

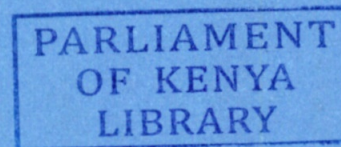
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PAPERS LAID	
DATE	28/2/2024
TABLED BY	Maj. Leader
COMMITTEE	OF
CLERK AT THE TABLE	Angela



THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2023**

Revised 30th June 2023



MERU COUNTY GOVERNMENT
OFFICE OF THE CLERK
MERU COUNTY ASSEMBLY



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

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

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

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the Year ended June 30, 2023

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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
FY	Financial Year
ISSAI	International Standards of Supreme Audit Institutions
CPA	Certified Public Accountant
PPAD	Public Procurement and Asset Disposal
CPS	Certified Public Secretaries
BBA	Bachelor of Business Administration
MBA	Masters of Business Administration
KSL	Kenya School of Law
PhD	Doctor of Philosophy
PRSK	Public Relations Society of Kenya
HR	Human Resources

b) Glossary of Terms

Fiduciary Management- The key management personnel who had financial responsibility

Management Committee -The loan management committee established under regulation 6

Fund . -The County Assembly Members Car loan and Housing Scheme established under Regulation 3 of the County Assembly Members car loan and Housing Scheme Fund Regulations, 2019

Member of the Assembly -A member elected or nominated as such pursuant to Article 177 (i), (a), (b), (c), or (d) of the Constitution of Kenya, 2010

Financial Year -Means the period of twelve months ending on 30th June in each year

2. Key Entity Information and Management

a) Background information

The County Assembly of Meru Members Car Loan and Housing Scheme Fund was established on 28th June, 2019 under the County Government of Meru Members Car loan and Housing Scheme Fund Regulations of 2019 and derives its authority and accountability from The Public Finance Management Act, 2012 and The County Assembly Service Act, 2017. 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.

b) Principal Activities

The Fund's principal activities are:

1. To consider and approve applications for loans presented to it in accordance with existing terms of borrowing.
2. To provide loan facilities for the purchase, development, renovation or repair of residential property by the members of the scheme;
3. To provide loan for the purchase of personal motor vehicles by members of the scheme

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

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon. Ayub Bundi Solomon	Chairperson
2	Hon. Evans Mawira Kaaria	Member
3	Hon. Mwenda Joseph Ithili	Member
4	Hon. Jim Muchui Dionisio	Member
5	Hon. Dennis Kiogora DMK	Member
6	Hon. Martin Koome Itonga	Member
7	Hon. Dorosen Kagwiria	Member
8	Mr. Jacob Kirari	Secretary

Key Entity and Management (Continued)

d) Key Management Steam

Ref	Name	Position
1	Mr. Jacob Kirari	Clerk- County Assembly of Meru
2	Mr. Lawrence Gitari Ndii	Director- Finance and Accounts
3	Mr. Stanley Kipkosgei Karonai	Deputy Director- Finance

e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

SN	Position	Name
1	Ms. Pamela Karambu Kiliungi	Deputy Director Internal Audit
2	Mr. Benson Kinyua Ngure	Chair
3	Mr. Elias Kirimi Marete	Member
4	Mr. Stanley Kipkosgei Karonai	Member
5	Mr. Kencos Mutuma Mwebia	Member

f) Registered Offices

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

g) Fund Contacts

Telephone: (254) 708 777 000
E-mail: assembly@meru.go.ke
Website: www.meru.go.ke

h) Fund Bankers

Family Bank Ltd
Ghana Street, North Imenti
P.O. Box
Meru 60200

Key Entity and Management (Continued)

i) Independent Auditors

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





j) Principal Legal Adviser

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





k) County Attorney

The County Attorney,
Meru County Government,
P.O. Box 120-60200
Meru, Kenya




3. Fund Administration Committee OF The Fund

IMAGE AND NAME	KEY ACADEMIC QUALIFICATION/ WORK EXPERIENCE	D.O.B	DESIGNATION
 <p>Hon. Ayub Bundi Solomon</p>	Bachelor of Education	1969	Chairman
 <p>Hon. Evans Mawira Kaaria</p>	BSC Actuarial Science	08.02.1991	Member
 <p>Hon. Mwenda Joseph Ithili</p>	Bachelor of Arts in Economics	22.08.1990	Member
 <p>Hon. Jim Muchui Dionisio</p>	Bachelor of Arts in Economics and Political Science	15.12.1991	Member

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the Year ended June 30, 2023

	Bachelor in Business Management Masters in Entrepreneurship	19.04.1988	Member
	O Level	27.07.1974	Member
	O Level	01.07.1977	Member
1. 	Mr. Jacob Kirari Academic Profile Bachelor of Business Admin MBA, LLB	1968	Member

4. Management Team

Name/Image	Details of qualifications and experience	DOB	DESIGNATION
 Mr. Jacob Kirari	Academic Profile BBA MBA LLB	1968	Clerk- Member
 Mr. Lawrence Gitari Ndi	Academic Profile CPA(K) BBA MBA	1971	Member
 Mr. Stanley Kipkosgei Karonai	Academic Profile CPA(K) CPS BBA DIP-Project Management	1979	Secretary

5. Fund Chairperson's Report

It is my pleasure to present, on behalf of the fund, the County Assembly of Meru Members Car Loan and Housing Scheme Fund financial statements for the year ending 30th June, 2023. 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 period under review.

Review of performance

Income

The Meru County Assembly staff car loan and Housing Scheme fund initial capital consisted of monies appropriated by the County Assembly in the FY 2017/2018 amounting to Kshs. 350,000,000. In the earned revenues amounting to KShs. 8,909,506 from the County Government of Meru in the year ended 30th June, 2023.

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. 375,020,500 made to 72 members. The total expenditures during the period amounted to KShs. 13,831,618.

Future outlook

The seed capital of the fund at the beginning of the financial year 2022/2023 was Kshs, 210,000,000. In the current financial year the fund received Kshs. 130,000,000. This has brought the total seed capital to Kshs. 340,000,000. The fund's 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 Members of the County Assembly for their continued support which has enabled us to attain these results.

I look forward to your continued support in the year 2023/2024.

Hon. Ayub Bundi Solomon Signature.....  Date..... 13/9/23

Chairman, County Assembly of Meru Members Car Loan and Housing Scheme Fund

6. Report of the Fund Administrator

It is my pleasure to present the Meru County Assembly Staff Car loan and Housing scheme fund financial statements for the year ended 30th June, 2023. The financial statements present the financial performance of the fund over the past one year.

The fund was established on 21st June, 2017 and started with an initial amount of Kshs. 350,000,000 which was received in the period ended 30th June, 2018. The fund currently has a seed capital of Kshs. 340,000,000. The decrease in seed capital was occasioned by the budgetary allocation of Kshs. 130,000,000 in the financial year under review after Kshs. 140,000,000 was used in the financial year 2021/2022 to pay motor vehicle facilitation benefit of Kshs. 2,000,000 and Kshs. 4,000,000 for Members of the County Assembly and Speaker respectively. The rate of interest charged is 3% annum on a reducing balance for the duration of the loan as per the regulations and SRC guidelines while the period of loan is a maximum period of five years for car loan and mortgage.

A total of seventy two Members of the County Assembly have benefited from the fund for purchase of personal motor vehicles and for purchase of land and construction of residential premises.

The car loan and mortgage fund has enabled members better their lives so as to provide quality services to the county assembly in line with vision 2030 and in accordance with Big 4 agenda. The members who have benefited have been able to have better housing and convenient means of transport.

Financial Performance

a) Revenue

In the period under consideration, the fund received 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	
Interest income	8,909,506	8,909,506	100%
Total income	8,909,506	8,909,506	100%

b) Loans

During the period under reporting, the fund disbursed loans to seventy two (72) members of the County Assembly.

Cash flows

In the FY 2022/2023, we received a total of Kshs. 130,000,000 which together with the seed capital at hand of Kshs. 210,000,000 was disbursed to 72 members. In the year under review, we did not have any liquidity disruptions. This was as a result of proper planning. The cash and cash equivalent decreased from Kshs. 164,994,753 as at 1st July, 2022 to Kshs. 8,001,711 as at 30th June, 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:

2017-2018	2018-19	2019-20	2020-21	2021-22	2022-2023	Total
Kshs.	Kshs.	Kshs.	Kshs.	Ksh.	Ksh	Kshs.
350,000,000	-	-	-	-140,000,000	130,000,000	340,000,000

The fund management committee is committed to grow the fund over time by investing the repayments from members in fixed deposit account at the Family Bank. This will not only secure the fund seed capital but also ensure progressive growth since the fund cannot meet the car loan and mortgage requirement in full if all the members were to apply at the same time. This will ensure that by the entry of the fourth Assembly, sufficient funds will be available to cater the loan requirement for the members of the County Assembly in 2027.

c) Key Risk Management Strategies

The car loan and housing scheme fund enabled the members of 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 the County Assembly were also insured.

Cash flows

In the Financial Year, 2022/2023, the fund had a budget of Kshs. 130,000,000. This means that there is need to further enhance the members' car loan and housing scheme fund to ensure that all members benefit from the fund. The total revolving fund as at 30th June 2023 was Kshs. 340,000,000 against a requirement of Kshs. 379,000,000 to cater for the need of all the members were all to apply and benefit at the same time.

d) 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 Members car loan and housing fund achieves its mission.

Signed: _____

Jacob Kirari
Fund Administrator

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

Introduction

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

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

- a) To provide budgetary provisions sufficient to enable all the 72 members benefit from the members car loan and housing scheme fund;
- b) That the members car loan and housing scheme fund management committee is in place to process the loan applications by all members and safe custody of collaterals
- c) Develop mechanisms for the generation of progress reports on the developments carried out using the fund disbursements and satisfy the committee that funds are used only for intended purposes.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

The County Assembly currently has 69 members of the County Assembly, 1 Speaker and 2 members of the County Assembly of Meru Service Board. All of these members have benefited with the Members Car Loan and Mortgages from the fund. The management committee is committed to ensure that the fund is managed and grown for the objective of meeting future demands of the fund.

Program	Objective	Outcome	Indicator	Performance
Increase in revolving fund	To increase the revolving fund	Increased revolving fund	60% increase in revolving fund	Increase of revolving fund from Kshs. 210,000,000 to Kshs. 340,000,000
Increase in disbursement of loans to MCAs	To provide car loans and housing scheme funds for all MCAs	Increased number of MCAs accessing the loans	100% disbursement to beneficiaries in 2023	72 members/beneficiaries

8. Corporate Governance Statement

The County Assembly of Meru Members Car Loan and Housing Scheme Fund management committee held several meetings between 1st July, 2022 and 30th June, 2023. 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 Members 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 Leader of the Majority Party of the County Assembly,
- c) The Leader of the Minority Party of the County Assembly,
- d) Majority Party Whip of the County Assembly,
- e) Minority Party Whip of the County Assembly,
- f) Two members of the County Assembly being one man and one woman appointed by the County Assembly, and
- g) The Clerk of the County Assembly who shall be the secretary to the committee and *ex officio* member.

Unless the regulations are amended, the membership of the management committee shall stand as above listed. A member who loses a position at the County Assembly that qualified him or her as a member of the committee automatically loses the membership. The current membership will hand over to the new members after the 2027 General Elections.

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

During the financial year the members' car loan and housing scheme fund management committee spent Kshs. 2,914,350 on sitting allowances for the meetings attended.

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

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the Year ended June 30, 2023

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 it is mostly occasioned by General Elections.

9. Management Discussion and Analysis

The County Assembly of Meru Members Car Loan and Housing Scheme Fund started with a seed capital of Kshs. 350,000,000. The seed capital was reduced to Kshs. 210,000,000 by the end of financial year 2021-2022 owing to the payment of transport facilitation benefit of Kshs. 140,000,000. Each MCA was paid Kshs. 2,000,000 each while the Hon. Speaker was paid Kshs. 4,000,000. In the year under review, the fund received Kshs. 130,000,000 increasing the revolving fund to Kshs. 340,000,000.

For all the members to make applications and receive car loan and housing fund, it is expected that the Fund should have Kshs. 379,000,000. The disbursements were made to all members but others had to wait for repayments to receive their loans. This had the effect of reducing the repayment period the members have to repay the loans in full before the end of their constitutional term. This is summarized in the table below:

Total Fund Requirement	Current Fund	Deficit
Kshs.	Kshs.	Kshs.
379,000,000	340,000,000	39,000,000

In the year under review, funds were disbursed to all 72 loan applicants. The management committee is optimistic that it will grow the fund to be able to meet all the future needs of the members of the County Assembly. In pursuit of the aforementioned goal, the management committee of this fund will invest funds in a fixed deposit account at Family Bank. This is one of the strategies that the fund is using to grow the fund and bridge the capital gap that was occasioned by the approval of the transport facilitation benefit. This approach will ensure that all idle funds are invested in fixed deposits.

The County Assembly of Meru Members Car Loan and Housing Scheme Fund Management Committee has disbursed car loans and mortgages to all the members of the County Assembly of Meru. The recoveries from the payroll are received on a monthly basis and the committee is optimistic that by the end of the current legislative term, the seed capital will be available to be disbursed to the new members starting August 2027.

There is a risk of the fund failing to attain its objectives if the seed capital is not enhanced by September 2027.

The fund management committee is in discussions to look into various options for investments to grow the fund into a self-sufficient and robust fund that will meet the future objectives of the fund.

10. 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 fund should outline its efforts to:

a) Responsible competition practice.

The fund 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 fund 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.

11. Report of the Trustees

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

Principal activities

The Fund's principal activities are:

1. To consider and approve applications for loans presented to it in accordance with existing terms of borrowing.
2. To provide loan facilities for the purchase, development, renovation or repair of residential property by the members of the scheme;
3. To provide loan for the purchase of personal motor vehicles by members of the scheme

Results

The results of the Fund for the period ending 30th June, 2023 are set out on pages 1 to 5.

Trustees

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

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 Fund Administration Committee

12. Statement of Management’s Responsibilities


Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the 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 Assembly of Meru Members Car Loan and Housing Scheme 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. 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 Assembly of Meru Members Car Loan and Housing Scheme 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 period under review, 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

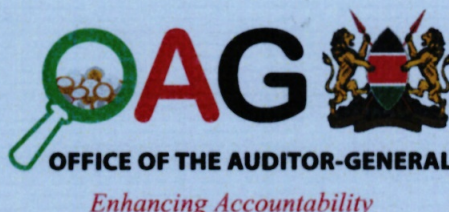
The Fund’s financial statements were approved by the Board on 18th September, 2023 and signed on its behalf by:


.....

Jacob Kirari
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
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF MERU MEMBERS CAR LOAN AND HOUSING SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Meru Members Car Loan and Housing Scheme Fund set out on pages 1 to 28, which comprise

of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 County Assembly of Meru Members Car Loan and Housing Scheme Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the Public Finance Management Act, 2012, The County Assembly Service Act, 2017 and the County Assembly of Meru Members (Car Loan and Housing Scheme Fund) Regulations, 2019.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

Review of the financial statements reflects the following errors and omissions;

- i. The statement of financial position for the year ended 30 June, 2022 reflects a balance of Kshs.6,313,989 and Kshs.42,000,000 in respect to receivables and PAYE receivables respectively. However, the balances did not have supporting notes to the financial statements.
- ii. Further, Note 5 to the financial statements reflects comparative balance of Kshs.51,591,287 in respect of current portion of long-term receivables from exchange transactions which differs with the statement of financial position balance of Kshs.3,277,298 resulting to a variance of Kshs.48,313,989.
- iii. The statement of financial performance reflects transfers from the County Government amount of Kshs.130,000,000 as disclosed in Note 1 to the financial statements. However, the amount received was not included in the total revenue resulting to an unexplained variance of Kshs.130,000,000. Further, the funds received during the year was supposed to be added to the revolving fund.
- iv. The statement of comparison of budget and actual amounts reflects transfers from the County Government amount of Kshs.130,000,000. However, the amount received was not included in the total revenue resulting to an unexplained variance of Kshs.130,000,000.
- v. The statement of financial position and as disclosed in Note 5 to the financial statements reflects balances of Kshs.333,662,218 comprising of Kshs.78,564,352 and Kshs.255,097,866 in respect to current receivables from exchange transactions and long-term receivables from exchange transactions respectively. However, review of the supporting schedule and loan balances for each member revealed total

- outstanding loans balance of Kshs.333,288,160 resulting to unexplained and unexplained variance of Kshs.374,058.
- vi. Further, the statement of financial position reflects unsupported adjustment balance of Kshs.374,058.
- vii. The statement of cash flows reflects an amount of Kshs.375,020,500 in respect of loan disbursements paid out. However, the loan repayment schedule reflects an amount of Kshs.379,000,000 resulting to unreconciled and unexplained variance of Kshs.3,979,500.
- viii. The statement of cash flows reflects an amount of Kshs.92,949,570 in respect of proceeds from loan principal repayments. However, the repayment schedule provided reflects an amount of Kshs.45,711,839 resulting to unexplained and unreconciled variance of Kshs.47,237,731.

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

2.0 Unsecured Loans

The statement of financial position and as disclosed in Note 5 to the financial statements reflects balances of Kshs.78,190,294 and Kshs.255,097,866 in respect of current and long-term portion of receivables from exchange transactions respectively. However, review of the loan application forms, logbooks, title deeds and agreements on the issued loans revealed that an amount of Kshs.379,000,000 was issued to seventy-two (72) members as car and mortgage loan. However, review of the title deeds and logbooks provided revealed that the documents were registered in the names of the third parties and not in the names of the borrowers. No consent was provided to prove that indeed the third parties agreed their properties to be used as collaterals.

Further, the Fund registered a charge on the said title deeds and logbooks even when they were not registered in the names of the borrowers contrary to Regulation 19(1) of the County Assembly of Meru Members (Car Loan and Housing Scheme Fund) Regulations, 2019.

In the circumstances, the regularity and completeness of the current and long-term portion of receivables from exchange transactions amounting to Kshs.333,288,160 could not be confirmed. Further, there is a risk that the Fund may not recover the loans in case the borrower's default to repay the said loans.

3.0 Irregular Payment of Accommodation Allowance

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects an amount of Kshs.13,831,618 in respect of use of goods and services which includes an amount of Kshs.9,248,600 relating to administration fees. Included in the expenditure is an amount of Kshs.2,552,000 paid as accommodation allowances to eight (8) MCAs and eleven (11) staff members attending a retreat in Nairobi. However, no explanation was given on why the retreat took place in Nairobi

instead of the County precincts contrary to The National Treasury Circular number 20/2015 of 04 November, 2015.

In the circumstance, the regularity and completeness of the accommodation allowances amounting to Kshs.2,552,000 could not be confirmed. Further, Management was in breach of law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly of Meru Members 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparative basis amount of Kshs.14,000,000 and Kshs.8,909,506 respectively, resulting to under collection of Kshs.5,090,494 or 36% of the budget.

The under-collection of the approved budget indicates that some activities and projects were not implemented thereby affecting service delivery to the public.

My opinion is however not qualified in respect of the above matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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 for Conclusion

Lack of Approved Budget

The statement of comparison of budget and actual amounts reflects an income and expenditure budget of Kshs.14,000,000. However, an approved budget for the Fund for

the year under review was not provided for audit contrary to Section 129(3) of the Public Finance Management Act, 2012.

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 governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its 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 services 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 (1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 Fund 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 January, 2024

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the Year ended June 30, 2023

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From the County Government	1	130,000,000	-
		130,000,000	-
Revenue From Exchange Transactions			
Interest Income	2	8,909,506	7,446,300
		8,909,506	7,446,300
Total Revenue		8,909,506	7,446,300
Expenses			
Use of goods and services	3	13,831,618	9,262,786
Total Expenses		13,831,618	9,262,786
Other Gains/Losses			
Surplus/(Deficit) for the Period		-4,922,112	-1,816,486

(The notes set out on pages 6 to 25 form an integral part of these Financial Statements)

Note: The transfer from the County Government of kshs. 130,000,000 is part of the Capital and not part of the Revenue of the fund.

.....
Name: Jacob Kirari
Administrator of the Fund

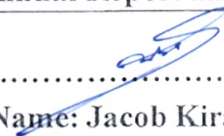
.....
Name: CPA Stanley Kipkosgei Karonai
Fund Accountant
ICPAK Member Number:8068

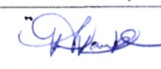
15. Statement of Financial Position as at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	4	8,001,711	164,994,753
Current Portion of Long- Term Receivables From Exchange Transactions	5	78,190,294	3,277,298
Adjustment		374,058	-
PAYE Receivables		-	42,000,000
Receivables		-	6,313,989
Total current assets		86,566,063	216,586,041
Non-Current Assets			
Long Term Receivables from Exchange Transactions	5	255,097,866	-
Total non- current assets		255,097,866	-
Total Assets		341,663,929	216,586,041
Liabilities			
Current Liabilities			
Total current liabilities		-	-
Non-Current Liabilities		-	-
Total Liabilities		-	-
Net Assets		341,663,929	216,586,041
Revolving Fund		340,000,000	210,000,000
Reserves		-	-
Accumulated Surplus		1,663,929	6,586,042
Total Net Assets and Liabilities		341,663,929	216,586,041

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 18th September, 2023 and signed by:

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the Year ended June 30, 2023


.....
Name: Jacob Kirari
Administrator of the Fund


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

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the Year ended June 30, 2023

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

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	210,000,000	-	8,402,527	218,402,527
Surplus/(Deficit) For the Period	-	-	-1,816,486	-1,816,486
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	210,000,000	-	6,586,041	216,586,041
Balance As At 1 July 2022	210,000,000	-	6,586,041	216,586,041
Surplus/(Deficit) For the Period		-	-4,922,112	-4,922,112
Funds Received During the Year	130,000,000	-	-	130,000,000
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2023	340,000,000	-	1,663,929	341,663,929

(Provide details on the nature and purpose of reserves)

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the Year ended June 30, 2023

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government	1	130,000,000	-
Interest received	2	8,909,506	7,446,300
Receipts from other operating activities		-	-
Total receipts		138,909,506	7,446,300
Payments			
Fund administration expenses	3	13,831,618	9,262,786
General expenses		-	-
Finance cost		-	-
Other payments		-	9,262,786
Net cash flows from operating activities		125,077,888	-1,816,486
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		92,949,570	99,861,208
Loan disbursements paid out		-375,020,500	42,000,000
Net cash flows used in investing activities		-282,070,930	56,044,722
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash Equivalents		-156,993,042	56,044,722
Cash and cash equivalents at 1 July		164,994,753	108,950,031
Cash and cash equivalents at 30 June	4	8,001,711	164,994,753

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the Year ended June 30, 2023

18. Statement of Comparison of Budget and Actual Amounts for the Period

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Public Contributions and Donations	-	-	-	-	-	
Transfers From County Govt.	130,000,000		130,000,000	130,000,000	-	100%
Interest Income	14,000,000	-	14,000,000	8,909,506	5,090,494	63%
Other Income	-	-	-	-	-	
Total Income	14,000,000	-	14,000,000	8,909,506	5,090,494	63%
Expenses						
Fund Administration Expenses	14,000,000	-	14,000,000	13,831,618	168,382	99%
General Expenses	-	-	-	-	-	
Finance Cost	-	-	-	-	-	
Total Expenditure	14,000,000	-	14,000,000	13,831,618	168,382	99%
Surplus For the Period	-	-	-	-4,922,112	-4,922,112	
Capital expenditure	-	-	-	-	-	

Budget notes

1. The Fund did not realize its budgeted income in the year since the applications were received and processed from November 2022 to March 2023. In the months of July 2022 to October 2022 no income was received from the fund.

19. Notes to the Financial Statements

1. General Information

The County Assembly of Meru Members Car Loan and Housing Scheme Fund was established on 28th June, 2019 under the County Government of Meru Members Car loan and Housing Scheme Fund Regulations of 2019 and derives its authority and accountability from The Public Finance Management Act, 2012 and The County Assembly Service Act, 2017. 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.

2. Statement of compliance and basis of preparation

The County Assembly of Meru Members Car Loan and Housing Scheme Fund financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

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

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the Year ended June 30, 2023

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

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the Year ended June 30, 2023

Standard	Effective date and impact
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <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><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p>

Standard	Effective date and impact:
	The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st 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 County Assembly of Meru Members Car Loan and Housing Scheme Fund did not early – adopt any new or amended standards in the financial year.

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2022-2023 was approved by the County Assembly on 20th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations on the FY 2022-2023 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 6 of these financial statements.

c) Property, plant and equipment

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

d) Intangible Assets

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

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

e) Investment property

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

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The County Assembly of Meru Members Car Loan and Housing Scheme Fund assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The County Assembly of Meru Members Car Loan and Housing Scheme Fund recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 28*.

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

The County Assembly of Meru Members Car Loan and Housing Scheme Fund classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) Inventories

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

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

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

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

h) Provisions

Provisions are recognized when the County Assembly of Meru Members Car Loan and Housing Scheme Fund 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 County Assembly of Meru Members Car Loan and Housing Scheme Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme

Summary of Significant Accounting Policies (Continued)

is measured at the best estimate of the cost (the social benefit payments) that the County Assembly of Meru Members Car Loan and Housing Scheme Fund will incur in fulfilling the present obligations represented by the liability.

j) Contingent liabilities

The County Assembly of Meru Members Car Loan and Housing Scheme Fund does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The County Assembly of Meru Members Car Loan and Housing Scheme Fund 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 County Assembly of Meru Members Car Loan and Housing Scheme Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The County Assembly of Meru Members Car Loan and Housing Scheme Fund does not create and maintain reserves in terms of specific requirements. Changes in accounting policies and estimates

The County Assembly of Meru Members Car Loan and Housing Scheme Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

The County Assembly of Meru Members Car Loan and Housing Scheme Fund provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which a fund pays fixed contributions into a separate entity 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.

Summary of Significant Accounting Policies (Continued)

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.

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

The County Assembly of Meru Members Car Loan and Housing Scheme Fund 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 County Assembly of Meru Members Car Loan and Housing Scheme Fund, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

q) Cash and cash equivalents

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

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

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 County Assembly of Meru Members Car Loan and Housing Scheme Fund 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 County Assembly of Meru Members Car Loan and Housing Scheme Fund. 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 21.

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. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	130,000,000	-
Total	130,000,000	-

2. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income from Car Loans and Mortgage Loans	6,106,917	1,031,826
Interest Income On Bank Deposits	2,802,589	6,414,474
Total Interest Income	8,909,506	7,446,300

3. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Withholding Taxes on Interest Income	420,388	1,160,187
Administration Fees	9,248,600	7,401,885
Committee Allowances	2,914,350	268,450
Bank Charges	18,699	5,133
Insurance Costs	-	350,731
Printing And Stationery	-	15,600
Stamp Duty	92,630	60,800
Conference Facilities	1,136,950	-
Total	13,831,618	9,262,786

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the Year ended June 30, 2023

4. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
County Assembly of Meru MCA County Mortgage Account	8,001,711	5,494,753
Fixed Deposits Account	-	159,500,000
Total Cash And Cash Equivalents	8,001,711	164,994,753

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

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Fixed Deposits Account			
Family Bank	063000066244	-	110,000,000
Family Bank	063000066486	-	49,500,000
Sub- Total		-	159,500,000
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) Current Account			
Family Bank		8,001,711	4,494,753
Equity Bank		-	-
Sub- Total		8,001,711	4,494,753
d) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		8,001,711	164,994,753

5. Receivables from exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
Interest Receivable	-	-
Current Loan Repayments Due	78,190,294	3,277,298
Other Exchange Debtors	-	48,313,989
Less: Impairment Allowance	-	-
Total Current Receivables	78,190,294	51,591,287
Non-Current Receivables		
Long Term Loan Repayments Due	255,097,866	-
Total Non- Current Receivables	255,097,866	-
Total Receivables From Exchange Transactions	333,288,160	51,591,287

6. Cash generated from operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(4,922,112)	(1,816,486)
Working Capital Adjustments		
Increase In Receivables	130,000,000	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	125,077,888	(1,816,486)

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

7. 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.

Notes to The Financial Statements (Continued)

8. Financial risk management

The County Assembly of Meru Members Car Loan and Housing Scheme 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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	8,001,711	8,001,711	-	-
Total	8,001,711	8,001,711	-	-
At 30 June 2022				
Receivables From Exchange Transactions	51,591,287	51,591,287	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	164,994,753	164,994,753	-	-
Total	216,586,040	216,586,040	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

Notes To The Financial Statements (Continued)

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

The County Assembly of Meru Members Car Loan and Housing Scheme Fund has no significant concentration of credit risk on amounts due.

The board of trustees sets the County Assembly of Meru Members Car Loan and Housing Scheme 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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

Notes To The Financial Statements (Continued)

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the County Assembly of Meru Members Car Loan and Housing Scheme Fund'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 County Assembly of Meru Members Car Loan and Housing Scheme 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 County Assembly of Meru Members Car Loan and Housing Scheme Fund has no 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:

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June (Current FY)			
Financial Assets	-	-	-
Investments	-	-	-
Cash	8,001,711	-	8,001,711
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	8,001,711	-	8,001,711

Notes to the Financial Statements (Continued)

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.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2022-2023			
Euro	10%	-623,347	34,034,969
USD	10%	-623,347	34,034,969
2021-2022			
Euro	10%	-181,648	21,658,604
USD	10%	-181,648	21,658,604

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.

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 62,335 (2022: Kshs 18,165). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 37,418 (2022 – Kshs 90,824).

Notes to the Financial Statements (Continued)

d) Capital risk management.

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

Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	340,000,000	210,000,000
Accumulated surplus	1,663,929	6,586,041
Total funds	341,663,929	216,586,041
Total borrowings	-	-
Less: cash and bank balances	8,001,711	164,994,753
Net debt/(excess cash and cash equivalents)	(8,001,711)	(164,994,753)
Gearing	-	-

9. Events after the reporting period

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

10. Ultimate and Holding Entity

The County Assembly of Meru Members Car Loan and Housing Scheme Fund is a County Public Fund established under the County Government of Meru Members Car loan and Housing Scheme Fund Regulations of 2019 and derives its authority and accountability from The Public Finance Management Act, 2012 and The County Assembly Service Act, 2017. Its ultimate parent is the County Government of Meru.

11. Currency

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


20. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Report on the Financial Statements				
1.0	Accuracy of the Financial Statements	Relevant amendments in the financial statements have been made	Resolved	
1.1	Variances in the Financial Statements	Relevant amendments in the financial statements have been made	Resolved	
1.3	Statement of Cash Flows	Relevant amendments in the financial statements have been made	Resolved	
2.0	Unsupported Expenditure on Committee Allowances	Expenditure has been supported	Resolved	
Other Matter				
1.0	Budgetary Control and Performance	The budget estimates for the fund have been prepared in the FY 2023/2024	Not Resolved	30.06.2024
2.0	Unresolved Prior Year Matter	The committee is working with the audit committee to resolve prior year issues	Not Resolved	30.06.2024
Report on the Lawfulness and Effectiveness in use of Public Resources				
	Presentation of Financial Statements	Relevant amendments in the financial statements have been made	Resolved	
Report on Effectiveness of Internal Controls, Risk Management and Governance				

County Assembly of Meru Members Car Loan and Housing Scheme Fund
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Jacob Kirari,

Fund Administrator,

The County Assembly of Meru Members Car Loan and Housing Scheme Fund

Date: 18th September, 2023

County Assembly of Meru Members Car Loan and Housing Scheme Fund
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Annex II: Inter-Fund Confirmation Letter



MERU COUNTY GOVERNMENT
OFFICE OF THE CLERK
MERU COUNTY ASSEMBLY

Landlines: 064-30040/064-30042
Email: assembly@meru.go.ke

Meru County Assembly Headquarters
P.O. Box 3 - 60200
MERU

County Assembly of Meru Staff Car Loan and Housing Scheme Fund,
P.O Box 3-60200,
Meru

The County Assembly of Meru Members Car Loan and Housing Scheme Fund wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30th June 2023

County Assembly of Meru Members Car Loan and Housing Scheme Fund
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Reference Number	Date Disbursed	Amounts Disbursed by The County Assembly of Meru Members Car Loan and Housing Scheme Fund (Kshs) as at 30 th June 2023				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
AAT TO 063-69534	21.06.2023	10,000,000	-	-	10,000,000		
Total		10,000,000	-	-	10,000,000		

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

Head of Accountants department of beneficiary Fund:

Name Lawrence Gitaari Ndiu Sign  Date ... 21/7/2023

County Assembly of Meru Members Car Loan and Housing Scheme Fund
 Annual Report and Financial Statements for the Year ended June 30, 2023

Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

County Assembly of Meru Members Car Loan and Housing Scheme Fund
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Annex IV: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments