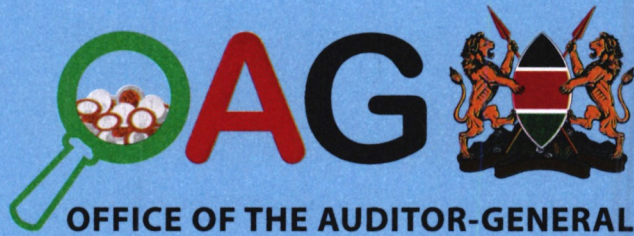


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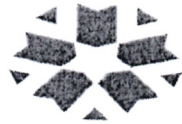
THE AUDITOR-GENERAL

ON

**MERU COUNTY INVESTMENT AND
DEVELOPMENT CORPORATION**

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





MERU COUNTY
INVESTMENT &
DEVELOPMENT
CORPORATION



**COUNTY GOVERNMENT OF MERU
MERU COUNTY INVESTMENT & DEVELOPMENT CORPORATION**

**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)

Meru County Investment And Development Corporation
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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

b) Glossary of Terms

(i) Fiduciary Management

The Key Management personnel who had financial responsibility.

Ref	Name	Position
1	Kenneth Ruteere	Ag. Managing Director – Until August 2023
2	Lilian Karambu	Human Resource Manager
3	Penina Kinya	Accountant – Resigned in January 2023
4	Winfred Mukiri	Economic Analyst
5	Dennis Karani	Procurement Officer
6	Eric Kinoti	ICT Officer
7	Jediel Muturia	Ag. Accountant – From 31 st January 2023 to date
8	Angelo K. Gitonga	Ag. Managing Director – From September 2023

(ii) List of Acronyms and Key terms used in the financial report

MCIDC	Meru County Investment and Development Corporation
MCEP	Meru County Energy Park
NEMA	National Environment Management Authority

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2. Key Entity Information and Management

a) Background information

Meru County Investment & Development Corporation (MCIDC) is established by and derives its authority and accountability from the Meru County Investment & Development Corporation Act of 8th August 2014. The Corporation is wholly owned by the County Government of Meru and is domiciled in Kenya.

Meru County Investment & Development Corporation is a corporate body with perpetual succession and a common seal and shall, in its corporate name, be capable of:

- a) Taking, purchasing or otherwise acquiring, holding, charging or disposing of movable and immovable property.
- b) Borrowing money or making investments;
- c) Entering into contracts; and
- d) Doing or performing all other acts or things for the proper performance of its functions under the Meru County Investment & Development Corporation Act which may lawfully be done or performed by a body corporate.

The Meru County Investment & Development Corporation principal activity is to act as an investment vehicle for County government of Meru investments & Developments in order to enhance financial and economic prudence in County government investments.

b) Principal Activities

Vision - To be the leading Investment Corporation in Kenya through design and execution of World-Class Commercial Ventures.

Mission- To create value for all Our Partners by attracting and promoting growth oriented investments that are innovative and sustainable.

The principal activities/mandate of the Meru County Investment and development Corporation is to:

- Establish an efficient and effective instrument for managing County government investments;
- Enhance competitiveness of County government investments; promote local investment and economic development; enhance County revenue base;

**Meru County Investment and Development Corporation
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- Provide for mobilization of finances for investments; provide for investment in socially beneficial projects; facilitate investments by County residents;
- Coordinate and facilitate investments in the County;
- Enable the County government to undertake public private partnerships and joint ventures in areas that are beneficial to the County.

c) Board of Directors

Ra	Name	Position
1	Felicity Nkirote Biriri	Chairperson (served from 13 th November 2017 to 9 th February 2022)
2	James Mwenda Muratha	Ag. Chairperson – Appointed 17 th February 2022; Resigned in January 2023
3	Kenneth Kinoti Ntongai	Member
4	Catherine Kithinji	Member
5	Charles Mwenda	Member
6	Angelo Gitonga	Member

d) Key Management

Ra	Name	Position
1	Angelo Gitonga	Ag. Managing Director
2	Lilian Karambu	Human Resource Manager
3	Penina Kinya	Accountant – Resigned in January 2023
4	Winfred Mukiri	Economic Analyst
5	Dennis Karani	Procurement Officer
6	Eric Kinoti	ICT Officer
7	Jediel Mutoria	Ag. Accountant – From 31 st January 2023 to date

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e) Fiduciary Oversight Arrangements

The Corporation's key fiduciary oversight arrangements are domiciled at the County Department of Finance in regards to Accountability of allocated Funds and at the County department of Trade in respect of shared Functions.

f) Registered Offices

P.O. Box 3194 – 60200, Meru.
New Meru County Headquarter Offices,
Meru, Kenya.

g) Corporation Contacts

Telephone: 020-2500250
E-mail: info@investmeru.co.ke
Website: www.investmeru.co.ke

h) Corporation Bankers

Kenya Commercial Bank
P.O.BOX 178 -60200
MERU.

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



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

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3. The Board of Directors

	Name	Details of Qualifications And Experience
1.	 <p>James Mwenda Muratha Ag. Chairperson</p>	<p>James Muratha is the Chief Executive Officer of RE/MAX Kenya, a leading global real estate company.</p> <p>James has a wealth of experience in the international capital markets and has over 20 years' experience in the financial services sector having worked in asset management, financial accounting and audit with leading global institutions.</p> <p>Mr. Muratha holds an MBA in finance from the University of New Brunswick in Canada and a Bachelor of Commerce degree in accounting from Kenyatta University. He is a member of the Institute of Certified Public Accountants of Kenya and is a former Chairman of the Fund Managers Association in Kenya. Mr Muratha has served the Corporation as a Board member from 13th November 2017, he was appointed as the acting chairperson on 17th February 2022 to replace Felicity Biriri. Mr. Muratha resigned from the Board in January 2023.</p>
2.	 <p>Ken Kinoti Ntongai Board Member</p>	<p>A career banker with over 8 years' experience having served in different roles, Mr Ntongai is well versed with banking and financial institutional operations across East Africa having previously served with Equity Bank and Barclay's banks in various capacities.</p> <p>Mr Ntongai holds an MSc in Finance and Bachelor of Commerce Finance from the University of Nairobi.</p>

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<p>3.</p>	 <p>Catherine Kithinji Board Member</p>	<p>Catherine Wanja Kithinji is the Trade Development and management specialist with 25 years of experience in domestic and international trade. She has worked in the government sector in various capacities rising through the ranks. Catherine has served as the trade officer, industrial development officer, market researcher analyst at International Trade Centre, Geneva, Civil Service Support Officer at the Ministry of Industry, Commerce and Investment, South Sudan and currently Chief Officer Trade, County Government of Meru.</p> <p>Catherine holds an MBA (International Business) from Kenya Methodist University, MA (Community Development and Project Management) from Egerton University and BA (Economics and Sociology) from Egerton University. Catherine is a Board member of Meru Investment and Development Corporation as a government representative. Catherine was a seconded staff from the National Government hence after transition in 2022 she returned to National Government.</p>
<p>4.</p>	 <p>Charles Mwenda Board Member</p>	<p>Charles Mwenda is the Chief Officer Finance, Economic planning and ICT of County Government of Meru. Mr. Mwenda has a vast experience in Public Sector Finance and accounting for 12 years.</p> <p>Mr. Mwenda holds an MBA in Accounting, Bcom-Accounting option. He is a certified public accountant of Kenya and a Member of ICPAK.</p>

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5.





Angelo K. Gitonga
Ag. Managing Director

Angelo Gitonga is the Ag. Managing Director of the Meru County Investment & Development Corporation since September 2023.



He holds a Bachelor of Arts in Government and Public Administration and Sustainable Development from Moi University, a PGDE from Kenyatta University, a Graduate Diploma in African Leadership in Information Communication Technologies (ALICT) from University of Dublin (Ireland), a Certificate of e-Learning Development and Implementation (eLDI) and Expert of New Learning Technologies from University of FurtWagen(Germany), and a certified e-tutor and facilitator.

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4. Management Team

<p>1.</p>  <p>Angelo K. Gitonga Ag. Managing Director</p>	<p>Angelo Gitonga is the Ag. Managing Director of the Meru County Investment & Development Corporation since September 2023.</p> <p>He holds a Bachelor of Arts in Government and Public Administration and Sustainable Development from Moi University, a PGDE from Kenyatta University, a Graduate Diploma in African Leadership in Information Communication Technologies (ALICT) from University of Dublin (Ireland), a Certificate of e-Learning Development and Implementation (eLDI) and Expert of New Learning Technologies from University of Furt Wagen(Germany), and a certified e-tutor and facilitator.</p>
<p>2.</p>  <p>Winfred Mukiri Economic Analyst</p>	<p>Winfred Mukiri is currently in charge of business development department in absence of Director Business Development since February 2020.</p> <p>She holds a Bachelor of Economics & Statistics (Hons.University of Nairobi), CPA -Section 3, currently at University of Nairobi. She has extensive experience in Micro and Macro Economics, Finance analysis and Modelling and currently handles all investments matters in the Corporation.</p>

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<p>3.</p>  <p>Lilian Karambu Human Resource Manager</p>	<p>Lilian Karambu is currently in charge of Corporate Service Directorate in absence of Director Corporate Service.</p> <p>She holds a Bachelor's degree in Human Resource Management and Master's degree in Strategic Management from Kenya Methodist University. She has over 13 years work experience in providing strategic human resource support and general Corporate support services.</p> <p>She is a member of the Institute of Human Resource Management (IHRM).</p>
<p>4.</p>  <p>Jediel Mutoria Ag. Accountant</p>	<p>Jediel Mutoria is currently in charge of finance department in absence of Accountant since January 2023.</p> <p>He holds a Bachelor in Purchasing and Supplies Management, CPA II, Certification in Strategic Management and Leadership and currently undertaking Master of Science in Procurement and Logistics Management at Chuka University.</p> <p>He is a Full member and licenced Supply Chain Practitioner by the Kenya Institute of Supplies Management (KISM).</p>

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<p>5.</p>  <p>Dennis Karani Procurement Officer</p>	<p>Dennis Karani is in charge of procurement department in absence of Director Corporate Services.</p> <p>He holds a Bachelor's Degree in Purchasing and Supplies Management from JKUAT, MCIPS from the Chartered Institute of Purchasing and Supplies (CIPS)</p> <p>He is a Full Member and a licenced Supply Chain Practitioner by the Kenya Institute of Supplies Management (KISM).</p>
<p>6.</p>  <p>Eric Kinoti ICT Officer</p>	<p>Eric Kinoti is currently in charge of ICT department in absence of Director Corporate Services.</p> <p>He holds a Bachelor's Degree in BSc. Computer Information Systems from Kenya Methodist University, diploma in Computer Studies from Informatics School in Kenya.</p> <p>He is a member of Information System Audit and Control Association (ISACA) Kenya Chapter.</p>

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5. Board Chairperson's Report/Forward by the CECM

On behalf of the Board of Directors, Meru County Investment and Development Corporation, I take this opportunity to present to you the report and financial statements for the Year ended 30 June 2022, pursuant to section 21 (1) of the MCIDC act 2014 which stipulates that: The Board shall cause to be kept proper books and records of accounts and assets of the Corporation and that within a period of three months after the end of each financial year, the Board shall submit to the Auditor-General, the accounts of the Corporation together with (a) a statement of financial position as at the thirtieth day of June; (b) a statement of comprehensive income; (c) a statement of cash flow for the year ended; (d) a summary of significant accounting policies and other explanatory information.

During the year under review there were changes in the membership of the Corporation Board as follows: Mr. James Mwenda was appointed as the acting Board Chairperson on 17th February 2022 who further resigned in January 2023 during the financial year under review

The Corporation made considerable progress in the 2022/23 financial year. The most remarkable endeavour has been the development of the Meru County Energy Park, an investment project which is a collaboration between MCIDC and Windlab Resources International which is expected to generate 100 MW of power. There has been good progress in this project. Solar and wind monitoring equipment were installed and which are being used in data collection. In addition, the Environmental Social Impact Assessment Study on the project was completed, and the National Environment Management Authority (NEMA) Certificate issued.

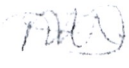
In Agribusiness, one of the Corporation's key focal areas of investment and development, the Corporation is a key player in the development of the County Aggregation and Industrial parks. The project is steered by through collaboration between the National Government Ministry of Trade, Investments and Industry. In 2022-23 financial year the Corporation had allocated Kshs 20,000,000 for the County Aggregation and Industrial park project. However, due to late disbursement of the said allocation by the County Treasury, the funds were rolled over to 2023-24 financial year. To cater for Survey works for the land, necessary studies and certifications required for the land to be investor ready.

I assure you that the executive is fast-tracking the constitution of a new Board of Directors that is alive to the uncertainties in the current business environment and which shall continue to provide the requisite oversight to protect the stakeholders' interests and to ensure that the Corporation maintains robust and sustainable business ethos. In this regard, the new Board shall build its capacity to improve internal structures and controls in order to ensure that the institution employs the market's best practices in its administration and day-to-day operations. The Board, in its role of providing strategic leadership, shall consider the Corporation's Annual Investment Plan to guide all investment activities and for purposes of ensuring that they are aligned to the general vision of the County Integrated Development Plan, the Annual Development Plans, as well as the key priorities/objectives based on the approved budgetary provisions.

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We look forward to implementing key strategic interventions as the Corporation continues to build upon the achievements it has made so far. The Board has a bigger strategy to increase the investment portfolio of the Corporation through Public Private Partnerships, Joint venture arrangements and other innovative approaches in the focal areas of Renewable Energy, Agriculture, Tourism and Real Estate Development.

The Board confirms that the institution remains firm on its mandate and is set to achieve its vision of being the leading investment corporation in Kenya, through design and execution of world-class commercial ventures. The Corporation's activities are well within the County's vision of being a United, Prosperous and a Happy County.

Name: *CPH Monica Keetheno* Signature:  Date: *29/9/2023*
CECM – Finance, Economic Planning and ICT

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6. Report of the Managing Director

I am pleased to present to you the Annual Report which highlights the performance of the Corporation's operations for the year ended 30th June 2023. The last twelve months have been particularly challenging for the Corporation and I wish to sincerely appreciate the combined efforts and commitment of our Board, stakeholders, management and staff; all of whom have played key roles over the period.

Operational Overview

In FY 2022/23 the Corporation continued to strengthen its business processes to ensure improved revenue generation and cost containment. I am pleased to report that management has initiated various steps aimed at further improving the Corporation's operations in line with its key mandate. The Corporation reviewed its development projects and initiatives besides taking strategic decisions for competitive positioning in the year.

To ensure delivery of its strategic plan, management continues to focus on the key focal areas of: agribusiness, renewable energy, hospitality and real estate sub-sectors while still keeping an eye on other sectors with high opportunity for investment returns.

In agri-business, the Corporation is focusing on value addition of agricultural products in Meru County to boost the local economy. The Corporation continued with value addition efforts in Coffee, Miraa, Banana, Livestock and Fish value chains.

As regards Miraa, the Corporation held a National Scientific Miraa Conference and also supported in the search for a promising new market for miraa in DRC.

In the renewable energy sector, the Corporation is looking into both grid and off-grid opportunities and has made positive strides towards the establishment of a promising project pipeline. This is notably, being achieved through the Meru Energy Park which has progressed well in the period.

In the hospitality sector, the Corporation intends to play a key role in positioning Meru, more particularly the Mount Kenya Circuit, as a popular tourism destination. During the period under review, the Corporation in partnership with the County Executive and the private sector successfully held the Mount Kenya Mountain Running Championship, an international event which attracted a lot of guests and visitors to Meru.

As far as the real estate sector is concerned, the Corporation completed the Meru County Headquarters office block which is now housing the Meru County Executive on lease basis.

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Financial Performance

During the financial year under review, the Corporation received Ksh 50,000,000 from the County Treasury to cater for the budgetary provisions. Further, the Corporation earned revenue amounting to Ksh 36,473,986 from its investments.

Future Outlook

FY 2023/24 is projected to be a challenging year on the local business environment. While noting the rise in inflation due to global and environmental shocks, including the extended drought, the Corporation looks forward to implementing key strategic interventions to build on its current achievements.

I sincerely thank the executive in the absence of Board of Directors for their support, guidance and oversight in the implementation of the Meru County Investment and Development Corporation Strategic Plan. To the Corporation staff and stakeholders, I wish to thank you all for your dedication and commitment.

Signed: _____

Angelo K. Gitonga

MCIDC, Ag. Managing Director

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7. Statement of Performance against County Entity's Predetermined Objectives

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board, includes a statement of the County government entity's performance against predetermined objectives. This requires further an objective review of the performance of achievements during the respective year in relation to the planned outputs.

The Meru County Investment and Development Corporation (MCIDC) is a Semi-Autonomous Government Agency created by an Act of the Meru County Assembly enacted in 2014 to among other purposes, pursue business ventures on behalf of the County; facilitate private sector participation in local investments and public sector development; identify strategic investment opportunities for the benefit of the County; promote local economic growth and job creation; promote and facilitate investment in the County.

The five-year plan set out programmes and projects to be implemented to achieve a united, prosperous and green model County. The key areas of focus for the Corporation in this light have been classified into four broad areas as follows; Agriculture Value addition/ agribusiness, Renewable energy, Real Estate Development and Tourism & Hospitality.

During the FY2022/23, the Corporation planned to undertake various projects whose overall objective is to increase investments in the County, creating new jobs and wealth for the people of Meru. To realize this, the following are the specific objectives set out to be accomplished during the financial year:

1. To invest in agricultural value addition/agribusiness ;
2. To invest in real estate development;
3. To promote tourism and hospitality in the County; and
4. To invest in renewable energy generation.
5. To carry out Investment promotion for the County

The progress on attainment of these Strategic development objectives by the Corporation has been reported in the table below.

Programme	Objectives	Outcome	Indicator	Performance (During the FY2022/23)
Agricultural Value addition /Agribusiness	To increase investment in Agricultural value addition / Agribusiness	Increased earnings in agriculture	No. of completed projects	<ul style="list-style-type: none"> ▪ Michii Mikuru Tea farm properly managed. ▪ Thimangiri slaughter house operating. ▪ Ng'onnyi white meat facility leased out. ▪ Kanyakine Fish processing factory has been leased out.

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Real Estate development	To increase the real estate portfolio	Increased Revenues to MCIDC	No. of projects completed	<ul style="list-style-type: none"> ▪ Meru County Headquarters completed and leased out. ▪ Meru County Maisonettes leased out. ▪ Meru County Petrol station leased out ▪ Title for the New Meru County Headquarters and Meru County Massionatte acquired.
Tourism and Hospitality	To increase tourism earnings in the County	Increased earnings	No. of Partnerships/Events held	<ul style="list-style-type: none"> ▪ Ongoing discussions with a key tourism operator in the Mt. Kenya Circuit. ▪ Participated in the 3rd Mt. Kenya Mountain Running Championship
Renewable energy	To tap into the renewable energy resource	Increase megawatts generated and earnings	No. of Megawatts	<ul style="list-style-type: none"> ▪ Final stage of the development phase for the Meru County Energy Park. ▪ Obtained data on water volume and flow to ascertain rivers within the county that are viable for mini hydro projects
Investment promotion	To promote investments and creating awareness of the opportunities and products in the County	Increased awareness and product promotion	No. of forums / conferences	<ul style="list-style-type: none"> ▪ Participated in the 3rd Kenya International Investment Conference (KIICO 2023) ▪ Held a successful stakeholders engagement forums in reference to the Meru County Energy Park in partnership with our investment partners. ▪ Held a successful three day Investor Education and Public Awareness forum in partnership with the Capital Markets Authority targeting Business Community, Boda boda operators and the general Meru residence

**Meru County Investment and Development Corporation
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8. Corporate Governance Statement

Number of Board Meetings and attendance

The current Board of Directors was officially inaugurated on 13th November 2017, reappointed for a further term of three years on 14th November 2020 vide Gazette Notice No. 536. The Board of Directors held meetings in FY2022/2023 as listed below. The acting Board Chair Mr. James Muratha resigned on January 2023.

Name	2022	
	Date	
	20 th Sep	23 rd Sep
James Muratha	x	√
Kenneth Ntongai	√	√
Zachary Njeru	√	√
Charles Mwenda	x	√
Kenneth Ruteere	√	√

Succession Plan

The appointing authority shall ensure that the tenures of Board members are staggered to ensure a phased transition.

Board Charter

The Board Charter defines the roles, responsibilities, scope and functions of the Directors in the governance of the Corporation and provides for free exercise of independent judgment.

Process of Appointment & Removal of Board Members

The Board members of MCIDC appointments shall be made in accordance with the Meru County Investment & Development Corporation (MCIDC) Act 2014 and shall be in line with Article 27 of the Constitution of Kenya. Members of the Board are appointed through a transparent and formal process governed by the overriding principle of merit. The Board shall be constituted of six members as provided by the MCIDC Act. A non-executive chairperson who shall be appointed by the Governor and approved by the County assembly; the chief officer for the time being responsible for finance; the chief officer for the time being responsible for trade; two professionals appointed by the executive member through a competitive process in consultation with the Governor and approved by the County Assembly; while the Managing Director (MD) shall be an ex officio member and secretary to the Board.

The chairpersons shall be appointed by the Governor and approved by the County assembly and shall at a minimum possess the qualifications, skills and experience set out in MCIDC Act.

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Each Board member shall be formally appointed to the Board through a Gazette Notice and thereafter an appointment letter. Board members shall be appointed by name, and shall sit on the Board individually with no power to appoint alternates. The Chief Officers shall sit in their office capacity with power to appoint alternates. Each Board member shall signal their acceptance of the appointment in writing while the appointing authority shall ensure that any person appointed to the Board satisfies the fit and proper requirements.

The Board may recommend the removal of a member based on non-performance, non-attendance of meetings, unethical conduct or as set out in any constitutive documents or applicable law.

Every appointment shall cease if the Board member:

1. Serves the appointing authority with a written notice of resignation; or
2. Is absent, without the permission of the Chairperson, from three consecutive meetings; or
3. Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding ten thousand shillings; or
4. Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
5. Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.

Any removal of a Board member shall be through formal revocation as set out in the Act.

Roles and functions of the Board

The Meru County Investment & Development Corporation Board of directors' roles and functions are to:

- a) Determine the organization's mission, vision, purpose and core values.
- b) Set and oversee the overall strategy and approve significant policies of the organization.
- c) Ensure that the strategy is aligned with the purpose of the organization and the legitimate interests and expectations of all stakeholders and ensure effective communication with the stakeholders.
- d) Approve the organizational structure and annual budget of the organization.
- e) Monitor the organization's performance and enhance the corporate image of the organization.
- f) Ensure availability of adequate resources for the achievement of the organization's objectives.
- g) Appoint the MD, on such terms and conditions of service as may be approved by the relevant government organ(s) and approve the appointment of senior management staff.
- h) Oversee all the subsidiaries of the Corporation and monitor their performance.

Composition of the Board

The Board is composed of five members exclusive of the managing director who is an ex officio and only executive member.

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Induction and Training for the Board

Regular training and development programs are developed to equip the Board with necessary skills for effective discharge of their mandate. Newly appointed Directors undergo a detailed induction training to enhance their understanding of the nature of our Corporation's performance and strategy. Each year the Board prepares a training calendar where specific training needs are identified and scheduled. During the year, Directors attended corporate governance training.

Board Members Performance

The Board of directors determine its performance criteria and undertake an annual evaluation of its performance. The evaluation should cover the Board as a whole, its committees, individual members, the chairperson and the Managing Director. It is the responsibility of the Board to facilitate the annual evaluation and the result in a report with recommendations for implementation.

Conflict of Interest

A member of the Board shall be considered to have a conflict of interest for the purposes of this code if he acquires any pecuniary or other interest that could conflict with the proper performance of his duties as a member of the Board. A conflict of interest may also arise where a Board member or close family member has private interests that could improperly influence the performance of the Board member's official duties and responsibilities. Board members are required to avoid conflict of interest and deal at arms-length in any matter that relates to the organization. However, a Board member who identifies an area of conflict shall be required to disclose.

Board Remuneration

As stipulated in the MCIDC Act 2014, the remuneration of the members of the Board shall be as determined by the County Executive Committee. The remuneration policy for Board members shall clearly stipulate the elements of such remuneration including director's fees, attendance allowances and bonuses

Ethics, Conduct and Governance Audit.

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

The Board, in consultations with the Auditor General's office, shall ensure that it subjects the organization to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose. The governance audit will also include areas that cover the governance practices of the organization in the following parameters:

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- (a) Leadership, strategic management, transparency, disclosure and compliance with laws
- (b) Communication with stakeholders and ensuring corporate social responsibility;
- (c) Board procedures, independence, governance and shareholder value enhancement;

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9. Management Discussion and Analysis

The Meru County Investment and Development Act 2014 Section (16) provides that the Corporation shall, within three months after the end of each financial year, prepare and submit to the executive member a report of the operations of the Corporation for the immediate preceding year. The annual report that shall provide among others information regarding the activities and plans of the Corporation during the year to which it relates sufficient to impart an accurate understanding of the nature and scope of its activities and its plans and priorities and, without limitation, shall include among others.

Operational Performance

The Meru County Investment and Development Corporation Act 2014 section 3 (j) mandates the Corporation to undertake Public private partnerships and joint ventures for the purpose of promoting investments in the County. The Corporation has already embarked on potential and viable partnerships with both the public and private sectors for the purposes of exploiting the various opportunities existing in the County.

Financial Performance

During the Financial Year 2022/2023 the Corporation received Kshs 50,000,000 from the County Treasury being budgetary allocation. Whereby, Kshs 30,000,000 was for recurrent expenditure while Kshs 20,000,000 was the development allocation for the period under review. Further, the Corporation received Kshs 10,000,000 being partial payment of rent receivable from the County Government for FY 2021/22.

The Corporation earned revenue amounting to Kshs 36,473,986 from its investments and anticipates an increase in revenue in FY 2023/24 due to the anticipated increase in revenue from the revision of lease terms for commercial tenants and new leases for additional properties/assets.

Key Projects and Investments (Completed and Ongoing)

(a) Ongoing

I. Renewable energy projects

a. Meru Energy Park

Meru County Energy Park (MCEP) is 230MW of hybrid energy i.e. Wind, Solar and potential Battery Storage located in Athwana Ward -Tigania West. It is being implemented by Hewani Energy (pty) Ltd (formally Windlab East Africa Ltd) and MCIDC through the project Company, Hybrid Re 1 SPV Limited, and the project cost is estimated to Kshs. 40 Billion. The project began in 2016.

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MCIDC has 20% Shares of the project – 5% free rider & 15% as a funded investment. The development phase of the project is at the final stages, with Land securement and Power Purchase Agreement as the key remaining item.

Meru County Energy Park: Project readiness status

Project is far advance in its permitting and technical Studies

Licensing and permitting

License / Studies	Status	Key considerations
Environmental authorization (EIA)	100% complete	<ul style="list-style-type: none"> 32 wind turbines, 20MW solar PV, and 10MWh Battery Energy Storage System permitted
Kenya Civil Aviation Authority	100% complete	<ul style="list-style-type: none"> Detailed Aeronautical Safety study conducted Approval obtained for 250M tip height up to 32 wind turbines.
Bankable wind Data	100% complete	<ul style="list-style-type: none"> 3 monitoring locations on-site (2 x Triton SODAR acoustic monitoring devices + 1 x 120m tall met mast) >48 months of bankable wind data-set
Land Securement	85% complete	<ul style="list-style-type: none"> Land Secured via License and Option to lease agreements.
Transport Studies	70% complete	<ul style="list-style-type: none"> Preliminary studies done ; detailed studies underway
Grid Studies	100% complete	<ul style="list-style-type: none"> Detailed Studies done
Geotechnical Studies	20% complete	<ul style="list-style-type: none"> Commenced

b. Other projects

The corporation did a preliminary studies on assessment of water volume and flow to ascertain rivers within the county that are viable for mini hydro projects.

In Partnership with other investors the corporation has done some primary works on wind and solar energy.

II. Old Moses Camp site

MCIDC is partnering with the proprietors of the Old Moses Camp site to develop luxury cottages, dormitory, restaurant and shrine among other facilities. Old Moses Camp is an existing camp administered by Bantu Utamaduni Lodge on the Sirimon Route to Mount Kenya. Sirimon gate is the busiest gate to Mount Kenya National Park, generating approximately 50% of the park revenue. The camp is approximately 9km and the road to the camp is tarmacked making it accessible to both the motorist and those trekking to Mount Kenya. From the camp there is serene view of Lenana peak of Mount Kenya as well as the beautiful surrounding making it very ideal for tourism promotion.

Most hikers spend their first night at the camp which had two dormitory however one burnt down early last year, leaving a huge gap on the accommodation of the tourist trekking to Mount Kenya. The MCIDC board approved for formal partnership with the proprietor and a Memorandum of Understanding (MoU) has been signed.

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III. Kanyakine Fish Processing Factory

Kanyakine Fish Processing Plant situated within Kanyakine area South Imenti Meru County was constructed by the National Government under the Economic Stimulus Programme (ESP) and handed over to the County Government in 2015. The County further transferred the facility to Meru County Investment & Development Corporation for purposes of operationalization and ensure the facility serves the purpose for which it was established. The Corporation has leased out the facility to ensure the facility is operational and has economic benefits to the County residents.

IV. Ng'onyi white meat facility

The Ng'onyi white meat market is a facility that was constructed by the National Government to promote horticulture in the County through the stimulus program. The facility is located on along the Meru-Embu-Nairobi Highway just 1km out of the Meru Municipality and it sits in ½ Acre plot. Upon devolution, this project and other projects in the Counties, of the Ministry of Agriculture, Livestock and Fisheries became the responsibility of county governments. This project was therefore, upon completion officially transferred, to the County Government of Meru for management by the County Department of Agriculture, Livestock and Fisheries. The department, upon takeover of the facility opted for community/farmer led facility operation and management through the area leadership.

The facility being along the highway the Department of Livestock and Fisheries in partnership with Meru County Investments and Development Corporation together with the local community is renovating the facility to be a white meat Centre. The Centre is envisioned to have eatery as well as value addition for indigenous chicken and fish. The Corporation has leased out the facility to ensure the facility is operational and has economic benefits to the County residents.

(b) Completed Project

I. Meru County Headquarters Office Block

The key projects for MCIDC for the FY 2022/2023 was completing the refurbishment of the proposed Meru County Headquarters. The refurbishment was undertaken to provide office space for the Meru County Government staff as there is a dire need of office space thus the government is paying more than Kshs.1 Million per month on rent for space which is still not enough. Therefore, MCIDC (Meru County Investment and Development Corporation) undertook to renovate Meru County Hotel to grade A, office space. The office block is the New Meru County Headquarters and hosts the office of the Governor. The total cost of refurbishment has been catered for by the corporation, as at the closure of financial year under review the building was at 100% complete with an occupancy of over 100%. The project has been completed at a cost of Kshs. 231million. In the financial year 22/23 the corporation acquired ownership documents for the land parcel as well as clearance of pending bills being Consultancy Fees for the project supervision.

II. Meru County Maisonettes

The corporation took over the management of the Meru County Maisonettes, marked the rates to market and fast tracked the remittance of rent arrears. The refurbishment of the facility in FY2020/21 has not only improved its status but also aid maximization on rent collections.

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We believe that with strategic tenants the facility can earn revenue for the corporation. In the financial year 22/23 the corporation acquired ownership documents for the land parcel. Further, the corporation earned an actual revenue of Kshs 4,610,000.

III. Meru County Petrol Station

The Meru County Oils Limited is a petrol station that opened its' operations in 2017 operating as a fully owned subsidiary of MCIDC. In FY2020/21 the corporation successfully leased out the facility which is generating about Kshs 1,809,600 annually. In the financial year 2022/23 the corporation earned an actual revenue of Kshs 300,000.

IV. Thimangiri Slaughter House

Thimangiri slaughterhouse is a prime asset located in Nyaki West ward, North Imenti Sub County. The asset was a great life line for the local community as it was strategic, affordable and had sufficient capacity to cater for large numbers of livestock from within and the environs. The corporation has leased out the facility to an operator who shall ensure social benefits to the community and revenue generation to the county government and long term sustainability. The Slaughter house is operational. In the financial year 2022/23 the corporation earned an actual revenue of Kshs 192,000.

V. Michii Mikuru Tea Farm

The farm was established in 1960s as a demonstration farm on tea production/growing. The farm operated under the County Government of Meru department of Agriculture, Livestock & Fisheries under supervision by the Principal Kaguru ATC. Further, in February 2019 the farm's management was transferred to the Corporation whereby all the operational costs are borne by MCIDC as well as the revenue remittances.

The Corporation intends to improve the farm maintenance to optimize the quantity of harvest to enhance income receivable from the tea farm. It has planted addition 3,000 tea bushes. The total kilograms harvest in the financial year 2022/23 were 40,861.40Kg with a net income from the farm was Kshs. 1,894,365.50

The farm has employed 2 employees on contract basis and 60 casuals who are the local residents' hence spreading social economic benefit.

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Table 1: Summary of the projects ownership

	PROJECT	SECTOR	INVESTOR
1	Meru County Petrol Station	Energy	MCIDC
2	Meru County Head Quarter Refurbishment	Real Estate	MCIDC
3	Meru County Maisonettes	Real Estate	MCIDC
4	Renewable energy (Meru County Energy Park)	Clean Energy	MCIDC& Partners
5	Kanyakine Fish Processing Factory	Value Addition	MCIDC
6	Michii Mikuru Tea Farm	Agri-Business	MCIDC
7	Leopard Rock Lodge	Hospitality	MCIDC
8	Thimangiri Slaughter house	Real Estate	MCIDC
9	Ng'onyi White Meat facility	Value Addition	MCIDC
10	Old Moses Camp - Mt. Kenya	Hospitality	MCIDC& Partners

3.2 Investments Promotion Events

Part of the corporation's mandate is to promote local investment and products and spur economic development, coordinate and facilitate investments in the county and facilitate investments by the county residents. In pursuit of this the Corporation organized the below events in the year 2022/23.

DATE	EVENT	VENUE	PARTNERSHIP
29 th -31 st May 2023	Participated in the 3rd Kenya International Investment Conference (KIICO 2023) themed "Unlocking Africa's Gateway" held at Safari Park, Nairobi to show case the investment opportunities in Meru and source for investors.	Safari Park Hotel, Nairobi	MCG, MCIDC
14 th June 2023	Held a successful stakeholders engagement forums in reference to the Meru County Energy Park in partnership with our investment partners.	Three Steers Hotel, Meru	Hewani Energy, MCIDC

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20 th -22 th June, 2023	Held a successful three day Investor Education and Public Awareness forum in partnership with the Capital Markets Authority targeting Business Community, Boda boda operators and the general Meru residence	Three Steers Hotel, Meru	MCIDC, Capital Markets Authority
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The Corporation shall continue to engage stakeholders, both in the public and private sector for the furtherance of its mandate.

3.3 Legal & Compliance with Statutory Requirements

The corporation has been keen to ensure compliance with all the laws through its legal office to take overall responsibility for the management of all legal matters pertaining to the Corporation. The office provides efficient and timely professional legal services to the Corporation, advice management on legal matters and risks facing the organization, ensure Corporation's compliance with statutory and regulatory requirements to avoid legal litigations.

The office has been offering sound legal counsel to management, drafting and review of laws, regulations and by-laws that fall within the Corporation's purview for compliance purposes and risk management.

The legal office therefore has ensured there are pre-qualified firms on standby ready to represent the Corporation and select appropriate firms. Further it is the responsibility of the office to compile information needed by the firms, monitor the matters and give status reports to management and the board.

The legal officer has been the secretariat to the board. This involves minute taking, ensuring proper records of board papers, minutes and boards discussions. The office also ensures meetings are properly convened, development of charters etc. The office has also been instrumental in business development, investor relationships and the partnerships the Corporation gets into. This has involved conducting due diligence, drafting of all contracts and agreements (business development agreements, consulting & services agreements, Financing agreements, EPC agreements, licensing agreements etc.), strategic alliances & collaborations, monitoring and evaluations of partnerships and responding to queries/ guidance on agreements by investors/partners.

Major Risks facing the Corporation

The major risk facing the Corporation is late disbursement of allocated funds from the Treasury. Further, the operating business environment is very turbulent necessitating rapid revision of investments strategies.

Material Arrears in Statutory and Financial Obligation

Meru County Investment & development Corporation has complied with all the statutory obligations during the FY 2022/2023. However, the key financial obligations during that financial year is the pending payment to Consultants for the final designs for the Meru Rising Tower project. There are also pending payments towards the final designs for the Meru Rising Tower project.

10. Environmental and Sustainability Reporting

MCIDC strives to ensure that the investments we finance supports economic and social development in the County. Our approach to sustainability in doing business focuses on three priorities: Contributing to sustainable economic growth, being a responsible Corporation and investing in communities.

Meru County Investment and Development Corporation (MCIDC) was established to promote, attract and support investment programs in various sectors of the County economy. The Corporation is hence at the centre of all County investments. This has meant that the success of the Corporation is pegged on professionalism, operational efficiency and excellence. The Corporation has strived to achieve this through a results based management system. Below is a highlight of our detailed illustration of these achievements:-

1. Sustainability strategy and profile

The top management of the Corporation in the running of the day-to-day affairs makes prominent reference to the strategic plan which is inspired by the broader visions as set out in the global Sustainable Development Goals, African Agenda 2063, Kenya Vision 2030, and Meru Vision 2040. Programmes and projects planned and implemented by the Corporation are identified on the basis of these criterion to ensure relevance and to promote sustainability. The promotion of investments in agro processing and renewable energy is a good example of the Corporation's efforts to promote a sustainable economy.

2. Environmental performance

Environmental considerations are very key as envisaged in Meru County's vision to be a green model County. In this regard, MCIDC has singled out renewable energy as one of its Big Four focus areas as it strives to be the leading Investment Corporation through design and execution of World-class Commercial Ventures. On this front, the Corporation is currently undertaking a public private partnership with Windlab to set up the Meru energy park which will be Africa's first large scale hybrid wind, solar photovoltaic and battery storage project.

3. Employee welfare

MCIDC has put the following mechanisms in place to ensure comfort and safety of employees at all times in order to keep their morale and motivation high and for staff retention.

a) Working environment

- i) Provision and maintenance of a work environment in compliance with Occupation safety and Health Act, 2007 for all employees that is safe, without risks to health, and adequate arrangements for the employees' welfare at work
- ii) Ensure safety provisions in case of fire by ensuring that fire extinguishers are properly installed and serviced; free from any obstructions so as to be readily accessible in case of fire and clearly marked fire exits.

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b) Competency development

- i) Conducts staff needs assessments every year and facilitates trainings where necessary
- ii) Undertakes skills gap analysis once every year and executes interventions to address the identified gaps through trainings, recruitments, capacity building and outsourcing
- iii) Develop, update and maintain a skills inventory for all employees for purpose of identifying the available and required skills, which guide the training, recruitment and succession management decisions

c) Developed Performance Contracts for the Managing Director, Directors and cascading of performance contracts to other employees

- i) To enhance efficiency and effectiveness in service delivery, the Corporation has put in place Performance Contracts whereby the MD and Directors sign Performance Contract at the beginning of every financial year and evaluated at the end of the financial year.
- ii) Carry out performance appraisal for individual employees based on negotiated and agreed performance targets drawn from the annual work plan and Performance Contracts
- iii) Implement Performance appraisal for employees, including implementation of the performance incentives and sanctions framework.

d) Recruitment and selection

- i) MCIDC policy on recruitment and selection stipulates that the Corporation shall recruit staff in a competitive process and shall consider all job applicants on the basis of merit and ensure compliance with the Labour Laws and the Constitution of Kenya.

4. Market place practices

MCIDC is keen at being a responsible corporate entity. This way the Corporation has recently put in place a framework to receive feedback from various stakeholders as a means to ensuring continuous improvement. Additionally the Corporation continues to comply with regulatory provisions as a basic way to demonstrate adherence to market place practices. Further, the Corporation has established;

- a) A responsible Supply chain and supplier relations by ensuring transparency in its tendering process, and payment of dues in time. This way the Corporation has built a reputation as a responsible corporate government agency.
- b) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices

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5. Community Engagements

The Corporation has ensured compliance with the public participation principle in all its development progress whereby the plans and the budget are subjected to public participation which is done during the planning process by the County Government and later subjected to the County assembly for approval. Additionally, the Corporation spearheaded community engagement for the Meru Energy Park, leading to the successful signing of lease agreements with Windlab under the Public Private Partnership arrangement to establish the hybrid energy park.

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11. Report of the Board of Directors/Forward by the CECM

The Management in the absence of Board of directors submit their report together with the financial statements for the year ended June 30, 2023 which show the state of the Corporation affairs.

Principal activities

The principal activity of the Corporation is to invest on behalf of the Meru County Government.

Results

The results of the Corporation for the year ended June 30, 2023 are set out on pages 36 to 61.

Board of Directors

The members of the Board of Directors who served during the year are shown on page 5. There were changes in the Board membership whereby the Chairperson Felicity Biriri resigned in February 2022. Mr. James Muratha was appointed on acting capacity as the Chairperson who further resigned in January 2023 during the financial year under review. The Board of directors was appointed in November 2017 and reappointed for a further term of three years on 14th November 2020 vide Gazette Notice No. 536.

Therefore, the Corporation did not have a fully constituted Board of directors during the year under review.

Auditors

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

By Order of the Board (The report is

Meru County Investment and Development Corporation

~~FILE~~
Name: CMA Monica Kaltheno

CECM – Finance, Economic Planning and ICT

Date: 29/9/2023

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12. Statement of Management's Responsibility

The administration established by a County legislation shall be required to prepare financial statements of each County Government entity, receiver of revenue and consolidated financial statements for all the County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board. The Corporation was established by the County Act of 2014 wholly owned by the County Government of Meru and headquartered in Meru.

The Managing Director of the Corporation is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the Corporation as at the end of the financial year ended on June 30, 2023. 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 Corporation; (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 Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

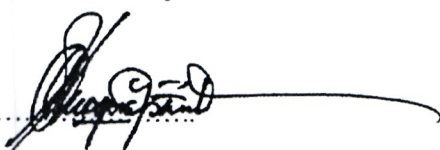
The Managing Director accepts responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the MCIDC Act, 2014. The Managing Director is of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2023, and of the Corporation's financial position as at that date. Further the Managing Director confirms the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

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

**Meru County Investment and Development Corporation
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Approval of the Financial Statements

The Corporation financial statements were approved by the Board on 28th September 2023 and signed on its behalf by:

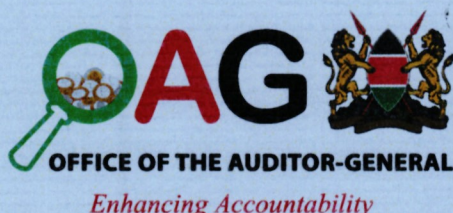


Angelo K. Gitonga

Ag. Managing Director

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY INVESTMENT AND DEVELOPMENT CORPORATION 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 the Meru County Investment and Development Corporation for the year ended 30 June, 2023 set out on pages 36 to 69,

Report of the Auditor-General on Meru County Investment and Development Corporation for the year ended 30 June, 2023

which comprise the statement of financial position as at 30 June, 2023, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of my report the financial statements present fairly, in all material respects, the financial position of Meru County Investment and Development Corporation as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Meru County Investment and Development Corporation Act, 2014.

Basis for Qualified Opinion

1. Inaccuracy in the Financial Statements

The statement of financial performance and as disclosed in Note 2 to the financial statements reflects Kshs.36,473,986 as other income while the statement of comparison of budget and actual amounts reflects Kshs.7,091,366 as actual income on comparable basis resulting to an unexplained variance of Kshs.29,382,620.

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

2. Unsupported Other Income

The statement of financial performance reflects an amount of Kshs.36,473,986 in respect to other income and as disclosed in Note 2 to the financial statements. Included in the amount is Kshs.34,579,620 in respect to rental income out of which Kshs.1,078,000 was received from three tenants. However, it was not established how the rent amounts charged were determined as there were no market surveys done, valuation reports from Ministry of Public Works and tariff guides on the rent. This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized and effective, efficient, economical and transparent.

In the circumstances, the accuracy, valuation, and completeness of the Kshs.1,078,000 in respect to rental income for the year ended 30 June, 2023 could not be confirmed.

3. Accounts Payable - Abandoned Radio Station

The statement of financial position reflects an amount of Kshs.14,857,641 in respect to accounts payable and as disclosed in Note 9 to the financial statements. Included in the balance is an amount of Kshs.1,030,000 payable to a firm for the supply, installation, and commissioning of a radio broadcasting equipment for phase 2 and 3 as the final payment of an abandoned radio station project, initiated by the County Government in 2016.

As reported in the previous years, the Corporation paid Kshs.4,551,829 in the financial years 2016/2017 and 2017/2018 for establishment of a radio station which was closed on 21 December, 2017 due to non-viability. However, the Corporation had not undertaken project appraisal and financial analysis of the radio station project before making the investment contrary to Section 26 of the Meru County Investments and Development Corporation Act, 2014 which states that the Corporation shall not undertake any investment or project unless it has undertaken an investment or project appraisal and financial analysis in accordance with the prescribed guidelines.

Further, at the time of audit in October, 2023, it was noted that the project was still abandoned and therefore, the payable amount of Kshs.1,030,000 when settled will increase the amount paid in respect to the project from Kshs.4,551,829 (already paid) to Kshs.5,581,829 without any corresponding benefits to the residents of Meru County.

In the circumstances, the payables of Kshs.1,030,000 could not be related to any asset from which the Corporation could draw future benefit.

4. Long Overdue Refund on Borrowing

The statement of financial position and as disclosed in Note 10 to the financial statements reflects a balance of Kshs.1,400,000 in respect to borrowings from the County Government of Meru to pay salaries for the Corporation employees way back in March, 2018. However, as reported in the previous years, no satisfactory explanation was given why the debt had not been settled by time of audit in October, 2023. This was contrary to Section 201(d) of the Constitution of Kenya, 2010 which states that public money shall be used in a prudent and responsible way. Therefore, the Corporation risks litigation proceedings from its creditors for amounts due and interest on delayed settlement of bills.

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

5. Long Overdue Accounts Receivable

The statement of financial position and as disclosed in Note 6 of the financial statements reflects Kshs.47,587,020 as accounts receivables as at 30 June, 2023. Included in this balance is Kshs.28,204,400 that has been long outstanding.

In the circumstances, the recoverability of the said amount could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Meru County Investment and Development Corporation 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 final revenue budget and actual on comparable basis of Kshs.94,149,044 and Kshs.57,091,366 respectively resulting to under-funding of Kshs.37,057,678 or 39% of the budget. Similarly, the statement reflects Kshs.94,149,044 and Kshs.46,503,077 in respect to expenditure budget and actual expenditure resulting to an under expenditure of Kshs.47,645,967 or 50% of the budget.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is however not modified in respect of this 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.

Other Matter

Unresolved Prior Year Audit Matters

There were issues raised in the audit report for 2021/2022 financial year. However, no report or recommendations from the Meru County Investment and Development Corporation Management and oversight bodies were submitted for audit verification and clearance. Further, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources Section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with the Law on Ethnic Composition

As reported in the previous year, the staff establishment of the Corporation had eighty six percent (86%) of the employees from one ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no

public establishment shall have more than one third of its staff from the same ethnic community.

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

2. Delayed Delivery of Project (AIA Consultant)

As reported in the previous year, the statement of financial position and the corresponding Note 9 to the financial statements reflects Kshs.14,857,641 in respect of accounts payables, which includes Kshs.13,547,641 owed to a Consultant for the design and construction supervision of a proposed fifteen (15) floors Meru Rising Tower in Meru Town. Documents provided for audit review indicated that the consultancy fees which was incurred in 2017 was Kshs.40,357,104 out of which Kshs.19,000,000 was paid in June, 2017 and Kshs.7,809,464 in the year 2019 leaving a balance of Kshs.13,547,641 which has been outstanding even as at 30 June, 2023. In addition, the project which was estimated to cost Kshs.1,990,878,979 had not commenced at the time of audit in October, 2023.

In the circumstances, it was not possible to confirm if there was value for money on the expenditure already incurred on the project.

3. Irregular Payment of Repairs and Maintenance

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects Kshs.14,027,976 in respect to general expenses. This balance includes Kshs.8,132,908 paid as other expenses which further includes Kshs.247,975 paid to various suppliers for repair and maintenance at the offices of the Governor, Governors' security area and Chief Officer Education. However, this expenditure should have been borne by the tenant and not the Corporation.

In the circumstances, it could not be confirmed whether value for money was obtained on the expenditure of Kshs.247,975.

4. Unsupported Expenditure on Lift Maintenance at Meru County Headquarters

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects Kshs.14,027,976 in respect to general expenses. This balance includes Kshs.8,132,908 paid as other expenses which further includes Kshs.348,000 paid to a local Engineering Company for lift maintenance at Meru County Headquarters.

Further audit revealed that the Corporation did not have a service charge clause in the lease agreement to clarify lift maintenance matters. The maintenance of the lift should be done by the tenant and not the landlord given the nature of operations.

In the circumstances, it could not be confirmed that the Kshs.348,000 was incurred in an effective way.

5. Failure to Prepare Tea Farm Reconciliation Reports

Note 2 to the financial statements reflects Kshs.36,473,986 in respect to other income which includes Kshs.1,894,366 in respect to income from the Tea Farm. However,

sustainability, profitability and competitiveness reports as concerns the tea farm operations were not prepared by the Corporation Board as required by Section 27 of the Meru County Investment and Development Corporation Act, 2014 which states that the Corporation shall institute measures to ensure that its operations and investments are sustainable and profitable and that it is competitive in all its investment ventures.

There was no evidence provided for audit review to confirm that Meru County Investment and Development Corporation undertook an assessment after every two (2) years to measure the sustainability of the investment as required by Section 27(2) of the Meru County Investment and Development Corporation Act, 2014.

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

6. Uncollected Rental Income

The statement of financial performance and as disclosed in Note 2 to the financial statements reflects Kshs.36,473,986 in respect to other income which includes Kshs.34,579,620 in respect to rental income. The Corporation had rental income budget of Kshs.36,808,993 for the year. However, the Corporation collected Kshs.7,091,365 resulting to an undercollection of Kshs. 29,717,628 or 81% of the budget.

The undercollection affected the planned activities of the Corporation and may have impacted negatively on service delivery to the citizens.

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, except for the matters described in the Basis for conclusion on effectiveness of Internal Controls, Risk Management and Governance Section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Board Underperformance

Note 4 to the financial statements reflects Kshs.14,027,976 in respect to general expenses which includes Kshs.306,695 paid as Board allowances.

Audit review of the board composition and its activities revealed the following:

- i. During the financial year under review the board was not fully constituted as it only had five (5) members contrary to the Meru County Investment and Development Corporation Act, 2014 section 6 which requires the board to have at least six (6) directors.
- ii. The Board comprised of the same gender contrary to section 6(5) of the Meru County Investment and Development Corporation Act, 2014 which states that not more than two thirds of the members of the Board shall be of the same gender.
- iii. The Board failed to meet a minimum of four (4) times as required by section (2) of the Meru County Investment and Development Corporation Act, 2014 which states that the Board shall meet not less than four (4) times in every financial year and not more than four (4) months shall elapse between the date of one meeting and the date of the next meeting.

In the circumstances, the board's effectiveness to deliver and perform its duties could not be confirmed while lack of adequate representation may hinder the board's ability to make well-rounded decisions that reflect diverse perspectives. Gender imbalance may lead to biased decision making and a lack of diverse viewpoints within the Board.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Corporation'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 Corporation or cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Corporation'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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal 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 control.
- 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 Corporation'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 Corporation 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 Corporation 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 control that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 January, 2024

Report of the Auditor-General on Meru County Investment and Development Corporation for the year ended 30 June, 2023

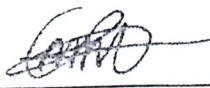
Meru County Investment and Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2023

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

Description	Note	FY2022/2023	FY2021/2022
		KShs	KShs
Revenue From Non-exchange Transactions			
Transfers From the County Government	1	30,000,000	75,964,539
Revenue From Exchange Transactions			
Other Income	2	36,473,986	34,187,810
Total Revenue		66,473,986	110,152,349
Expenses			
Staff Cost	3	24,623,169	21,851,951
General Expenses	4	14,027,976	32,623,809
Depreciation and Amortization Costs	7	1,310,595	1,067,712
Total Expenses		39,961,739	55,543,471
Surplus/(Deficit) for the Period		26,512,246	54,608,877

The notes set out on pages 53 to 61 form an integral part of these Financial Statements.


Ag. Managing Director
Name: Angelo Gitonga

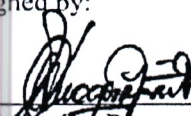

Corporation Accountant (Ag)
Name: Jediel Muturia
ICPAK Member Number:


Meru County Investment and Development Corporation
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15. Statement of Financial Position as at 30th June 2023

Description	Note	FY2022/2023	FY2021/2022
		KShs	KShs
Assets			
Current Assets			
Bank Balance - Current Account	5	25,722,191	5,133,902
Accounts Receivables	6	47,587,020	28,204,400
Non-current assets			
Property, Plant and Equipment	7	394,879,385	395,973,166
Investment	8	74,751,798	74,751,798
Total Assets		542,940,394	504,063,266
Equity & Liabilities			
Current Liabilities			
Accounts Payable	9	14,857,641	22,492,759
Borrowings From County Treasury	10	1,400,000	1,400,000
Non-Current Liabilities			
Total Liabilities		16,257,641	23,892,759
Net Assets			
Capital Contribution	11	366,686,482	346,686,482
Accumulated Surplus		159,996,271	133,484,025
Total Net Assets and Liabilities		542,940,394	504,063,266

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 28th September 2023 and signed by:

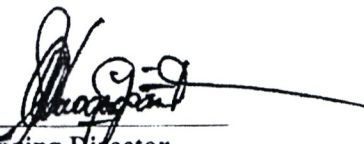

 Ag. Managing Director
 Name: Angelo K. Gitonga



 Corporation Accountant (Ag)
 Name: Jediel Muturia
 ICPAK Member Number:

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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 1st July 2021	-	2,820,000	76,055,148	78,875,148
Surplus/(Deficit) for the Period	-	-	54,608,877	54,608,877
Balance As At 30th June 2022	-	2,820,000	130,664,025	133,484,025
Balance As At 1st July 2022	-	2,820,000	130,664,025	133,484,025
Surplus/(Deficit) for the Period	-	-	26,512,246	26,512,246
Balance As At 30th June 2023	-	2,820,000	157,176,271	159,996,271


 Ag. Managing Director
 Name: Angelo K. Gitonga


 Corporation Accountant (Ag)
 Name: Jediel Mutoria
 ICPAK Member Number:

Meru County Investment And Development Corporation
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17. Statement of Cash Flows for the Year Ended 30th June 2023

Description	Note	FY2022/2023	FY2020/2022
		KShs	KShs
Cash Flows From Operating Activities			
Receipts			
Transfers From the County Government	1	30,000,000	75,964,539
Other Income	2	36,473,986	34,187,810
Total Receipts		66,473,986	110,152,349
Payments			
Staff Cost	3	24,623,169	21,851,951
General Expenses	4	14,027,976	32,623,809
Adjusted For:			
Increase in Accounts Receivable	12	(19,382,620)	(26,795,400)
Decrease in Accounts Payable	13	(7,635,118)	(15,690,621)
Net Cash Flows From Operating Activities		805,103	13,190,568
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment	7	216,814	2,255,909
Investment in Subsidiaries	8	-	11,295,520
Net Cash Flows Used in Investing Activities		216,814	13,551,429
Cash Flows From Financing Activities			
Transfers From the County Government (Capital Contribution)		20,000,000	-
Net Cash Flows Used in Financing Activities		20,000,000	-
Net Increase/(Decrease) in Cash and Cash Equivalents		20,588,289	(360,861)
Cash and Cash Equivalents at 1st July 2022		5,133,902	5,494,763
Cash and Cash Equivalents at 30th June 2023	5	25,722,191	5,133,902

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18. Statement Of Comparison Of Budget And Actual Amounts For The Period Ended
30th June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	FY2022/2023	FY2022/2023	FY2022/2023	FY2022/2023	FY2022/2023	FY2022/23
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Rollover FY2021/22	-	-	-	-		100%
Transfers From County Government	37,340,051	-	37,340,051	30,000,000	7,340,051	80%
Other Income	36,808,993	-	36,808,993	7,091,366	29,717,627	19%
Transfers From County Govt.(Development)	120,000,000	(100,000,000)	20,000,000	20,000,000	-	100%
Total Income	194,149,044	(100,000,000)	94,149,044	57,091,366	37,057,678	61%
Expenses						
Staff Costs	27,340,051	-	27,340,051	24,623,169	2,716,882	90%
General Expenses	32,352,898	-	32,352,898	14,027,976	18,324,922	43%
Development	134,456,095	(100,000,000)	34,456,095	7,851,932	26,604,163	23%
Total Expenditure	194,149,044	(100,000,000)	94,149,044	46,503,077	47,645,967	49%
Surplus For the Period	-	-	-	10,588,289	(10,588,289)	

Budget notes

1. The transfer from Meru County government amounting to Kshs 7,340,051 was not disbursed as at 30th June 2023.
2. The budgeted amount on Other Income was not realised as expected due to non-remittance of rental income for the offices occupied by Meru County Headquarters amounting to Kshs 26,460,000 and other commercial tenant amounting to Kshs 3,257,627.
3. The budgeted amount on development was lately disbursed due to budget constraints hence has been rolled over to the subsequent financial year 2023/24.
4. The difference between the original and final budget is due to adjustment made in line with the supplementary budget that was approved by the County Assembly.
5. The totals of actual on comparable basis does not tie with statement of financial performance as the actual on comparable basis is on cash basis whereas the financial performance is prepared on accrual basis. For reconciliation purposes add back the depreciation of Kshs 1,310,595 and Kshs 10,000,000 receivables for the previous year paid to the surplus of Kshs. 26,512,246 realized in the statement of Financial Performance and less Kshs 19,382,620 accounts payable and Kshs. 7,851,932 capital expenditure that has not been recognised in the Statement of Financial Position and the resulting amount will be Kshs 10,588,289 as per the Surplus of Actual on comparable basis.

**Meru County Investment And Development Corporation
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19. Notes to the Financial Statements

1. General Information

Meru County Investment & Development Corporation (MCIDC) is established by and derives its authority and accountability from the Meru County Investment & Development Corporation Act of 8th August 2014. The Corporation is wholly owned by the County Government of Meru and is domiciled in Kenya. The entity's principal activity is to invest on behalf of the Meru County Government.

2. Statement of compliance and basis of preparation

The Corporation's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Corporation. 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 and effective in the year ended 30 June 2023**

Standard	Effective date and impact
IPSAS 41: Financial Instruments	<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> <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;

Meru County Investment And Development Corporation
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	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing. • 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. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

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Standard	Effective from 1 January 2023
	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.
Other improvements to IPSAS	<p>Applicable 1st January 2023</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 from 1 January 2025
IPSAS 43	<p>Applicable 1st January 2025</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 cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

Meru County Investment And Development Corporation
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Standard	
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2023.

**Meru County Investment And Development Corporation
Annual Reports and Financial Statements
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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 30th 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 Corporation did not record additional appropriations on the FY 2022/2023 budget following the governing body's approval.

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

Meru County Investment And Development Corporation
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For the year ended June 30, 2023

Summary Of Significant Accounting Policies (Continued)

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 the section of 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. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an established period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. 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.

**Meru County Investment And Development Corporation
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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 entity 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 entity 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 entity 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 entity's 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.

Initial recognition and measurement

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

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.

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Summary Of Significant Accounting Policies (Continued)

Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

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 of financial assets

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

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Summary Of Significant Accounting Policies (Continued)

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

Financial liabilities

Classification

The entity 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.

h) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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.

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Summary Of Significant Accounting Policies (Continued)

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 is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

j) Contingent assets

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

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

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

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Summary Of Significant Accounting Policies (Continued)

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

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.

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Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. 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.

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6. Notes To The Financial Statement

1. Transfer from County Government.

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Transfers From County Govt. – Operations	30,000,000	75,964,539
Total	30,000,000	75,964,539

2. Other Income

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Rental Income	34,579,620	32,559,800
Income from Tea Farm	1,894,366	1,628,010
Total Other Income	36,473,986	34,187,810

3. Staff Costs

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Salaries and Wages	12,524,637	10,604,991
Staff Gratuity/pension	2,538,810	2,818,800
Staff Training Expenses	2,056,744	1,853,080
Social Security Contribution	154,600	67,200
Other Staff Costs	7,348,378	6,507,880
Total	24,623,169	21,851,951

4. General Expenses

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Domestic Travel and Subsistence	2,795,880	3,894,146
Electricity and Water Expenses	74,820	-
Fuel and Oil costs	187,500	180,300
Telephone Internet & Postage	535,250	706,657
Printing, Stationery and Office Supplies	858,220	822,610
Security Costs	441,995	520,782
Board Allowances	306,695	2,532,623
Hospitality	694,708	587,479
Other Expenses	8,132,908	23,379,212
Total	14,027,976	32,623,809

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Notes to the Financial Statements (Continued)

5. Cash and Cash Equivalents

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Fixed Deposits Account	-	-
Bank Balance - Current Account	25,722,191	5,133,902
Others	-	-
Total Cash and Cash Equivalents	25,722,191	5,133,902

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

Financial Institution	Account Number	FY2022/2023	FY2021/2022
		KShs	KShs
Current account			
Kenya Commercial Bank	1168502845	18,595,647	180,379
Kenya Commercial Bank	1176612611	4,039,090	1,032,039
Kenya Commercial Bank	1225554969	3,087,454	3,921,484
Grand total		25,722,191	5,133,902

6. Accounts Receivables

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Current Receivables		
Accrued Rent	47,587,020	28,204,400
Total Current Receivables	47,587,020	28,204,400
Non-Current Receivables		
Total Non-Current Receivables	-	-
Sub-total Accounts Receivables	47,587,020	28,204,400
Total Accounts Receivables	47,587,020	28,204,400

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Notes to the Financial Statements (Continued)

7. Property, Plant and Equipment

	Capital work in progress	Motor vehicles	Furniture and fittings	Computer and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1 st July 2021	390,838,155	2,820,000	3,591,174	3,102,796	400,352,125
Additions/ revaluation	2,255,909	-	-	-	2,255,909
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	(1,645,394)	(1,645,394)
At 30 th June 2022	393,094,064	2,820,000	3,591,174	1,457,402	400,962,640
At 1 st July 2022	393,094,064	2,820,000	3,591,174	1,457,402	400,962,640
Additions/ revaluation	216,814	-	-	-	216,814
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	(502,500)	(502,500)
At 30 th June 2022	393,310,878	2,820,000	3,591,174	954,902	400,676,954
Depreciation and Impairment					
At 1 st July 2021	-	1,410,000	1,448,079	820,800	3,678,879
Depreciation	-	705,000	287,294	75,418	1,067,712
Transfer/Adjustments – Understated Depreciation Charge	-	-	-	242,883	242,883
At 30 th June 2022	-	2,115,000	1,735,373	1,139,101	4,989,474
At 1 st July 2022	-	2,115,000	1,735,373	1,139,101	4,989,474
Depreciation	-	705,000	287,294	318,301	1,310,595
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustments	-	-	-	(502,500)	(502,500)
At 30 th June 2023	-	2,820,000	2,022,667	954,902	5,797,569
Accumulated Depreciation					
Net Book Values					
At 30 th June 2022	393,094,064	705,000	1,855,801	318,301	395,973,166
At 30 th June 2023	393,310,878	-	1,568,507	-	394,879,385

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 Notes to the Financial Statements (Continued)

8. Investments

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Cost		
At Beginning of the Year	74,751,798	63,456,278
Additions for the Year	-	11,295,520
At End of the Year	74,751,798	74,751,798
NBV		

9. Accounts Payable

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Prepaid Rent	280,000	280,000
AIA Consultant	13,547,641	13,547,641
10% Contractors Retention Fees	-	-
Accrued operations expense	-	-
Mugambo Jwetu (Maintel technical services)	1,030,000	1,030,000
Office block consultants	-	7,635,118
Total Trade and Other Payables	14,857,641	22,492,759

10. Borrowings

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Balance at Beginning of the Period		
Borrowings From County Treasury	1,400,000	1,400,000
Balance at End of the Period	1,400,000	1,400,000

11. Capital Contribution

Description	Capital Contribution
	KShs
At July 1, 2021	331,686,482
Additions	-
At June 30, 2022	346,686,482
At July 1, 2022	346,686,482
Additions	20,000,000
At June 30, 2023	366,686,482

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Notes of the Financial Statements (Continued)

12. Changes in Receivable

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Account Receivables as at 1st July 2022	28,204,400	1,409,000
Account Receivables as at 30th June 2023	47,587,020	28,204,400
Net Changes in Account Receivable	(19,382,620)	(26,795,400)

13. Changes in Accounts Payable

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Account Payable as at 1st July 2021 (A)	22,492,758	38,183,379
Account Payable held during the Year (B)	-	-
Account Payable paid during the year (C)	7,635,118	15,690,621
Accounts Payable as the End of Year D= A+B-C	14,857,640	22,492,758
Net Changes in Account Payable E=D-A	(7,635,118)	(15,690,621)

14. Cash generated from operations

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year	26,512,246	54,608,877
Adjusted For:		
Depreciation	1,310,595	1,067,712
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	(19,382,620)	(26,795,400)
Increase In Payables	(7,635,118)	(15,690,621)
Net Cash Flow From Operating Activities	805,103	13,190,568

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

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Notes of the Financial Statements (Continued)

15. Financial risk management

The Corporation's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Corporation'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 Corporation's financial risk management objectives and policies are detailed below.

a) Credit Risk

The Corporation 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:

At 30 June 2023				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	47,587,020	47,587,020	-	-
Bank Balances	25,722,191	-	-	-
Total	73,309,211	47,587,020	-	-
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	28,204,400	28,204,400	-	-
Bank Balances	5,133,902	-	-	-
Total	33,338,302	28,204,400	-	-

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Notes To The Financial Statements (Continued)

The tenants 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 entity has significant concentration of credit risk on amounts of Kshs 41,660,000 due from County Government of Meru in respect of Lease Agreements for the New County Headquarters and the Space occupied by various County Directorates at the County Maisonettes building. The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated. This is done by ensuring the various lease agreements are enforced as appropriate.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Corporation's Managing Director, 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.

Liability	At 30 June 2023	At 30 June 2022	At 30 June 2023	At 30 June 2022
At 30 June 2023				
Trade Payables	-	-	13,547,641	13,547,641
Current Portion Of Borrowings	-	-	1,400,000	1,400,000
Mugambo Jwetu	-	-	1,030,000	1,030,000
Prepaid Rent	-	-	280,000	280,000
Total	-	-	14,857,641	14,857,641
At 30 June 2022				
Trade Payables	-	-	13,547,641	13,547,641
Current Portion Of Borrowings	-	-	1,400,000	1,400,000
Mugambo Jwetu	-	-	1,030,000	1,030,000
Prepaid Rent	-	-	280,000	280,000
Office Block Consultants	-	-	7,635,118	7,635,118
Total	-	-	22,492,759	22,492,759

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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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Corporation'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.

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:

Revaluation reserve	2,820,000	2,820,000
Revolving fund	-	-
Accumulated surplus	157,176,271	130,664,025
Total funds	159,996,271	133,484,025
Total borrowings	1,400,000	1,400,000
Less: cash and bank balances	(25,722,191)	(5,133,902)
Net debt/(excess cash and cash equivalents)	135,674,080	129,750,123
Gearing	1.032%	1.079%

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Notes To The Financial Statements (Continued)

16. Events after the reporting period

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

17. Ultimate and Holding Entity

The entity is established by MCIDC Act 2014 under department of Finance. Its ultimate parent is the County Government of Meru.

18. Currency

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

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

1.	Basis for Qualified Opinion The accuracy and completeness of the property, plant, and equipment balance of Ksh.395,973,166 could not be confirmed.	The Kshs 1,645,394 represents the value of computers and related equipment whose useful life had lapsed as at 30 th June 2022. Thus the figure is reflected under the transfer/ adjustments in the PPE as (Kshs 1,645,394) so as to exclude the effect of the value from the net book value. As per IAS 16	Management	Not Resolved	September 2023. Awaiting resolution by the CPAIC whose appearance was scheduled for 13 th September 2023 but was postponed to a later date.
2.	Unsupported Daily Subsistence Allowance.	The management has noted your recommendation and shall introduce an imprest register as part of internal controls. The management will also focus on value for money in all domestic travel expenditures.	Management	Partially Resolved	Awaiting resolution by the CPAIC whose appearance was scheduled for 13 th September 2023 but was postponed to a later date.
3	Other Income	The corporation is working on revised lease agreements for the above three SME commercial tenants.	Management	Partially Resolved	Awaiting resolution by the CPAIC whose appearance was scheduled for 13 th September 2023 but was postponed to a later date.

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4.	Accounts Payable- Abandoned Radio Station	The equipment, therefore, has been deployed to deliver the principle objective. The Corporation has budgeted funds for the settlement of this outstanding bill in 2023/24FY.	Management	Not Resolved	June 2024
5. Inaccuracies in the Financial Statements	5.1 Statement of Changes in Net Assets	The capital contribution indicated under note 11 reflects the accumulated development allocations disbursed to the corporation by the County Treasury. Therefore, the amount cannot be presented in the statement of changes in net assets since it is only applied in the implementation of specific projects that are not expected to generate cash flows to the Corporation.	Management	Not Resolved	Awaiting resolution by the CPAIC whose appearance was scheduled for 13 th September 2023 but was post-phoned to a later date.
5.2	Statement of Comparison of Budget and Actual Amounts	The variance of Kshs. 28,204,400 represents the total receivables. The statement of Financial Performance takes into account both received and receivable revenues totalling to Kshs 110,152,349 as it is based on accrual principle. The statement of comparison of budget and actual amounts only takes into account the actual revenues totalling to Kshs 81,947,949. Thus resulting into the variance of Kshs 28,204,400.	Management	Resolved	

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Other Matters	Budgetary Control and Performance	The management has noted the observation and will implement in the financial year 2023/24 a robust debt collection system for timely collection.	Management	Not Resolved	June 2024
1.					
2.	Unresolved Prior Year Audit Matters	The management responded adequately to both the draft and final report for the year ended 30 th June 2022.	Management	Not Resolved	Awaiting resolution by the CPAIC whose appearance was scheduled for 13 th September 2023 but was postponed to a later date.
3.	Long Overdue Refund on Borrowing	The corporation has budgeted funds to settle the amount in the current financial year 2023-24.	Management	Not Resolved	June 2024
Basis For conclusion 1	Irregular Direct procurement of Goods	<p>Management has noted the query and has provided the explanation to justify the procurement method used as follows:</p> <p>3660: University on Nairobi Procurement</p> <p>(i).The procurement was done in line with Section (4) (2) (c) of the PPADA 2015 states: For avoidance of doubt, the following are not procurements or asset disposals with respect to which this Act applies:</p>	Management	Not Resolved	Awaiting resolution by the CPAIC whose appearance was scheduled for 13 th September 2023 but was postponed to a later date.

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		<p>(c) Acquiring of services provided by government or government department. Nairobi University is a Government Agency.</p> <p>(ii). Further due to the institution's vicinity to the Central Business District of the capital city, direct procurement was used to obtain the services from it in accordance with Section 103(2). (e) Of the PPADA 2015. The venue was thus most convenient to the participants.</p> <p><u>3376: Nation Media Group</u></p> <p>(i). In accordance with Section 103(2) (a) of the PPADA 2015, direct procurement was used to obtain the services from Nation Media because it has a greater national distribution than any of its rivals.</p> <p><u>3576: Standard Media Group</u></p> <p>(i). In accordance with Section 103(2)(a) of the PPADA 2015 and Regulation 90(1)(e) of the PPADR 2020, which states that a procuring entity shall not use</p>			
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		direct procurement in a discriminatory manner, direct procurement was used to acquire the services from Standard Media Group, ensuring fairness in the acquisition of the media services.			
2	Failure to Remit Rental Income Tax	The Corporation is in contact with KRA Meru office and had set aside funds in the budget to clear the outstanding and current rental income tax returns in the financial year 2022/23. However, KRA pended the obligation for the Corporation in the said period. The Management is expediting the matter with the KRA Meru office to have the same resolved soonest possible.	Management	Not Resolved	June 2024
3	Failure to Prepare Reports on Investments	Management has noted the query and commits to adhere fully to the requirements of the enabling Act.	Management	Resolved	September 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	Non-Compliance with the law on Ethnic Composition	<p>The management has noted your observation and will comply with the National Cohesion and Integrity Commission Act in future recruitments.</p> <p>The corporation did not undertake any staff recruitment in the financial year 2021/2022.</p>	Management	Resolved	June 2023
5.	Delayed Delivery of Project (AIA Consultant)	<p>The pending bill due to the Consultants for the Construction of the Meru Rising Tower has not been settled due to budgetary constraints. To date, the recognized outstanding bill due is Ksh. 13,547,641 and in the Current Financial Year, the Corporation has budgeted funds towards the settlement of the same. Further, the Corporation is in possession of Architectural designs, drawings, and other related documents, drawn by the consultant, as contracted, for the proposed Meru Rising Tower to confirm the value for money expended on the project to date.</p> <p>There is an ongoing litigation process on the matter and management is committed to ensure that once the process is concluded, budgetary allocation shall be provided to cater for the pending bill.</p>	Management	Not Resolved	June 2024

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Annex II: Inter-Fund Confirmation Letter



P.O Box 3194-60200, Meru.

The Meru County Investment & Development Corporation wishes to confirm the amounts disbursed as at 30th June 2023 as indicated in the table below.

Confirmation of amounts received by Meru County Investment & Development Corporation as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by County Treasury (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)		
MERUCOUNTY/REC/0000065110	07/11/2022	10,000.00	-	-	10,000.000	10,000.000	-
MERUCOUNTY/REC/0000066810	17/02/2023	15,000.00	-	-	15,000.000	15,000.000	-
MERUCOUNTY/REC/0000068676	04/05/2023	5,000.00	-	-	5,000.000	5,000.000	-
MERUCOUNTY/ROC/002300959	10/05/2023	-	20,000.000	-	20,000.000	20,000.000	-
Total		30,000.00	20,000.000		50,000.000	20,000.000	-

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

Head of Accountants department of beneficiary Fund:

Name JEDIEL MURURIA Sign [Signature] Date 28/09/2023

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Annex III: Reporting of Climate Relevant Expenditures

				Q 1	Q 2	Q3	Q4		
Meru Energy Park	Meru County Energy Park (MCEP) is 230MW of hybrid energy i.e. Wind, Solar and potential Battery Storage located in Athwana Ward - Tigania West.	To tap into the renewable energy resource.	The development phase of the project is at the final stages, with Land securement and Power Purchase Agreement as the key remaining item.	-	-	180,000	-	MCIDC	Hewani Energy (pty) Ltd (formally Windlab East Africa Ltd) and MCIDC through the project Company , Hybrid Re 1 SPV Limited.

