.
Property Plant and Equipment	547,672.68	384,254.46
Intangible Assets	-	-
Total	547,672.68	384,254.46

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5. Cash and cash equivalents

Description	Current FY 2022-2023	Comparative FY 2021- 2022
	Kshs	Kshs
Current Account	2,894,699.56	2,989,187.41
Total Cash And Cash Equivalents	2,894,699.56	2,989,187.41

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Notes to the Financial Statements Continued

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

Financial Institution	Account number	Current FY 2022-2023	Comparative FY 2021-2022
		Kshs	Kshs
a) Current Account			
Family Bank of Kenya		2,894,699.56	2,989,187.40
Bank B			
Sub- Total		2,894,699.56	2,989,187.40
b) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		2,894,699.56	2,989,187.40

6. Receivables from exchange transactions

Description	Current FY 2022-2023	Comparative FY 2021-2022
	Kshs	Kshs
Transfer from Meru County Government		2,300,000
	3,045,943.75	
Total Receivables From Exchange Transactions	3,045,944	2,300,000

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Notes To The Financial Statements (Continued)

7. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2021	-	-	725,122.00	717,690.00	1,442,812.00
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2022	-	-	725,122.00	717,690.00	1,442,812.00
At 1st July 2022			725,122.00	717,690.00	1,442,812.00
Additions	-	-	1,351,832.00	1,940,948.00	3,292,780.00
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2023	-	-	2,076,954.00	2,658,638.00	4,735,592
Depreciation And Impairment					
At 1st July 2021	-	-	72,512.00	119,615.00	192,127.00
Depreciation	-	-	145,024.00	239,230.00	384,254.00
Impairment		-	-	-	-
At 30th June 2022	-	-	217,536.00	358,845.00	576,381.00
At 1st July 2022			217,536.00	358,845.00	576,381.00
Depreciation	-	-	145,024.00	402,648.68	547,672.68
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-

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Transfer/Adjustment	-	-	-	-	-
At 30th June 2023	-	-	362,560.00	761,493.68	1,124,053.68
Net Book Values					
At 30th June 2022	-	-	507,586.00	358,845.00	866,431.00
At 30th June 2023	-	-	1,714,394.00	1,897,144.32	3,611,538.32

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Notes To The Financial Statements (Continued)

8. Trade and other payables from exchange transactions

Description	Current FY 2022-2023		Comparative FY 2021-2022	
	Kshs			
Trade Payables	5,379,547.41		5,289,547.00	
Refundable Deposits	-			
Accrued Expenses	-			
Other Payables	-			
Total Trade and Other Payables	5,379,547.41		5,289,547.00	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	1,261,831.13	0%	0	0%
1-2 years	0	0%	5,289,547.00	0%
2-3 years	2,765,884.74	100%	0	0%
Over 3 years	-	0%	0	0%
Total (tie to above total)	5,379,547.41		5,289,547.00	

Notes To The Financial Statements (Continued)

9. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

b) Related party transactions

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Transfers From County Government of Meru	74,254,056.25	42,000,000
Transfers To Related Parties	74,254,056.25	42,000,000

Notes To The Financial Statements (Continued)

10. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Notes To The Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from County Government.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

An ageing analysis of receivable is as shown:-

Ageing analysis (receivables)	Current FY 2022/2023	% of the Total	Comparative	% of the Total
			FY 2021/2022	
Under one year	745,944	24.5%	2,000,000	0%
1-2 years	2,000,000	65.7%	300,000	0%
2-3 years	300,000	9.8%	0	0%
Over 3 years	-	0%	0	0%
Total (tie to above total)	3,045,944		2,300,000	

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

An ageing analysis of trade payable is as shown:-

Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative	% of the Total
			FY	
Under one year	1,261,831.13	0%	0	0%
1-2 years	0	0%	5,289,547.00	0%

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2-3 years	2,765,884.74	100%	0	0%
Over 3 years	-	0%	0	0%
Total (tie to above total)	5,379,547.41		5,289,547.00	

Notes To The Financial Statements (Continued)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

Notes To The Financial Statements (Continued)

d) Capital risk management.

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. Events after the reporting period
There were no material adjusting and non- adjusting events after the reporting period.

11. Ultimate and Holding Entity

The entity is a County Public Fund established by Meru Youth Service Act 2018, under the Department of youth and sports. Its ultimate parent is the County Government of Meru

12. Currency

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

20. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Variance between the statement of financial position and statement of budget and actual amounts	Statement of financial position was prepared on accrual basis while statement of budget and actual was prepared on cash basis	Resolved	May 2023
2	Overstated use of goods and services	The board had provided a schedule showing the amount was used under other operating expenses hence it wasn't overstated	Resolved	May 2023
3	Unsupported trade payable	Supporting ledger and schedule were availed	Resolved	May 2023
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES				
1	Lack of approved staff establishment	The board is in process of preparing staff establishment	Not Resolved	December 2023
2	Non-compliance with ethnic requirement	The board will ensure compliance progressively	Not Resolved	June 2025
3	Lack of training policy	There is an approved training policy for MYS cohorts in place	Resolved	December 2022
4	Failure to establish county interdepartmental youth Committee	The interdepartmental committee is in place	Resolved	December 2023
5	Lack of a service inspectorate	The service inspectorate is in place	Resolved	December 2022
6	Lack of approved strategic plan	The draft strategic plan is in progress	Not Resolved	December 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7	Lack of approved budget	The board has an approved budget	resolved	Dec 2022
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE				
1	Lack of Audit Committee	The Board now has an Audit committee	Resolved	June 2023
2	Lack of disaster recovery plan	The board currently has an approved Disaster Recovery Plan	Resolved	June 2023

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Fund responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Date: 12/12/2023

CPA. Edwin Murangiri

C.E.O Meru Youth Service Board



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Annex II: Inter-Fund Confirmation Letter
Insert your Letterhead

[Insert name of beneficiary Fund]

[Insert Address]

The Meru Youth Service Board wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 th June 2023				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 20xx (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Various	Various	34,254,056.25	40,000,000		74,254,056.25	74,254,056.25	0
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name Rose W. KIREMA Sign [Signature] Date 05/12/2023