

REPUBLIC OF KENYA



Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

PAPERS LAID	
DATE	27/10/2022
TABLED BY	Senate Majority Whip
COMMITTEE	_____
CLERK AT THE TABLE	A. Macharia

REPORT

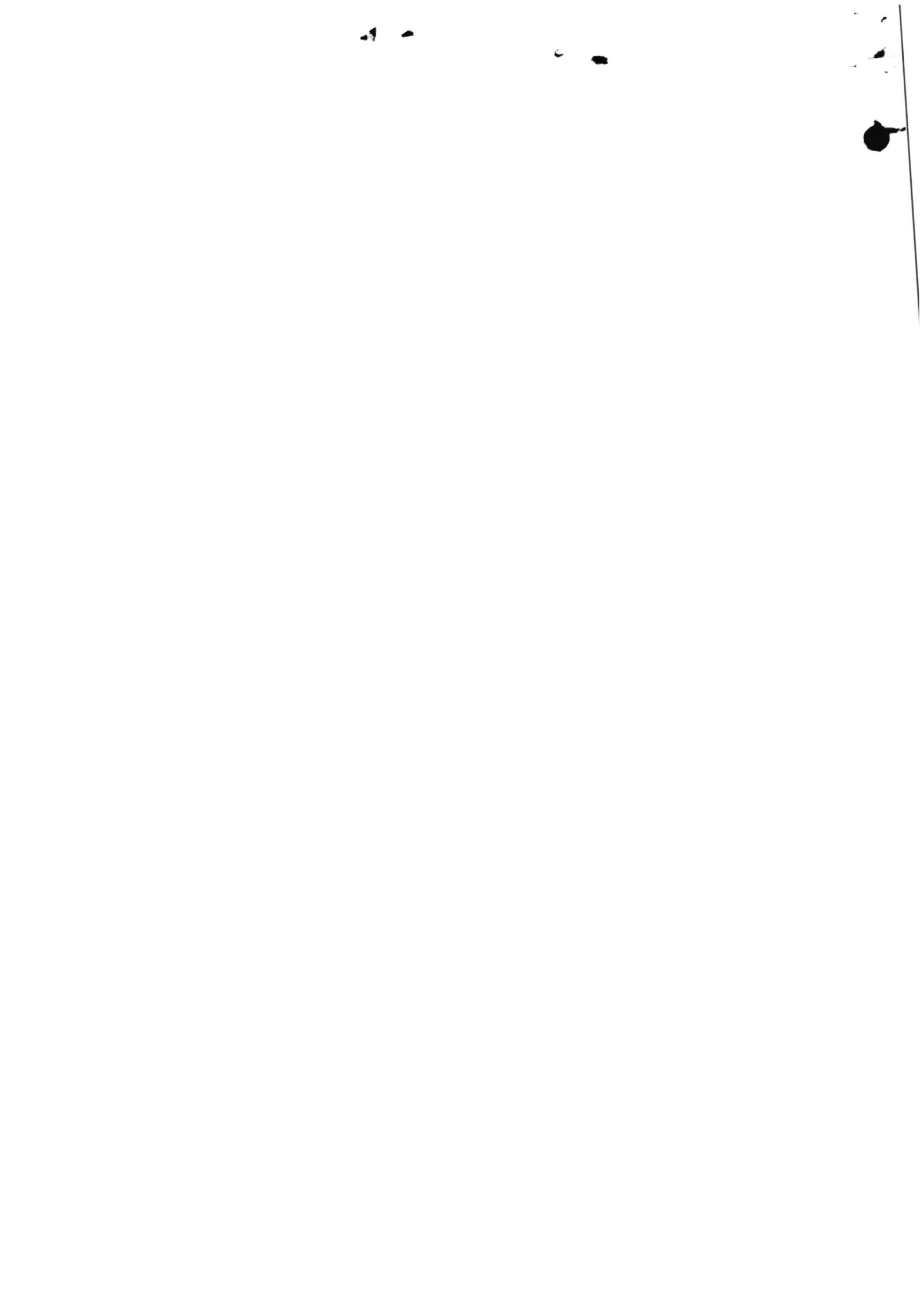
OF

THE AUDITOR-GENERAL

ON

MERU COUNTY REVENUE BOARD

**FOR THE YEAR
ENDED 30 JUNE, 2021**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

16 JUN 2022

RECEIVED



MERU COUNTY REVENUE BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

TABLE OF CONTENTS

1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. THE BOARD OF DIRECTORS	4
3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY’S PREDETERMINED OBJECTIVES	7
4. MANAGEMENT TEAM	8
5. BOARD CHAIRPERSON’S REPORT	10
6. REPORT OF THE GENERAL MANAGER	11
7. CORPORATE GOVERNANCE STATEMENT	12
8. MANAGEMENT DISCUSSION AND ANALYSIS	14
9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	17
10. REPORT OF THE BOARD OF DIRECTORS	18
11. STATEMENT OF MANAGEMENT’S RESPONSIBILITIES	19
12. REPORT OF THE INDEPENDENT AUDITOR	20
13. FINANCIAL STATEMENTS	21
13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 th JUNE 2021	21
13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 th JUNE 2021	22
13.3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 th JUNE 2021	23
13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 th JUNE 2021	24
13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 th JUNE 2021	25
13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	26
13.7. NOTES TO THE FINANCIAL STATEMENTS.....	31
14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS	36

**Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

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

b) Principal Activities

Mission

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

Vision

To be a world-class revenue collection agency

Slogan

Lipa Ushuru Jenga Meru

Functions of the Board

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

c) Board of Directors

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

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

d) Key Management

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

e) Registered Offices

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

f) Board Contacts

Telephone: (254) 0709 241000
E-mail: revenueboard@meru.go.ke
Website: www.meru.go.ke

g) Board Bankers

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

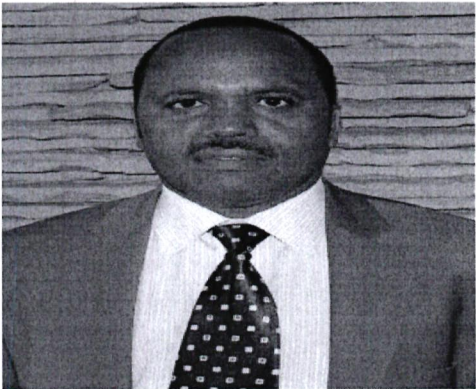
h) Independent Auditors



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

i) Principal Legal Adviser



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

2. THE BOARD OF DIRECTORS

Name	Details of qualifications and experience
 <p>Mr. Douglas Kailanya CPA</p>	<p>CHAIRMAN – MCRB</p> <p>He is a qualified accountant with over 20 years’ experience in financial management, administration, budgeting, investment portfolio management, credit control, Process and Policy formulation, enterprise Debt, Public debt, risk management and Strategic Planning & Decision Making</p> <p>He holds a MBA -Master of Business Administration Degree –(Finance) - from University of Nairobi, B.Com. Degree (Hons.) Accounting Option - University of Nairobi.</p> <p>A fully Certified Public Accountant of Kenya CPA (K)</p> <p>He holds a Certificate in Driving Government Performance strategies that produce result, - Course attained at Harvard University in Boston, Massachusetts (USA)</p> <p>He holds a Certificate in Strategic Management of Regulatory and Enforcement Agencies – Course attained at Harvard University in Boston, Massachusetts (USA)</p> <p>He holds a certificate in Strategic Planning and Decision Making - Course attained at SETYM International Montreal - Canada</p> <p>Professional Training course in “Corporate Governance for Directors of state Corporations” offered by Center for Corporate Governance in Kenya</p> <p>He holds a Certificate in Advantage Training in Corporate Governance in Johannesburg South Africa</p> <p>Professional training course in Corporate Governance for Directors</p> <p>A Member of Institute of Directors (IOD) of Kenya</p> <p>A registered member of the Institute of Certified Public Accountants of Kenya (ICPAK), DOB: 28/11/1965</p>

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

**Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021**

	<p>February 2001 - Nov 2004: - Moi Girls' School Nairobi Kenya Certificate of Secondary Education Mean Grade A- DOB: 04/12/1986</p>
 <p>Joseph Chabari</p>	<p>BOARD MEMBER <i>Board Committees: Compliance(Member), Audit (Member) and Finance administration & Human Resource (Member)</i> MBA – Finance BBA – Accounts CPA(K) Member – ICPAK – Chief Officer Finance, Economic planning and ICT County Government of Meru. Mr. Chabari has a vast experience in Finance and accounting in Public Sector having worked at the National Treasury for 9 years. DOB: 10/05/1982</p>
 <p>Dr. John Ntoiti</p>	<p>EXECUTIVE MEMBER <i>Board Committees: Compliance (Member), Audit (Member) and Finance administration & Human Resource (Member)</i> June 2018 – Date General Manager MCRB 2014 Oct – 2017 Chief Officer Public Administration and Revenue Mobilisation Nairobi City County 2014 Jan – Oct Chief Officer Devolution Nairobi City County 2012 – 2014 Director of Decentralization Nairobi City County 2009 – 2012 Town Clerk Administration Nairobi City Council 2007 – 2009 Chief Administration Officer Nairobi City Council EDUCATION BACKGROUND PHD in Finance of 2013 Masters in Business Administration Bachelor of Education in Economics SLDP KSG of 2014 Management of Devolved Government Systems in Beijing 2015 DOB: 03/01/1970</p>

3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the Meru County Revenue Board in the Meru County Government 2018-2022 plan are to:

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


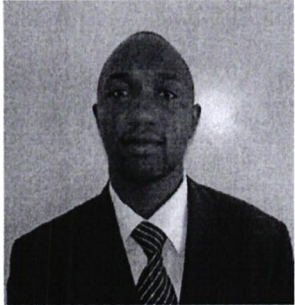

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:



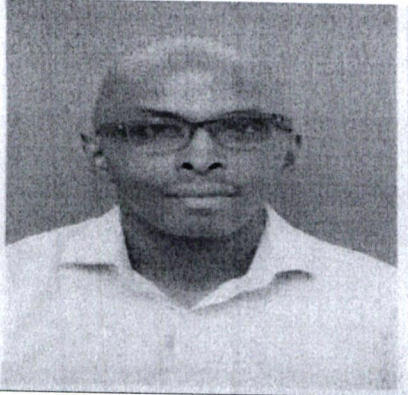

Program	Objective	Outcome	Indicator	Performance
Revenue Management	To realize optimum automation of revenue collection and monitoring	Decreased revenue collection leakages	Number of revenue streams automated	10 revenue streams automated
Staff Welfare	To develop/construct cess points for all barriers across the county	Improved staff working conditions	Number of clamps and spikes procures	30 clamps and spikes procured
Capacity Building	To train all revenue officers	Enhanced/improved skills and knowledge	% no of staff trained	80% of staff trained

**Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021**

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>Dr. John Ntoiti</p> 	<p>General Manager June 2018 – Date General Manager MCRB 2014 Oct – 2017 Chief Officer Public Administration and Revenue Mobilisation Nairobi City County 2014 Jan – Oct Chief Officer Devolution Nairobi City County 2012 – 2014 Director of Decentralization Nairobi City County 2009 – 2012 Town Clerk Administration Nairobi City Council 2007 – 2009 Chief Administration Officer Nairobi City Council EDUCATION BACKGROUND PHD in Finance of 2013 Masters in Business Administration Bachelor of Education in Economics SLDP KSG of 2014 Management of Devolved Government Systems in Beijing 2015 DOB: 03/01/1970</p>
<p>Eric Munene Kabuae</p> 	<p>Ag. Director Revenue Senior ICT Officer 2013-2018, Computer Programmer 2008-2013 Masters in Cyber Security ongoing BBIT, Diploma in Computer Science, DOB: 24/04/1983</p>
<p>Henry Muriungi</p> 	<p>Ag. Director Efficiency Monitoring and Evaluation System Administrator, Medical Claims in Charge NHIF MBA Project management and Planning ongoing Bachelor of Business in IT Diploma in IT Certificate Monitoring and Evaluation, and Hospital Management Information System DOB: 27/11/1985</p>

**Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021**

<p>Mary Kimaita</p> 	<p>Director of Human Resource Human Resource Officer since 1999 Masters of Business Administration, Bachelors of Arts, Higher Diploma in Human Resource Management DOB: 08/11/1969</p>
<p>Eric Mutuma</p> 	<p>Ag. Director ICT Bachelor of Business Information & Technology(ongoing) Diploma in IT CCNA ICT Officer Meru County 2014-2020 DOB: 15/03/1993</p>
<p>Moses Chege</p> 	<p>Ag. Director of Finance & Administration Bachelor of Commerce (Finance), CPA (K) 25 Years post qualification Experience DOB: 15/12/1965</p>
<p>Dennis Thiora</p> 	<p>Ag. Director of Enforcement Senior Enforcement Officer Meru County Diploma in ICT DOB: 25/09/1989</p>

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

5. BOARD CHAIRPERSON'S REPORT

On behalf of the Board of Directors, Meru County Revenue Board (MCRB), I take this opportunity to present to you the 12 months ended 30 June 2021 reports and financial statements pursuant to section 22 (1) of the Meru Revenue Board Act, 2014 which states that, within a period of three months after the end of each financial year, the Board shall submit to the Auditor-General, the accounts of the Board together with:

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

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



Douglas Kailanya
Board Chairman

6. REPORT OF THE GENERAL MANAGER

The Meru County Revenue Board Act 2014 requires the board to prepare financial statements at the end of each financial year. I am pleased to present the financial statements of the board for the period ended 30th June 2021.

Meru County Revenue Board was formed in 2014 and its core mandate includes assessment and collection of revenue, administration and enforcement of laws relating to revenue within the county and provision of connected purposes. The corporation officially began its operations in October 2016 and the Financial Year 2020-2021 is its fifth year of operation.

The budget for the year under review amounted to Kshs.318M for operations, which I am pleased to report, was financed in full by the County Treasury. However, the funds were not adequate to finance the operations of the board.

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

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



Dr. John Ntoiti
General Manager

7. CORPORATE GOVERNANCE STATEMENT

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

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

Governance Principles and Guidelines

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

Responsibilities of the Board

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

Capacity Building for the Board

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

Conflict of Interest

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

Board Charter

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

Appointment and Removal of Board Members

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

Composition of the Board

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

Accountability and audit

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

Internal Controls

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

Directors' Remuneration

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

Board Meetings

During this financial year, the board held 4(four) meetings, which were attended by all members except for 2(two) where one member was absent with apology.

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

8. MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE PERFORMANCE FOR THE YEAR ENDEND 30TH JUNE 2021

Revenue collected from 1st July 2020 to 30th June 2021 per source/revenue Stream and per Sub-county is as shown in the tables below. Sums of actual revenue collected vs annual targets for the last 3(three) financial years is also shown below.

REVENUE COLLECTION ANALYSIS AS PER SUB-COUNTY				
	SUBCOUNTY	2018-2019	2019-2020	2020-2021
1	Meru Town	225,579,187.02	156,286,718.19	159,870,886.49
2	Buuri	55,193,766.65	47,818,548.64	51,679,788.35
3	Maua Town	69,285,360.00	42,947,863.08	45,870,556.00
4	Imenti South	29,921,660.40	27,261,214.10	33,905,954.00
5	Imenti Central	31,895,188.00	25,753,145.08	31,187,458.00
6	Nkubu Town	31,031,193.00	23,076,000.63	24,397,432.00
7	Imenti North	19,705,767.40	16,922,594.82	19,973,427.00
8	Tigania East	18,427,425.00	11,578,120.27	19,347,116.00
9	Tigania West	14,917,191.00	12,936,784.04	17,953,902.00
10	Igembe Central	17,649,314.00	10,612,271.43	14,223,541.00
11	Igembe North	15,063,865.00	8,161,144.99	12,871,162.00
12	Igembe South	9,073,178.00	6,152,369.95	4,641,183.00
	Directing Banking	4,810,027.83		-
	TOTALS	542,553,123.30	389,506,775.22	435,922,405.84

REVENUE COLLECTION ANALYSIS AS PER SOURCE				
	Revenue Streams	2018-2019	2019-2020	2020-2021
1	Single business permit	188,730,873.00	95,366,736.70	125,075,905.00
2	Cess	70,339,770.55	68,500,609.87	67,422,590.35
3	Parking fees	80,095,533.00	73,017,100.45	61,497,394.00
4	Market fee	45,516,822.00	38,486,636.55	43,804,490.00
5	Land Rates	49,532,971.60	26,766,816.92	36,099,667.14
6	Outdoor adverts. & Signboard	42,343,350.00	25,763,307.92	35,883,238.00
7	Building plans	22,954,838.00	18,157,560.95	29,248,521.00
8	Plot Rent	6,806,959.00	4,991,187.00	12,658,615.00
9	House rent/Stall rent	10,461,329.00	9,239,955.50	9,700,395.00
10	Slaughter house fees	5,466,225.00	5,404,031.80	4,036,290.00
11	Miscellaneous income	4,555,131.25	9,382,993.75	3,182,251.35
12	Meat Inspection and Veterinary Services	1,440,660.00	4,017,917.02	2,045,480.00
13	Impounding fees & Fines	1,929,715.00	1,063,211.51	693,362.00
14	Toilet fees	1,721,554.77	1,151,376.75	598,805.00
15	Application fees	278,100.00	1,266,805.63	489,800.00

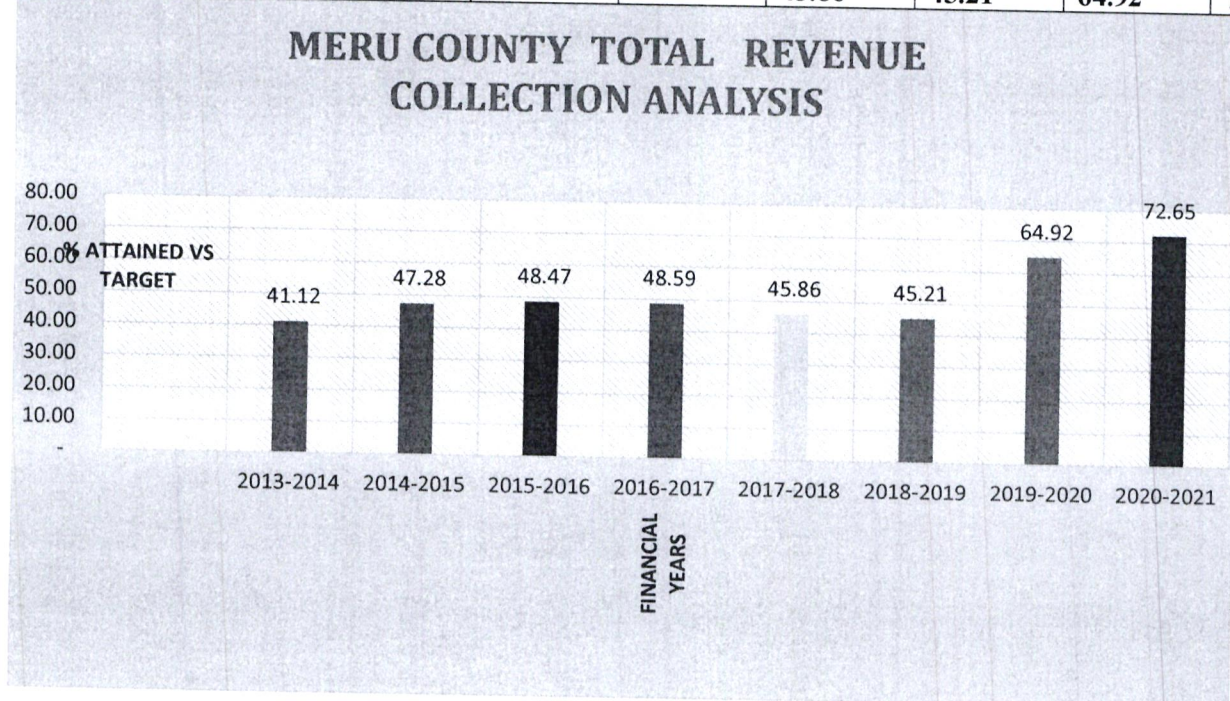
Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

16	Hire of county properties/Estates	772,083.00	2,137,809.66	284,420.00
17	Fire section fee	266,700.00	564,701.14	278,105.00
18	Refuse collection fee	173,800.00	141,431.64	205,700.00
19	Transfer & Subdivision fee	443,000.00	170,572.93	124,147.00
20	Sale of tender doc	15,000.00	32,027.49	3,000.00
21	Public health	3,898,680.30	32,744.03	-
22	Ams Mitunguu	-	451,240.00	-
23	Kaguru Atc	-	3,400,000.00	-
	Direct Banking	4,810,027.83	-	-
	TOTALS	542,553,123.30	389,506,775.22	435,922,405.84
	TARGETS	1,200,000,000.00	600,000,000.00	600,000,000.00
	% PERFORMANCE	45.21	64.92	72.65

REVENUE PERFORMANCE VS SET TARGETS BETWEEN FY 2013/14-2020/21

Revenue collections performance vs set targets between FY 2013/14-2020/21 is analysed below:

MERU COUNTY TOTAL REVENUE COLLECTION ANALYSIS								
FY	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total Revenue Collected	328.9 M	378.2 M	387.7M	388.7 M	321.0 M	542.5 M	389.5 M	435.9 M
Targets	800 M	800 M	800 M	800 M	700 M	1,200 M	600 M	600 M
% Performance	41.12	47.28	48.47	48.59	45.86	45.21	64.92	72.65



Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

Other Key Milestones during the Financial Year:

- a) The board automated majority of revenue streams through Jambo Pay system and retired the old ZIZI system during the year.
- b) MCRB managed to charge fees in Kangeta, Laare and Mujwa markets where traders were hitherto not paying through dialogue initiatives.
- c) The board enhanced human resource capacity by recruiting officers to replace retired ones.
- d) The process of delinking the board payroll from the main county payroll was initiated and now operating successfully.
- e) The board received its full budgetary allocation through phased disbursements.
- f) The County Assembly passed the business permit enforcement regulations.
- g) Waiver was granted by His Excellency the Governor to the plot owners to enable them clear the outstanding arrears.
- h) Training of 543 employees on Customer care, public relation, Finance act 2019, HR policies and Constitution article 10&232 being part of the RRI goal
- i) A tow vehicle was fabricated which is being used in towing vehicles that have not complied

CHALLENGES

- a. All businesses were immensely affected during the peak period of SBP fees collection since the covid-19 containment measures were effected as most of the businesses were closed and those operating were not willing to pay.
- b. An executive order was issued to reduce the seasonal parking fees by 50% of the monthly fees. In addition, most vehicles stopped operating due to containment measures hence low seasonal parking fees.
- c. The potatoes regulations which were introduced have resulted in many traders not transporting their produce hence low collection in market fees and cess.
- d. All barriers were affected after the members of the public were advised to avoid cash handling, since most of the customers were not willing to use the pay bill to pay cess fees.
- e. Perennial challenge of mobility due the unavailability of enough vehicles affected revenue collection in all sub counties.
- f. An out-dated valuation roll.
- g. The Board is not collecting revenue from public health activities, Liquor licenses and Health department fees and charges as it is in other counties
- h. Inadequate budget allocation which has severely affected the operations of the board.
- i. Inadequate POS machines and system downtimes.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

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

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

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

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

10. REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Fund affairs.

Principal activities

The principal activities of the Board are

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

Results

The results of the Board for the year ended June 30, 2021 are set out on page 21 to 35.

Board of Directors

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

Auditors

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

By Order of the Board



Member of the Board

Date: 24th September 2021

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

The General Manager of the Board is responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The General Manager accepts responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Meru County Revenue Board Act 2014. The General Manager is of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2021, and of the Board's financial position as at that date.

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

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

Approval of the Financial Statements

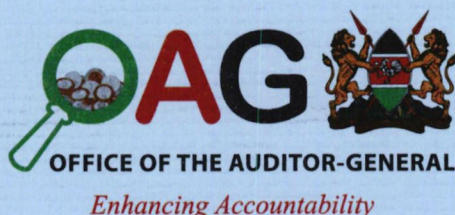
The Board's financial statements were approved by the Board on 24th September 2021 and signed on its behalf by:



Dr. John Ntoiti
General Manager

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY REVENUE BOARD FOR THE YEAR ENDED 30 JUNE, 2021

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 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 the Meru County Revenue Board set out on pages 21 to 36, which comprise of the statement of financial position as at

Report of the Auditor-General on Meru County Revenue Board for the year ended 30 June, 2021

30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Meru County Revenue Board as at 30 June, 2021, 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 County Government Act, 2012, the Public Finance Management Act, 2012 and Meru County Revenue Board Act, 2014.

Basis for Qualified Opinion

1.0 Unbudgeted Expenditure

The statement of comparison of budget and actual amounts under actual on comparable basis reflects amounts of Kshs.318,151,238 and Kshs.245,159,934 under transfers from County Government and Fund Administration Expenses respectively, which had not been budgeted for.

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

2.0 Unexplained Revenue and Expenditure Increases

The statement of financial performance reflects Kshs.318,151,238 (2019/2020 - Kshs.59,300,000) in respect to transfers from the County Government representing 437% unexplained increase from the previous year.

3.0 Unexplained Fund Administration Expenses increases

The statement of financial performance reflects Kshs.245,159,934 (2019/2020 - Kshs.5,159,469) in respect to fund administration expenses representing 4651% unexplained increase from the previous year. In addition, the Board has not provided an approved budget to support the expenditure.

In the circumstances, the validity of the Kshs.245,159,934 expenditure could not be confirmed.

4.0 General Expenses

4.1 Unsupported Domestic Travel and Subsistence

The Statement of financial performance and as disclosed in Note 4 to the financial statements reflects Kshs.84,533,499 in respect to general expenses. Included in this

amount is Kshs.8,238,252 in respect to domestic travel and subsistence out of which Kshs.3,095,352 whose supporting documents were not provided for audit. This included invitation letters to meetings, agendas of the meeting, daily itinerary of the activities, signed attendance registers, back to office reports, work tickets and evidence of travel to and from the said venues.

In the circumstances, the accuracy and validity of the Kshs.3,095,352 expenditures could not be confirmed.

4.2 Unaccounted for Fuel

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects Kshs.84,533,499 in respect to general expenses which includes Kshs.4,062,714 in relation to fuel, oil and lubricants. However, review of the documents provided revealed that the Board did not keep a fuel register showing records of fuel drawn, quantities remaining and levels of stocks requiring replenishment. Further, there was no evidence that frequent reconciliations between the fuel registers and suppliers' statements were done by the officer in charge of fleet management to ensure that all the amounts paid were accounted for.

Further, procurement records including the advertisement, invitations to bid, tender opening minutes, tender evaluations minutes, professional opinion, user requisitions and contract agreement were not provided for audit. This was contrary to Section 135(2) of the Public Procurement and Assets Disposal Act, 2015 which states that an accounting officer of a procuring entity shall enter into a written contract with the person submitting the successful tender based on the tender documents and any clarifications that emanate from the procurement proceedings.

In the circumstances, the accuracy Kshs.4,062,714 in respect to fuel, oil and lubricants could not be ascertained and the Board was in breach of the law.

4.3 Unaccounted for Receipt Books

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects Kshs.84,533,499 in respect to general expenses. Included in this amount is Kshs.2,338,900 in respect to publishing and printing services paid to Kenya Government Printers towards printing of caution books among other items. Further, verification of the counter foil issuance register revealed that the users of the caution books did not return various receipt books upon completion.

In the circumstances, the validity of the printing and publishing services expenditure of Kshs.2,338,900 could not be confirmed.

4.4 Unconfirmed Revenue Collection Commission Expenses

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects Kshs.84,533,499 in respect to general expenses which includes Kshs.12,742,829 in respect to other operating expenses - governance and compliance. Included in this amount is Kshs.9,827,586 paid to Riverbank Solutions Limited on the 10 February, 2021. This related to 3.5% commission being administrative cost of revenue

collected of Kshs.286,288,208 and banked on behalf of the County Government between 1 January, 2019 and 31 March, 2019. However, the Kshs.9,827,586 commission paid to the company was not supported by bank statements confirming receipt of Kshs.286,288,208 by the County Government. In addition, though invoiced in the year 2019, the same had not been captured as a pending bill.

In the circumstances, validity of the commission payments of Kshs.9,827,586 could not be confirmed.

4.5 Misstatement of Depreciation Charge for the Year

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects Kshs.84,533,499 in respect to general expenses which includes Kshs.3,596,136 in respect of depreciation charge. However, the property, plant and equipment movement schedule disclosed under Note 6 to the financial statements reflects a balance of Kshs.4,217,537 resulting to unreconciled variance of Kshs.621,401.

In the circumstances, the accuracy of the depreciation balance of Kshs.3,596,136 could not be confirmed.

5.0 Trade and Other Payables from Exchange Transactions

5.1 Unconfirmed Revenue Collection Commission

The statement of financial position and as disclosed in Note 7 to the financial statements reflects Kshs.9,158,862 in respect to trade and other payables which includes Kshs.9,030,102 in respect to other payables. Included in this amount is Kshs.5,000,000 and Kshs.1,328,082 paid to Webtribe Limited and Collection Africa respectively both totaling to Kshs.6,328,082 in relation to debt collection commission and revenue collection and management respectively. However, supporting documents in respect to the payment including bank statements indicating revenue collected and banked by the County Government as a basis of computation of the amounts due to the companies were not provided.

In the circumstances, the validity of Kshs.6,328,082 paid as commissions in revenue collection could not be ascertained.

5.2 Unconfirmed Payments for Motor Vehicle Services and Repairs

The statement of financial position and as disclosed in Note 7 to the financial statements reflects Kshs.9,158,862 in respect to trade and other payables from exchange transactions, which includes Kshs.9,030,102 in respect to other payables. Included in this amount is Kshs.31,439 and Kshs.110,861 paid to Meru Highway Motors and Mwitari Auto Garage respectively both totaling to Kshs.142,300 in respect to motor vehicle repairs and services.

However, the following anomalies were noted;

- (i) Although the Kshs.31,439 was paid to Meru Highway Motors for routine service and repair for motor vehicle registration number KBZ 463D the work ticket number N363562 showed the vehicle did not undergo the routine maintenance. Further, no inspection report from the County Mechanical Engineer was provided as evidence that the vehicle was repaired.
- (ii) The Kshs.110,861 was paid to Mwitari Auto Garage for repair of motor vehicles registration numbers KBY 719C, KCA 974F and KBY 720C respectively. However, according to the work tickets numbers N363567 for KBY 719C, N363566 for KCA 974F and N36364 for KBY 720C, the said motor vehicles were not at the garage. Further there was no inspection report from the County Mechanical Engineer confirming that the vehicles were indeed repaired.

In the circumstances, the validity of the Kshs.142,300 expenditure on repairs and maintenance could not be confirmed.

6.0 Staff Cost - Payments outside the IPPD System

Analysis of staff costs data provided for audit revealed that the Board operated both IPPD and manual payrolls. During the year under review, Kshs.37,384,740.39 was paid through the manual payroll while an amount of Kshs.147,722,068 was paid through IPPD. The manual system requires manual calculation which is prone to human error. It was not explained why Management did not pay all its employees using the IPPD payroll.

In the circumstances, the accuracy of the Kshs.37,384,740 in respect to salaries processed manually could not be confirmed.

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

Key Audit Matters

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

Other Matter

Sustainability of Services

The statement of financial performance reflects Kshs.318,151,238 and Kshs.329,693,433 in respect to total revenue and total expenses respectively resulting to a deficit of Kshs.11,542,195 or 4% of total revenue (2020: deficit: Kshs.3,456,724) thereby increasing the accumulated deficit to Kshs.12,261,317.

Further, review of the statement of financial position revealed that the Board's current liabilities amounted to Kshs.9,158,862 which exceeded the current assets of Kshs.137,760 by Kshs.9,021,102 reflecting a negative working capital. As a result, the Board may not be in a position to meet its financial obligation as and when they fall due.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, 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

1.0 Irregular Composition of Board Sub-Committees

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects Kshs.84,533,499 in respect to general expenses which includes Kshs.2,002,710 in respect to boards, committees, conferences, and seminars. However, it was noted that all the board members except for the chairman were members of all the three sub-committees of the board namely Compliance Committee, Audit Committee and Finance Administration and Human Resource committee. Therefore, the committees were conducting their business within a framework of a full board structure contrary to Section B (4) of the Head of Public Service Circular OP/CAB.9/1A dated 11 March, 2020 which stipulates that the number of members to a board sub-committee should not be more than a third of the full board to obviate the risk of a committee conducting its business within the framework of a full board structure. Further, members can only sit in a maximum of two (2) committees and any exception must secure written approval of the respective Cabinet Secretary in consultation with State Corporations Advisory Committee.

In addition, the Chair of the Board Audit Committee is also a member of the Finance and Administration Committee contrary to Section B (5) of the circular which stipulates that a member serving in the Board Audit Committee shall not be appointed to serve in the Finance Committee and vice versa.

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

2.0 Irregular Payment of Retreat and Task Force Allowances

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects Kshs.84,533,499 in respect to general expenses which includes Kshs.1,722,101 in respect to training expenses. Included in this amount is Kshs.60,000 paid as retreat allowances to ten (10) officers during Jambo Pay training. However, it was not explained why the officers on training were paid the retreat allowance. This was contrary to Office of President circular OP/CAB.2/12A which specifies individuals entitled

to retreat allowance as resource persons reviewing, developing, and producing policy documents.

In the circumstances, the validity of the expenditure of Kshs.60,000 could not be confirmed and Management was in breach of the law.

3.0 Budget Over expenditure

The Board's statement of comparison of budget and actual amounts reflects Kshs.318,151,238 and Kshs.329,693,433 in respect to approved revenue and expenditure budgets respectively resulting to over expenditure of Kshs.11,542,195 contrary to Section 31(c) of the Public Finance Management Act, 2015.

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

3.0 Irregular Implementation of the Budget

The statement of comparison of budget and actual amounts for the period under review reflects final revenue budget of Kshs.318,151,238 and final expenditure budget of Kshs.329,693,433. However, no evidence was provided to confirm that the budget was approved by the County Assembly and Board of Directors contrary to Section 20 (3) of the Meru County Revenue Board Act, 2014.

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, 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 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 Board's ability to continue as a going concern, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board or 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 money is applied in an effective way.

Those charged with governance are responsible for overseeing the Board's 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 with limited assurance as to 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 in accordance with

the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Meru County Revenue Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

09 September, 2022

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

13. FINANCIAL STATEMENTS

13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations		-	-
Transfers from the County Government	1	318,151,238	59,300,000
Fines, penalties and other levies		-	-
Revenue from exchange transactions			
Interest income		-	-
Other income		-	-
Total revenue		318,151,238	59,300,000
Expenses			
Fund administration expenses	2	245,159,934	5,159,469
General expenses	4	84,533,499	57,597,255
Finance costs		-	-
Total expenses		329,693,433	62,756,724
Other gains/losses			
Gain/loss on disposal of assets		-	-
Surplus/(deficit) for the period		(11,542,195.24)	(3,456,724)

The notes set out on pages 31 to 37 form an integral part of these Financial Statements

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

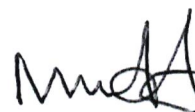
13.2. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	5	137,760	134,357
Non-current assets			
Property, plant and equipment	6	14,848,200	14,825,136
Intangible assets		-	-
Total assets		14,985,959	14,959,493
Liabilities			
Current liabilities			
Trade and Other Payables	7	9,158,862	610,200
Non-current liabilities			
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
Total liabilities		9,158,862	610,200
Net assets			
Payables Paid by Meru County Government		15,068,414	15,068,414
Reserves		3,020,000	-
Accumulated surplus		(12,261,317)	(719,122)
Total net assets and liabilities		14,985,959	14,959,493

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 24th September 2021 and signed by:



General Manager
 Name: Dr. John Ntoiti



Board Accountant
 Name: William Mwenda
 ICPAK Number: 19584

13.3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30th JUNE 2021

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	-	-	2,737,602	2,737,602
Surplus/(deficit) for the period	-	-	(3,456,724)	(3,456,724)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	-	-	(719,122)	(719,122)
Balance as at 1 July 2020	-	-	(719,122)	(719,122)
Surplus/(deficit) for the period	-	-	(11,542,195)	(11,542,195)
Funds received during the year	-	-	-	-
Revaluation gain	-	3,020,000	-	3,020,000
Balance as at 30 June 2021	-	3,020,000	(12,261,317)	(9,241,317)

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	1	318,151,238	59,300,000
Total Receipts		318,151,238	59,300,000
Payments			
Fund administration expenses	2	245,159,934	5,159,469
General expenses	4	84,533,499	52,749,603
less: depreciation		(4,217,537)	
		80,315,962	
Prepayments			-
Total Payments		325,475,896	57,909,072
Adjusted for:			
Increase/(Decrease) in Accounts Payable: (deposits and retention)	8	9,158,862	610,200
Net cash flows from operating activities		1,834,204	2,001,128
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	6	(1,220,600)	(1,877,605)
Net cash flows used in investing activities		(1,220,600)	(1,877,605)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		(610,200)	-
Net cash flows used in financing activities		(610,200)	-
Net increase/(decrease) in cash and cash equivalents		3,404	123,524
Cash and cash equivalents at 1 JULY		134,356	10,832
Cash and cash equivalents at 30 JUNE	5	137,760	134,356

13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	300,151,238	18,000,000	318,151,238	318,151,238		100%
Interest income	-	-	-	-	-	
Other income	-	-	-	-	-	
Total income	300,151,238	18,000,000	318,151,238	318,151,238	0	100%
Expenses						
Fund administration expenses	245,151,238		245,151,238	245,159,934	(8,696)	100%
General expenses	55,000,000	18,000,000	73,000,000	84,533,499	(11,533,499)	116%
Finance cost	-	-	-	-	-	
Total expenditure	300,151,238	18,000,000	318,151,238	329,693,433	(11,542,195)	104%
Surplus for the period	-	-	-	-11,542,195	(11,542,195)	

Budget Notes:

1. The difference of Kshs 11,542,195 is due to provision of depreciation and recognition of pending bills. (In Accrual basis of reporting)

13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments : Applicable: 1 st January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	<i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS</p>	<p>Applicable: 1st January 2022:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.

Standard	Effective date and impact:
resulting from IPSAS 41, Financial Instruments	b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.

c) Early adoption of standards

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

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for operations for FY 2020-2021 was approved by the County Assembly of Kshs 55M. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Board recorded additional appropriations of Kshs 18M on the FY 2020-2021 budget following the governing body’s approval.

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

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 21 of these financial statements.

5. Property, plant and equipment

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

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

6. Intangible assets

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

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

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

7. Related parties

The Board regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Board, or vice versa. Members of key management are regarded as related parties and comprise the General Manager and Directors of various directorates

8. Cash and cash equivalents

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

9. Comparative figures

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

10. Events after the reporting period

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

11. Ultimate and Holding Entity

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

12. Currency

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

13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Transfers from County Govt. – operations	244,275,437	58,742,000
Payments by County on behalf of the entity	73,875,801	558,000
Total	318,151,238	59,300,000

2. Fund administration expenses

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Staff Costs (Note 3)	245,159,934	5,159,469
Total	245,159,934	5,159,469

3. Staff costs

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Salaries, wages, gratuity, social security contribution & Other staff Costs	245,159,934.05	5,159,469.00
Total	245,159,934	5,159,469

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. General expenses

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Catering Services (receptions), Accommodation, Gifts, Food and	700,000	369,000
Fuel Oil and Lubricants - Othe	4,062,714	2,180,218
Routine Maintenance - Vehicles	4,952,870	3,564,190
Publishing and Printing Services	2,338,900	2,798,930
Boards, Committees, Conferences and Seminars	2,002,710	3,846,379
Purchase of uniforms and clothing-staff	1,603,050	2,980,200
Domestic Travel and Subs-others	8,238,252	4,914,600
Electricity bills	114,848	329,691
Water and sewerage charges	34,400	49,930
Telephone, Telex, Facsimile and Mobile Phone Services	3,526,000	2,976,000
Daily Subsistence Allowance	7,001,750	5,686,250
General Office Supplies (papers, pencils, forms, small office equip	573,490	1,477,998
maintainance of computers, softwares and Networks	58,200	85,620
Other Operating expenses - governance and compliance	12,742,829	8,311,685
Rents and Rates - Non-Residential	9,712,734	2,494,513
Membership Fees, Dues and Subscriptions to Professional and T	22,400	101,800
Revenue Enforcement Operations	6,710,000	4,862,000
Training Expenses - Other (Bud	1,722,101	3,107,100
Supplies and Accessories for Computers and Printers	3,037,280	1,000,000
Tax Payers Day		1,613,499
Advertising, Awareness and Publicity Campaigns	2,701,687	-
Hire of Training Facilities and Equipment	665,371	-
cess point clamps & spikes	777,480	-
Payables from the previous FY- Routine Maintenance Vehicles	610,200	-
Revenue Collection Fees	6,406,696	
Depreciation on Motor Vehicle	755,000	1,548,750
Depreciation on Fittings	3,249,287	3,249,287
Depreciation on Computers	181,060	44,250
Depreciation on Cess point structures	32,190	5,365
Total	84,533,499	57,597,255

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Cash and cash equivalents

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Fixed deposits account		-
On – call deposits		-
Current account	137,760	134,357
Others		-
Total cash and cash equivalents	137,760	134,357

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

Financial institution	Account number	FY2020/2021	FY2019/2020
		KShs	KShs
c) Current account			
Kenya Commercial bank	1199586579	133,816.08	134,357
Kenya Commercial bank	1280896523	1,788.60	
Family Bank	2407567	2,155	-
Grand total		137,760	134,357

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2019	-	6,195,001	25,994,294	-	32,189,295
Additions	1,287,605	-	-	590,000	1,877,605
At 30th June 2020	1,287,605	6,195,001	25,994,294	590,000	34,066,900
At 1st July 2020	1,287,605	6,195,001	25,994,294	590,000	34,066,900
Additions	-	-	-	1,220,600	1,220,600
Transfer/adjustments	-	3,020,000	-	-	3,020,000
At 30th June 2021	1,287,605	9,215,001	25,994,294	1,810,600	38,307,500
Depreciation and impairment					
At 1st July 2019	-	4,646,251	9,747,860	-	14,394,111
Depreciation	5,365	1,548,750	3,249,287	44,250	4,847,652
At 30th June 2020	5,365	6,195,001	12,997,147	44,250	19,241,763
At 1st July 2020	5,365	6,195,001	12,997,147	44,250	19,241,763
Depreciation	32,190	755,000	3,249,287	181,060	4,217,537
Impairment	-	-	-	-	-
At 30th June 2021	37,555	6,950,001	16,246,434	225,310	23,459,300
Net book values					
At 30th June 2020	1,282,239	-	12,997,147	545,750	14,825,136
At 30th June 2021	1,250,049	2,265,000	9,747,860	1,585,290	14,848,200

Meru County Revenue Board
Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Trade and other payables from exchange transactions

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Retention Fees for Construction of Cess points	128,760	128,760
Staff Payables	-	-
Accrued expenses	-	-
Other payables	9,030,102	481,440
Total trade and other payables	9,158,862	610,200

LIST OF PAYABLES

Vote	Amount
1 Payables from Previous FY	194,856.45
2 Revenue Collection Fees	6,506,695.91
3 Routine Maintenance - Vehicles	2,092,350.00
4 General Office Supplies (papers, pencils, forms, small office equipment)	364,960.00
TOTALS	9,158,862.36

8. Cash generated from operations

	FY2020/2021	FY2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	(12,153,111)	(3,456,724)
Adjusted for:		
Depreciation	4,217,537	4,847,652
Amortisation		-
Gains/ losses on disposal of assets		-
Interest income		-
Finance cost		-
Working Capital adjustments		-
Increase in inventory		-
Increase in receivables		-
Increase in payables	9,158,862	610,200
Net cash flow from operating activities	1,223,288	2,001,129

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

The Board is unable to provide a progress report on follow up of prior year auditor's recommendations due to the delay of issuance of the 2019/2020 FY auditor's report.

