

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

PARLIAMENT  
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LIBRARY

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MERU COUNTY REVENUE BOARD**

**FOR THE YEAR  
ENDED 30 JUNE, 2020**

PAPERS LAID	
DATE	29/3/22
TABLED BY	S.M.L
COMMITTEE	-
CLERK AT THE TABLE	Dania





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**MERU COUNTY REVENUE BOARD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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

**Meru County Revenue Board**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Meru County Revenue Board is established through Meru County Revenue Board Act, 2014 of the Meru County Assembly. The Board is a semi-autonomous government agency of the County Government of Meru and is domiciled in Kenya.

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

**b) Principal Activities**

**Mission**

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

**Vision**

To be a world-class revenue collection agency

**Functions of the Board**

- i. Collecting and receiving county revenue;
- ii. Administering and enforcing county laws related to revenue;
- iii. Assessing, collecting and accounting for all revenue in accordance with the county laws related to revenue;
- iv. Advising the county executive committee on all matters related to administration and collection or revenue under county laws;
- v. Carry out such other roles necessary for the implementation of the objects and purpose of the Meru County Revenue Board Act 2014 and perform such other functions as may, from time to time, be assigned by the executive member.

**c) Board of Directors**

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

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**d) Key Management**

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

**e) Registered Offices**

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

**f) Board Contacts**

Telephone: (254) 0709 241000  
E-mail: [revenueboard@meru.go.ke](mailto:revenueboard@meru.go.ke)  
Website: [www.meru.go.ke](http://www.meru.go.ke)

**g) Board Bankers**

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


**h) Independent Auditors**



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

**i) Principal Legal Adviser**

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

2. THE BOARD OF DIRECTORS

Name	Details of qualifications and experience
 <p data-bbox="352 1211 751 1245"><b>Mr. Douglas Kailanya CPA</b></p>	<p data-bbox="979 416 1267 445"><b>CHAIRMAN – MCRB</b></p> <p data-bbox="858 450 1385 667">He is a qualified accountant with over 20 years' experience in financial management, administration, budgeting, investment portfolio management, credit control, Process and Policy formulation, enterprise Debt, Public debt, risk management and Strategic Planning &amp; Decision Making</p> <p data-bbox="858 669 1305 757">He holds a <b>MBA</b> -Master of Business Administration Degree –(Finance) - from University of Nairobi,</p> <p data-bbox="858 759 1347 819"><b>B.Com.</b> Degree (Hons.) Accounting Option - University of Nairobi.</p> <p data-bbox="858 822 1353 882">A fully Certified Public Accountant of Kenya <b>CPA (K)</b></p> <p data-bbox="858 884 1353 1008">He holds a Certificate in Driving Government Performance strategies that produce result, - Course attained at Harvard University in Boston, Massachusetts (USA)</p> <p data-bbox="858 1010 1372 1133">He holds a Certificate in Strategic Management of Regulatory and Enforcement Agencies – Course attained at Harvard University in Boston, Massachusetts (USA)</p> <p data-bbox="858 1135 1366 1223">He holds a certificate in Strategic Planning and Decision Making - Course attained at SETYM International Montreal - Canada</p> <p data-bbox="858 1225 1372 1348">Professional Training course in “Corporate Governance for Directors of state Corporations” offered by Center for Corporate Governance in Kenya</p> <p data-bbox="858 1350 1372 1438">He holds a Certificate in Advantage Training in Corporate Governance in Johannesburg South Africa</p> <p data-bbox="858 1440 1302 1500">Professional training course in Corporate Governance for Directors</p> <p data-bbox="858 1503 1340 1563">A Member of Institute of Directors (<b>IOD</b>) of Kenya</p> <p data-bbox="858 1565 1378 1626">A registered member of the Institute of Certified Public Accountants of Kenya (<b>ICPAK</b>),</p> <p data-bbox="858 1628 1053 1657"><b>DOB: 28/11/1965</b></p>

 <p><b>Godfrey Kinyua Mburia</b></p>	<p align="center"><b>BOARD MEMBER</b></p> <p><i>Board Committees: Compliance, Audit and Finance administration &amp; Human Resource</i></p> <p>Director co-operative Bank of Kenya Ltd        Chairman board of director –Kenya co-operatives coffee exporters Ltd        Director of Imenti Co-operative savings &amp; credit society        Director Imenti housing co-operative society Ltd</p> <p>2004 to date: Accountant/Auditor with Ngigi and partners, certified public Accountant        1997-2003 Appointed financial controller of Meru central farmers’ co-operative union Ltd        1989-1996 Appointed deputy chief Accountant of Meru central farmers’ co-operative Ltd        1990-1992 The university of Royal School B COM Accounting, C.C.A of Government-Britain        1987-1988 Kenya Institute of management Advance Diploma in financial Management        1985-1986 co-operative college of Kenya Diploma in Co-operative Management        1983-1984 Co-operative e of Kenya Certificate in co-Operative Administration.  <b>DOB: 16/12/1956</b></p>
 <p><b>Ivy Kaburu</b></p>	<p align="center"><b>BOARD MEMBER</b></p> <p><i>Board Committees: Compliance, Audit and Finance administration &amp; Human Resource</i></p> <p>June 2014- To date: Visibility Branding Consultants Current Position - Lead personal and corporate branding consultant        2009 April to May 2014: Chase Bank (K) Limited – Branch Manager        Team Leader- clearing and payments – Chase Bank Kenya Ltd</p> <p><b>EDUCATION BACKGROUND</b></p> <p>January 2012- To Date: - Strathmore Business School MBA for Executives- ongoing        April 2005-December 2008: - Jomo Kenyatta University of Agriculture and Technology (JKUAT) Actuarial Science: Second-class honors Upper Division.        January 2005-March 2005: - KEMU MS Office Application Training        February 2001 - Nov 2004: - Moi Girls’ School Nairobi Kenya Certificate of Secondary Education Mean Grade A-  <b>DOB: 04/12/1986</b></p>

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**Joseph Chabari**

**BOARD MEMBER**

*Board Committees: Compliance, Audit and Finance administration & Human Resource*

MBA – Finance BBA – Accounts CPA(K)

Member – ICPAK –

Chief Officer Finance, Economic planning and ICT County Government of Meru.

Mr. Chabari has a vast experience in Finance and accounting in Public Sector having worked at the National Treasury for 9 years.

**DOB: 10/05/1982**



**Dr. John Ntoiti**

**EXECUTIVE MEMBER**

*Board Committees: Compliance, Audit and Finance administration & Human Resource*

June 2018 – Date General Manager MCRB

2014 Oct – 2017 Chief Officer Public Administration and Revenue Mobilisation Nairobi City County

2014 Jan – Oct Chief Officer Devolution Nairobi City County

2012 – 2014 Director of Decentralization Nairobi City County

2009 – 2012 Town Clerk Administration Nairobi City Council

2007 – 2009 Chief Administration Officer Nairobi City Council

**EDUCATION BACKGROUND**

PHD in Finance of 2013

Masters in Business Administration

Bachelor of Education in Economics

SLDP KSG of 2014

Management of Devolved Government Systems in Beijing 2015

**DOB: 03/01/1970**

**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'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 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 Meru County Revenue Board in the Meru County Government 2018-2022 plan are to:

- a) Increase in collection of county own source revenue
- b) Improve staff working conditions
- c) Capacity development and training




**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:





<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Revenue Management	To realize optimum automation of revenue collection and monitoring	Decreased revenue collection leakages	Number of revenue streams automated	10 revenue streams automated
Staff Welfare	To develop/construct cess points for all barriers across the county	Improved staff working conditions	Number of cess point structures constructed	7 cess point structures constructed
Capacity Building	To train all revenue officers	Enhanced/improved skills and knowledge	% no of staff trained	80% of staff trained

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**4. MANAGEMENT TEAM**

Name	Details of qualifications and experience
<p><b>Dr. John Ntoiti</b></p> 	<p><b>General Manager</b>            June 2018 – Date General Manager MCRB            2014 Oct – 2017 Chief Officer Public Administration and Revenue Mobilisation Nairobi City County            2014 Jan – Oct Chief Officer Devolution Nairobi City County            2012 – 2014 Director of Decentralization Nairobi City County            2009 – 2012 Town Clerk Administration Nairobi City Council            2007 – 2009 Chief Administration Officer Nairobi City Council</p> <p><b>EDUCATION BACKGROUND</b>            PHD in Finance of 2013            Masters in Business Administration            Bachelor of Education in Economics            SLDP KSG of 2014            Management of Devolved Government Systems in Beijing 2015  <b>DOB: 03/01/1970</b></p>
<p><b>Peterson Gitonga</b></p> 	<p><b>Ag. Director Revenue</b>            Meru County In charge of Outdoor Adverts Revenue Cordinator, Maua, Igembe South &amp; North Revenue Officer Meru Town            Bachelor of Business Administration(finance)            Diploma of Business Administration            KATC 2  <b>DOB: 17/12/1975</b></p>
<p><b>Henry Muriungi</b></p> 	<p>Ag. Director Efficiency Monitoring and Evaluation System Administrator, Medical Claims in Charge NHIF            MBA Project management and Planning ongoing            Bachelor of Business in IT            Diploma in IT            Certificate Monitoring and Evaluation, and Hospital Management Information System  <b>DOB:27/11//1985</b></p>

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<p><b>Mary Kimaita</b></p> 	<p><b>Director of Human Resource</b>  Human Resource Officer since 1999  Masters of Business Administration,  Bachelors of Arts,  Higher Diploma in Human Resource Management  <b>DOB: 08/11/1969</b></p>
<p><b>Eric Munene</b></p> 	<p><b>Ag. Director of ICT</b>  Senior ICT Officer 2013-2018, Computer Programmer 2008-2013  Masters in Cyber Security ongoing BBIT,  Diploma in Computer Science,  <b>DOB: 24/04/1983</b></p>
<p><b>Moses Chege</b></p> 	<p><b>Ag. Director of Finance</b>  Bachelor of Commerce (Finance),  CPA (K)  25 Years post qualification Experience  <b>DOB: 15/12/1965</b></p>
<p><b>Doris Karimi</b></p> 	<p><b>Ag. Director of Enforcement</b>  Senior Enforcement Officer Meru County  Diploma in Corporative Management  <b>DOB: 24/05/1990</b></p>

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**5. BOARD CHAIRPERSON'S REPORT**

On behalf of the Board of Directors, Meru County Revenue Board (MCRB), I take this opportunity to present to you the 12 months ended 30 June 2020 reports and financial statements pursuant to section 22 (1) of the Meru Revenue Board Act, 2014 which states that, within a period of three months after the end of each financial year, the Board shall submit to the Auditor-General, the accounts of the Board together with:

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

The Board confirms that the institution remains focused on its mandate and continues setting up structures that will facilitate efficient performance of the Board.



**Douglas Kailanya**  
**Board Chairman**

## **6. REPORT OF THE GENERAL MANAGER**

The Meru County Revenue Board Act 2014 requires the board to prepare financial statements at the end of each financial year. I am pleased to present the financial statements of the board for the period ended 30th June 2020.

Meru County Revenue Board was formed in 2014 and its core mandate includes assessment and collection of revenue, administration and enforcement of laws relating to revenue within the county and provision of connected purposes. The corporation officially began its operations in October 2016 and the Financial Year 2019-2020 is its fourth year of operation.

The budget for the year under review amounted to Kshs.59.3m, which I am pleased to report, was financed in full by the County Treasury. However, the funds were not adequate to finance the operations of the board.

We have appealed to the County Treasury for more funding to enable the Board carry out its mandate.

On behalf of the Board, staff and other stakeholders, I take this opportunity to thank the Meru County Government for its continued support.



Dr. John Ntoiti  
**General Manager**

## **7. CORPORATE GOVERNANCE STATEMENT**

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

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

### **Governance Principles and Guidelines**

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

### **Responsibilities of the Board**

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

### **Capacity Building for the Board**

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

### **Conflict of Interest**

During this financial year, there were no cases of conflict of interest reported.

### **Board Charter**

The MCRB is currently in the process of formulating its Board Charter

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**Appointment and Removal of Board Members**

All the members of the board were appointed by the Governor and vetted by the County Assembly of Meru in 2018 for a three years term. Removal of a Board Member may occur when one; Becomes bankrupt, is convicted of an offence involving dishonesty or fraud, becomes of unsound mind, or resigns from office by notice in writing to the Board

**Composition of the Board**

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

**Accountability and audit**

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

**Internal Controls**

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

**Directors' Remuneration**

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

**Board Meetings**

During this financial year, the board held 5(five) meetings, which were attended by all members except for 2(two) where one member was absent with apology.

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**8. MANAGEMENT DISCUSSION AND ANALYSIS**

**REVENUE PERFORMANCE FOR THE YEAR ENDEND 30<sup>TH</sup> JUNE 2020**

Revenue collected from 1<sup>st</sup> July 2019 to 30<sup>th</sup> June 2020 per source/Revenue Stream and per Sub-county is as shown in the tables below. Sums of actual revenue collected vs annual targets for the last 3(three) financial years is also shown below.

<b>REVENUE COLLECTION ANALYSIS FYR 2019/2020 PER SUBCOUNTY</b>			
	<b>SUBCOUNTY</b>	<b>TOTALS</b>	<b>% CONTRIBUTION</b>
1	MERU TOWN	156,286,718	40.12%
2	BUURI	47,818,548	12.28%
3	MAUA TOWN	42,947,863	11.03%
4	IMENTI SOUTH	27,261,214	7.00%
5	IMENTI CENTRAL	25,753,145	6.61%
6	NKUBU TOWN	23,076,000	5.92%
7	IMENTI NORTH	16,922,591	4.34%
8	TIGANIA WEST	12,936,784	3.32%
9	TIGANIA EAST	11,578,120	2.97%
10	IGEMBE CENTRAL	10,612,271	2.72%
11	IGEMBE NORTH	8,161,144	2.10%
12	IGEMBE SOUTH	6,152,369	1.58%
<b>TOTALS</b>		<b>389,506,775</b>	

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**MERU COUNTY TOTAL REVENUE COLLECTION ANALYSIS FYR 2019/2020 PER SOURCE**

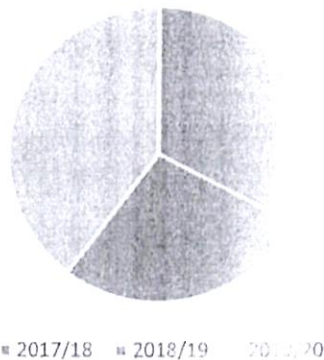
	Revenue Stream	AMOUNT	% CONTRIBUTION
1	Single business permit	95,366,736	24.4840%
2	Parking fees	73,017,100	18.7460%
3	Tax	68,500,609	17.5865%
4	Market fee	38,486,636	9.8809%
5	Land Rates	26,766,816	6.8720%
6	Outdoor advertisement board	25,763,307	6.6143%
7	Building plans	18,157,560	4.6617%
8	Miscellaneous	9,382,993	2.4089%
9	House rent/Shop rent	9,239,955	2.3722%
10	Slaughter house fees	5,404,031	1.3874%
11	Plot Rent	4,991,187	1.2814%
12	Meat Inspection and Veterinary Services	4,017,917	1.0315%
13	LAGURU ATC	3,400,000	0.8729%
14	Fire of county properties	1,767,555	0.4538%
15	Application fees	1,266,805	0.3252%
16	Toilets fee	1,151,376	0.2956%
17	Impounding fees & fines	1,063,211	0.2730%
18	Fire section fee	564,701	0.1450%
19	AMS MITUNGHU	451,240	0.1158%
20	Income from county states	370,254	0.0951%
21	Transfer & Subdivision fee	170,572	0.0438%
22	Refuse collection fee	141,431	0.0363%
23	Public health	32,744	0.0084%
24	Sale of tender doc	32,027	0.0082%
	<b>TOTALS</b>	<b>389,506,775</b>	

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**Actual Revenues vs. Revenue Target**

Financial Year	Actuals	Set Targets	% Achieved
2017/18	321,051,885	601,775,812	53%
2018/19	542,553,123	1,200,000,000	45%
2019/20	389,506,775	600,000,000	65%

Chart Title



**Key milestones/Successes**

- Meru County Revenue Board was ranked in position Three (3) in the best achieved RRI overall and in Position Two (2) as the best achieved RRI in SAGAs category.
- The Board carried out a very successful and colourful taxpayer's day on 11<sup>th</sup> December 2019 which was presided over by His Excellency the Governor as the Chief Guest. Various officers and stakeholders were awarded for excelling in various categories.
- Successful operations to enforce payments of business permits were carried out in Mulika in Tigania East, Kabuitu in Igembe Central, Karia and Igoji in Imenti South. Traders in these markets had hitherto refused to pay.
- The Board procured protective clothing for staff in the form of Rain coats, Gum boots and Dust coats.
- His Excellency the Governor provided funds to procure Friday uniforms for all members of staff as earlier promised.
- The Board constructed shelters at Seven (7) Cess collection points.
- A tow vehicle was fabricated which is being used in towing vehicles that have not complied.

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- The Board automated the flow of revenue streams through Jambo Pay system and retired the old ZIZI system during the year.
- MCRB managed to change fees in Kangeta, Laare and Mujwa markets where traders were hitherto not paying through dialogue initiatives.
- The Board enhanced human resource capacity by recruiting officers to replace retired ones.
- The process of delinking the Board payroll from the main county payroll was initiated.
- The Board received its full budgetary allocation through phased disbursements.
- The County Assembly passed the business permit enforcement regulations.
- Amendments to clauses in the MCRB act that were impeding direct release of funds from the Controller of Budget were effected.
- A centralized system of fuel consumption was initiated through a framework developed by the County Treasury.
- MCRB managed to place internal adverts and conducted successful interviews for revenue clerks, supervisors and administrators using internal HR capacity as authorized by the county executive and the board.

#### **CHALLENGES**

- All businesses were immensely affected during the peak period of SBP fees collection since the covid-19 containment measures were effected as most of the businesses were closed and those operating were not willing to pay.
- An executive order was issued to reduce the seasonal parking fees by 50% of the monthly fees. In addition, most vehicles stopped operating due to containment measures hence low seasonal parking fees.
- The potatoe regulations which were introduced have resulted in many traders not transporting their produce hence low collection in market fees and cess.
- All barriers were affected after the members of the public were advised to avoid cash handling, since most of the customers were not willing to use the pay bill to pay cess fees.
- Perennial challenge of mobility due the unavailability of enough vehicles.
- Non-payment of market fees in Maua, Ntharene and Kamachenge markets, all markets in Central and South Imenti.
- An out dated valuation roll.
- An aging workforce
- The Board is not collecting revenue from public health activities, Liquor licenses and Health department fees and charges as it were in other counties

**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

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

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

We also aim to ensure the existence of a conducive business environment in collaboration with other county government departments/agencies such as Finance, Trade and industrialization, Cooperatives, County Liquor Licensing Board, County Assembly etc. In this particular financial year, the Board was able to draft the Finance bill 2019. It was tabled in the County Assembly of Meru, passed, Public participation was carried out and later accented into a new Finance Act 2019, by H.E the Governor Hon Kiraitu Murungi.

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

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

## **10. REPORT OF THE BOARD OF DIRECTORS**

The Board of Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

### **Principal activities**

The principal activities of the Board are

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

### **Results**

The results of the Board for the year ended June 30, 2020 are set out on page 22 to 39.

### **Board of Directors**

The members of the Board of Directors who served during the year are shown on page 4 to 6

### **Auditors**

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

By Order of the Board



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Member of the Board

Date: 21<sup>st</sup> August, 2020

## **11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

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

The General Manager of the Board is responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

### **Approval of the Financial Statements**

The Board's financial statements were approved by the Board on 21<sup>st</sup> August 2020 and signed on its behalf by:



Dr. John Ntoiti  
**General Manager**

**12. REPORT OF THE INDEPENDENT AUDITOR**

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY REVENUE BOARD FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Meru County Revenue Board set out on pages 22 to 40, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 the Meru County Revenue Board as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012 and the Meru County Revenue Board Act, 2014

#### Basis for Qualified Opinion

##### 1.0 Irregular Refund to the County Assembly of Meru

As disclosed in Note 4 to the financial statements, the statement of financial performance for the year ended 30 June, 2020 reflects Kshs.57,597,255 in respect to general expenses which includes Kshs.8,311,685 in respect to other operating expenses-governance and compliance. Included in this expenditure, is Kshs.1,000,000 being part refund to the County Government of Meru after paying Kshs.1,131,600 operating expenses on behalf of the Board.

However, audit review of the expenditure revealed that the payment to the County Government made on behalf of the Meru County Revenue Board Kshs.1,131,600, was in respect of allowances paid to eleven (15) Members of the County Assembly (MCA's) to Nairobi and Narok.

The expenditure was therefore chargeable to the County Assembly of Meru and the Meru County Revenue Board should not have refunded the Kshs.1,000,000.

In the circumstances, the propriety and accuracy of Kshs.1,000,000 expenditure could not be confirmed.

## **2.0 Uncertainty Relating to Going Concern**

The statement performance shows that the Board incurred a deficit of Kshs.3,456,724 in the year under review while statement of financial position as at 30 June, 2020 reflects Kshs.610,200 in respect to current liabilities and Kshs.134,357 in respect to current assets resulting to a negative working capital of Kshs.475,843. The Board's continued existence as a going concern is therefore highly dependent on support by the County Government of Meru.

However, the going concern issue has not been disclosed in the financial statements concerning the existence of this material uncertainty or how the Management intends to reverse the poor performance.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Controls and Performance**

The statement of comparison of budget and actual amounts for the year under review reflects an expenditure budget of Kshs.59,300,000 and an actual expenditure of Kshs.62,756,724 resulting to an over expenditure of Kshs.3,456,724.

The Management therefore overspent its budget by Kshs.3,456,724 without approval from the Board contrary to Section 20(4) of the Meru County Revenue Board Act, 2014 which states that no expenditure shall be incurred for the purpose of the Board except in accordance with the annual estimates approved under subsection (3) which states that the annual estimates shall be approved by the Board before the commencement of the financial year to which they relate and, once approved, the sum provided in the estimates shall be submitted to the County Executive Committee for final approval.

# 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**

### **1.0 Voidable Other Operating Expenses**

As disclosed in Note 4 to the financial statements, the statement of financial performance reflects Kshs.57,597,255 in respect to general expenses which includes Kshs.8,311,685 in respect to other operating expenses-governance and compliance. Included in this expenditure is Kshs.4,147,750 paid as decretal sum/court award. The payment was in response to a ruling by the Employment and Labour Relations Court of Kenya, at Meru in favour of a former general manager who was sent on compulsory leave by the Meru County Government and finally dismissed before expiry of his 4-year employment contract and opted for court's intervention. However, no evidence was provided for audit review to show that due disciplinary procedures were followed to send the general manager on compulsory leave and eventual dismissal.

In the circumstances, the Kshs.4,147,750 in respect to the court award could have been avoided if the due disciplinary procedures were followed by the Board.

### **2.0 Boards, Committees, Conferences and Seminars**

As disclosed in Note 4 to the financial statements, the statement of financial performance and reflects Kshs.57,597,255 in respect to general expenses which includes Kshs.3,846,379 in respect to boards, committees, conferences and seminars which further includes Kshs.545,980 in respect to board of directors and ad hoc committees sitting allowances, mileage and lunch expenses. However, supporting documents including invitation letters to the board meetings, agenda of the meetings, attendance registers and back to office report were not availed for audit review contrary to Regulation 99(3) of the Public Finance Management (County Government) Regulations, 2015 which states that every entry in the accounts shall be supported by a voucher or other approved document gazetted by the Cabinet Secretary containing the full details, clear narrations and particulars of the item or items to which it relates.

In the circumstances, the propriety of Kshs.545,980 expenditure in respect to boards, committees, conferences and seminars for the year ended 30 June, 2020 could not be confirmed.

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

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

## REPORT ON EFFECTIVENESS ON INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and 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 the Management is aware of intention to either dissolve the Board or to cease operations.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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 control that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**07 February, 2022**

*Meru County Revenue Board*  
**Reports and Financial Statements**  
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**13. FINANCIAL STATEMENTS**

**13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020**

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations		-	-
Transfers from the County Government	1	59,300,000	8,816,505
Fines, penalties and other levies		-	-
<b>Revenue from exchange transactions</b>			
Interest income		-	-
Other income		-	-
<b>Total revenue</b>		<b>59,300,000</b>	<b>8,816,505</b>
<b>Expenses</b>			
Fund administration expenses	2	5,159,469	-
General expenses	4	57,597,255	13,652,308
Finance costs		-	-
<b>Total expenses</b>		<b>62,756,724</b>	<b>13,652,308</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets		-	-
<b>Surplus/( deficit) for the period</b>		<b>(3,456,723.91)</b>	<b>(4,835,803)</b>

The notes set out on pages 33 to 39 form an integral part of these Financial Statements

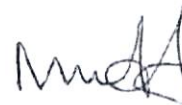
13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	134,357	10,832
Prepayments		-	
<b>Non-current assets</b>			
Property, plant and equipment	6	14,825,136	17,795,184
Intangible assets		-	-
Long term receivables from exchange transactions		-	-
<b>Total assets</b>		<b>14,959,493</b>	<b>17,806,016</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and Other Payables	7	610,200	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
<b>Total liabilities</b>		<b>610,200</b>	<b>-</b>
<b>Net assets</b>			
Payables Paid by Meru County Government		15,068,414	15,068,414
Reserves		-	-
Accumulated surplus		(719,122)	2,737,602
<b>Total net assets and liabilities</b>		<b>14,959,493</b>	<b>17,806,016</b>

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 21<sup>st</sup> August 2020 and signed by:



General Manager  
Name: Dr. John Ntoiti



Board Accountant  
Name: William Mwenda  
ICPAK Number: 19584

**13.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE  
2020**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2018</b>	-	-	7,573,405	7,573,405
Surplus/(deficit) for the period	-	-	(4,835,803)	(4,835,803)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	-	-	2,737,602	2,737,602
<b>Balance as at 1 July 2019</b>	-	-	2,737,602	2,737,602
Surplus/(deficit) for the period	-	-	(3,456,724)	(3,456,724)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	-	-	(719,122)	(719,122)

13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	1	59,300,000	8,816,505
<b>Total Receipts</b>		<b>59,300,000</b>	<b>8,816,505</b>
<b>Payments</b>			
Fund administration expenses	2	5,159,469	-
General expenses	4	52,749,603	8,854,271
Prepayments			-
<b>Total Payments</b>		<b>57,909,072</b>	<b>8,854,271</b>
<b>Adjusted for:</b>			
Increase/(Decrease) in Accounts Payable: (deposits and retention)	8	610,200	
<b>Net cash flows from operating activities</b>		<b>2,001,129</b>	<b>(37,766)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	6	(1,877,605)	-
<b>Net cash flows used in investing activities</b>		<b>(1,877,605)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>123,524</b>	<b>(37,766)</b>
Cash and cash equivalents at 1 JULY		10,832	48,598
<b>Cash and cash equivalents at 30 JUNE</b>	<b>5</b>	<b>134,356</b>	<b>10,832</b>

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020

	Original budget 2019/20	Adjustments 2019/20	Final budget 2019/20	Actual on comparable basis 2019/20	Performance difference 2019/20	% utilisation 2019/20
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	44,300,000	15,000,000	59,300,000	59,300,000		
Interest income	-	-	-	-	-	
Other income	-	-	-	-	-	
<b>Total income</b>	<b>44,300,000</b>	<b>15,000,000</b>	<b>59,300,000</b>	<b>59,300,000</b>	-	100%
Expenses						
Fund administration expenses	-	5,159,469	5,159,469	5,159,469	-	100%
General expenses	44,300,000	9,840,531	54,140,531	57,597,255	(3,456,724)	106%
Finance cost	-	-	-	-	-	
<b>Total expenditure</b>	<b>44,300,000</b>	<b>15,000,000</b>	<b>59,300,000</b>	<b>62,756,724</b>	<b>(3,456,724)</b>	<b>106%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,456,724)</b>	<b>3,456,724</b>	

**Budget notes**

1. The total of actual on comparable basis does not tie to the original budget (expenditure) due to depreciation of property, plant and equipment.
2. The Board received an additional Kshs 15M as supplementary budget to cater for rent and other crucial expenses causing changes between original and final budget

### 13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Statement of compliance and basis of preparation

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

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

#### 2. Adoption of new and revised standards

##### a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

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

##### b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> </ul>

**Meru County Revenue Board**  
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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></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"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</li> <li>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</li> </ul>

**Meru County Revenue Board**  
**Reports and Financial Statements**  
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Standard	Effective date and impact:
	<p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

**c) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**4. Budget information**

The original budget for FY 2019/2020 was approved by the County Assembly of Kshs 44.3M. 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 Board recorded additional appropriations of Kshs 15M on the FY 2019/2020 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 26 of these financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. Property, plant and equipment**

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

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

**6. Intangible assets**

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

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

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

**7. Related parties**

The Board 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 Board, or vice versa. Members of key management are regarded as related parties and comprise the General Manager and Directors of various directorates

**8. Cash and cash equivalents**

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

**9. Comparative figures**

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

**10. Events after the reporting period**

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

**11. Ultimate and Holding Entity**

The Board is a County Public Corporation established by the Meru County Revenue Board Act of 2014 under the Department of Finance, Economic Planning and ICT. Its ultimate parent is the County Government of Meru.

**12. Currency**

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

**13.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfers from County Government**

Description	FY2019/2020 KShs	FY2018/2019 KShs
Transfers from County Govt. – operations	58,742,000	8,816,505
Payments by County on behalf of the entity	558,000	-
<b>Total</b>	<b>59,300,000</b>	<b>8,816,505</b>

**2. Fund administration expenses**

Description	2019/2020 KShs	2018/2019 KShs
Staff costs (Note 3)	5,159,469	0
Loan processing costs	0	0
Professional services costs	0	0
Administration fees	0	0
<b>Total</b>	<b>5,159,469</b>	<b>0</b>

**3. Staff costs**

Description	FY2019/2020 KShs	FY2018/2019 KShs
Salaries and wages	5,159,469	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	<b>5,159,469</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. General expenses**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Catering Services (receptions), Accommodation, Gifts, Food and Drinks	369,000	100,000
Fuel Oil and Lubricants - Othe	2,180,218	-
Routine Maintenance - Vehicles	3,564,190	-
Publishing and Printing Services	2,798,930	-
Boards, Committees, Conferences and Seminars	3,846,379	374,950
Purchase of uniforms and clothing-staff	2,980,200	4,197,497
Domestic Travel and Subs-others	4,914,600	2,108,800
Electricity bills	329,691	87,164
Water and sewerage charges	49,930	-
Telephone, Telex, Facsimile and Mobile Phone Services	2,976,000	333,000
Daily Subsistence Allowance	5,686,250	654,500
General Office Supplies (papers, pencils, forms, small office equipment	1,477,998	-
Maintenance of computers, softwares and Networks	85,620	-
Other Operating expenses - governance and compliance	8,311,685	653,360
Rents and Rates - Non-Residential	2,494,513	
Membership Fees, Dues and Subscriptions to Professional and Trade Bodies	101,800	
Revenue Enforcement Operations	4,862,000	345,000
Training Expenses - Other (Bud	3,107,100	-
Supplies and Accessories for Computers and Printers	1,000,000	-
Tax Payers Day	1,613,499	-
Depreciation on Motor Vehicle	1,548,750	1,548,750
Depreciation on Fittings	3,249,287	3,249,287
Depreciation on Computers(ipads)	44,250	-
Depreciation on Cess point structures	5,365	-
<b>Total</b>	<b>57,597,255</b>	<b>13,652,308</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Cash and cash equivalents

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Fixed deposits account		-
On – call deposits		-
Current account	134,357	10,832
Others		-
<b>Total cash and cash equivalents</b>	<b>134,357</b>	<b>10,832</b>

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

Financial institution	Account number	2019/2020	2018/2019
		KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank	1199586579	134,357	10,832
<b>Sub- total</b>		<b>134,357</b>	<b>10,832</b>
<b>b) Others(specify)</b>			
Cash in transit		0	0
Cash in hand		0	0
M Pesa		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>Grand total</b>		<b>134,357</b>	<b>10,832</b>

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6. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
<b>At 1st July 2018</b>	-	6,195,001	25,994,294	-	<b>32,189,295</b>
Additions		-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
<b>At 30th June 2019</b>	-	<b>6,195,001</b>	<b>25,994,294</b>	-	<b>32,189,295</b>
<b>At 1st July 2019</b>	-	<b>6,195,001</b>	<b>25,994,294</b>	-	<b>32,189,295</b>
Additions	1,287,605	-	-	590,000	<b>1,877,605</b>
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
<b>At 30th June 2020</b>	<b>1,287,605</b>	<b>6,195,001</b>	<b>25,994,294</b>	<b>590,000</b>	<b>34,066,900</b>
<b>Depreciation and impairment</b>					
At 1st July 2018	-	3,097,501	6,498,574	-	<b>9,596,074</b>
Depreciation	-	1,548,750	3,249,287	-	<b>4,798,037</b>
Impairment	-	-	-	-	-
<b>At 30th June 2019</b>	-	<b>4,646,251</b>	<b>9,747,860</b>	-	<b>14,394,111</b>
<b>At 1st July 2019</b>	-	<b>4,646,251</b>	<b>9,747,860</b>	-	<b>14,394,111</b>

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Depreciation	5,365	1,548,750	3,249,287	44,250	4,847,652
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
<b>At 30th June 2020</b>	<b>5,365</b>	<b>6,195,001</b>	<b>12,997,147</b>	<b>44,250</b>	<b>19,241,763</b>
<b>Net book values</b>					
<b>At 30th June 2019</b>	-	1,548,750	16,246,434	-	17,795,184
<b>At 30th June 2020</b>	1,282,239	-	12,997,147	545,750	14,825,136

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. Trade and other payables from exchange transactions**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Retention Fees for Construction of Cess points	128,760	-
Staff Payables	-	-
Accrued expenses	-	-
Other payables	481,440	-
<b>Total trade and other payables</b>	<b>610,200</b>	<b>-</b>

LIST OF PAYABLES			
	Payee	Description	Amount
1	Mwitari Auto Garage	Servicing and Repair for KBY 719C	27,840
2	Mwitari Auto Garage	Servicing and Repair for KAN 015P	45,500
3	Mwitari Auto Garage	Servicing and Repair for KBZ 343D	31,100
4	Mwitari Auto Garage	Servicing and Repair for KBW 882V	85,500
5	Mwitari Auto Garage	Servicing and Repair for KBZ 361D	108,500
6	Mwitari Auto Garage	Servicing and Repair for KBY 720C	43,000
7	Mwitari Auto Garage	Servicing and Repair for KCA 974F	42,000
8	Meru Highway Motors	Servicing and Repair for GK 805X	31,000
9	Meru Highway Motors	Servicing and Repair for KBG 260C	35,000
10	Meru Highway Motors	Servicing and Repair for KBZ 343D	32,000
11	Jambostar Properties Ltd	Retention Fees for Cess points construction	128,760
<b>TOTALS</b>			<b>610,200</b>

**8. CHANGES IN ACCOUNTS PAYABLE**

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1st July 2019 (A)	-	-
Accounts Payable held during the year (B)	610,200	-
Accounts Payable paid during the Year (C)	-	-
<b>Net changes in account Payables D= A+B-C</b>	<b>610,200</b>	<b>-</b>

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**9. Cash generated from operations**

	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax	(3,456,724)	(4,835,803)
Adjusted for:		
Depreciation	4,847,652	4,798,037
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	610,200	-
<b>Net cash flow from operating activities</b>	<b>2,001,129</b>	<b>(37,766)</b>

**10. Related party balances**

**Related party transactions**

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	59,300,000	8,816,505
Transfers to related parties	1,000,000	0

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**14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

The Board is unable to provide a progress report on follow up of prior year auditor's recommendations due to the delay of issuance of the 2018/19 FY auditor's report.

