

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

MERU COUNTY REVENUE BOARD

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

| PAPERS LAID | |
|--------------------|---------|
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**MERU COUNTY
REVENUE BOARD**



MERU COUNTY REVENUE BOARD

**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)**

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Meru County Revenue Board
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms

a) Acronyms

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

2. Key Entity Information and Management

a) Background information

Meru County Revenue Board is established by and derives its authority and accountability from Meru County Revenue Board Act, 2014. The Fund is wholly owned by the County Government of Meru and is domiciled in Kenya.

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

b) Principal Activities

Mission

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

Vision

To be a world-class revenue collection agency

Slogan

Lipa Ushuru Jenga Meru

Functions of the Board

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

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c) Board of Directors

| Ref | Name | Position |
|-----|-----------------------|-------------------------|
| 1 | Douglas Kailanya | Board Chairman |
| 2 | Godfrey Kinyua Mburia | Board Member |
| 3 | Ivy Kaburu | Board Member |
| 4 | CPA Charles Mwenda | Board Member |
| 5 | CPA Francis Mungai | Chief Executive Officer |

d) Key Management Team

| Ref | Name | Position |
|-----|--------------------|------------------------------------|
| 1 | CPA Francis Mungai | Chief Executive Officer |
| 2 | Fridah Kagwiria | Ag. Director Revenue |
| 3 | Peterson Gitonga | Ag. Director Efficiency Monitoring |
| 4 | Leah Kinya | Ag. Director of Human Resource |
| 5 | Eric Mutuma | Ag. Director of ICT |
| 7 | Dennis Thiora | Ag. Director of Enforcement |
| 8 | CPA William Mwenda | Accountant |

e) Fiduciary Oversight Arrangements

| SN | Position | Name |
|----|---------------------|-----------------|
| 1 | Internal Audit Unit | Charles Kibaara |

f) Registered Offices

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

g) Board Contacts

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

h) Board Bankers

- i. Kenya Commercial Bank Meru, Kenya
- ii. Equity Bank, Meru-Makutano Branch

Meru County Revenue Board

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i) Independent Auditors

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

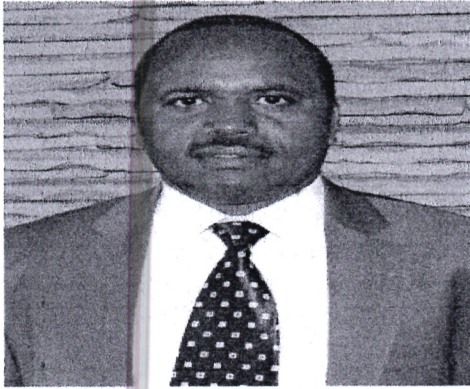
j) Principal Legal Adviser



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

k) County Attorney

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



3. Board of Directors

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

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





Meru County Revenue Board

Annual Report and Financial Statements for the year ended June 30, 2023

| | |
|--|---|
| | <p>February 2001 - Nov 2004: - Moi Girls' School Nairobi Kenya Certificate of Secondary Education Mean Grade A- DOB: 04/12/1986</p> |
|  <p>CPA Charles Mwenda</p> | <p>BOARD MEMBER <i>Board Committees: Compliance (Member), Audit (Member) and Finance administration & Human Resource (Member)</i> Qualifications. Finance administration & Human Resource (Member) MBA – Finance BBA – Accounts CPA(K) Member – ICPAK Chief Officer Finance, Economic planning and ICT County Government of Meru. Mr. Mwenda has a vast experience in Finance and accounting in Public Sector having worked at the County Treasury for 11 years. DOB: 10/05/1982</p> |
|  <p>CPA Francis Mungai</p> | <p>EXECUTIVE MEMBER <i>Board Committees: Compliance (Member), Audit (Member) and Finance administration & Human Resource (Member)</i> Education Background and Work Experience. Master's in Business Administration-Finance (On-going) Bachelor in Business Administration -Finance and Accounting CPA-K CPS Part 1 CPA Mungai has a vast experience in Finance and accounting in Public Sector having worked at the County Treasury as Assistant director in charge of reporting. He also worked as Ag. Director Revenue in MCRB. DOB: 20th August 1977</p> |

Meru County Revenue Board
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4. Management Team

| Name | Details of qualifications and experience |
|--|--|
| <p>CPA Francis Mungai</p>  | <p>Chief Executive Officer</p> <p>Education Background and Work Experience Master's in Business Administration-Finance (On-going) Bachelor in Business Administration -Finance and Accounting CPA-K CPS Part 1 CPA Mungai has a vast experience in Finance and accounting in Public Sector having worked at the County Treasury as Assistant director in charge of reporting. He also worked as Ag.Director Revenue in MCRB.</p> <p><i>DOB: 20th August 1977</i></p> |
| <p>Fridah Kagwiria</p>  | <p>Ag. Director Revenue</p> <p>Masters in Project Planning and Management Bachelor in Project Planning and Management Diploma in Public Relations</p> <p><i>DOB: 22/12/1978</i></p> |
| <p>Peterson Gitonga</p>  | <p>Ag. Director Efficiency Monitoring and Evaluation</p> <p>Bachelor in Business Administration Diploma Business Administration</p> <p><i>DOB:17th December 1975</i></p> |
| <p>Leah Kinya</p>  | <p>Ag. Director of Human Resource</p> <p>Master of Degree of Business Senior Management Course Bachelor degree Education (science) Certificate in community Resource Mobilization & Management Certificate in Financial Management for NGO/CBOs</p> <p><i>DOB: 23rd August 1988</i></p> |

Meru County Revenue Board

Annual Report and Financial Statements for the year ended June 30, 2023

| | |
|--|--|
| <p>Eric Mutuma</p>  | <p>Ag. Director ICT Bachelor of Business Information & Technology(ongoing) Diploma in IT CCNA ICT Officer Meru County 2014-2020 DOB: 15/03/1993</p> |
| <p>Dennis Thiora</p>  | <p>Ag. Director of Enforcement Senior Enforcement Officer Meru County Diploma in ICT DOB: 25/09/1989</p> |
| <p>CPA William Mwenda</p>  | <p>Accountant Head of Financial Reporting Unit Masters in Business Administration (Finance) Bachelor of Business Administration (Accounting) CPA (K) DOB: 19/03/1987</p> |

5. Board Chairperson's Report

On behalf of the Board of Directors, Meru County Revenue Board (MCRB), I take this opportunity to present to you the 12 months ended 30 June 2023 reports and financial statements pursuant to section 22 (1) of the Meru County Revenue Board Act, 2014 which states that, within a period of three months after the end of each financial year, the Board shall submit to the Auditor-General, the accounts of the Board together with:

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

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



CPA Douglas Kailanya
Chairperson of the Board

6. Report of The Chief Executive Officer

The Meru County Revenue Board Act 2014 requires the board to prepare financial statements at the end of each financial year. I am pleased to present the financial statements of the board for the period ended 30th June 2023.

Meru County Revenue Board was formed in 2014 and its core mandate includes assessment and collection of revenue, administration and enforcement of laws relating to revenue within the county and provision of connected purposes. The board officially began its operations in October 2016 and the Financial Year 2022-2023 is its seventh year of operation.

The budget for the year under review amounted to ksh 338,539,303, which I am pleased to report, was financed in full by the County Treasury. However, the budget for operations was not adequate for the Board.

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

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



CPA Francis Mungai
CEO MCRB

ICPAK NO.13737

7. Statement of Performance Against the Board's Predetermined Objectives

Introduction

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

The key development objectives of the Meru County Revenue Board in the Meru County Government 2023-2027 plan are to:

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

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

| Program | Objective | Outcome | Indicator | Performance |
|--------------------------|--|---------------------------------------|-------------------------------------|------------------------------|
| Revenue Management | To realize optimum automation of revenue collection and monitoring | Decreased revenue collection leakages | Number of revenue streams automated | 11 revenue streams automated |
| Improve service delivery | To procure pos machines for revenue collectors. | Increase revenue collected | Number of pos machines procured | 200 pos machines procured |
| Revenue Enforcement | To procure spikes | Improved revenue collection | Number of spikes procured | 20 spikes procured |

8. Corporate Governance Statement

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

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

Governance Principles and Guidelines

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

Responsibilities of the Board

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

Capacity Building for the Board

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

Conflict of Interest

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

Board Charter

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

Appointment and Removal of Board Members

All the members of the board were appointed by the Governor and vetted by the County Assembly of Meru in 2018 for a three years term and re appointed for a similar term. Removal of a Board Member may occur when one; Becomes bankrupt, is convicted of an offence involving dishonesty or fraud, becomes of unsound mind, or resigns from office by notice in writing to the Board. No board member left or removed during the year.

Composition of the Board

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

Accountability and audit

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

Internal Controls

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

Directors' Remuneration

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

Board Meetings

During this financial year 4(four) board subcommittee meetings and 1(one) full board meeting were held.

9. Management Discussion and Analysis

KEY MILESTONES DURING THE FINANCIAL YEAR:

- a) The Board automated majority of revenue streams through Jambo Pay system
- b) Meru County revenue Board procured 200 P.O.S machines to facilitate revenue collection in the entire county
- c) The Board received its full budgetary allocation through phased disbursements.
- d) Waiver was granted by Her Excellency the Governor to the Land/plot owners to enable them clear the outstanding arrears.
- e) Meru County Revenue Board organized a successful performance management training for the senior management team who were involved in setting revenue targets for the last half financial year 2022/2023.
- f) Chief Executive Officer led various top management members in holding stakeholders meeting to urge them pay county levies; such stakeholders are market committee members in Kunati, Kangeta, Mikinduri, Matatu owners association and MCA's. All these stakeholders agreed and we are now collecting revenues in the mentioned areas.
- g) A finance bill 2023 has been drafted which will help harmonize revenue collection across the county.

Other Key milestone achievements that have been achieved by Her Excellency the Governor which have increased revenue collection.

- Installation of Drainage covers within Meru Municipality which have increased parking slots hence more parking revenue.
- Maintaining law and order in Municipality by engaging Meru County Traffic Marshall which has increased compliance in parking fees.
- Opening and allocating stages in Makutano and Gitimbine hence increased compliance in monthly parking.
- Repairing and maintaining of Markets hence more collection of market fees. Such Markets include; Mikinduri, Kangeta, Mulika, Gakoromone, Mujwa and Kianjai.
- Opening and operationalization of Makutano open air market.

CHALLENGES

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

10. Environmental and Sustainability Reporting

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

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

We also aim to ensure the existence of a conducive business environment in collaboration with other county government departments/agencies such as Finance, Trade and industrialization, Cooperatives, County Liquor Licensing Board, County Assembly etc.

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

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

11. Report of the Board of Directors

The Board of Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Board affairs

Principal activities

The principal activities of the Board are:

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

Results

The results of the Board for the year ended June 30, 2023 are set out on page 1 to 5.

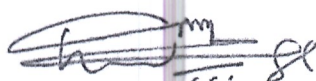
Board of Directors

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

Auditors

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

By Order of the Board



Chairperson of the Board

Date: 7th November 2023

12. Statement of Management’s Responsibilities

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

The Chief Executive Officer of the Board is responsible for the preparation and presentation of the Board’s financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended 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 Board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer of the Board accepts responsibility for the Board’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*Meru County Revenue Board Act*). The Chief Executive Officer of the Board is of the opinion that the Board’s financial statements give a true and fair view of the state of Board’s transactions during the financial year ended June 30, 2023, and of the Board’s financial position as at that date. The Chief Executive Officer further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board’s financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

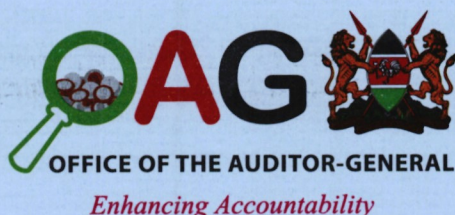
The Board’s financial statements were approved by the Board on 29th September 2023 and signed on its behalf by:



.....

CEO - MCRB

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY REVENUE BOARD FOR THE YEAR ENDED 30 JUNE, 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 Meru County Revenue Board set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net

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

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

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

Review of the annual report and financial statements for the year ended 30 June, 2023 provided for audit revealed the following anomalies:

- i. The statement of financial position reflects Kshs.15,068,414 in respect to payables paid by Meru County Government. It was not clear why the Management disclosed the payables paid instead of reflecting only the outstanding amount in the statement of financial position. Further, the statement reflects Kshs.7,243,739 in respect to trade and other payables which were neither supported by payment vouchers nor ledgers. In addition, records provided for audit revealed that during the year, the Board transferred Kshs.2,000,000 to Meru County Executive imprest bank account. Although the Management explained that the money was a loan to help the County Executive resolve short-term liquidity issues, no evidence was provided to show whether the funds were refunded or included in the other payables balance of Kshs.22,312,153 as at 30 June, 2023.
- ii. Management did not provide details on progress on follow up of prior year auditors' recommendations as required.

In the circumstances, the accuracy, completeness and validity of the payables totaling to Kshs.22,312,153 could not be confirmed.

2.0 Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities of Kshs.7,243,739 which exceeded the current assets of Kshs.1,952,957, resulting to a negative working capital of Kshs.5,290,782 as at 30 June, 2023. The negative liquidity position was an indication of the existence of a material uncertainty on the Board's ability to continue to sustain itself. Further, a comparison of own source revenue reported by the County Revenue Fund revealed that the Board had collected a total of Kshs.393,647,505 against an expenditure amount of Kshs.337,807,101 (or 86%) in the year under review. A similar trend was reported in the FY 2021/2022 where the Board collected a total of Kshs.398,186,648

against an expenditure amount of Kshs.367,707,769 (or 92%). The core objective of the Board is to collect, enhance and monitor local revenue of Meru County.

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

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

3.0 Unsupported Transfers from the County Government

The statement of financial performance and as disclosed in Note 2 to the financial statements reflects Kshs.338,750,425 in respect to transfers from the county government. However, review of Meru County Revenue Board bank statements revealed that during the year, the Board received a total of Kshs.374,477,548 from Meru County Executive resulting to unreconciled variance of Kshs.36,000,000.

Further, the amount was at variance with the Kshs.338,524,302.35 reflected in the financial statements for the county Executive of Meru resulting to unreconciled variance of Kshs.226,122.65. The financial statement amounts of Kshs.338,750,425 was not supported by any record or analysis.

In the circumstances, the accuracy, completeness and value for money on transfers from the County Government amount of Kshs.338,750,425 could not be confirmed.

4.0 Inaccurate Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 6 to the financial statements reflects Kshs.1,952,957 in respect to cash and cash equivalents which includes Kshs.1,942,226 in respect to an account with a local commercial Bank. However, the respective cash book reflected a balance of Kshs.25,419 resulting in unreconciled variance of Kshs.1,916,807. Further, bank reconciliation statement for the month of June, 2023 reflected bank statement balance of Kshs.2,395,616.91 which was at variance with the actual bank statements balance of Kshs.5,860,173 resulting into unreconciled variance of Kshs.3,464,556.

Further, review of the bank reconciliation statement for the month of June, 2023 revealed a balance Kshs.2,370,197 described as unrepresented cheques. However, Management did not support the amount with details of the cheque numbers, dates drawn, dates the cheques cleared in the bank and payees.

In addition, the Board operated a third bank account in a local commercial bank whose monthly bank reconciliation statements were not provided for audit review.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.1,952,957 could not be confirmed.

5.0 Unsupported Property, Plant and Equipment

The statement of financial position and as disclosed in Note 7 to the financial statements reflects Kshs.9,319,652 in respect to property, plant, and equipment which includes motor vehicles with a net book value of Kshs.1,067,500 as at 30 June, 2023. Management provided a list of motor vehicles owned and operated by Meru County Revenue Board including vehicles donated by Meru County Executive. However, the donated vehicles were not supported with ownership documents, handing over reports and valuation reports.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.9,319,652 could not be confirmed.

6.0 Irregular Payment of Salary to General Manager

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects Kshs.251,448,960 in respect to employee costs which includes Kshs.4,368,000 paid to an officer at a monthly gross pay of Kshs.364,000. However, the said officer was not in office and did not provide any services to Meru County Revenue Board during the year under review.

In the circumstances, the value for money on the expenditure amount of Kshs.4,368,000 in respect to compensation of employees could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Use of Manual Payroll

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects Kshs.251,448,960 in respect to employee costs which includes an amount of Kshs.7,536,180 in respect to compensation of employees paid through manual payroll. The manual payroll system was in operation alongside the existing integrated personnel and payroll database and system (IPPD). The use of manual payroll system requires manual calculation of deductions and net pay and constant monthly and/or annual updates of the data manually which is prone to error or manipulations.

In the circumstances, the accuracy and integrity of payroll data could not be confirmed.

2. Unresolved Prior Year Audit Matters

The reporting framework issued by PSAB in June, 2023 requires the Board's financial statements to reflect a statement of progress on follow-up of auditor's recommendations. However, although this statement is reflected on page 23 of the Board's financial statements, Management has not disclosed the previous audit issues therein as they appear in the Auditor-General's report. Further, the prior year audit issues remain unresolved as at 30 June, 2023.

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 One-Third of Basic Salary Rule

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects Kshs.251,448,960 in respect to employee costs. Review of the Meru County Revenue Board payroll revealed that the Board had twenty-four (24) employees whose net pay was below a third (1/3) of their basic pay. This was contrary to Section C.1 (3) of the Human Resource Policies and Procedures Manual 2016 which states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

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

2. Unbalanced Staff Ethnic Composition

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects Kshs.251,448,960 in respect to employee costs. Review of the payroll documents provided for audit established that out of the four hundred and ninety-five (495) employees in the integrated payroll system (IPPD) during the year, four hundred and eighty-three (483) representing 98% of the total employees were from the dominant ethnic community. This was contrary to the provision of Section 7(2) of the National Cohesion and Integration Commission Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

3. Irregular Payment of Special House Allowances

Review of the payroll data provided for audit revealed that Meru County Revenue Board paid four (4) members of staff rental house allowances amounting to Kshs.856,800 and special house allowances amounting to Kshs.439,200 both totaling to Kshs.1,296,000. However, a comparison of the allowances against the approved Salary Remuneration Commission (SRC) allowances established that the four members of staff were paid allowances higher than the stipulated rates. According to the SRC circular, the four members of staff were entitled a total house allowance of Kshs.930,000 for the year. In view of the above, the Management cumulatively overpaid the staff by Kshs.366,000 contrary to Salaries and Remuneration Commission Circular Ref. SRC/TS/MDP/3/1/2(2) Vol. IV (49) dated 11 August, 2015 which stipulated the new rates of House Allowances for all job groups and regions.

In the circumstances, Management was in breach of the law

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis of Conclusion

Lack of Approved Information Communication Technology (ICT) Policy

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

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash 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 Board'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 Board or to cease its 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 following the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 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 Board'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 Board 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 Board 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

08 January, 2024

Meru County Revenue Board

Annual Report and Financial Statements for the year ended June 30, 2023

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

| | Note | FY2022/2023 | FY2021/2022 |
|---|------|--------------------|---------------------|
| | | KShs | KShs |
| Revenue from non-exchange transactions | | | |
| Public contributions and donations | 1 | - | 26,962 |
| Transfers from the County Government | 2 | 338,750,425 | 353,230,393 |
| Total revenue | | 338,750,425 | 353,257,355 |
| Expenses | | | |
| Employee Costs | 3 | 251,448,960 | 269,730,393 |
| Use of goods and services | 4 | 77,255,120 | 91,211,469 |
| Depreciation and Amortization Expense | 5 | 9,103,021 | 6,765,907 |
| Total expenses | | 337,807,101 | 367,707,769 |
| Other gains/losses | | | |
| Gain/loss on disposal of assets | | - | - |
| Surplus/(deficit) for the period | | 943,324.40 | (14,450,413) |

(The notes set out on pages 16 to 22 form an integral part of these Financial Statements)



.....
Name: CPA Francis Mungai
CEO – MCRB
ICPAK NO.13737



.....
Name: CPA William Mwenda
Board Accountant
ICPAK NO. 19584

Meru County Revenue Board
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position as at 30 June 2023

| | Note | FY2022/2023 | FY2021/2022 |
|---|------|-------------------|-------------------|
| | | KShs | KShs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 1,952,957 | 4,383 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 9,319,652 | 10,632,293 |
| Total assets | | 11,272,609 | 10,636,675 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and Other Payables | 8 | 7,243,739 | 7,551,130 |
| Total liabilities | | 7,243,739 | 7,551,130 |
| Payables Paid by Meru County Government | 11 | 15,068,414 | 15,068,414 |
| Reserves | | 5,570,000 | 5,570,000 |
| Accumulated surplus (As per statement of changes of Net Asset). | | (16,609,544) | (26,711,731) |
| Payables (Paid) already captured in ledger | | | 9,158,862 |
| Total Reserves and liabilities | | 11,272,609 | 10,636,675 |

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 22nd March 2023 and signed by:



.....
Name: CPA Francis Mungai
CEO – MCRB
ICPAK NO. 13737



.....
Name: CPA William Mwenda
Board Accountant
ICPAK NO:19584

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

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

Meru County Revenue Board

Annual Report and Financial Statements for the year ended June 30, 2023

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

| | Note | FY2022/2023 | FY2021/2022 |
|--|----------|--------------------|--------------------|
| | | KShs | KShs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Public Contributions and Donations | 1 | 0 | 26,962.00 |
| Transfers from the County Government | 2 | 338,750,425 | 353,230,393 |
| Total Receipts | | 338,750,425 | 353,257,355 |
| | | | |
| Payments | | | |
| Employee Costs | 9 | 249,051,163 | 269,730,393 |
| Use of Goods and Services | 10 | 74,628,108 | 83,660,339 |
| Total Payments | | 323,679,271 | 353,390,732 |
| Adjusted for: | | | |
| Payables paid during the year | 8 | (5,332,200) | |
| Net cash flows from operating activities | | 9,738,955 | (133,377) |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | 7 | - 7,790,380 | 0 |
| Net cash flows used in investing activities | | - 7,790,380 | 0 |
| Cash flows from financing activities | | | |
| Proceeds from revolving fund receipts | | - | - |
| Additional borrowings | | - | - |
| Repayment of borrowings | | - | 0 |
| Net cash flows used in financing activities | | - | 0 |
| Net increase/(decrease) in cash and cash equivalents | | 1,948,575 | (133,377) |
| Cash and cash equivalents at 1 JULY | | 4,383 | 137,760 |
| Cash and cash equivalents at 30 JUNE | 7 | 1,952,958 | 4,383 |

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

Meru County Revenue Board
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement Of Comparison Of Budget And Actual Amounts For The Period ended June 30,2023

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % utilisation |
|---------------------------|--------------------|--------------|--------------------|----------------------------|------------------------|----------------|
| | 2022/23 | 2022/23 | 2022/23 | 2022/23 | 2022/23 | 2022/23 |
| Revenue | KShs | KShs | KShs | KShs | KShs | |
| Budget | 338,539,303 | | 338,539,303 | 338,750,425 | (211,122) | 100.01% |
| Total income | 338,539,303 | | 338,539,303 | 338,750,425 | (211,122) | 100.01% |
| Expenses | | | | | | |
| Employee Costs | 258,539,303 | (5,000,000) | 253,539,303 | 251,448,960 | 2,090,343 | 99.2% |
| Use of goods and services | 72,390,000 | 4,809,620.00 | 77,199,620.00 | 77,255,120 | (55,500) | 100.9% |
| Capital Expenditure | 7,610,000.00 | 190,380.00 | 7,800,380.00 | 7,790,380 | 10,000 | 99.9% |
| Total budget | 338,539,303 | | 338,539,303 | 336,494,460 | 2,044,843 | 99.4% |

19. Notes to the Financial Statements

1. General Information

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

2. Statement of compliance and basis of preparation

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

3. Adoption of new and revised standards

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

| Standard | Effective date and impact |
|---|--|
| | <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; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows. |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. |

Meru County Revenue Board

Annual Report and Financial Statements for the year ended June 30, 2023

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

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

| Standard | Effective date and impact: |
|--|---|
| IPSAS 43 | <p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| IPSAS 44: Non-Current Assets Held for Sale and | <p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> |

Meru County Revenue Board

Annual Report and Financial Statements for the year ended June 30, 2023

| Standard | Effective date and impact: |
|-------------------------|--|
| Discontinued Operations | Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. |

(iii) Early adoption of standards

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

1. Significant Accounting Policies

a) Budget information

The original budget for FY 2022-23 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Board recorded additional appropriations on the FY 2022-23 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.

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

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

b) 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. The board depreciates PPE as follows;

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

Summary of Significant Accounting Policies (Continued)

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out.

Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

d) Inventories

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

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

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

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

e) Provisions

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

Summary of Significant Accounting Policies (Continued)

f) Contingent liabilities

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

Contingent assets

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

g) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

h) 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.

i) Employee benefits – Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

j) 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.

k) 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.

l) Comparative figures

comparative figures for the previous financial year remain unchanged.

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.

State all judgements, estimates and assumptions made e.g.

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

6. Notes To The Financial Statements

1. Public contributions and donations

| Description | FY2022/2023 | FY2021/2022 |
|------------------------------------|-------------|---------------|
| | Kshs | Kshs |
| Donation From Development Partners | - | 26,962 |
| Contributions From The Public | | - |
| Total | - | 26,962 |

2. Transfers from County Government

| Description | FY2022/2023 | FY2021/2022 |
|--|--------------------|--------------------|
| | KShs | KShs |
| Transfers from County Govt. – operations | 338,750,425 | 192,977,394 |
| Payments by County on behalf of the entity | | 160,253,000 |
| Total | 338,750,425 | 353,230,393 |

3. Employee Costs

| Description | FY2022/2023 | FY2021/2022 |
|------------------------------|--------------------|--------------------|
| | KShs | KShs |
| Salaries and Wages | 251,448,959.93 | 269,730,393.25 |
| Staff gratuity | | - |
| Staff training expenses | | - |
| Social security contribution | | - |
| Other staff costs | | - |
| Total | 251,448,960 | 269,730,393 |

4. Use of Goods and Services

| Description | FY2022/2023 | FY2021/2022 |
|---|-------------|-------------|
| | KShs | KShs |
| Catering Services (receptions), Accommodation, Gifts, Food and Drinks | 1,020,200 | 1,067,500 |
| Fuel Oil and Lubricants - Othe | 6,415,000 | 4,949,878 |
| Routine Maintenance - Vehicles | 4,291,919 | 4,402,977 |
| Publishing and Printing Services | 1,947,790 | 5,475,100 |
| Boards, Committees, Conferences and Seminars | 639,797 | 2,640,747 |
| Purchase of uniforms and clothing-staff | - | 1,841,100 |

Meru County Revenue Board

Annual Report and Financial Statements for the year ended June 30, 2023

| | | |
|--|-------------------|-------------------|
| Domestic Travel and Subs-others | 9,526,815 | 7,068,150 |
| Electricity bills | 317,445 | 180,406 |
| Water and sewerage charges | 30,000 | 6,000 |
| Telephone, Telex, Facsimile and Mobile Phone Services | 2,200,100 | 2,951,000 |
| Daily Subsistence Allowance | 4,848,460 | 4,799,000 |
| General Office Supplies (papers, pencils, forms, small office equipment) | 1,626,510 | 539,660 |
| Sanitary and Cleaning Materials, Supplies and Services | 28,000 | - |
| Purchase of IT Equipment | 10,000 | 1,920,000 |
| Maintenance of computers, softwares and Networks | 298,150 | 390,500 |
| Other Operating expenses - governance and compliance | 6,362,435 | 3,402,016 |
| Rents and Rates - Non-Residential | 9,653,868 | 9,977,988 |
| Membership Fees, Dues and Subscriptions to Professional and Trade Bodies | 29,400 | 7,000 |
| Revenue Enforcement Operations | 4,416,450 | 3,468,000 |
| Training Expenses - Other (Bud | 1,463,650 | 1,498,640 |
| Supplies and Accessories for Computers and Printers | 1,305,500 | 1,252,000 |
| Tax Payers Day | | 1,292,000 |
| Advertising, Awareness and Publicity Campaigns | 1,451,080 | 541,020 |
| Hire of Training Facilities and Equipment | 607,710 | 60,000 |
| Cess Point Clamps & Spikes | 685,560 | 3,334,704 |
| Maintenance of buildings and stations-non residential | 379,280 | |
| Payables from the previous FY- Others | | 1,951,982 |
| Revenue Collection Fees | 17,700,000 | 26,194,047 |
| Total | 77,255,120 | 91,211,470 |

5. Depreciation and Amortization Expense

| Description | FY2022/2023 | FY2021/2022 |
|------------------------------|---------------------|---------------------|
| | Kshs. | Kshs. |
| Property Plant and Equipment | 9,103,021.11 | 6,765,907.11 |
| Intangible Assets | - | - |
| Total | 9,103,021.11 | 6,765,907.11 |

6. Cash and cash equivalents

| Description | FY2022/2023 | FY2021/2022 |
|--|------------------|--------------|
| | KShs | KShs |
| On – call deposits | | - |
| Current account | 1,952,957 | 4,383 |
| Others | | - |
| Total cash and cash equivalents | 1,952,957 | 4,383 |

Meru County Revenue Board
Annual Report and Financial Statements for the year ended June 30, 2023

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

| Financial institution | Account number | FY2022/2023 KShs | FY2021/2022 KShs |
|------------------------------|-----------------------|-----------------------------|-----------------------------|
| c) Current account | | | |
| Kenya Commercial bank | 1199586579 | 10,014 | 439.20 |
| Kenya Commercial bank | 1280896523 | 1,942,226.70 | 3,227.23 |
| Equity Bank | 1040282203986 | 717 | 717 |
| Grand total | | 1,952,957 | 4,383 |

Meru County Revenue Board
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

7. Property, plant and equipment

| Cost | Land and Buildings | | Motor vehicles | Furniture and fittings | Computers and office equipment | | Total |
|--------------------------|--------------------|-------------------|-------------------|------------------------|--------------------------------|-------------------|-------|
| | KShs | KShs | | | KShs | KShs | |
| At 1st July 2021 | 1,287,605 | 9,215,001 | 25,994,294 | 1,810,600.00 | | 38,307,500 | |
| Additions | - | - | - | - | - | - | |
| Disposals | - | - | - | - | - | - | |
| Transfer/adjustments | - | 2,550,000 | - | - | - | 2,550,000 | |
| At 30th June 2022 | 1,287,605 | 11,765,001 | 25,994,294 | 1,810,600.00 | | 40,857,500 | |
| At 1st July 2022 | 1,287,605 | 11,765,001 | 25,994,294 | 1,810,600.00 | | 40,857,500 | |
| Additions | | | | | 7,790,380 | 7,790,380 | |
| Disposals | | | | | | - | |
| Transfer/adjustments | | | | | | - | |
| At 30th June 2023 | 1,287,605 | 11,765,001 | 25,994,294 | 9,600,980.00 | | 48,647,880 | |

Meru County Revenue Board
Annual Report and Financial Statements for the year ended June 30, 2023

| | | | | | | |
|------------------------------------|-----------|------------|------------|--------------|--|------------|
| Depreciation and impairment | | | | | | |
| At 1st July 2021 | 37,555 | 6,950,001 | 16,246,434 | 225,310.00 | | 23,459,300 |
| Depreciation | 32,190 | 2,941,250 | 3,249,287 | 543,180.00 | | 6,765,907 |
| Impairment | - | - | - | - | | - |
| At 30th June 2022 | 69,745 | 9,891,251 | 19,495,721 | 768,490.00 | | 30,225,207 |
| At 1st July 2022 | 69,745 | 9,891,251 | 19,495,721 | 768,490.00 | | 30,225,207 |
| Depreciation | 32,190 | 2,941,250 | 3,249,287 | 2,880,294 | | 9,103,021 |
| Impairment | | | | | | - |
| At 30th June 2023 | 101,935 | 12,832,501 | 22,745,008 | 3,648,784.00 | | 39,328,228 |
| Net book values | | | | | | |
| At 30th June 2022 | 1,217,859 | 1,873,750 | 6,498,573 | 1,042,110.00 | | 10,632,293 |
| At 30th June 2023 | 1,185,669 | 1,067,500 | 3,249,287 | 5,952,196.00 | | 9,319,652 |

Meru County Revenue Board
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

8. Trade and other payables from exchange transactions

8(a)

| Description | FY2022/2023 | FY 2021/2022 |
|--------------------------|------------------|------------------|
| | KShs | KShs |
| Trade and other payables | 7,243,739 | 7,551,130 |
| | | |
| | | |
| Total | 7,243,739 | 7,551,130 |

8(b) Workings for trade and other payables

| Description | | |
|---------------------------------------|------------------|-------------------|
| | KShs | KShs |
| Payables B/F | | 7,551,130 |
| Add: Account payable during the year | | |
| Accrued Trade Payables | 2,397,797 | |
| Accrued Trade Payables | 2,627,012 | 5,024,809 |
| Total trade and other payables | | 12,575,939 |
| Less: Payment during the year | | (5,332,200) |
| Payables C/F | 7,243,739 | 7,243,739 |

9. Notes to the Statement of Cashflow (Employee Costs)

| Description | FY2022/2023 | FY2021/2022 |
|---------------------------------------|--------------------|--------------------|
| | KShs | KShs |
| Staff Costs | 251,448,960 | 269,730,393 |
| Less: <i>Staff Payables</i> | 2,397,797 | - |
| Total trade and other payables | 249,051,163 | 269,730,393 |

10. Notes to the Statement of Cashflow (Use of Goods & Services)

| Description | FY2022/2023 | FY2021/2022 |
|---------------------------------------|-------------------|-------------------|
| | KShs | KShs |
| Use of goods and services | 77,255,120 | 82,052,607 |
| Less: <i>Other Payables</i> | 2,627,012 | 7,551,130 |
| Total trade and other payables | 74,628,108 | 74,501,477 |

Meru County Revenue Board
Annual Report and Financial Statements for the year ended June 30, 2023

11. Payables Paid by Meru County Government

| Description of the error | KShs |
|---|-------------------|
| PPE - Furniture & Fittings (2016/17) | 25,994,294 |
| Amount paid by MCRB | (10,925,880) |
| Amount paid by County Government | 15,068,414 |

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

20. Annexes

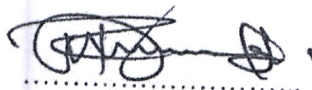
Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--------------------------------------|------------------------------------|-----------------------------------|--|
| 3.0 | Staff payment outside ippd system | Staff issued with personal numbers | resolved | |
| 2.0 | Lack of approved staff establishment | Staff establishment in place | resolved | |
| | | | | |
| | | | | |

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Board responsible for implementation of each issue.
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



CEO MCRB

Date :7/11/2023