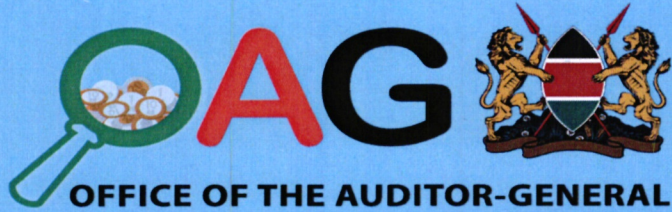


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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**COUNTY ASSEMBLY OF MERU STAFF CAR  
LOAN AND HOUSING SCHEME FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



Revised 30th June 2022



MERU COUNTY GOVERNMENT  
OFFICE OF THE CLERK  
MERU COUNTY ASSEMBLY



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COUNTY ASSEMBLY OF MERU STAFF CAR LOAN AND HOUSING  
SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022

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

8 & DEC 1955

**Table of Content**

1. Key Entity Information and Management	iii
2. The Board of Trustees (or any other governing body for the Fund)	vi
3. Management Team	viii
5. Report of The Fund Administrator	x
6. Statement of Performance Against the County Fund's Predetermined Objectives	xii
7. Corporate Governance Statement	xiii
8. Management Discussion and Analysis	xiv
9. Environmental and Sustainability Reporting	xv
10. Report of The Trustees	xv
11. Statement of Management's Responsibilities	xvii
12. Report of The Independent Auditor	xviii
13. Statement of Financial Performance For The Year Ended 30th June 2022	1
14. Statement of Financial Position As At 30 June 2022	3
15. Statement Of Changes in Net Assets for the year ended 30 <sup>th</sup> June 2022	5
16. Statement Of Cash Flows For The Year Ended 30 June 2022	6
17. Statement Of Comparison Of Budget And Actual Amounts For The Period	8
18. Notes to the Financial Statements	9
19. Progress On Follow Up Of Prior Year Auditor's Recommendations	41

## 1. Key Entity Information and Management

### a) Background information

The County Assembly of Meru Staff Car Loan and Housing Scheme Fund is established by and derives its authority and accountability from The Public Finance Management Act, 2017 and The County Assembly Service Act 2017 on 28<sup>th</sup> June, 2019. The Fund is wholly owned by the County Government of Meru and is domiciled in Kenya.

The fund's objective is to provide loan facilities for the purchase, development, renovation or repair of residential houses and purchase of personal motor vehicles to members of the scheme.

The Fund's principal activity is to consider and approve applications for loans presented to it in accordance with existing terms for borrowing.

### b) Principal Activities

The principal activity/mission/ mandate of the Fund is to be a model fund that meets the needs of the membership in the attainment of decent housing for members. The fund has a mission to grow the fund to enable all the members get car loans and housing loans benefit from the fund.

### c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon. Joseph Kaberia I.A, MBS	Chaiperson
2	Mr. Jacob Kirari	Member
3	Mr. Charles Murithi Launi	Member
4	Mr. Lawrence Gitaari Ndi	Member
5	Mr. Stanley Kipkosgei Karonai	Secretary
6	Mr. Elias Kirimi Marete	Member
7	Ms. Mercy Mwakachiu Nthuku	Member
8	Mr. Benson Kinyua Ngure	Member
9	Mr. Murithi Karundu Edward	Member

d) Key Management

Ref	Name	Position
1	Mr. Jacob Kirari	Clerk
2	Mr. Lawrence Gitaari Ndiu	Director- Finance and Accounting
3	Mr. Stanley Kipkosgei Karonai	Deputy Director- Finance

**e) Registered Offices**

P.O. Box 3-60200  
County Assembly of Meru  
Kenyatta Highway  
Meru, Kenya.

**f) Fund Contacts**

Telephone: (254) 708 777 000  
E-mail: [assembly@meru.go.ke](mailto:assembly@meru.go.ke)  
Website: [www.meru.go.ke](http://www.meru.go.ke)

**g) Fund Bankers**

Equity Bank Ltd  
Njuri Ncheke Street,  
P.O. Box 400,  
Meru 60200,  
Meru, Kenya.

**h) Independent Auditors**


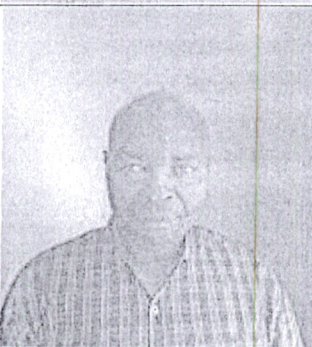


Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**i) Principal Legal Adviser**






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

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

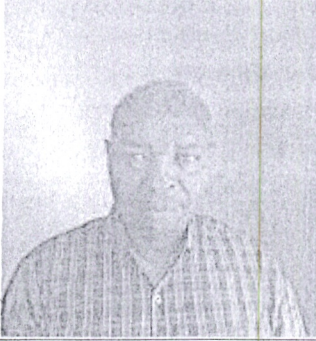

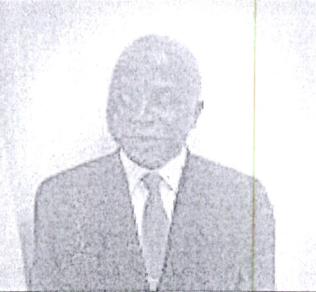

**2. The Board of Trustees (or any other governing body for the Fund)**

NO	IMAGE	NAME	D.O.B	DESIGNATION
1.		Hon Dr. Joseph Kaberia I.A, MBS Academic Profile -LLB, Diploma In Law(KSL) -MBA -Phd	1970	-Chairman
2.		Mr. Jacob Kirari Academic Profile -Bachelor of Business Admin -MBA -Pursuing degree in Law	1968	Clerk, Member
3.		Mr. Charles Murithi Launi -Bachelor of Arts-Public Administration -MBA	13.01.1964	Member
4.		Mr. Lawrence Gitari Ndii -CPA(K) -BBA -MBA	1971	Member

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

5.		<p>Mr. Stanley Kipkosgei Karonai          -CPA(K)          -CPS(K)          -BBA          -Dip. Project Management</p>	04.01.1979	Member
6.		<p>Mr. Elias Kirimi Marete          -BBA          -MBA(Human Resources)          -Member of Institute of HR Practitioners</p>	1968	Member
7.		<p>Ms. Mercy Mwakachiu Nthuku          -Degree in Mass Communication (Public Relations)          -Member of PRSK          -Diploma in Journalism          -Pursuing Master of Public Policy and Administration</p>	27.09.1980	Member
8		<p>Mr. Benson Kinyua Ngure          -LLB, Diploma In Law(KSL)</p>		Member
9		<p>Mr. Murithi Karundu Edward          -Bsc. Sports Science          -Diploma in Forensic Accounting          -Diploma in Criminal Investigation</p>	04.05.1984	Member

3. Management Team

NO	IMAGE	NAME	D.O.B	DESIGNATION
1.		Mr. Jacob Kirari Academic Profile -Bachelor of Business Admin -MBA -Pursuing degree in Law	1968	Clerk, Member
2.		Mr. Charles Murithi Launi -Bachelor of Arts-Public Administration -MBA	13.01.1964	Member
3.		Mr. Lawrence Gitari Ndi -CPA(K) -BBA -MBA	1971	Member
4.		Mr. Stanley Kipkosgei Karonai -CPA(K) -CPS(K) -BBA -Dip. Project Management	04.01.1979	Member

#### 4. Fund Chairperson's Report

It is my pleasure to present, on behalf of the fund, the Meru County Assembly staff Car Loan and Housing Scheme Fund financial statements for the year ended 30<sup>th</sup> June, 2022. The financial statements present the financial performance of the fund over the past year.

##### **Sustainability**

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured. The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options. There were no changes in the management team of the fund during the year under review.

##### **Review of performance**

###### **Income**

The fund earned revenues amounting to KShs. 4,919,838/= from the County Government of Meru in the year ended 30<sup>th</sup> June, 2022. There was no additional revenue in the year under review.

Disbursements during the period were carried out as per the plan with the coordinated efforts by all stakeholders.

###### **Expenditures**

The total disbursements amounted to Kshs. 39,996,500/= made to 7 members. The total expenditures during the period amounted to KShs. 1,439,030 /=.

###### **Future outlook**

The outlook of the Fund for 2022/2023 looks brighter. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery.

###### **Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the County Government of Meru and the County Assembly of Meru, the management committee and staff for their continued support which has enabled us to attain these results.

I look forward to your continued support in the year 2022/2023.

Signed: \_\_\_\_\_



**Hon. Ayub Bundi Solomon**

**Chairman, County Assembly of Staff Car Loan and Housing Scheme Fund**

## 5. Report of the Fund Administrator

It is my pleasure to present the Meru County Assembly car loan and mortgage scheme fund financial statements for the year ended 30<sup>th</sup> June 2022. The financial statements present the financial performance of the fund over the past one year.

The fund was established on 21<sup>st</sup> June 2017 and started with an initial amount of Kshs. 25,000,000/= which was received in the period ended 30<sup>th</sup> June 2017. The fund has grown over the years and currently has a seed capital of Kshs. 162,445,542/=.

### Financial Performance

#### a) Revenue

In the year ended 30<sup>th</sup> June, 2022, the fund did not receive any transfers from the exchequer. In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
Revenue	KShs	KShs	
Transfers from County Assembly	0	0	
Interest income	4,919,838	4,919,838	100%
<b>Total income</b>	<b>4,919,838</b>	<b>4,919,838</b>	<b>100%</b>

#### b) Loans

During the financial period under reporting, the fund disbursed loans to 7 members of staff.

#### Cash flows

In the FY 2021/2022, we were unable to requisition the budgeted amount of Kshs. 20,222,771 due to cash flow challenges. The same has been rolled over to the FY 2022/2023. This amount, together with the budgeted amount of Kshs. 50,680,432/= will be requisitioned and received in the financial year 2022/2023.

The fund has witnessed a systematic growth albeit a slow one since inception. The fund has seen a growth as shown in the table below:

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Ksh.	Kshs.
80,000,000	50,000,000	12,000,000	-	20,445,542	-	162,445,542

However as at the 30<sup>th</sup> June 2022, there is a total amount of fund deficit since there was a requirement of Kshs. 118,600,000/= in pending applications for both car loan and housing scheme. This means that the County Assembly requires this amount to be able to settle all the applications.

In the financial year 2021-2022, the fund had a budget allocation of Kshs. 20,222,771 which is too low compared to the pending applications. The fund collects an average of Kshs. 1,400,000 from monthly repayments which is used to offset applications on a first come first served basis.

**c) Key Risk Management Strategies**

The car loan and housing scheme fund enabled the members of staff the County Assembly of Meru to purchase motor vehicles and construct or purchase residential premises. As a risk management strategy, the County Assembly ensured that all the collateral used by the staff to access the loans were properly secured and the title deeds charged accordingly at the lands registry.


The loans taken by the members of staff of the County Assembly were also insured for the entire period of the loans.

**d) Cash flows**

In the last FY 2021/2022, we were unable to requisition the budgeted amount of Kshs. 20,222,771 due to cash flow challenges. The same has been rolled over to the FY 2022/2023. This amount, together with the budgeted amount for the financial year 2022/2023 of Kshs. 50,680,432/= will be requisitioned and received in the financial year 2022/2023. This means that there is need to further enhance the staff car loan and housing scheme fund to ensure that all members of staff benefit from the fund in the short term.

**e) Conclusion**

I take this opportunity to thank the members of the management committee for their support. I would also want to thank all staff whom we have worked hand in hand to ensure that County Assembly of Meru staff car loan and housing fund achieves its mission.

Signed:   
\_\_\_\_\_

**Charles M. Launi**  
**Fund Administrator**

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

### Introduction

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

The key development objectives of the Fund as per the strategic plan for 2018-2022 are to:

- a) Consider and approve applications for loans presented to it in accordance with existing terms and conditions for borrowing;
- b) Liaise with a housing company (if any) to set up a revolving fund for the disbursement of the loans
- c) Supervise the day to day running of the fund

### Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

The County Assembly currently has 86 members of staff out of whom only 14 members have car loans and 45 mortgages. The management committee is committed to ensure that the fund is managed and grown for the objective of meeting future demands of the fund. This will include mechanisms to provide further funds to enable all the members of staff benefit from the fund.

Program		Objective	Outcome	Indicator	Performance
Increase revolving fund	in	To increase the revolving fund	Increased revolving fund	14% increase in the staff car loan and housing scheme fund	Increase in the revolving fund from Kshs. 162,445,542 to Kshs. 182,668,313
Increase disbursement loans to staff	in of	To provide car loans and housing scheme funds for all staff	Increased number of staff accessing the loans	15% increase of beneficiaries in 2022	Increased number of beneficiaries from 48 to 52 staff

## **7. Corporate Governance Statement**

The County Assembly of Meru Staff Car Loan and Housing Scheme Fund management committee held 4 meetings between 1<sup>st</sup> July 2021 and 30<sup>th</sup> June 2022. The meetings were fully attended. The Salaries and Remuneration Commission circular is used to pay the members sitting allowances as follows: Chairperson –Kshs.6,500/=, Vice Chairperson Kshs. 5,200/= and Members Kshs. 3,900/=. Apart from the sitting allowances paid to the fund management committee, there were no remuneration paid to the members during the financial year under review.

Section 6 (1) of the County Assembly of Meru Staff Car Loan and Housing Scheme Fund regulations, 2019 appoints the following as members of the loans management committee:

- a) One member of the County Assembly Service Board nominated by a resolution of the Board who shall be the Chairperson,
- b) The Clerk of the County Assembly,
- c) The Deputy Clerk of the County Assembly,
- d) The Principal Finance Officer who shall be the Secretary to the Committee and ex officio member,
- e) All heads of departments,

The committee shall perform the following functions:

- d) Consider and approve applications for loans presented to it in accordance with existing terms and conditions for borrowing;
- e) Liaise with a housing company (if any) to set up a revolving fund for the disbursement of the loans
- f) Supervise the day to day running of the fund

The fund conducted an induction training for the members of the committee together with the secretariat in Mombasa in August 2021. The induction was conducted by Parliamentary staff owing to their experience in the management of parliament's car loan and mortgage fund.

During the financial year 2021-2022, the staff car loan and housing scheme fund management committee spent Kshs. 235,130/= on sitting allowances for the meetings attended.

However, the fund management committee is yet to develop a service charter.

During the year under review, there was no case of conflict of interest reported or brought to the attention of the management committee.

The management committee has no major succession plan issues mostly occasioned by General Elections.

## 8. Management Discussion and Analysis

The County Assembly of Meru Staff Car Loan and Housing Scheme Fund Management Committee has not been able to disburse car loans and mortgages to all the members of staff of the County Assembly of Meru. The recoveries from the payroll are received on a monthly basis and the committee is optimistic that progressive budgetary allocations will be allocated annually to boost the seed capital to accommodate more staff members.

The fund management committee has discussed options for investments to grow the fund into a self-sufficient and robust fund that will meet the future objectives of the fund.

The County Assembly of Meru staff Car Loan and Housing Scheme Fund started with a seed capital of Kshs. 25,000,000/=. The seed capital has now grown to Kshs. 162,445,542/=

In the year under review, a total of Kshs. 39,996,500/= was disbursed to seven loan applicants. The management committee is optimistic that it will grow the fund to be able to meet all the needs of the members of staff of the County Assembly.

This will be attained through the annual budget process where the management committee has provided for an additional allocation Kshs. 50,680,432/= in the financial year 2022/2023 to benefit more staff.

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Beneficiaries



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There is a risk of the fund failing to attain its objectives if the seed capital is not enhanced by in subsequent budgets especially with addition in the establishment of the County Assembly of Meru.

## **9. Environmental and Sustainability Reporting**

The County Assembly of Meru Members Car Loan and Housing Scheme exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the following pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

### **1. Sustainability strategy and profile –**

The management is committed to ensure that the fund is built up progressively to the level where all the members of the County Assembly would access loan on a timely basis. The decision to invest in fixed deposit is geared towards achieving this goal in the long term.

### **2. Environmental performance**

The fund has not developed an environmental policy.

### **3. Employee welfare**

The fund has not hired staff but makes use of the existing County Assembly establishment. The human resource policy guides the hiring process

### **4. Market place practices-**

The organisation should outline its efforts to:

#### a) Responsible competition practice.

The organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors by adhering to the Public Procurement and Asset Disposal Act, 2015 and the Public Procurement and Asset Disposal Regulations, 2020.

#### b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

#### c) Responsible marketing and ethical marketing practices are complied with by ensuring that the registered suppliers are accorded an equal opportunity in the market through the use of open tendering which are advertised in local dailies.

#### d) Product stewardship- outline efforts to safeguard consumer rights and interests

### **5. Community Engagements-**

The County Assembly of Meru did not engage in any corporate social responsibility activities in the year under review.

## **10. Report of The Trustees**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

### **Principal activities**

The principal activities of the Fund continue to be;

- a) Consider and approve applications for loans presented to it in accordance with existing terms and conditions for borrowing;
- b) Liaise with the housing company (if any) to set up a revolving fund for the disbursement of the loans;
- c) Supervise the day to day running of the fund.

### **Results**

The results of the Fund for the year ended June 30, 2022 are set out on pages 1 to 8.

### **Trustees**

The members of the Board of Trustees who served during the year are shown on pages vi to page vii. The changes in the Board during the financial year are as shown below:

### **Auditors**

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

By Order of the Board





**Hon. Ayub Bundi Solomon**

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

**Date: 28<sup>th</sup> September, 2022**

## **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 Administrator of a County Public Fund established by the County Assembly Service Act, 2017 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. 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 Fund; (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 Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the County Assembly Service Act, 2017. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund'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 Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

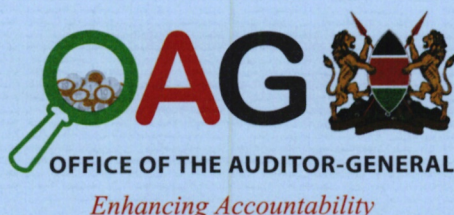
The Fund's financial statements were approved by the Board on 27<sup>th</sup> September, 2022 and signed on its behalf by:



.....  
**Charles M. Launi**  
**Administrator of the County Public Fund**

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF MERU STAFF CAR LOAN AND HOUSING SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Meru Staff Car Loan and Housing Scheme Fund set out on pages 1 to 41, which comprise the statement of financial position as at 30 June, 2022, 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 County Assembly of Meru Staff Car Loan and Housing Scheme Fund as at 30 June, 2022 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 Public Finance Management Act, 2012 and the County Assembly of Meru Staff (Car Loan and Housing Fund) Regulations, 2019.

### **Basis for Qualified Opinion**

#### **1. Unsupported General Office Expenses**

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.1,439,030 in respect to use of goods and services which includes Kshs.1,145,000 on general office expenses which further includes Kshs.999,500 incurred by the Fund Management Committee on travel and accommodation for a seminar held in Nairobi from 28 November, 2021, to 2 December, 2021. However, supporting documents revealed that 15 persons were paid for the seminar instead of nine (9) members who were listed as Board of Trustees. No reason was provided for this anomaly.

Further, the seminar was held in Nairobi contrary to The National Treasury Circular No.20/2015 of 4 November, 2015 which states that in order to curtail expenditure on workshops and retreats, accounting officers are required to ensure that all workshops and retreats with majority of participants drawn from one duty station are held within the duty station. In addition, the requisition provided from the user department did not contain full details on the areas of discussion, the location of the seminar and the delegation therein. Also, the daily attendance register detailing how the members attended the seminar, the place of the meeting and back to office report were not provided for audit review.

In the circumstances, the propriety of the expenditure of Kshs.999,500 could not be confirmed.

#### **2. Statement of Cash Flows**

The statement of cash flows for the year ended 30 June, 2022 reflects Kshs.20,445,542 in respect to transfers from the county government. However, the same is not disclosed in the statement of financial performance or statement of changes in net assts.

In the circumstances, the accuracy of the financial statements could not be confirmed.

#### **3. Lack of Approved Budget**

The approved budget for the Fund for the year was not provided for audit contrary to Section 129(3) of the Public Finance Management Act, 2012 which states that each County Assembly Clerk shall prepare and submit to the County Assembly the budget estimates for the County Assembly.

In the circumstances, the validity of the statement of comparison of budget and actual amounts for the year ended 30 June, 2022 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1.0 Budgetary Control and Performance**

##### **1.1 Unbalanced Budget**

The statement of comparison of budget and actual amounts reflects receipts budget of Kshs.4,919,838 and expenditure budget of Kshs.1,439,030 resulting to a variance of Kshs.3,480,808. This is contrary to Section 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budget revenue and expenditure appropriations shall be balanced. In addition, the statement reflects actual amounts similar to those budgeted which is not realistic.

In the circumstance, the budget is not realistic.

#### **2. Unresolved Prior Year Audit Issues**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance. However, some issues remained unresolved as at 30 June, 2022 contrary to Section 149(2)(l) of Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

### **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 matter 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 of Conclusion**

##### **Non-Compliance with Regulations**

The statement of financial position and as disclosed in Note 12 to the financial statements reflects a balance of Kshs.175,767,812 in respect to receivables from

exchange transactions. However, review of the loan application forms, logbooks, title deeds and agreements revealed non-compliance with the regulation as detailed below;

- i. A loan of Kshs.780,000 was issued to a member of staff using the valuation report from a private valuer contrary to Section 10(2) of the County Assembly of Meru Staff (Car Loan and Housing Fund) Regulations, 2019 which states that for the purpose of the Regulations, the value of a new vehicle shall be as quoted on the invoice from the supplier whereas the value of a used vehicle shall be determined by a report from the Automobile Association of Kenya, or the Government department dealing with such matters.
- ii. A loan of Kshs.2,500,000 was issued to a scheme member whose Mortgage Protection Policy and Fire Policy were not provided for audit review as required. Also, payment receipts for all rates, rents and insurances were not provided.

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

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

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

### Conclusion

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

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

### Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund 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 Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

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

inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of 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 Scheme'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 Scheme 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

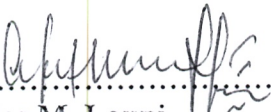
**Nairobi**


**19 April, 2023**

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE, 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
		-	-
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	4,919,838	4,400,053
Other Income	5	-	-
		4,919,838	4,400,053
<b>Total Revenue</b>		4,919,838	4,400,053
<b>Expenses</b>			
Employee Costs	6	-	-
Use of goods and services	7	1,439,030	1,843,980
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
<b>Total Expenses</b>		1,439,030	1,843,980
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	10	-	-
<b>Surplus/(Deficit) For The Period</b>		3,480,808	2,556,073

The notes set out on pages 20 to 30 form an integral part of these Financial Statements

  
.....  
Charles M. Launi  
Administrator of the Fund

  
.....  
CPA Stanley Kipkosgei Karonai  
Fund Accountant  
ICPAK Member Number: 8068



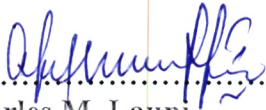
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	11	138,325	770,865
Current Portion of Long- Term Receivables From Exchange Transactions	12	11,701,432	11,352,677
Prepayments	13	-	-
Receivables	12	-	20,445,542
Inventories	14	-	-
		<b>11,839,757</b>	<b>32,569,084</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	164,066,380	139,856,246
		<b>164,066,380</b>	<b>139,856,246</b>
<b>Total Assets</b>		<b>175,906,137</b>	<b>172,425,330</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	17	-	-
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
		-	-
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
<b>Total Liabilities</b>		-	-
<b>Net Assets</b>		<b>175,906,137</b>	<b>151,979,787</b>
Revolving Fund		162,445,542	162,445,542
Reserves		-	-
Accumulated Surplus		13,460,595	9,979,787
<b>Total Net Assets and Liabilities</b>		<b>175,906,137</b>	<b>172,425,330</b>

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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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 27<sup>th</sup> September, 2022 and signed by:



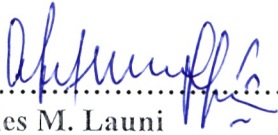
.....  
Charles M. Launi  
Administrator of the Fund




.....  
CPA Stanley Kipkosgei Karonai  
Fund Accountant  
ICPAK Member Number: 8068

15. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022

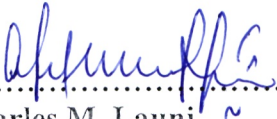
	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	142,000,000	-	7,423,714	149,423,714
Surplus/(Deficit) For the Period	-	-	2,556,073	2,556,073
Funds Received During the Year	20,445,542	-	-	20,445,542
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	162,445,542	-	9,979,787	172,425,329
Balance As At 1 July 2021	162,445,542	-	9,979,787	172,425,329
Surplus/(Deficit) For the Period	-	-	3,480,808	3,480,808
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	162,445,542	-	13,460,595	175,906,137

  
.....  
Charles M. Launi  
Administrator of the Fund

  
.....  
CPA Stanley Kipkosgei Karonai  
Fund Accountant  
ICPAK Member Number: 8068

16. Statement of Cash Flows For The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government		20,445,542	-
Interest received		4,919,838	4,400,053
Receipts from other operating activities		-	-
<b>Total receipts</b>		<b>25,365,380</b>	<b>4,400,053</b>
<b>Payments</b>			
Fund administration expenses		1,439,030	1,843,980
General expenses		-	-
Finance cost		-	-
Other payments		-	-
<b>Net cash flows from operating activities</b>	21	<b>23,926,350</b>	<b>2,556,073</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		15,437,610	8,953,510
Loan disbursements paid out		-39,996,500	-12,359,800
<b>Net cash flows used in investing activities</b>		<b>-24,558,890</b>	<b>-3,406,290</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 &amp; cash Equivalents</b>		<b>-632,541</b>	<b>-850,218</b>
Cash and cash equivalents at 1 July	11	770,865	1,621,082
<b>Cash and cash equivalents at 30 June</b>	11	<b>138,324</b>	<b>770,865</b>



.....  
Charles M. Launi  
Administrator of the Fund



.....  
CPA Stanley Kipkosgei Karonai  
Fund Accountant  
ICPAK Member Number: 8068

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Public Contributions And Donations	-	-	-	-	-	
Transfers From County Govt.						
Interest Income	4,919,838	-	4,919,838	4,919,838	-	100
Other Income	-	-	-	-	-	
<b>Total Income</b>	<b>4,919,838</b>	<b>-</b>	<b>4,919,838</b>	<b>4,919,838</b>	<b>-</b>	
<b>Expenses</b>						
Fund Administration Expenses	1,439,030	-	1,439,030	1,439,030	-	
General Expenses						
Finance Cost						
<b>Total Expenditure</b>	<b>1,439,030</b>		<b>1,439,030</b>	<b>1,439,030</b>		<b>100</b>
<b>Surplus For The Period</b>	<b>3,480,808</b>		<b>3,480,808</b>	<b>3,480,808</b>		

## 18. Notes to the Financial Statements

### 1. General Information

The County Assembly of Meru Staff car loan and Housing Fund is established by and derives its authority and accountability from Public Finance Management Act, 2012 and The County Assembly Service Act, 2017. The entity is wholly owned by the County Government of Meru and is domiciled in Kenya. The entity's principal activity is to consider and approve applications for loans presented to it in accordance with existing terms of borrowing.

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

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

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

### 3. Adoption of new and revised standards

#### (i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

#### (ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p>

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <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> <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 2023</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>

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2023:</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>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
IPSAS 43	<i>Applicable 1<sup>st</sup> January 2025</i>

County Assembly of Meru Staff Car Loan and Housing Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

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

**(iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.

**1. Significant Accounting Policies**

**a) Revenue recognition**

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

Transfers from other government entities

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

**ii. Revenue from exchange transactions**

***Interest income***

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

**b) Budget information**

The original budget for FY 2021-2022 was approved by the County Assembly on 29<sup>th</sup> June, 2021. 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. The Fund did not record any additional appropriations on the FY 2021-2022 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 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 section xxx of these financial statements.

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

**c) Property, plant and equipment**

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

**d) Intangible Assets**

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

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

**e) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

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

***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

***Impairment of financial assets***

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

*Summary Of Significant Accounting Policies (Continued)*

**f) Inventories**

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**g) 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.

***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.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *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.

### **h) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

### **i) 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.

### **j) Employee benefits – Retirement benefit plans**

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

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

### **k) Foreign currency transactions**

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

*Summary of Significant Accounting Policies (Continued)*

**l) Borrowing costs**

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

**m) Related parties**

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

**n) Cash and cash equivalents**

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

**o) Comparative figures**

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

**p) Events after the reporting period**

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

**q) Ultimate and Holding Entity**

The entity is a County Public Fund established by the County Assembly Service Act, 2017. Its ultimate parent is the County Government of Meru.

**r) Currency**

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

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

### **5. Significant judgments and sources of estimation uncertainty**

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

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

#### **b) Useful lives and residual values**

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

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

#### **c) Provisions**

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

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

## 6. NOTES TO THE FINANCIAL STATEMENTS

### 1. Public contributions and donations

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
<b>Total</b>	-	-

### 2. Transfers from County Government

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
<b>Total</b>	-	-

### 3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
<b>Total</b>	-	-

### 4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	4,919,838	4,400,053
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-

**County Assembly of Meru Staff Car Loan and Housing Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Interest Income On Bank Deposits	-	-
<b>Total Interest Income</b>	<b>4,919,838</b>	<b>4,400,053</b>

**Notes to the Financial Statements Continued**

**5. Other income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	-
<b>Total Other Income</b>	<b>-</b>	<b>-</b>

**6. Employee Costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other ( <i>Specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**7. Use of Goods and Services**

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	1,145,000	1,662,300
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	235,130	175,980

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Bank Charges	5,160	4,020
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	52,200	1,680
<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Bank Charges	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Stamp Duty	1,540	-
<b>Total</b>	<b>1,439,030</b>	<b>1,843,980</b>

**8. Depreciation and Amortization Expense**

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**9. Finance costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**10. Gain/(loss) on disposal of assets**

Description	2021-2022	2020-2021
	Kshs	Kshs

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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Property, Plant And Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	-	-

County Assembly of Meru Staff Car Loan and Housing Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Xxx
County Assembly of Meru staff Car Loan and Mortgage Account	138,325	770,865
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others	-	-
<b>Total Cash And Cash Equivalents</b>	<b>138,325</b>	<b>770,865</b>

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

		2021-2022	2020-2021
Financial Institution	Account number	Kshs	Kshs
<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
<b>Sub- Total</b>		-	-
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
<b>Sub- Total</b>		-	-
<b>c) Current Account</b>			
Equity Bank	0140267706704	138,325	770,865
<b>Sub- Total</b>		<b>138,325</b>	<b>770,865</b>
<b>d) Others(Specify)</b>			
Cash In Transit		-	-
Cash In Hand		-	-

County Assembly of Meru Staff Car Loan and Housing Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

Sub- Total		-	-
Grand Total		138,325	770,865

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable		
Current Loan Repayments Due	11,701,432	11,352,677
Other Exchange Debtors	-	20,445,542
Less: Impairment Allowance	-	-
<b>Total Current Receivables</b>	<b>11,701,432</b>	<b>31,798,219</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	164,066,380	139,856,246
<b>Total Non- Current Receivables</b>	<b>164,066,380</b>	<b>139,856,246</b>
<b>Total Receivables From Exchange Transactions</b>	<b>175,767,812</b>	<b>171,654,465</b>

Additional disclosure on interest receivable

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

13. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
<b>Total</b>	-	-

**14. Inventories**

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
<b>Total Inventories At The Lower Of Cost And Net Realizable Value</b>	-	-

County Assembly of Meru Staff Car Loan and Housing Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 <sup>st</sup> July 2020	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30 <sup>th</sup> June 2021	-	-	-	-	-
At 1 <sup>st</sup> July 2021	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-
Depreciation And Impairment	-	-	-	-	-
At 1 <sup>st</sup> July 2020	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 <sup>th</sup> June 2021	-	-	-	-	-
At 1 <sup>st</sup> July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30 <sup>th</sup> June 2021	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-
	-	-	-	-	-

County Assembly of Meru Staff Car Loan and Housing Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

16. Intangible assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost	-	-
At Beginning Of The Year	-	-
Additions	-	-
At End Of The Year	-	-
Amortization And Impairment	-	-
At Beginning Of The Year	-	-
Amortization	-	-
At End Of The Year	-	-
Impairment Loss	-	-
At End Of The Year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	-	-
Refundable Deposits	-	-
Accrued Expenses	-	-
Other Payables	-	-
<b>Total Trade And Other Payables</b>	-	-

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
Annual Report and Financial Statements for the year ended June 30, 2022

Transfers From Non -Current Provisions	-	-	-	-
<b>Balance At The End Of The Year (30.06.2022)</b>	-	-	-	-

County Assembly of Meru Staff Car Loan and Housing Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

19. Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Balance At Beginning of The Period</b>	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
<b>Balance At End of The Period</b>	-	-

The table below shows the classification of borrowings into external and domestic borrowings:

	2021-2022	2020-2021
	Kshs	Kshs
<b>External Borrowings</b>		
Dollar Denominated Loan From 'X Organisation'	-	-
Sterling Pound Denominated Loan From 'Y Organisation'	-	-
Euro Denominated Loan from Z Organisation'	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
<b>Total Balance at End Of The Year</b>	-	-

The table below shows the classification of borrowings long-term and current borrowings:

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	-	-
<b>Total</b>	-	-

County Assembly of Meru Staff Car Loan and Housing Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	<b>1,439,030</b>	<b>1,843,980</b>
<b>Adjusted For:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	4,919,838	4,400,053
Finance Cost	-	-
<b>Working Capital Adjustments</b>		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
<b>Net Cash Flow From Operating Activities</b>	<b>3,480,808</b>	<b>2,556,073</b>

**Other Disclosures**

**22. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

**c) Key management remuneration**

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
<b>Total</b>	-	-

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures Continued**

**e) Due to related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
<b>Total</b>	-	-

**23. Contingent assets and contingent liabilities**

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Case Against The Fund	-	-
Bank Guarantees	-	-
<b>Total</b>	-	-

*(Give details)*

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures Continued**

**24. Financial risk management**

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

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

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions	175,767,812	175,767,812		
Receivables From Non-Exchange Transactions				
Bank Balances	138,325	138,325		
<b>Total</b>	<b>175,906,137</b>	<b>175,906,137</b>		
<b>At 30 June 2021</b>				
Receivables From Exchange Transactions	171,654,465	171,654,465		
Receivables From Non Exchange Transactions				

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Bank Balances	770,865	770,865		
<b>Total</b>	<b>172,425,330</b>	<b>172,425,330</b>		

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

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

**b) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>	-	-	-	-
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

<b>Total</b>	-	-	-	-
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**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		<b>Other currencies</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2021</b>			
Financial Assets	-	-	-
Investments	-	-	-
Cash			
Debtors/ Receivables			

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

<b>Liabilities</b>			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)			

*The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.*

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund’s statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	<b>Change in currency rate</b>	<b>Effect on surplus/ deficit</b>	<b>Effect on equity</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>2022</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2021</b>			
Euro	10%	-	-
USD	10%	-	-

**ii. Interest rate risk**

Interest rate risk is the risk that the entity’s financial condition may be adversely affected as a result of changes in interest rate levels. The entity’s interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund’s deposits.

***Management of interest rate risk***

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Sensitivity analysis**

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 49,199. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 245,992 (2021 – KShs 220,003)

**d) Capital risk management**

The objective of the Fund’s capital risk management is to safeguard the Fund’s ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve		
Revolving fund	162,445,542	162,445,542
Accumulated surplus	13,460,595	9,979,788
<b>Total funds</b>	<b>175,906,137</b>	<b>172,425,330</b>
Total borrowings		
Less: cash and bank balances	138,325	770,865
Net debt/(excess cash and cash equivalents)	138,325	770,865
<b>Gearing</b>	<b>0.08%</b>	<b>0.45%</b>

*County Assembly of Meru Staff Car Loan and Housing Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**19. 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Unsupported Loan Repayments	The clerk is committed to ensure compliance	Not resolved	1 <sup>st</sup> July, 2022
2.	Variance in capital Risk Management Disclosure	Variance reconciled	Resolved	
3.	Presentation of the Financial Statement	The clerk is committed to ensure compliance.	Not resolved	1 <sup>st</sup> July, 2022
<b>Report on lawfulness and effectiveness in use of public resources</b>				
1.	Non-Compliance with car loan and Housing Scheme Fund Regulations	The clerk is committed to ensure compliance.	Not resolved	1 <sup>st</sup> July, 2022
2.	Irregular out of Station Committee Meetings	The clerk is committed to ensure compliance	Not resolved	1 <sup>st</sup> July, 2022
<b>Report on effectiveness of internal controls, risk management and Governance</b>				
1.	Failure to carry out internal audit on the car loan and mortgage Fund	The fund has not recruited staff and so relies on the workforce of the County Assembly. The clerk is committed to build the capacity of internal audit to carry out this task.	Not resolved	1 <sup>st</sup> July, 2022