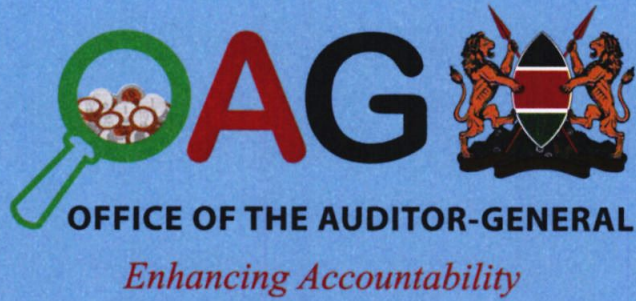


REPUBLIC OF KENYA



**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**MERU COUNTY REVENUE BOARD**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

PAPERS LAID	
DATE	6/3/2025
TABLED BY	Dep Maj Whip
COMMITTEE	
CLERK AT THE TABLE	Maalim



**MERU COUNTY  
REVENUE BOARD**

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**MERU COUNTY REVENUE BOARD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30<sup>TH</sup>, 2024**

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

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***Meru County Revenue Board***  
**Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

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**1. Acronyms**

**a) Acronyms**

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
MCRB	Meru County Revenue Board

## **Meru County Revenue Board**

### **Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

## **2. Key Entity Information and Management**

### **a) Background information**

Meru County Revenue Board is established by and derives its authority and accountability from Meru County Revenue Board Act, 2014. The Fund is wholly owned by 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

#### **Slogan**

Lipa Ushuru Jenga Meru

### **Functions of the Board**

- a) Collecting and receiving county revenue;
- b) Administering and enforcing county laws related to revenue;
- c) Assessing, collecting and accounting for all revenue in accordance with the county laws related to revenue;
- d) Advising the county executive committee on all matters related to administration and collection or revenue under county laws;
- e) Carry out such other roles necessary for the implementation of the objects and purpose of 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	Japhet Ndumba Ithinji	Board member
2	Mercy Kananu Ihuri	Board Member
3	CPA. Charles Mwenda	Board Member
4	CPA. Edward Macharia	Chief Executive Officer

### **d) Key Management Team**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	CPA. Edward Macharia	Chief Executive Officer
2	Fridah Kagwiria	Ag. Director Revenue
3	Peterson Gitonga	Ag. Director Efficiency Monitoring
4	Leah Kinya	Ag. Director of Human Resource

**Meru County Revenue Board**

**Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

5	Eric Mutuma	Ag. Director of ICT
6	Dennis Thiora	Ag. Director of Enforcement
7	CPA. Stanley Mwithia	Ag. Director Finance & Administration

**e) Fiduciary Oversight Arrangements**

SN	Position	Name
1	Internal Audit Unit	Charles Kibaara

**f) Registered Offices**

P.O. Box 3246-60200  
MKU Building  
Meru Maua Highway  
Meru, KENYA

**g) 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)

**h) Board Bankers**

- i. Kenya Commercial Bank  
Meru Branch  
P.O. Box Meru
- ii. Co-Operative Bank  
Makutano Branch  
P.O. Box Meru

**i) Independent Auditors**

Office of the Auditor General (OAG)  
Anniversary Towers, Monrovia Street  
P.O. Box 30084 - 00100  
Nairobi, Kenya

*Meru County Revenue Board*

**Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

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**j) Principal Legal Adviser**

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

**k) County Attorney**

Department of Public Service Administration and Legal Affairs  
County Government of Meru  
P.O BOX 120 – 60200  
MERU.

**3. Board of Directors**

Name	Details of qualifications and experience
 <p><b>MR JAPHET NDUMBA ITHINJI</b></p>	<p><b>BOARD MEMBER</b></p> <p><b>Qualifications.</b></p> <p><i>Masters of education in leadership and education management.</i></p> <p><i>Bachelor of education (science)</i></p> <p><i>DOB: 28/11/1965</i></p>
 <p><b>MERCY KANANU IBURI</b></p>	<p><b>BOARD MEMBER</b></p> <p><b>Qualifications.</b></p> <p><i>Bachelor of education (special needs and counselling)</i></p> <p><i>Diploma in special needs education</i></p> <p><i>DOB: 04/12/1986</i></p>
 <p><b>CPA Charles Mwenda</b></p>	<p><b>BOARD MEMBER</b></p> <p><b>Qualifications.</b></p> <p>MBA – Finance            BA – Accounts            CPA(K)            Member – ICPAK            Chief Officer Finance, Economic planning and ICT County Government of Meru.            He has a vast experience in Finance and accounting in Public Sector having worked at the County Treasury for 12 years.</p> <p><i>DOB: 10/05/1982</i></p>



**CPA. Edward Macharia**

**CHIEF EXECUTIVE OFFICER**

**Education Background.**

Master's in Business Administration – Financial Management


Bachelor of Commerce -Finance

CPA-K

PHD in Finance (on-going)

DOB: 20th August 1987

**4. Management Team**

Name	Details of qualifications and experience
 <p><b>CPA. Edward Macharia</b></p>	<p><b>CHIEF EXECUTIVE OFFICER</b></p> <p><b>Education Background.</b></p> <p>Master’s in Business Administration – Financial Management</p> <p>Bachelor of Commerce -Finance</p> <p>CPA-K</p> <p>PHD in Finance (on-going)</p> <p>DOB: 20th August 1987</p>
<p><b>Fridah Kagwiria</b></p> 	<p><b>Ag. Director Revenue</b></p> <p><b>Qualifications.</b></p> <p>Masters in Project Planning and Management</p> <p>Bachelor in Project Planning and Management</p> <p>Diploma in Public Relations</p> <p><b>DOB: 22/12/1978</b></p>
<p><b>Peterson Gitonga</b></p> 	<p><b>Ag. Director Efficiency Monitoring and Evaluation</b></p> <p><b>Qualifications.</b></p> <p>Bachelor in Business Administration</p> <p>Diploma Business Administration</p> <p><b>DOB: 17<sup>th</sup> December 1975</b></p>

**Meru County Revenue Board**

**Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

<p><b>Leah Kinya</b></p> 	<p><b>Ag. Director of Human Resource</b></p> <p><b>Qualifications.</b></p> <p>Master of Degree of Business Administration (HR)</p> <p>Bachelor degree Education (science)</p> <p>Certificate in community Resource Mobilization &amp; Management</p> <p>Certificate in Financial Management for NGO/CBOs</p> <p><b>DOB: 23<sup>rd</sup> August 1988</b></p>
<p><b>Eric Mutuma</b></p> 	<p><b>Ag. Director ICT</b></p> <p><b>Qualifications.</b></p> <p>Bachelor of Business Information &amp; Technology(ongoing)</p> <p>Diploma in IT</p> <p>CCNA</p> <p><b>DOB: 15/03/1993</b></p>
<p><b>Dennis Thiora</b></p> 	<p><b>Ag. Director of Enforcement</b></p> <p><b>Qualifications.</b></p> <p>Senior Enforcement Officer Meru County</p> <p>Diploma in ICT</p> <p><b>DOB: 25/09/1989</b></p>



**CPA. Stanley Mwithia**

**Ag. Director Finance & Admin**

**Qualifications.**

Masters of Science in Finance (On-going)

Bachelor in Business Administration -Finance and Accounting

CPA - K

CPS - K

**DOB: 16<sup>th</sup> April 1987**

***Meru County Revenue Board***  
**Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

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**5. Board Chairperson's Report**

On behalf of the Board of Directors of the Meru County Revenue Board, I am pleased to present the reports and financial statements for the fiscal year ending 30th June 2024. This presentation is in accordance with Section 22(1) of the Meru County Revenue Board Act, 2014, which mandates the Board to submit its accounts to the Auditor-General within three months following the end of each financial year.

In compliance with this requirement, we provide the following documents for your review:

1. Statement of Financial Position as at 30th June 2024
2. Statement of Financial Performance for the year ended 30<sup>th</sup> June 2024
3. Statement of Cash Flow for the year ended 30<sup>th</sup> June 2024
4. Summary of Significant Accounting Policies and other explanatory information

The Board is pleased to report that MCRB continues to operate effectively and remains steadfast in fulfilling its mandate. Our commitment to enhancing revenue collection and financial management is unwavering. This year, we have implemented key structures aimed at promoting efficiency and accountability within our operations.

**Key Highlights**

**Focus on Efficiency:** We have established new operational frameworks designed to streamline our processes, which has contributed to improved performance across various departments.

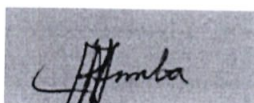
**Financial Management:** The financial statements reflect our ongoing commitment to sound financial practices, ensuring transparency and responsible use of resources.

**Strategic Initiatives:** Several initiatives aimed at increasing revenue generation have been launched, with positive early indicators.

The Board remains dedicated to fostering an environment that supports the financial goals of Meru County while ensuring compliance with all statutory requirements.

We look forward to the continued support of our stakeholders as we work towards achieving our objectives and enhancing the financial wellbeing of our community.

**JAPHET NDUMBA ITHINJI**



Chairperson, Meru County Revenue Board

Date: 4<sup>th</sup> December 2024

***Meru County Revenue Board***  
***Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024***

**6. Report of the Chief Executive Officer**

I am pleased to present the financial statements of the Meru County Revenue Board (MCRB) for the fiscal year ended 30th June 2024, in accordance with the requirements set forth by the Meru County Revenue Board Act, 2014.

**Overview**

Established in 2014, MCRB's core mandate encompasses the assessment and collection of revenue, the administration and enforcement of revenue-related laws within the county, and related purposes. Official operations commenced in October 2016, making the 2023-2024 financial year our eighth year of service to the community.

**Financial Performance**

The budget for the year under review amounted to Ksh. 354,685,092.40, fully financed by the County Treasury. While we appreciate this support, it is important to note that the allocated budget for operations proved insufficient to meet the demands of our expanding mandate. In response to this challenge, we have formally appealed to the County Treasury for additional funding. This funding is essential for us to effectively fulfil our responsibilities and enhance our revenue collection capabilities.

**Acknowledgments**

I would like to extend my sincere gratitude to the Meru County Government for its unwavering support and collaboration with our Board. Your commitment has been instrumental in our progress and achievements over the past year.

**Conclusion**

As we move forward, the MCRB remains focused on optimizing our operations and improving revenue collection processes. Together with our dedicated staff and stakeholders, I am confident that we will continue to meet our objectives and contribute positively to the financial wellbeing of Meru County.



**CPA Edward Macharia**

**Chief Executive Officer**

**Meru County Revenue Board**

Date.....*06/12/2024*.....

**7 Statement of Performance Against the Board'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 2023-2027 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	23 revenue streams automated
Improve service delivery	To procure staff uniform for revenue collectors.	Increase revenue collected	Number of uniform procured	75 pairs of enforcement uniform procured
Capacity building	To train staff across the county	Improved revenue collection	Number of staff trained	515 Staff trained

## **8. 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 of directors performs their 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 of Directors**

The primary responsibility of the Board of Directors 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 provides oversight to the Board's management. Directors are also empowered to seek independent professional advice on Board business at its expense where necessary.

**Capacity Building for the Board of Directors**

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

**Conflict of Interest**

During the financial year under review, there were no cases of conflict of interest reported.

**Board Charter**

The MCRB is currently in the process of updating its Board Charter to conform with the reported changes in operations

**Appointment and Removal of Board Members**

All the members of the board are appointed by the Governor 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. During the year a new board was appointed upon expiry of the previous board of directors' term.

**Composition of the Board**

The current Board headed by the Chairman is composed of four members inclusive of the Chief executive officer 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 Chief Executive Officer 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.

***Meru County Revenue Board***

**Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

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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 the financial year under review 5 (Five) full board meetings and 6 (Six) board subcommittees meeting were held.

## **9. Management Discussion and Analysis**

### **KEY MILESTONES DURING THE FINANCIAL YEAR:**

- a) The Board automated all revenue streams through craft silicon.
- b) Meru County Revenue Board procured uniform to its staff.
- c) The Board received partial allocation through phased disbursements.
- d) Waiver was granted by Her Excellency the Governor to the Land/plot owners to enable them clear the outstanding arrears.
- e) Meru County Revenue Board organized a successful performance management training for the senior management team and board members.
- f) Chief Executive Officer led various top management members in holding stakeholders meeting to urge them pay county levies; such stakeholders are market committee members in Kunati, Kangeta, Mikinduri, Matatu owners association and MCA's. All these stakeholders agreed and we are now collecting revenues in the mentioned areas.
- g) A finance bill 2024 has been drafted which will help harmonize revenue collection across the county.

### **CHALLENGES**

- a) Perennial challenge of mobility due the unavailability of enough vehicles affected revenue collection in all sub counties.
- b) Non-payment of market fees in some markets e.g Kamachenge markets.
- c) An out-dated valuation roll.
- d) The Board is not collecting revenue from public health activities, Liquor licenses and Health department fees and charges as it is in other counties.
- e) Inadequate budget allocation which has severely affected the operations of the board.

## **10. Environmental and 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, Environment etc.

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

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

***Meru County Revenue Board***  
**Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

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**11. Report of the Board of Directors**

The Board of Directors submit their report together with the audited financial statements for the financial year ended June 30<sup>th</sup>, 2024 which show the state of the Board 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 financial year ended June 30<sup>th</sup>, 2024 are set out on page 1 to 6.

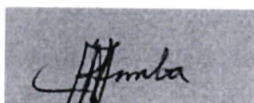
**Board of Directors**

The members of the Board of Directors who served during the year are shown on page vii to viii.

**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



**Chairperson of the Board**

**Date: 4<sup>th</sup> December 2024**

## **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 (*Meru County Revenue Board Act*) shall prepare financial statements for the Board in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Chief Executive Officer 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 30<sup>th</sup> June 2024. 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 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 (*Meru County Revenue Board Act*). The Chief Executive Officer of the 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 30<sup>th</sup> June, 2024, 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.

In preparing the financial statements, the Chief Executive Officer 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

***Meru County Revenue Board***  
**Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

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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 Board's financial statements were approved by the Board on 15<sup>th</sup> September 2024 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'J. M. Mwangi', written over a horizontal dotted line.

**CEO – MCRB**

# REPUBLIC OF KENYA



*Enhancing Accountability*

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

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

## REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY REVENUE BOARD FOR THE YEAR ENDED 30 JUNE, 2024

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### 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 statement.
- 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 the Government achieves value for money and that such Boards are applied for the intended purpose.
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion does not necessarily mean that an entity has complied with all relevant laws and regulations is effective in the use of resources, or that its internal control, 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 Revenue Board set out on pages 1 to 22, which comprise of the statement of financial position as at

30 June, 2024 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 Meru County Revenue Board as at 30 June, 2024, 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 Revenue Board Act, 2014 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.35,664,614 as disclosed in Note 10 to the financial statements. Review of records provided revealed that the balance of Kshs.35,664,614 did not include an amount of Kshs.3,000,000 transferred to Meru County Executive imprest bank account. Although Management explained that the money was a loan to help the County Executive resolve short-term liquidity problems, no evidence was provided to show whether the funds were refunded.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.35,664,614 could not be confirmed.

#### **2. Unsupported Expenditure**

The statement of financial performance and reflects use of goods and services amount of Kshs.83,876,562.87 which includes other payment – commission for revenue collection system amount of Kshs.15,000,000 as disclosed in Note 3 to the financial statements. However, supporting documents such as the invoices, payment vouchers, period for revenue collection and the amount collected on behalf of the County were not been provided for audit review.

In the circumstances, the accuracy and completeness of other payment – commission for revenue collection system amount of Kshs.15,000,000 could not be confirmed.

#### **3. Unreconciled Transfers from the County Government**

The statement of financial performance reflects transfers from the County Government amount of Kshs.354,685,092 as disclosed in Note 1 to the financial statements. However, Note 5 to the financial statements of the County Executive of Meru reflects transfers to

Meru County Revenue Board amount of Kshs.333,859,945 resulting in unreconciled and unexplained variance of Kshs.20,825,147.

In the circumstances, the accuracy and completeness of transfers from the County Government amount of Kshs.354,685,092 could not be confirmed.

#### **4. Unreconciled Variance Between the Statement of Financial Performance and the Statement of Comparison of Budget and Actual Amounts**

The statement of financial performance reflects a surplus of Kshs.8,489,544 while the statement of comparison of budget and actual amounts reflects a nil surplus. This results to a variance of Kshs.8,489,544 which has not been reconciled as required under IPSAS and the financial reporting template issued by the Public Sector Accounting Standards Board.

In the circumstances, the accuracy of the statement of financial performance and the Statement of comparison of budget and actual amounts could not be confirmed.

#### **5. Material Uncertainty Related to Going Concern**

The statement of financial position reflects current liabilities balance of Kshs.35,664,614 which exceeded the current assets balance of Kshs.21,869,424, resulting to a negative working capital balance of Kshs.13,795,190.60 as at 30 June, 2024. The negative liquidity position was an indication of the existence of a material uncertainty on the Board's ability to continue to sustain itself. Further, a comparison of own source revenue reported by the Receiver of Revenue revealed that the Board had collected a total amount of Kshs.376,008,436.78 against an expenditure amount of Kshs.346,195,548.90 (or 92%) in the year under review. A similar trend was reported in the financial year 2022/2023 and financial year 2021/2022 where the Board collected a total amount of Kshs.396,676,165 and Kshs.398,186,648 against an expenditure amount of Kshs.337,807,101 and Kshs.367,707,769 (or 85% and 92%) respectively. The core objective of the Board is to collect, enhance and monitor local revenue of Meru County.

The financial statements were prepared on the assumption that the Board will continue to receive financial support from the County Government of Meru and the Management did not disclose the material uncertainty or measures taken to mitigate this.

In the circumstances, the sustainability of the Board could not be confirmed.

#### **6. Unsupported Receivables from Non-Exchange Transactions**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.20,825,147 which relates to transfer from County Government as disclosed in Note 8 to the financial statements. However, documentation and explanation to support the nature of the receivables and how it arose was not provided for audit review. In addition, approved journal vouchers to support movement of the balance from Nil reflected in the initially submitted financial statements to the balance of

Kshs.20,825,147 in the amended financial statements were also not provided for audit review.

In the circumstances, the accuracy and completeness of receivables from non-exchange transactions balance of Kshs.20,825,147 could not be confirmed.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion Section of my report, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Unresolved Prior Year Audit Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not provided an explanation of how the issues were resolved.

### **Other Information**

The Directors are responsible for the Other Information set out on page ii to xxii which comprise of Board Information and Overall Performance, Statement of Performance against Board's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Board's Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Board's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## 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 effect of the matters described in the Basis for Conclusion on the 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. Failure to Comply with Fiscal Responsibility Principle on Wages and Benefits**

The statement of financial performance and as disclosed in Note 2 to the financial statements reflects an amount of Kshs.257,782,492 in respect to employee costs. However, the total revenue received in the year under review amounted to Kshs.354,685,092, in consequence, the wage bill was at 73% which is above the 35% allowed limit contrary to Regulation 25(1)(b) of the Public Finance Management Act (County Government) Regulations, 2015 which states that the wage bill shall not exceed thirty-five (35) percent of the County Government's total revenue.

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

#### **2. Non-Compliance with Staff Ethnic Composition Requirements**

The statement of financial performance and as disclosed in Note 2 to the financial statements reflects amount of Kshs.257,782,492 in respect to employee costs. Review of the payroll documents provided for audit revealed that out of the four hundred and ninety-five (495) employees in the integrated payroll system (IPPD), four hundred and eighty-three (483) representing 98% of the total employees were from the dominant ethnic community. This was contrary to the provision of Section 7(2) of the National Cohesion and Integration Commission Act, 2008 which provides 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.

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards require 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 comply 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, except for the effect of the matters described in the Basis for

Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1. Lack of Approved Information Communication Technology (ICT) Policy**

The Board did not have an approved ICT policy. In the absence of an approved ICT policy, the Board did not have clear guidelines with respect to data security, backup plans, password and user account management and disaster recovery plans as required under Section 149(2)(c) of the Public Finance Management Act, 2012.

In the circumstances, the security and reliability of the Board's data including the revenue collection system could not be confirmed.

### **2. Failure to Tag All Fixed and Movable Assets**

Physical inspection of sampled office desks, chairs and desktops revealed that the assets did not have tags on them therefore, it was difficult to verify whether the assets belonged to the County or other State Departments that are in the same building. In addition to that, an asset register was not provided for review. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. This includes tagging assets and keeping detailed records such as the cost of acquisition, asset location, and condition.

In the circumstances, the safety of assets could not be confirmed.

### **3. Lack of Approved Strategic Plan**

The Board did not have an Operational Strategic Plan and therefore it is not clear the basis on which the budget preparation. This was contrary to Sections 149(1) and 149(2)(g) and (h) of the Public Finance Management Act, 2012 which states that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is (a) lawful and authorised; and (b) effective, efficient, economical and transparent and that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and financial objectives of the county government and prepare estimates of expenditure of the entity in conformity with the strategic plan referred to.

In the circumstances, the Board may not focus its resources towards achievement of a common goal.

### **4. Lack of Approved Staff Establishment**

The Board did not have an approved staff establishment contrary to Section 5 on the delegation of Public Service Commission Human Resource functions to the Cabinet

Secretary (revised August, 2015) on staff establishment states, Ministries/State Departments shall rationalize staffing levels in line with their current Ministerial mandates and approved budgets. Proposals on the staff establishment shall be approved by the Public Service Commission before implementation. The Public Service Commission shall be the custodian of the staff establishment and shall, under the provisions of Article 234(2)(a)(i), establish and abolish offices in the Public Service.

In the circumstances, the Board may not have the staffing level needed to deliver services to public.

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 the Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (accrual Basis) and for 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 continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

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

**Nairobi**

**23 December, 2024**

14. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2024

	Note	FY2023/2024	FY2022/2023
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations		-	-
Transfers from the County Government	1	354,685,092.40	338,750,425
<b>Total revenue</b>		<b>354,685,092.40</b>	<b>338,750,425</b>
<b>Expenses</b>			
Employee Costs	2	257,782,492.13	251,448,960
Use of goods and services	3	83,876,562.87	77,255,120
Depreciation and Amortization Expense	4	4,509,461.40	9,103,021
Finance Cost	5	27,032.50	-
<b>Total expenses</b>		<b>346,195,548.90</b>	<b>337,807,101</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets		-	-
<b>Surplus/(Deficit) for the period</b>		<b>8,489,544.00</b>	<b>943,324.40</b>



Name: CPA Edward Macharia  
CEO – MCRB  
ICPAK NO. ASSOC 4232



Name: CPA William Mwenda  
Head of Financial Reporting  
ICPAK NO. 19584

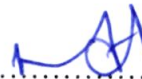
**15. Statement of Financial Position as at June 30<sup>th</sup> 2024**

	Note	FY2023/2024	FY2022/2023
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	339,483.30	1,952,957
Inventories	7	704,792.97	-
Receivables from non-exchange transactions	8	20,825,147.35	-
<b>Non-current assets</b>			
Property, plant and equipment	9	13,795,190.60	9,319,652
<b>Total assets</b>		<b>35,664,614.22</b>	<b>11,272,609</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and Other Payables	10	35,664,614.22	7,243,739
<b>Total liabilities</b>		<b>35,664,614.22</b>	<b>7,243,739</b>
<b>Net Assets</b>		-	-
Payables Paid by Meru County Government		-	15,068,414
Reserves		-	5,570,000
Accumulated surplus (As per statement of changes of Net Asset).		-	-16,609,544
<b>Total Reserves and liabilities</b>		<b>35,664,614.22</b>	<b>11,272,609</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 15th September 2024 and signed by:



.....  
**CPA Edward Macharia**  
**CEO – MCRB**  
**ICPAK NO. ASSOC 4232**



.....  
**CPA William Mwenda**  
**Head of Financial Reporting**  
**ICPAK NO.19584**

**16. Statement of Changes in Net Assets for the Year Ended 30<sup>th</sup> June 2024**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2021</b>	-	<b>3,020,000</b>	<b>(12,261,317)</b>	<b>(9,241,317)</b>
Surplus/(deficit) for the period	-	-	(5,291,552)	<b>(5,291,552)</b>
Funds received during the year	-	-	-	-
Revaluation gain	-	2,550,000	-	<b>2,550,000</b>
<b>Balance as at 30 June 2022</b>	-	<b>5,570,000</b>	<b>(17,552,869)</b>	<b>(11,982,869)</b>
<b>Balance as at 1 July 2022</b>	-	<b>5,570,000</b>	<b>(17,552,869)</b>	<b>(11,982,869)</b>
Surplus/(deficit) for the period	-	-	943,324	<b>943,324</b>
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2023</b>	-	<b>5,570,000</b>	<b>(16,609,544)</b>	<b>(11,039,544)</b>
<b>Balance as at 1 July 2023</b>	-	<b>5,570,000</b>	<b>-16,609,544</b>	<b>-11,039,544</b>
Surplus/(deficit) for the period	-	-	8,489,544	<b>8,489,544</b>
Funds received during the year	-	-	-	-
Revaluation gain	-	2,550,000	-	<b>2,550,000</b>
<b>Balance as at 30 June 2024</b>	-	<b>8,120,000</b>	<b>-8,120,000</b>	<b>0</b>

**17. Statement of Cash Flows for the Year Ended 30<sup>th</sup> June 2024**

	Note	FY 2023/2024	FY2022/2023
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public Contributions and Donations	-	-	-
Transfers from the County Government	11	333,859,945.05	338,750,425
<b>Total Receipts</b>		<b>333,859,945.05</b>	<b>338,750,425</b>
<b>Payments</b>			
Employee Costs	12	238,195,907.90	249,051,163
Use of Goods and Services	13	83,903,595.37	74,628,108
<b>Total Payments</b>		<b>322,099,503.27</b>	<b>323,679,271</b>
<b>Adjusted for:</b>			
Payables paid during the year	10	-7,226,616.00	-
			5,332,200
<b>Net cash flows from operating activities</b>		<b>4,533,825.78</b>	<b>9,738,955</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-6,147,299.48	-7,790,380
<b>Net cash flows used in investing activities</b>		<b>-6,147,299.48</b>	<b>-7,790,380</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>-1,613,473.70</b>	<b>1,948,575</b>
Cash and cash equivalents at 1 <sup>th</sup> July 2023		1,952,957.00	4,383
<b>Cash and cash equivalents at 30<sup>th</sup> June 2024</b>	<b>6</b>	<b>339,483.30</b>	<b>1,952,958</b>

**Meru County Revenue Board**

**Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

**8. Statement of Comparison of Budget and Actual Amounts for the Period Ended June 30<sup>th</sup> 2024**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2023/2024	2023/2024	2023/2024	2023/2024	2023/2024	2023/2024
Revenue	KShs	KShs	KShs	KShs	KShs	
Transfers from County Govt.	354,685,092.40	0	354,685,092.40	333,859,945	20,825,147	94%
<b>Total income</b>	<b>354,685,092.40</b>	<b>0</b>	<b>354,685,092.40</b>	<b>333,859,945</b>	<b>20,825,147</b>	<b>94%</b>
Expenses						
Employee Costs	257,885,092	0	257,885,092	238,195,908	19,689,185	92%
Use of Goods and Services	90,365,000	0	90,365,000	89,229,037	1,135,963	99%
Capital Expenditure	6,435,000	0	6,435,000	6,435,000	-	100%
<b>Total budget</b>	<b>354,685,092</b>	<b>0</b>	<b>354,685,092</b>	<b>333,859,945</b>	<b>20,825,147</b>	<b>94%</b>

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.

## ***Meru County Revenue Board***

### **Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

#### **Summary of Significant Accounting Policies**

##### **1. General Information**

MCRB is established by and derives its authority and accountability from MCRB Act 2014. The Board is wholly owned by the Meru County Government and is domiciled in Kenya. The entity's principal activity is revenue collection.

##### **2. 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.

##### **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 2024***

There were no new and amended standards issued in the financial year.

***(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.***

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> 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 cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The Standard requires, 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 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.
IPSAS 45- Property Plant	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement.

and Equipment	Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<b><i>Applicable 1<sup>st</sup> January 2026</i></b> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<b><i>Applicable 1<sup>st</sup> January 2026</i></b> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<b><i>Applicable 1<sup>st</sup> January 2026</i></b> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

**Summary of Significant Accounting Policies (Continued...)**

*(i) Early adoption of standards*

The Entity did not early adopt any new or amended standards in the financial year under review.

**4. a) Revenue from non-exchange transactions**

**i. 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 2023-2024 was approved by the County Assembly and the Board of Directors. Subsequent revisions or re-appropriations were made to the approved budget in accordance with specific approvals from the Board of Directors. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

**Summary of Significant Accounting Policies (Continued...)**

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.

**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 statement of 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. The

board depreciates PPE as follows;

S/NO	Item	Rate of Depreciation
1	Buildings	2.5%
2	Motor Vehicle	25%
3	Furniture and Fittings	12.5%
4	Computer and office Equipment	30%

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectable amounts. Trade and other receivables are assessed for impairment on a

**Summary of Significant Accounting Policies (Continued...)**

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.

**Accounts Payables**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. Other liabilities including pending bills are disclosed in the financial statements. Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years.

**Financial liabilities**

**Classification**

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

**d) 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

**Summary of Significant Accounting Policies (Continued...)**

➤ 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.

**e) 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.

**f) 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.

**Summary of Significant Accounting Policies (Continued...)**

**g) 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.

**h) 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 Board members, directors, the CEO and Senior managers.

***Summary of Significant Accounting Policies (Continued...)***

**i) 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 Board) and will have no legal or constructive obligation to pay further contributions if the Board does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to Board 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 Boards 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.

**j) Cash and cash equivalents**

Cash and cash equivalents comprise cash in 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.

**Summary of Significant Accounting Policies (Continued...)**

**k) Comparative figures**

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

**l) Subsequent events**

Subsequent events are events that occur after an entity's year-end period but before the release of the financial statements. In other words, subsequent events are events that happen between the cut-off date and the date in which the company issues its financial statements. During the year under review the Board received substantial amount of money as Transfers from the County in July and August 2024 that related the last financial year under review. This was reviewed and factored in these financial statements for the year ended June 30<sup>th</sup> 2024.

**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

**Summary of Significant Accounting Policies (Continued...)**

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 Boarding to replace the asset
- Changes in the market in relation to the asset

**Notes to the Financial Statements**

**1. Transfers from County Government**

Description	FY2023/2024	FY2022/2023
	Kshs	Kshs
Transfers from County Govt.	354,685,092.40	338,750,425.00
<b>Total</b>	<b>354,685,092.40</b>	<b>338,750,425.00</b>

**2. Employee Costs**

Description	FY2023/2024	FY2022/2023
	Kshs	Kshs
Salaries and Wages	257,782,492.13	251,448,960.00
Other staff costs	-	-
<b>Total</b>	<b>257,782,492.13</b>	<b>251,448,960.00</b>

**3. Use of Goods and Services**

Description	FY2023/2024	FY2022/2023
	KShs	KShs
Catering Services (receptions), Accommodation, Gifts, Food and Drinks	1,248,700.00	1,020,200
Fuel Oil and Lubricants - Other	9,551,715.00	6,415,000
Routine Maintenance - Vehicles	7,582,943.00	4,291,919
Publishing and Printing Services	1,938,977.00	1,947,790
Boards Expenses	2,202,405.00	639,797
Committees, Conferences and Seminars	1,355,000.00	-
Purchase of uniforms and clothing-staff	2,212,750.00	-
Domestic Travel and Subs-others	6,749,100.00	9,526,815
Domestic Travel and Subs-KICOSCA	737,750.00	-
Electricity bills	395,000.00	317,445
Water and sewerage charges	59,000.00	30,000
Telephone, Telex, Facsimile and Mobile Phone Services and Internet	1,776,440.00	2,200,100
Daily Subsistence Allowance	3,928,500.00	4,848,460
General Office Supplies (papers, pencils, forms, small office equipment	1,855,296.00	1,626,510
Sanitary and Cleaning Materials, Supplies and Services	30,000.00	28,000
Purchase of Computers, Printers and other IT Equipment	-	10,000

**Meru County Revenue Board**

**Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

Maintainance of computers, softwares and Networks	-	298,150
Other Operating expenses - governance and compliance	3,131,899.87	6,362,435
Membership Fees, Dues and Subscriptions to Professional Bodies	56,600.00	29,400
Advertising, Awareness and Publicity Campaigns	2,592,706.00	1,451,080
Revenue Enforcement Operations	5,924,600.00	4,416,450
Maintenance of buildings and stations-non residential	100,420.00	379,280
Hire of Training Facilities and Equipment	617,140.00	607,710
Training Expenses - Other	2,704,705.00	1,463,650
Supplies and Accessories for Computers and Printers	1,538,340.00	1,305,500
Rents and Rates - Non-Residential	9,653,868.00	9,653,869
Software, systems and services - Revenue Collection fees	-	17,700,000
Cess Point Clamps & Spikes	-	685,560
Other payment- commission for revenue collection System	15,000,000.00	
Maintenance of Collection Centres	932,708.00	-
<b>Total</b>	<b>83,876,562.87</b>	<b>77,255,120.00</b>

**4. Depreciation and Amortization Expense**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Property Plant and Equipment	4,509,461.40	9,103,021.11
Intangible Assets		-
<b>Total</b>	<b>4,509,461.40</b>	<b>9,103,021.11</b>

**5. Finance costs**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Bank Charges - Operations	19,620.50	-
Bank Charges - Salaries	7,412.00	
<b>Total</b>	<b>27,032.50</b>	<b>-</b>

**Notes to the Financial Statements (Continued...)**

**6. Cash and cash equivalents**

Description	FY2023/2024	FY2022/2023
	KShs	KShs
Fixed deposits account	-	
On – call deposits		
Current account	339,483.30	1,952,957.00
Others		
<b>Total cash and cash equivalents</b>	<b>339,483.30</b>	<b>1,952,957.00</b>

**6a. Detailed analysis of the cash and cash equivalents are as follows:**

Financial institution	Account number	FY2023/2024	FY2022/2023
		KShs	KShs
<b>Current account</b>			
KCB - Operations	1199586579	46,734.62	10,014.00
Kenya Commercial bank	1280896523	292,031.68	1,942,226.70
Equity Bank	1040282203986	717.00	717.00
<b>Grand total</b>		<b>339,483.30</b>	<b>1,952,957.70</b>

**7. Inventories**

Description	FY2023/2024	FY2022/2023
	Kshs	Kshs
Consumable Stores	704,792.97	-
Other Inventories (Specify)		
<b>Total Inventories at The Lower of Cost and Net Realizable Value</b>	<b>704,792.97</b>	<b>-</b>

**8. Receivables from non-exchange transactions**

Description	FY2023/2024	FY2022/2023
	Kshs	Kshs
Transfer from County Government	20,825,147.35	-
<b>Total</b>	<b>20,825,147.35</b>	<b>-</b>

Notes to the Financial Statements (Continued...)

9. Property, plant and equipment

	Land and Building	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
<b>At 1st July 2021</b>	<b>1,287,605</b>	<b>9,215,001</b>	<b>25,994,294</b>	<b>1,810,600.00</b>	<b>38,307,500</b>
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	2,550,000	-	-	2,550,000
<b>At 30th June 2022</b>	<b>1,287,605</b>	<b>11,765,001</b>	<b>25,994,294</b>	<b>1,810,600.00</b>	<b>40,857,500</b>
<b>At 1st July 2022</b>	<b>1,287,605</b>	<b>11,765,001</b>	<b>25,994,294</b>	<b>1,810,600.00</b>	<b>40,857,500</b>
Additions				7,790,380	7,790,380
Disposals					-
Transfer/adjustments					-
<b>At 30th June 2023</b>	<b>1,287,605</b>	<b>11,765,001</b>	<b>25,994,294</b>	<b>9,600,980.00</b>	<b>48,647,880</b>
<b>Depreciation and impairment</b>					
<b>At 1st July 2021</b>	<b>37,555</b>	<b>6,950,001</b>	<b>16,246,434</b>	<b>225,310.00</b>	<b>23,459,300</b>
Depreciation	32,190	2,941,250	3,249,287	543,180.00	6,765,907
Impairment	-	-	-	-	-
<b>At 30th June 2022</b>	<b>69,745</b>	<b>9,891,251</b>	<b>19,495,721</b>	<b>768,490.00</b>	<b>30,225,207</b>

*Meru County Revenue Board*

**Annual Report and Financial Statements for the Financial Year Ended June 30<sup>th</sup>, 2024**

At 1st July 2022	69,745	9,891,251	19,495,721	768,490.00	30,225,207
Depreciation	32,190	2,941,250	3,249,287	2,880,294	9,103,021
Impairment					-
At 30th June 2023	101,935	12,832,501	22,745,008	3,648,784.00	39,328,228
<b>Net book values</b>					
At 30th June 2022	1,217,859	1,873,750	6,498,573	1,042,110.00	10,632,293
At 30th June 2023	1,185,669	(1,067,500)	3,249,287	5,952,196.00	9,319,652
Balance b/f 1.07.2023	1,185,669	(1,067,500)	3,249,287	5,952,196	9,319,652
Additions during the Year	-	-	75,000	6,360,000	6,435,000
Disposal during the Year	-	-	-	-	-
Revaluations		2,550,000	-	-	2,550,000
Balance c/f 30.06.2024	1,185,669	1,482,500	3,324,287	12,312,196	18,304,652
<b>ACCUMULATED DEPRECIATION</b>					
Balance b/f 1.07.2023	101,935	12,832,501	22,745,008	3,648,784	39,328,228
Charge for the Year	29,642	370,625	415,536	3,693,659	4,509,461
Balance c/f	131,577	13,203,126	23,160,544	7,342,443	43,837,689
<b>CARRYING AMOUNT</b>					
<b>Balance as at 30.06.2024</b>	<b>1,156,027</b>	<b>1,111,875</b>	<b>2,908,751</b>	<b>8,618,537</b>	<b>13,795,191</b>
<b>Balance as at 30.06.2023</b>	<b>1,185,669</b>	<b>(1,067,500)</b>	<b>3,249,287</b>	<b>5,952,196</b>	<b>9,319,652</b>

**Notes to the Financial Statements (Continued...)**

**10. Trade and other payables from non-exchange transactions**

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Trade payables	35,664,614.22	7,243,739
<b>Total trade and other payables</b>	<b>35,664,614.22</b>	<b>7,243,739</b>

**11. Notes to the Statement of Cash flow (Transfers from County Government)**

Description	2023/2024	2022/2023
	Kshs	Kshs
Transfer From the County - Operations	95,664,037.15	338,750,425.00
Transfer From the County - Salaries	238,195,907.90	-
<b>Total</b>	<b>333,859,945.05</b>	<b>338,750,425.00</b>

**12. Notes to the Statement of Cash flow (Employee Costs)**

Description	2023/2024	2022/2023
	Kshs	Kshs
Employee Staff Cost	238,195,907.90	251,448,960.00
Less: Staff Payables		- 2,397,797.00
<b>Total</b>	<b>238,195,907.90</b>	<b>249,051,163.00</b>

**13. Notes to the Statement of Cash flow (Use of goods and services)**

Description	2023/2024	2022/2023
	Kshs	Kshs
Goods and Services	83,876,562.87	77,255,120.00
Add: Finance Cost	27,032.50	
Less: Other Payables		- 2,627,012.00
<b>Total</b>	<b>83,903,595.37</b>	<b>74,628,108.00</b>

**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	Inaccuracies in the financial statements	Management provided the relevant information to confirm with the observation	Resolved	
2	Material uncertainty related to going concern	The board going concern is certain	Resolved	
3	Unsupported transfers from the county government	Management provided the relevant information concerning the issue	Resolved	
4	Inaccurate cash and cash equivalent	Management provided the relevant documentation to correct this issue	Resolved	
5	Unsupported property, plant and equipment	Management provided the relevant information concerning this issue	Resolved	
6	Irregular payment of salary to General manager	Management handled this issue	Resolved	

**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 Board 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.



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**CEO MCRB**

**Date :15<sup>th</sup> September 2024**